Good Practice Lending Guide

RM07 Consumer Duty and Complaints Handling

May 2024

Disclaimer

This Guide is provided purely for informational purposes, has been prepared for general use only, and does not constitute legal, financial or other professional advice.

All information contained in this Guide is based on the laws and regulations applicable to England and Wales and which are current as of the date of publication. This guide is not maintained regularly, but we will endeavour to update it when relevant laws or regulations are amended, varied, or supplemented. At a minimum, the Guide will be reviewed annually to ensure compliance with any legal or regulatory changes.

Fair4All Finance Limited make no representations or warranties of any kind, express or implied, about the accuracy, completeness, suitability, or reliability of the information contained herein. Fair4All Finance Limited shall not be liable for any loss or damage arising from the use of, or reliance on, this Guide. This Guide does not create an advisor-client relationship between you and Fair4All Finance Limited.

You are advised to consult with suitably qualified legal, financial or professional advisors to obtain advice tailored to your specific circumstances. You should not rely on the content of this Guide and any reliance on any information provided in this Guide is done at your own risk.

By accessing and using this Guide, you acknowledge and agree to the terms of this disclaimer.

Contents

1 Introduction

The Good Practice Consumer Duty and Complaints Handling Policy Guide is intended to support retail lenders in demonstrating that they are treating customers fairly and that the way they conduct their business delivers good outcomes for customers. This is in line with the FCA's Consumer Duty and Treating Customers Fairly (TCF) principles of business as detailed in the FCA Handbook[1].

The FCA's Consumer Duty principle came into force in July 2023. Consumer Duty is the 12th principle of business, which encompasses and builds upon the FCA's 6th and 7th principles[2] of business for TCF. For credit unions carrying out regulated consumer lending, Consumer Duty replaces TCF[3], and this is the focus of this guide.

The Consumer Duty focusses on providing a good outcome to the customer and as such links well with the other sections of this guide, which intend to support lenders in the treatment of customers in vulnerable circumstances and to support lenders in handling claims in a reasonable and prompt manner.

The Consumer Duty and Complaints Handling Policy Guide is not prescriptive. It is not intended to provide the definitive view as to how organisations should adhere to the consumer duty and complaints handling rules and guidance. Rather, it describes industry standard good practice approaches, where possible, that are widely used across the credit industry, supported by suitable examples where appropriate.

Consequently, organisations can use the Consumer Duty and Complaints Handling Policy Guide in the following ways:

1. As a reference manual, to help them enhance their own policies and procedures and to provide assurance that there are no gaps or shortcomings
2. To support new organisations in setting up appropriate customer duty policies and complaint handling procedures

---

[1] PRIN 2.1 The Principles - FCA Handbook

[2] Principles 2,3,6 and 7 are relevant across the whole Treating Customers Fairly approach, with Principle 6 and 7 being the most relevant from a risk management perspective.
[3] While the TCF principles have been retained for Nonretail lenders who lend to professional counterparties, such as Credit Unions who lend to local councils, for credit union lending to their members and other forms of (regulated) consumer credit, compliance with Consumer Duty will also cover TCF requirements.

3 To support established and new organisations in adhering to the new Consumer Duty rules and guidance and setting up complaints handling procedures

It is worth noting that the Consumer Duty applies to both open and closed products:

- Open Product: A new or existing products or services that are open for sale or renewal. Compliance to the Consumer Duty required by 31st of July 2023
- Closed Product: A product that is no longer marketed or distributed to retail customers, nor open to renewal. If existing customers can continue to make payments under the existing product terms, this would still be considered 'closed' if the product or service is not open to new customers. Compliance to the Consumer Duty required by 31st of July 2024.

The Consumer Duty and Complaints Handling Policy Guide covers the Consumer Duty principles and Complaints Handling rules that is applicable to all UK retail lenders, but it is primarily intended for small to medium sized organisations who are working to provide fair and affordable credit to sectors of the community who may otherwise struggle to obtain it. For example, community lenders and credit unions.

2 Scope

This document is the Good Practice Guide for the Consumer Duty and Complaints Handling.

The scope of the Consumer Duty and Complaints Handling Lending Policy Guide is to ensure lenders comply with the FCA principle of "Consumer Duty" to ensure that the customer is being treated fairly and this is reflected in good outcomes for the customer.

The treatment of vulnerable consumers and dealing with complaints appropriately, are both important parts of the Consumer Duty. Both of which are referenced within the Consumer Duty section, however, given the large amount of content, both vulnerable consumers and complaints handling have their own sections which provide further details over and above that captured in the Consumer Duty section.

