MONEY ADVICE TRUST

BUSINESS DEBTLINE NATIONAL DEBTLINE WISER ADVISER

Consultation Response:

FCA Deferred Payment Credit: Proposed approach to regulation

Response by the Money Advice Trust

Date: September 2025

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Introduction

About the Money Advice Trust

The Money Advice Trust is a charity founded in 1991. Our mission is to help prevent financial difficulty and remove problem debt from people's lives.

In 2024, our National Debtline and Business Debtline advisers provided help to 156,100 people by phone and our digital advice tool, and 47,600 people by webchat, with 2.8 million visits to our advice websites. In addition to these frontline services, our Wiseradviser service provides training to free-to-client advice organisations across the UK and in 2024 we delivered this free training to 750 organisations.

We use the intelligence and insight gained from these activities to improve the UK's money and debt environment by contributing to policy developments and public debate around these issues.

Find out more at www.moneyadvicetrust.org.

Public disclosure

Please note that we consent to public disclosure of this response.

Introductory comment

We are generally in support of the FCA proposals for the regulation of deferred payment credit (DPC) agreements.

- We agree that it is appropriate for the FCA to apply its current creditworthiness rules and guidance to DPC lending, and we very much support the proposal to apply the creditworthiness rules to DPC agreements even where these are £50 or less.
- We agree that it is vital that consumers have access to the Financial Ombudsman Service so that any complaints can be looked at by an independent body and resolved fairly, in line with other forms of consumer credit lending.

However, we have serious concerns about the proposals under the information provisions both before and after the agreement has been taken out.

We would urge the FCA to reconsider its proposals in these areas, which would go some way to address our concerns about the FCA regulatory regime for DPC agreements.

- We do not agree that the proposed rules for provision of information before entering a DPC agreement are appropriate. We recognise that DPC is a relatively straightforward product but do not think that the proposed rules have sufficient guardrails in place to prevent potential harm to consumers and bad outcomes.
- We would like to see the FCA adopt more prescriptive rules on information requirements. We do not agree that the current proposals provide appropriate levels of friction as they stand.
- We remain concerned that there is nowhere that borrowers can view all their DPC borrowing, such as an agreements dashboard which could help provide an overview of what agreements someone has taken out and when payments are due.
- We would like to see greater prescription in the rules for providing information to borrowers who have missed a payment or are in arrears. We want to see formal rules for prescription of content, method and timing of communications.
- We would strongly recommend adapting the current FCA Information Sheets for consumer credit to be suitable for DPC borrowing to require firms to send out information on advice and help in prescribed formats at set times.

Responses to individual questions

Question 1: Do you agree that our proposed rules will not have a material impact on groups with protected characteristics?

We do not agree that the proposed rules will not have a material impact on groups with protected characteristics. We are unclear as to how the FCA has reached this conclusion.

We believe that the proposed rules do not go far enough to protect vulnerable groups which includes those with protected characteristics. The HM Treasury equalities impact assessments noted that DPC agreements are more likely to be taken out by groups with protected characteristics such as minority ethnic groups or people with disabilities. It is important to consider strengthening the proposed rules to ensure people who may be particularly vulnerable are protected.

The way in which the FCA is proposing to leave design and format of agreements and how people are treated during the agreement where there is risk of financial difficulties to firms does not provide sufficient protection and may lead to poor outcomes for protected groups.

We have set out our thoughts in relation to the questions on the cost benefit analysis below.

Information provided before an agreement

Question 2: Do you agree that our proposed rules for provision of information before entering a DPC agreement are appropriate?

We want to see the FCA create a regime that works for potentially vulnerable consumers using DPC products. We do not agree that the proposed rules for provision of information before entering a DPC agreement are appropriate. We recognise that DPC is a relatively straightforward product but do not think that the proposed rules have sufficient guardrails in place to prevent potential harm to consumers and bad outcomes.

We note the point made in the paper that recognises the need for the FCA rules to be enhanced in the absence of the Consumer Credit Act information requirements for DPC agreements.