The treatment of customers in vulnerable circumstances informs lenders on how to avoid causing further harm and supports them in achieving their financial goals.

Complaints handling and referral to the Financial Ombudsman (FOS) in cases where the complaints can't be resolved internally are also within scope of the Consumer Duty and Complaints Handling Lending Policy Guide.

As well as acting to deliver good customer outcomes, it is important that lenders understand and can provide evidence that these outcomes are being met. This can be achieved through monitoring, which is discussed in its own section of this guide in relation to consumer duty, vulnerable customers, and complaints handling.

3 Consumer Duty

The FCA has proposed a body of rules which is known as the Consumer Duty which set out the standard of care that firms should give to customers in retail financial markets.

The consumer duty is formed of the following:

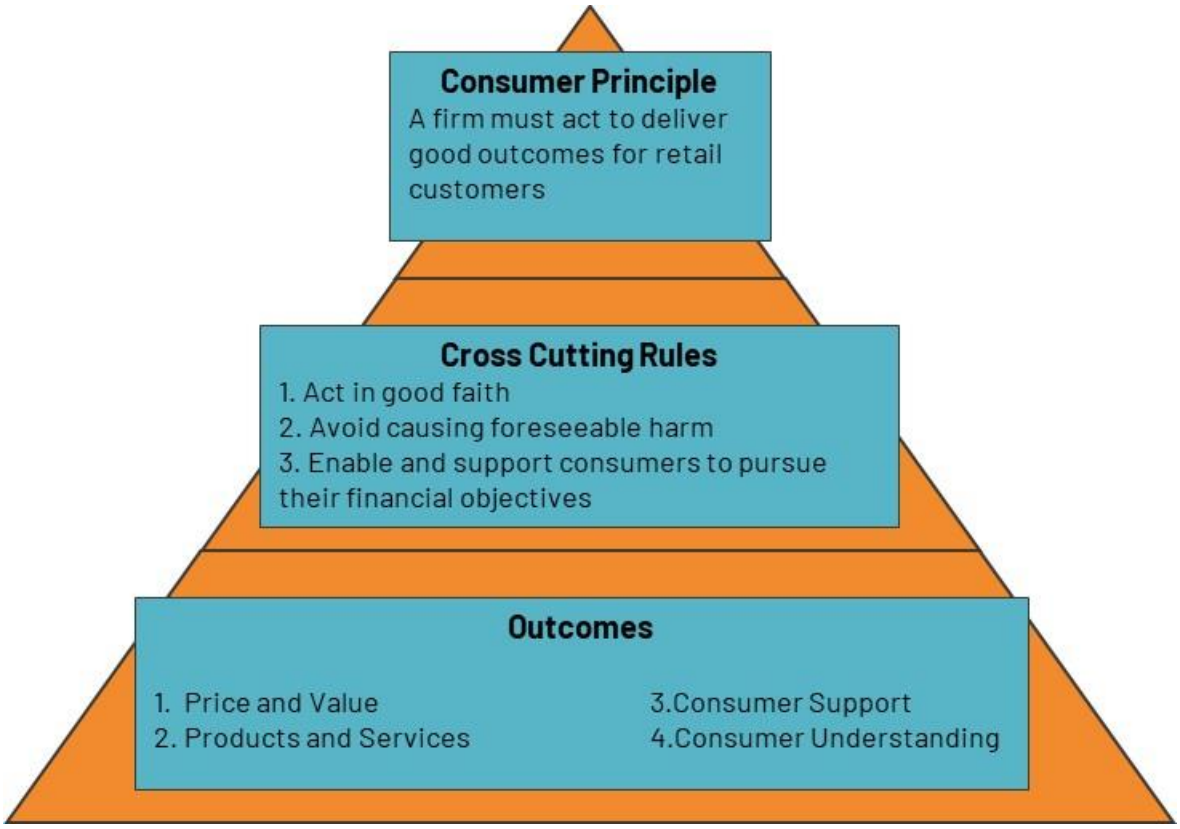
- Consumer Principle – Which requires lenders to act to deliver good outcomes for retail customers
- Cross Cutting Rules – These provide greater clarity on the expectations under the new principles
- Outcomes - 4 outcomes which represent key elements of the lender -consumer relationship, which are core in helping drive good outcomes for customers. These are listed below:
  - Products and Services
  - Price and Value
  - Consumer Understanding
  - Consumer Support

Lenders should consider the needs, characteristics, and objectives of their customer at each stage of the journey.

The Consumer Duty will require a significant change in many lenders' cultures. It's important that there is individual accountability and high standards of personal conduct to ensure that lenders are meeting the obligations of the duty.

Compliance with Consumer Duty requires an evaluation of every part of the customer journey from a customer perspective, and the focus on outcomes applies to everyone, especially to those customers with characteristics of vulnerability.

The Consumer Duty structure is set out below:



3.1 Consumer Principle

The **Consumer Principle** is a new addition to the current FCA's Principles for Businesses Source Book (PRIN). It is referenced as Principle 12 of the PRIN and will strengthen the existing requirements[4].

Principle 12: "A firm must act to deliver good outcomes for retail customers"

[4] **Principle 6** –'A firm must pay due regard to the interests of its customers and treat them fairly, **Principle 7** – 'A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading'

Lenders need to assess and evidence how they are acting to deliver good outcomes for their retail customers throughout the full lifecycle of the products and services they provide.

3.2 Cross Cutting Rules

The **Cross Cutting Rules** provide greater clarity to support the new Consumer Principle.

There a 3 cross cutting rules which are detailed in the following sections; however, it is important to note that the cross-cutting rules work together, and any misconduct is likely to breach more than one of these rules.

3.2.1 Acting in Good Faith

The FCA defines 'Acting in Good Faith' as *"…a standard of conduct characterised by honesty, fair and open dealing and acting consistently with the reasonable expectations of retail customer".*

Lenders must act in good faith towards the consumer throughout the whole customer journey, ensuring that the customers interests are at the heart of everything the lender does.

Lenders should act honestly and openly to give customers all the information they need to take responsibility for the choices they make.

This includes ensuring:

- Product or services are designed in a way that offers fair value to the target market; this does not necessarily mean the cheapest. The overall terms and conditions of each product must reflect fair value for the customers and customers must be able to compare across each of the products to determine the best product for them
- Products or services offered to the customer are in the customers best interest
- Communication is clear, transparent, and delivered fairly to ensure customers and not misled or feel pressured in any way
- Customers feel supported throughout the journey and can provide feedback and/or raise any concerns. Any feedback and/or concerns should be promptly acted upon by the lender
- The culture of the company supports employees acting in the best interests of the customer
- The next sections provide scenario-based examples of good and bad practice of "Acting in Good Faith".

3.2.1.1 Example 1

A lender is designing an incentive scheme for employees and plans to implement this next month:

Good Practice	The schemes' goal is to reward employees who demonstrate responsible lending and show that they are putting the customer interests at the heart of the lending decision. The focus is around responsible lending, ethical behaviour, and long-term success of the borrow, which measure the future performance of the borrower rather than focussing on the loan approval numbers. The success of employees will be measured by the performance of the customer on the lending agreement, such as low customer default rates, low forbearance options required, positive customer feedback and lack of complaints raised.
Bad Practice	The schemes' goal is the increase the number of loan applications approved. Employees gain points for the number of successful loans approved and the employee with the most points at the end of each month receives a bonus. This can pressurise and encourage employees to approve loans without carrying out the due diligence checks such as affordability and credit risk assessments. This can lead to customers being approved for a loan who may not be creditworthy and put the customer in financial difficulties. It can also lead to violations of regulations which can have legal, reputational, and financial implications for the lender.

3.2.1.2 Example 2

A customer enters a credit union branch to enquire about a debt consolidation loan to combine and manage various high interest loans that they have accumulated, including personal loans and credit card balances.

Good Practice	The employee conducts a comprehensive assessment of the customers financial situation, which includes a review of the customers income, credit history, current outstanding debts, and monthly expenses, to assess the credit worthiness of the customer.

	The employee explains in full, the concept of debt consolidation to the customer, signposting them to debt advice website that can provide them with further materials around debt consolidation[5]. The employee then goes onto explain the different debt consolidation products on offer, including interest rates, costs and fees, monthly payments and repayment terms associated to each one. The process prioritises the customers financial well-being, ensuring they have all the information they need to make the best decision for them and their financial situation. The employee then signposts the customer to some financial literacy materials to help improve the customers financial understanding, with the aim of preventing the customer falling into similar financial difficulties in the future.
Bad Practice	The employee conducts a comprehensive assessment of the customers financial situation, including reviewing the customers income, credit history, current outstanding debts, and monthly expenses, to assess the credit worthiness of the customer. The customer is deemed credit worthy for several products. The employee is keen to leave work on time, so quickly explains the various products to the customer. The customer is unsure which product would best suit them, so in the interest of time, the employee strongly encourages the customer to take the product with the lowest interest rates without giving much consideration to the other terms and conditions related to the products. The customer feels rushed and proceeds with the application. The employee has pressured the customer into taking the product. If they had taken the time to explain the terms and conditions, alongside the pros and cons of each, the customer would have realised the product with the lowest interest rate was a short-term product with high monthly repayments. The longer-term product had higher interests' rates but would have been lower monthly repayments which would have made the repayments each month more comfortable for the customer. The employee has not acted in good faith.