"2.41 For example, the CCA requires firms to send information (with prescribed content and sometimes in a prescribed form) at certain points in the customer journey. Our existing rules and guidance in CONC relating to provision of information were designed to complement the CCA. Without the CCA's requirements, there will be no clear onus on firms to provide certain information to consumers at key points in the DPC customer journey where we have identified specific risks of harm."

We would like to see the FCA adopt more prescriptive rules on information requirements. We are particularly concerned by this point.

"2.42 We are not proposing to specify how firms should convey information. Instead, we will rely on the Duty's consumer understanding and support outcomes so that firms can communicate in a way that supports consumer understanding and helps them to make decisions that are effective, timely and properly informed. We want firms to maximise consumer engagement in a way best suited to the digital mediums through which the product is typically provided."

We do not want to see key product information potentially conveyed in a way that obscures core information and allows firms to take advantage of the lack of prescription. It is possible that firms may try different approaches that result in core information being diminished in importance in the communications.

The FCA acknowledges in the paper that there are already issues that have been identified with the way in which DPC lenders are using information which could cause substantial consumer harm.

"3.22 However, we have also identified potential issues with some current DPC customer journeys. This includes:

• Benefit framing, where firms emphasise the potential benefits of the product and downplay the risks.

• Anchoring, where firms use consumers' behavioural biases to emphasise information that the customer gets earlier on, and present information on risks later when a consumer may have already committed to using the product.

• Obscuring information, where firms may include important information about possible adverse consequences in optional parts of the customer journey or present it less prominently in the steps consumers must follow."

We would question how the FCA can recognise these problems with how firms use information in this way, and conclude that the most appropriate approach is for firms to be allowed to decide how to present information and when to do so, and in what format. We would suggest that the FCA can avoid foreseeable harm by strengthening the requirements on firms so that the identified potential for exploiting vulnerability, and consumer cognitive bias is minimised. We do not agree that the current proposals provide appropriate levels of friction as they stand.

We absolutely agree that consumers will not react well to being sent lengthy and complex information. However, there is no reason that prescribed information should be complex or obscure. We want to see clear, simple, plain English information in a common format that is required to be used by all lenders in the sector. We urge the FCA to establish what a best practice approach would be, and apply this to all pre-contractual information, rather than see what practices firms adopt and hope for the best.

We would like to see the FCA take a cautious approach given that there are no longer sanctions under the CCA for poor behaviour or noncompliance to help ensure lenders follow the rules. Relying on good practice could mean the FCA will have to be take action retroactively to any future poor behaviour which causes consumer detriment.

Whilst we accept there is a degree of prescription on what firms must send out, there is no prescription on ***when*** this must be done or what the form and content of the information should consist of. We believe that this will cause confusion for consumers as it will make it more difficult to compare terms and conditions across products. This could lead to poor decision making and lack of awareness of late fees, enforcement action, and credit file implications.

We would like to see the right to complain to the Financial Ombudsman Service built into the key product information rather than the additional product information. This would appear to us to be crucial information that should be displayed prominently.

Question 3: Do you think that reliance on the Duty could deliver our policy objectives for information provided before an agreement instead? If so, how?

We do not believe that reliance on the consumer duty will deliver these policy objectives. We very much believe that the FCA should go further with prescriptive information rules for the reasons set out above.

Information provided during an agreement

Question 4: Do you agree that our proposed guidance for provision of information to customers during a DPC agreement is appropriate?

We have previously raised concerns about the ease with which consumers can take out multiple agreements which can then be hard to keep track of, and to remember when repayments are due. This problem is acknowledged in the paper, and some good practices observed. However, there are no proposals for rules for firms to provide information during agreements.

We would prefer to see rules in place to require DPC firms to at the very least send repayment reminders as well as containing information in apps. We remain concerned that there is nowhere that borrowers can view all their DPC borrowing, such as an agreements dashboard which could help provide an overview of what agreements someone has taken out and when payments are due, so that the risk of overborrowing or missing payments can be reduced.

We would urge the FCA to review their guidance after an initial period of time to ensure that this is adequate, and consider more robust information rules if this is not working alone to prevent consumer detriment.

Question 5: Do you agree that our proposed new rules on providing information to DPC borrowers who have missed a repayment are appropriate?