[5] Please refer to RM16 Debt Advice and Financial Literacy for more information

3.2.2 Avoid Causing Foreseeable Harm

Avoid causing foreseeable harm, which the FCA defines as *".... both act and omission, in a firm's direct relationship with a retail customer or through its role in the distribution chain even where another firm in that chain also contributes to the harm"*

Lenders should avoid causing foreseeable harm by taking proactive and reactive measures in their conduct and products and services. This includes making sure the products, terms and conditions, communication, sale, and support do not cause foreseeable hard to the customer and that regular reviews are undertaken to make certain this continues.

This includes ensuring:

- Characteristics of vulnerability are identified early in the process and proactive measures are taken to ensure the customer understands the product or service and has the support they need so they are not disadvantaged in any way due to the vulnerability
- Customers are offered products that are affordable to them, so they can make the repayments without causing financial distress
- Customer fully understand the product or services they are undertaking and their responsibility in the agreement
- Customers can cancel or switch products that are no longer right for them, and it is not unduly difficult to do so
- Consumers who need support can get through to the lenders support services, and there are no high call costs or long waiting times

The next sections provide scenario-based examples of good and bad practice to "Avoid Causing Foreseeable Harm".

3.2.2.1 Example 3

A self-employed customer has entered a credit union branch to request a loan to cover housing renovations. They explain to the employee that they have not been as busy as usual in the last couple of months, but they have a lot of work in the pipeline for the remaining year.

Good Practice	The employee determines from the assessment that the customer is credit worthy, and the affordability assessment shows they can afford several products, on their

	current income. The employee ensures that each of the products presented to the customer would be affordable to the customer, on their current income, for the duration of the term. Considering any conditions that may change throughout the loan term. The employee shows the customer the products which have a fee free early repayment and explains to the customer that if the extra work comes in expected then they could pay the loan off sooner, but the loan is still affordable if it doesn't. The customer has a loan product that gives them the flexibility to pay off sooner, but the monthly repayments are within their means.
Bad Practice	The employee determines from the assessment that the customer can afford the newly launched product that offers a lower interest rate than the "Everyday Loan" product. The employee explains the product but neglects to inform the customer that this lower interest rate is only an introductory offer, and the interest rate increases after the first 6 months. The employee fails to carry out an affordability assessment on the interest rates after this introductory period and if they had, they would have seen the customer was unaffordable for this loan product over the full term and they would be better suited to the "Everyday Loan". The customer sees the lower interest rates compared to the other products and decides that this product is the right choice for them. The employee has displayed irresponsible lending. They have not assessed the affordability of the customer based on the higher interest rates and have not explained to the customer the change in interest rates after the introduction period. The customer did not have the information they needed to make an informed decision. This results in the customer taking the new product, with the low interest rates. After 6 months, when the introductory offer ends, the customer may struggle to make the extra repayments if the scheduled increase in work does not occur.

3.2.2.1 Example 4

A customer applied for a loan for new car last month and has been approved. Due to changes in circumstances, the customer no longer wants this loan, but it is outside the cooling off period. The customer reaches out to the lender to explain their circumstances.

Good Practice	The employee is understanding and empathetic of the customers change in circumstances and agrees to waive the early termination fee and cancel the contract. The customer cannot get the new car; however, they are no longer struggling to make monthly repayments they cannot afford, which helps prevent them getting into financial difficulties.
Bad Practice	The lender states the terms and conditions and given it is past the cooling off period, the customer must make the repayments as agreed in the contract or pay the early termination fee. The customer does not use any of the loan but cannot afford the repayments with the interest included and cannot afford the early termination fee either. The customer is driven to reach out to other lenders to try and cover this existing loan. This could drive the customer to spiral into a cycle of more and more debt which would cause harms to the customer.

3.2.3 Consumers Financial Objectives

Lenders should help customer reach their financial objectives, which the FCA defines as "…. must act to enable and support customers to pursue their financial objectives. This rule is concerned with the financial objectives of the consumer in relation to the financial product or service and applies throughout the customer journey and life cycle of the product or service"

Ensuring customers have the information and understanding they need is critical in helping the customer make the right choices for their circumstances.

This includes:

- Understanding the financial goals for the customer – for instance, are they trying to save, consolidate debt or renovate their home
- Recognising characteristics of vulnerability and how this can impact the customer's needs, including their ability to understand the product on offer and the impacts of this on their financial

circumstances.

- Helping customer navigate to information they need
- Offering or signposting customers to financial education resources and workshops that will help improve their understanding.
- Offering or signposting customers for help and advice on areas such as, debt consolidation, debt managements, financial literacy, gambling problems and budgeting tools

The next sections provide scenario-based examples of good and bad practice to help "Consumers Financial Objectives".

3.2.3.1 Example 5

A customer is working part time and wants to get a loan so they can afford their monthly outgoings. They hope the loan will tide them over until they are able to increase their hours at work.

Good Practice	From initial conversations with the customer, the employee gleans that the customer is unable to afford their currently monthly outgoings. It is irresponsible to lend to the customer as they are already under financial strain and a loan will exacerbate their problems. The employee is sympathetic to the customers financial difficulties but explains that a loan will not improve their financial situation. Instead, they signpost the customer to "MoneyHelper"[6] which can help the customer ensure they are receiving the benefits they are entitled to and contains budgeting tools and calculators to help them to manage their financial situation. They also inform the customer they can reach out anytime to discuss their financial situation.
Bad Practice	The customer is declined for the loan and the customer is told they do not pass the affordability checks. The lender provides no further follow up support. This does not help the customers current circumstance and may drive the customer to high-cost lenders who may irresponsibly lend to the customer and put them in further financial difficulties.

[6] https://www.moneyhelper.org.uk/ - There are multiple sources that the lender could signpost the customer to, for help with their finances, including budgeting. Please refer to the Debt Advice and Financial Literacy Good Practice Guide for more information.

3.2.3.1 Example 6

A customer wants to apply for a savings account, so that they can save for Christmas which is 12 months away. They look online for the best product for them before applying through an online application.

Good Practice	The online webpage asks several questions about the customer; the reason for saving, how long they want to save for, whether they want a regular savings account or a Certificate of Deposit (CDs) account, which have specific terms and restrictions on when the funds can be withdrawn. The customer states that they want a savings account where they can deposit money monthly up until Christmas but if they begin to struggle financially between now and then, they are able to withdraw some funds. Following these questions, the next webpage directs the customer to the regular saving options and the associated interest rates, with further links to the full terms and conditions and contact details if they wish to discuss it further. This allows the customer to select a savings account that gives them the flexibility to save towards Christmas.
Bad Practice	The online webpage asks questions about the customers circumstance limited to how much they want to deposit and how often. The next webpage directs the customer to several products, ordered by interest rates, however it is not clear which of these are regular saving accounts and which are Certificate of Deposit (CDs) accounts, which have specific terms and restrictions on when the funds can be withdrawn. The customer has not noticed the difference between these two products but does notice the interest rates and believes the higher interest rate product must be the best option for them to achieve their financial goals by Christmas. The customer has inadvertently selected a 24-month CDs which does not allow funds to be withdrawn for 24 months. This means the customer will not be able to take the money out in time for Christmas, without a fee, and this is likely to put the customer in financial difficulties at Christmas.

3.3 Four Outcomes

The Consumer Duty is expected to improve the outcome for customers. The FCA states **Four Outcomes** that cover the key areas that a lender must comply with:

- Price and Value
- Products and Services
- Consumer Support
- Consumer Understanding

High level information is provided in the table below of how consumer duty impacts each part of the lending process. Subsequent sections then provide further details on the four outcomes.