We would urge the FCA to reconsider these proposals. We do not agree that these proposed rules are appropriate for consumers, nor that CONC 7 will be sufficient. Consumers are facing a greater risk of harm through DPC borrowing, and are more likely to be vulnerable, as identified in the paper itself. It therefore makes sense to require greater prescription in the rules rather than less to avoid consumer detriment. It is too risky to leave this market to develop its own approach.

The current approach runs the risk of there being less prescription in the new rules in relation to dealing with financial difficulty than in the initial borrowing. CONC 7 rules are designed to complement CCA information requirements which will be missing under the DPC rules by design. Therefore, the rules need to be strengthened, and some element made more prescriptive.

CONTENT

We have seen through many years of helping clients at National Debtline that people are often prompted to seek advice when contacted by creditors. The messaging needs to be clear and in simple English and provide details of free debt advice agencies for people to contact. We would strongly recommend adapting the Information Sheets for consumer credit[1] to be suitable for DPC borrowing. Looking at the existing evidence, and the arguments for different approaches, we feel strongly that the most appropriate approach is **not** for the FCA to allow firms to create their own communications, given there is already a standard that can be easily adopted.

The current proposals do not even contain a specific requirement to signpost to free debt advice. We do not think CONC 7.3 requirements to refer “where appropriate” has the same effect as requiring signposting and referral. FCA rules should support and incentivise firms to signpost to debt advice, and require them to do so.

[1] FCA consumer credit information sheets (updated 2021) https://www.fca.org.uk/firms/inf(ormation-sheets-consumer-credit

We are concerned that if firms develop their own communications this could be confusing for consumers, and for debt advisers – making it harder to establish what has happened with the agreement, and what recovery action is planned.   Without set notices, it is unclear at what point a default has occurred, or the agreement has terminated and at what point the cause of action has occurred for limitation purposes. Caselaw such as Doyle v PRA Group (UK) Ltd[2] provides that serving a default notice (under the CCA) is a necessary precondition for taking legal action, provides the cause of action and the date the limitation period starts.

From an advice perspective, it is crucial to be able to establish with a client what stage their creditor has reached in recovering any debt so that we can assess how to deal with the debt, and what advice to give regarding the potential for court action. We see no reason why the FCA cannot create an equivalent of a standard plain English arrears notice, default notice, and termination notice for DPC credit.

We note that the FCA mentions the ability to apply for a Time Order under the CCA.

"3.75 When communicating its intention to take steps to terminate or enforce a term of a DPC agreement, a firm should also consider the customer's right to apply for a time order under section 129 CCA in their communications with that customer."

We do not think a requirement "to consider" a time order in communications is sufficient. We do not see how it can be helpful for different firms to come up with different wording for explaining a legal right such as a time order under the CCA, nor will it be easy for firms to make a judgment as to when a time order might apply.

METHOD

We note that the FCA wants to see firms using their own judgment not only on what communications should contain, but how they are delivered. We completely support a requirement for firms to use a range of communication methods with their customers at their request, and to offer a variety of formats to maximise the likelihood of customers seeing and engaging with the communication. However, we also believe important communications should be sent in writing as a back up to any other methods of communication, to ensure digital inclusion is considered and potential exclusion mitigated where possible.

TIMING

We are also concerned about the timing of when communications are required to be sent. The paper states that there will be:

3.65 "no specific regulatory requirements that make it clear when firms should communicate with customers about these issues".

We believe that the rules should specify the required timeframes for particularly important communications. This is vital where a consumer is in arrears with their agreement, or likely to default. This should be taken as a potential sign that someone is in financial difficulties, so it is key that there is good and timely communication at this point.

[2] Doyle v PRA Group (UK) Ltd https://www.bailii.org/ew/cases/EWCA/Civ/2019/12.html

We do not think that using phrases such as "as soon as possible" or "reasonable notice" will be sufficient for timings on communications. We think that there should be a set number of days specified in the rules, to avoid this differing between lenders. We need to see a uniformity of approach amongst lenders on this so that both consumers and advisers have clarity about what to expect.