Stage of Customer Journey	Price and Value	Products and Services	Consumer Support	Consumer Understanding
	Consumers receive fair prices and quality	**Consumers are sold and receive suitable products and good service**	**Consumers receive good customer service**	**Consumers increase their confidence in financial services markets and can make better, more informed decision about the products and services they need**
Pre-Sales (Product Design and Website/ marketing materials / Channel)	Fair value is more than just price. The product must be designed in a way that provides a reasonable relationship between price charged to the customer and the benefit (financial and non financial costs/benefits). The design, marketing and comms must clearly reflect both costs and benefits (financial and non financial).	Ensure the design and marketing of the product meets the needs, characteristics and objective of the customer in the products target market. Carry out regular reviews to ensure the product or service continue to meet the needs, characteristics and objectives of the target market.	Design and deliver support that meets the needs of the customer in the target market, including customer with vulnerabilities.	The documentation, marketing and comms surrounding the product should be concise, easy to understand and not misleading. Tailor communication based on target market, the complexity of the product and the channel of communication used, whilst considering customers in vulnerable circumstances.
During the Application Process	The product offered to the customer should take into account the best price and value to the customer of the target market. The cheapest is not always the best option for the customer.	Ensure the product or service will provide the best outcome for the customer in the target market, in terms of their needs, characteristics and objectives.	Provide support to customers when assessing the product or service that are most appropriate for their circumstances, including customers with vulnerable circumstances. Ensure declined customers are provided with suitable reason for decline and signposted to 3rd party resources if necessary.	Ensure the tools for communication are appropriate for the customers in the target market, including customers with vulnerable characteristics. Information presented should include the most pertinent information up front followed by more detailed information, be simple to understand, engaging, relevant and timely. Ensure the customer fully understands the products or service they are applying for and their role and responsibility in the agreement.
During the agreement	The product should continue to offer fair value throughout the duration of the agreement and if it does not then action should be taken to address this.	Ensure the product or service remains the best product or service for the customers of the target market. If it does not then the lender must take action to address this. Monitor the performance throughout the agreement.	Ensure there are no barriers for customer during the term of the agreement. Monitor and assess performance of customer support, such as wait times and volume of complaints. Action should be taken if there are any shortfalls in customer support.	Communicate clearly any changes to the product or service the customer has. Assess and monitor the tools of communication, and take action if they are not providing a good outcome for the customer.

As part of achieving these outcomes, the lender must monitor, evidence, and regularly review the outcomes that their customers are experiencing in practice and take action to address any risks to good customer outcomes. Please refer to Section 6 on Monitoring for further details.

Where outcomes are not being met, lenders must identify why they are not being met and document the actions needed to address this. In addition, lenders should document appropriate time scales to complete these actions and which ones they plan to prioritise first. The focus should be on the areas that are at most risk of providing a bad outcome for the customer.

It is acknowledged that not all individuals can be prevented from a bad outcome. However, lenders must be able to evidence that they have aligned to the Consumer Duty throughout.

It is also acknowledged that sometimes the products on offer may not be suitable for some consumers, for example, those experiencing significant financial difficulties. In this case, it is important for lenders to provide support to the consumer such as signposting for debt advice website or budgeting tools. Please refer to the RM16 Debt Advice and Financial Literacy Good Practice Guide for further information on the support available.

The next sections discuss the four outcomes in more detail.

3.3.1 Price and Value

- There must be a reasonable relationship between the price charged to the customer and the benefit of the product to the customer. Benchmarking against similar products in the market can be used to assess how the product compares to others. For instance, comparison of set up fees and interest rates. Along with other non-financial costs and benefits such as the costs to switch and length of cancellation period
- The pricing structure along with costs and fees related to the product should be transparent and should consider customers with vulnerabilities. For instance, there should be no hidden or unexpected costs/fees to the customer and the amount charged should be proportionate
- The pricing structure for all customers does not have to be the same, nor does the level of profit made from each customer. For instance, existing customers may receive a better price than a new customer. However, the product must still offer fair value and must not discriminate against vulnerabilities
- If price and value have been accurately assessed during the product design, then there should not be a similar product offered that has a different price, for the same target market
- The product documentation, marketing and comms should have a review process before being sent. For instance, the documentation might need to pass through an independent reviewer

before being sent

- Monitoring the outcomes of products on the market should be used to refine products to ensure the lender is striving for the best value for the customer. For instance, if Management Information (MI) shows high delinquency rates on loans £1000-£5000, for the age band 20-25, then this may dictate the age eligibility criteria for this product
- Any changes to the benefits offered from the products should be reflected in changes to the pricing
- Consideration should also be given to the non-financial costs when assessing fair value. It may not necessarily be the cheapest product that will provide the customer with the best outcome. A customer may be willing to pay more to get additional product benefits
- Fair value cannot be based on the lender's perception, and it is not enough for a lender to state that it is fair. Lenders will need to provide evidence that the product is fair across the different customer groups, for instance fair value to a customer in vulnerable circumstances may differ to a customer with no vulnerable circumstances and vice versa

3.3.1.1 Example 1

A lender has designed and developed 3 new products to take to market.