Question 6: Do you agree that our proposed new rules requiring firms to give notice before taking certain actions are appropriate?

We support the FCA's intention to create rules requiring firms to send information out at certain trigger points to ensure there is a standardised approach by firms.

We agree with the points made by the FCA in the paper under paragraph 3.66.

"We think rules are necessary to ensure a standardised approach across the DPC market, which is particularly important at a stage of the customer journey where consumers are more likely to face financial difficulty."

We would argue that this recognition that a standardised approach is important at the stage where a consumer may have missed payments, be subject to potential enforcement action, and may be in vulnerable circumstances, should also be applied to both the form and content of the notices and how these communications should be conveyed as argued above.

Question 7: Do you think that reliance on the Duty could deliver our policy objectives for our proposed new rules on firms' communications to DPC customers who have missed a repayment or where a firm intends to take certain actions instead?

We do not believe that a reliance on the consumer duty alone will deliver the FCA policy objectives. We believe there should be clear and specific rules for firms to follow for the reasons set out above.

Creditworthiness

Question 8: Do you agree that applying our current creditworthiness rules and guidance to DPC lending is appropriate?

We want to see firms make responsible lending decisions to avoid potential detriment to consumers in debt and in vulnerable circumstances, and to ensure that credit is affordable for them.

We agree that it is appropriate for the FCA to apply its current creditworthiness rules and guidance to DPC lending. It would not be fair to consumers for DPC lending to take a different and more minimalist light touch approach to assessing creditworthiness given the FCA firm survey showing that the sector has high arrears levels and that some firms are getting "significant revenue" from late fees.

This potential for consumer detriment to continue, suggests that the FCA should apply its existing creditworthiness rules to the sector, and make sure that there is a robust supervision and enforcement regime in place to make sure that firms adhere to the rules. This approach will allow the FCA to monitor arrears levels and how late fees are applied by firms and ensure that this consumer detriment reduces as a result.

We are pleased that individual assessments will need to be carried out on each lending occasion as DPC will be treated as individual fixed sum agreements rather than running account credit with a set credit limit. We feel that this is a proportionate approach and allows firms to look at existing lending, and make sure that consumers do not have multiple and potentially unaffordable DPC lending building up, which they may struggle to repay.

Question 9: Do you have any views on the extent to which our approach to creditworthiness might inadvertently restrict access to DPC for customers who could afford it?

We have not identified any reasons why a properly conducted creditworthiness check should restrict access to customers who can afford to pay. We understand that the intention is that a full creditworthiness check is not required on all occasions, as the firm's approach to how they carry out credit checks should be proportionate. This should help to avoid restricting people with thin credit files from access to DPC credit unnecessarily.

Question 10: Could we achieve appropriate outcomes if we relied substantively on the Duty instead (most notably the obligation to avoid causing foreseeable harm to consumers) rather than the creditworthiness rules in CONC 5.2A?

We do not believe that the Consumer Duty is an adequate substitute for the CONC creditworthiness rules. The Consumer Duty does not provide sufficient protections on its own and does not provide specific rules for firms to follow. We believe that a clear set of rules are vital for this sector, and see no reason for DPC firms to be treated differently from other lenders in this regard.

Again, there needs to be a robust supervision and enforcement regime in place to make sure firms adhere to the rules.

Question 11: Do you agree with our proposal to apply our creditworthiness rules to DPC agreements of any value, or do you have views as to alternative approaches to small sum lending (including relying on the Duty)?

We very much support the proposal to apply the creditworthiness rules to DPC agreements even where these are £50 or less. As FCA data shows that just over half of existing DPC agreements involve advances below this amount, then it would not make sense to impose a regulatory regime that only covers less than half of the transactions.

In addition, taking out multiple agreements under £50 will lead to potential consumer harm and add to the potential for individuals to spiral into debt as a result. As the paper notes, the research by the Money and Mental Health Policy Institute[3] sets out the risk for people with mental health problems from the current more seamless customer journey and lack of friction in transactions that can lead to impulse buying.

Therefore, any exemption for DPC credit under £50 would exacerbate these risks.

Application of the wider handbook

Question 12: Do you agree with our proposal for applying high-level standards and all other relevant Handbook provisions to DPC lenders?

We agree with the FCA proposal to apply high-level standards such as the Principles for Businesses (PRIN), the Threshold Conditions (COND) and the General Provisions (GEN), the Senior Managers and Certification Regime and all other relevant standards.

It is of course vital that firms will be subject to the Consumer Duty, supervision and enforcement standards.

[3] Money and Mental Health Policy Institute (2020) Convenience-at-a-cost-final-web-report.pdf

Regulatory reporting

Question 13: Do you agree with our overall approach to regulatory reporting? If not, why not?

We agree with the FCA's overall approach to regulatory reporting for the reasons set out in the paper. It is vital that The FCA has access to data on transaction level data and product sales data to ensure that the FCA can look at borrowing, access to credit, and so on. This will allow it to spot trends in consumer behaviour, and that potential consumer harm can be identified through the relevant data trends.

Question 14: Do you agree that DPC should be subject to PSD returns? If not, what alternatives are there to requiring firms to submit PSD returns to meet our intentions?

Yes, we agree that DPC should be subject to Product Sales Data (PSD) returns as set out in the paper.

Question 15: Do you agree that we should collect regular, predictable transaction level data? If not, why not? And how would you propose mitigating the risks of not collecting regular, predictable transaction-level data?

Yes, we agree that the FCA should collect regular predictable transaction level data. We cannot see any reason that DPC firms should be exempt from this requirement.

Question 16: Are there areas where firms may need longer implementation times? If so, how do you propose to mitigate any risks posed by a delay in firms providing us with data?

We do not have any comment to make on areas where firms may need longer implementation times. We would hope that the FCA would require adherence to the rules as soon as possible and has already set out a phased approach to this in the paper.

Dispute resolution

Question 17: Do you agree with our proposal to apply our rules in DISP Chapter 1 to DPC complaints?

We very much support the proposal to apply FCA rules in the Dispute Resolution: Complaints Sourcebook to DPC firms. It is vital that consumers have access to the Financial Ombudsman Service so that any complaints can be looked at by an independent body and resolved fairly, in line with other forms of consumer credit lending.

Question 18: Do you agree with:

- The FCA's proposals to extend the Financial Ombudsman's CJ to DPC activities?
- The Financial Ombudsman's proposals to exclude pre-regulation DPC activities from the VJ?; and
- The Financial Ombudsman's proposals to expand the scope of the VJ to cover DPC activities carried on after regulation day from an EEA or Gibraltar establishment?

If you disagree with the proposals, please provide details in your response.

We agree with the proposals that the Financial Ombudsman will not be able to consider complaints about DPC agreements until Regulation Day.

We are pleased that consumers will have the right to escalate complaints that occur from Regulation Day onwards under the temporary permissions scheme, rather than wait until the stage where the firm has gained full FCA authorisation.

Question 19: Do you agree with the FCA's proposals to suspend complaints reporting rules for complaints arising from DPC activities for firms in the TPR until they become fully authorised?

We can see the reasoning behind this proposal, but we are concerned that any delays in the process for firms to become fully authorised could mean that evidence of substantial numbers of complaints could fail to come to light in a timely fashion.

It is helpful to note that the FCA proposes to include any complaints not reported under the Temporary Permissions Regime (TPR) will need to be included in the first complaints report under the full authorisation regime.

Question 20: Do you agree with our proposal not to extend FSCS cover to DPC activities consistently with the approach to other consumer credit activities? If not, please provide details on why you think DPC should be treated differently.

We do not agree with this proposal. We believe that the Financial Services Compensation Scheme (FSCS) should apply to all consumer credit activities. We do not agree that there are “limited risks to consumers’ money” from consumer credit firms given the long history of mis selling of loans where firms have gone into administration rather than pay out compensation for affordability complaints.

Examples of high-cost credit firms where only a small percentage of the compensation due was paid out (if at all) include guarantor lenders such as Amigo,[4] payday lenders such as Wonga, QuickQuid and Sunny, and door stop lenders such as Provident and Morses and high-cost lenders such as SafeyNet Credit and rent to own firms such as Brighthouse.