Good Practice	A focus group was set up at the start of the design phase to understand the needs of the target markets for each of the products. This focus group included the consideration of customers in vulnerable circumstances, to derive an inclusive product
Bad Practice	The target market was not clearly identified and there was no further research carried out to understand the needs of customers in vulnerable circumstances

The following products have been derived:

Product Type	Product	Target Market	Features
Lifestyle Loan	£1,000 - £10,000 APR of 8.9% Term 24 months	Prime customers with a good credit record.	No costs/fees Fee free early repayment

			not available[7]. Online support only
"Everyday" loan	£1,000 - £5,000 APR of 14.0% Term 24 months	Prime customers with a good credit record.	Missed payment fees. Fee free early repayment option provided.
"Helping Hand" loan	£500 - £3,000 APR 39.9% Term 36 months	Credit Impaired Customers	No costs/fees Fee free early repayment not available

The "Helping Hand" loan is a higher risk product and has been priced accordingly, which is in line with consumer duty.

Good Practice	The marketing and comms were developed and passed through 2 further lines of defence before being sent - firstly the line manager of the individual who created the documents and then an independent reviewer who is heavily involved in ensuring the lender aligns to the consumer duty. The benefits are clearly stated, both financial and non-financial. For, instance, the "Everyday" loan products may have a higher APR than "Lifestyle Loan" but offers fee free early repayment which may be more beneficial to the target customer in the long term.
Bad Practice	The marketing and comms were passed through the same 2 lines of defence, however, the marketing and comms focussed purely on the financial benefits, so the customer is unaware that the products with higher APRs have potentially more favourable benefits.

[7] The CCA gives consumers the right to repay a loan early, but a lender has the option to charge up to 28 days' interest.

3.3.1.2 Example 2

A customer needs a loan to purchase a car. The customer is a single father who works part time and needs a car to take her children to school. The customer has a low household income and has a less than perfect credit history.

Good Practice	The lender should recognize that the customer has financial constraints. After a detailed creditworthiness assessment, the lender ascertains that the customer can afford to make a monthly repayment, but they need to be small amounts to avoid putting strain on the customer's budget. The lender recommends a longer-term product which has slightly higher interest rates, but it allows the customer to spread these payments over a longer period, which means the customer can comfortably afford the repayments. Compared to other lenders in the market, the interest rates are lower and given the customers circumstances, the lender allows the customer to make extra payments to pay off the loan early without an early repayment fee. Ensuring fair value and price is not always the lowest priced product. The low repayments and flexibility offered by the lender allows the customer to purchase a reliable car within their means.
Bad Practice	The lender shows the customer the interest rates and total repayment amounts over the whole term, for each of the products. The customer can see that the shorter-term product has lower interest rates, which the customer focuses on as a 'good thing'. The customer takes this lower interest rate product. These higher repayment amounts can put an unnecessary financial burden on the customer and have make it more difficult for the customer to make all the repayments.

3.3.2 Products and Services

- All products, both open and closed, and the associated advertisements and documentation should be assessed to understand if they are fit for purpose and if there is any risk of harm to the customer. If a risk is identified, then action should be taken to address this. For instance, a product with misleading advertisement could cause harm to the customer. It is good practice to prioritise this as high risk and document a clear path to making the required improvements with associated time scales.

- “Pre-approval” questionnaire to avoid customers applying for products they won’t get or that won’t be suitable for them.
- The products offered and provided to the customer should have the customer’s best interest at heart and be appropriate based on the customer’s circumstances. For instance, consideration should be given to the vulnerability of the customer
- A lender should collect sufficiently granular information to monitor if the products that are being offered are meeting the needs of the customer and to ensure that the product is still suitable for the target market. For instance, but not limited to, ensuring the product is affordable. Please refer to RM5 for further details on the Good Practice Guide for Affordability
- If there is a significant difference between the outcome expected and the observed performance, then the lender should act. For instance, this may involve removing a product from the market, changing the products terms, or introducing additional forbearance measures
- Lenders should gather feedback from customers and incorporate this into the product development, so they are always striving for the best product for their customers

3.3.2.1 Example 3

At application, a customer with a good credit history applies for the “Helping Hand” product (from Example 1).

The customer wants to borrow £3,000 at 39.9%.

Good Practice	The lender identifies through credit checks and the affordability calculator that the customer would be better served by the Lifestyle Loan that is targeted at prime customers. The lender contacts the customer and offers them this loan
Bad Practice	The credit score and affordability metrics are met by the customer for this loan, so the lender automatically approves the customer for the Helping Hand product

3.3.2.2 Example 4

A customer is 12 months into their 24-month lending agreement. The customer breaks their arm, which means that they are unable to work. Given they are self-employed they are expecting to struggle to meet their repayments for the coming months, until they can get back to work. The customer calls the lender to understand what options they have.