It would clearly be difficult to apply the FSCS scheme just to DPC firm activities at this point, however, it should form part of a wider review of the FSCS scheme coverage in relation to consumer credit.

Authorisation

Question 21: Do you agree with our proposals for the TPR?

The FCA has run Temporary Permissions Regimes (TPR) in a variety of sectors, and we are unaware of any particular issues with these schemes. We welcome the intention that all agreements entered into from the date of the TPR will be regulated agreements, and eligible for consumer complaints to FOS from that date.

We would only urge the FCA to transfer firms into full authorisation as soon as possible to minimise any potential consumer harms occurring.

A more general point is that at the authorisation stage, the FCA should pay close attention to the trading names used by firms, to ensure that these are not authorised automatically. We have raised our concerns repeatedly in relation to firms with debt counselling permissions, using trading names and website URLs that impersonate free debt advice charities, or could be misleading for consumers e.g. “breathing space” or “bailiff help”. We do not think that the FCA has a sufficiently robust process for approving or monitoring such names either at authorisation or subsequently when firms add further names to their entry on the Financial Services Register.

This would be a good opportunity to review this process to ensure that any firm names, trading names, and URLs used by DPC firms are fair, and not misleading to consumers, and to set up a more robust screening process for all trading names in all FCA authorised firms.

[4] Debt Camel website articles about Amigo https://debtcamel.co.uk/tag/amigo/

Cost benefit analysis

Question 22: Do you agree with our assumptions and findings as set out in this CBA on the relative costs and benefits of the proposals contained in this consultation paper? Please give your reasons and provide any evidence you can.

The cost benefit analysis appears to be comprehensive and covers the costs and benefits of the proposals in depth.

However, we do not agree with the conclusions drawn from the findings in some aspects of the proposed scheme, particularly in relation to consumer understanding. We have set out our concerns in our response to the questions above.

Question 23: Do you have any views on the cost benefit analysis, including our analysis of costs and benefits to consumers, firms and the market?

The cost benefit analysis sets out clear evidence that there is a requirement for new rules and guidance to protect vulnerable consumers who use DPC products. The cost benefit analysis provides the following breakdown of users of DPC by demographic group.

41.DPC users were:

- *More likely to be women – 23% of women were DPC users, compared to 18% men.*
- *Younger – 30% those aged 25-34 were DPC users, compared to 5% of those aged 75+. It was higher for women aged 25-34 (35%).*
- *Use was higher among Black adults (26%) compared to White adults*
- *Employed – 27% of the employed were DPC users, compared to 18% of the unemployed.*
- *Renting – 29% of those in rented accommodation were DPC users compared to 24% of those with a mortgage.*
- *Earning similar income – DPC use was similar across different income groups.*
- *Less resilient – 30% of those with low resilience, meaning they are less able to withstand financial shocks, were DPC users, compared to 20% of UK adults. 40% of lone parents reported using it.*
- *In lower deciles of the index of multiple deprivation (IMD)1 – 29% of those who live in the most deprived decile were DPC users, compared to 13% of those who live in the least deprived decile. The IMD is a measure of relative deprivation for small geographic areas in the UK.*

The paper goes on to say:

42. DPC users have lower resilience and are more likely to be in the bottom three deciles of the index of multiple deprivation, which could make them more at risk of increased indebtedness. Evidence has shown that there is a positive relationship between local authorities with the highest proportion of income and employment deprivation and levels of unsecured debt.

In addition, the paper sets out evidence from the FCA Financial Lives Survey on vulnerability.

95. Vulnerable customers are more likely to experience the negative effects of DPC borrowing as they may struggle to understand the product and make repayments and thus incur fees and suffer wellbeing impacts from being in arrears discussed above.

We would like to see the FCA reflect on its own findings and conclude that more must be done to protect vulnerable consumers at risk of harm. The FCA is right to decide that new rules and guidance are needed. However, we would like to see the protections strengthened under the proposals as set out in our response above, particularly with regard to the timing, method and content of communications.

For more information on our response, please contact:

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