Good Practice	The lender offers the customer a repayment holiday for the next 8 weeks to give the customer time to return to work and improve their financial situation
Bad Practice	The lender offers no form of forbearance and proceeds to inform the customer of the associated costs and fees, including additional admin costs for going into arrears

3.3.2.3 Example 5

A lender has produced a product with misleading advertisements and has just realised their mistake.

Good Practice	The lender immediately stops all misleading advertisements for the product to prevent further harm to the customers. They issue a corrective statement, which is clear, transparent and jargon free, to ensure that it is easy for anybody to understand. This statement admits the mistake and takes full responsibility. The lender directly apologises and provides options to the customers affected. These options include a fee free product switch to a more suitable product or an exit from the product without a fee. The lender offers to compensate the customer for any losses, financial or otherwise, they may have incurred due to the misleading advertisement. Following this, the lender then addresses the issue with the marketing and reviews their marketing and advertisement processes to understand how this mistake happened and how a similar issue can be prevented in the future, for instance, employee training or more rigorous internal checks.
Bad Practice	The lender notices the mistake and immediately fixes the misleading advertisement. The lender does not reach out to the customers that are affected, but instead, hopes that nobody will notice. This is not good practice. The lender has not owned up to their mistake and the customer has suffered. This can lead to complaints from customers, which can result in financial and reputational damage to the lender.

3.3.3 Consumer Support

- Communication should be open and clear. This can help the consumer feel comfortable to raise any questions or concerns, they may have. In addition, it helps staff understand the full circumstances of the consumer. Both help to identify customer in vulnerable circumstances earlier in the lending process and more easily. A lender could consider providing staff with detailed scripts that they can use to help gather this information. This may require a consistent approach across the business to ensure appropriate and consistent communication with customers, or different scripts specific to the product type and target market

- Staff should be fully informed about the products and services available and should not recommend a product unless they understand it sufficiently. Regular training sessions and up to date documentation on product offerings and their responsibility under the Consumer Duty will ensure all staff are equally knowledgeable and all customers receive the same level of information, to allow them to make an informed decision
- The products offered must be appropriate for the customers circumstances. For instance, if a product offers online support only, the customer must be made aware of this. This may influence the customers decision on which product will offer them the most value
- It should be easy for a customer to make changes to their product. For instance, a product switch that is better suited to a change in their financial situation
- The customer journey must support a good outcome for the customer and monitoring of key performance metrics should be in place to assess the level of support received by the customer. Monitoring examples include, call wait times, resolution times, types, and number of complaints, where in the journey a customer is identified with vulnerable circumstances. Please refer to Section 6 for more information on monitoring
- Staff should not discriminate based on any protected characteristics such as age, gender, race, or religion. Nor should these characteristics bias any lending decisions
- Staff should ensure they uphold their customer's privacy with sensitive information handled in line with GDPR regulation
- Declined customers should be provided with a suitable reason for decline and directed to 3rd party resources if necessary (e.g., CRA, Debt Helpline)
- Staff should offer a variety of different channels and communication tools to help customers. For instance, braille or translation services.

3.3.3.1 Example 5

A customer has recently suffered a life event and their circumstances have changed. They are no longer able to afford the repayments on the loan at the agreed monthly amount. The customer reaches out to the lender to explain this change in circumstances.

Good Practice	The customer calls the lender and immediately gets through to an operator. The operator checks that the customer is happy to discuss their situation over the phone as opposed to in person, or via another method and the customer confirms they are happy. The lender offers to move the customer to a product which has a longer term, impressing that overall, they will pay more due to the interest accrued but the monthly repayments will be lower.
Bad Practice	The customer tries multiple times to ring the lender to explain the situation with the hope that the lender may be able to help, however they cannot get through. Each time the customer tries to contact customer services, they are on hold for over 10 minutes. The automated message informs the customer that the cost of the call is over and above the standard rate, so the customer, who is already in financial difficulties worries about the cost of the call and is discouraged from letting the lender know about their changing circumstances.

3.3.3.2 Example 6

A customer has applied for a "Helping Hand" loan whose target market is customers with impaired credit. Upon completing the credit checks and the affordability assessments the customers level of indebtedness exceeds policy and there are signs of excessive gambling.

Good Practice	The customer is declined, and the lender explains why they have been declined. The lender proceeds to offer information on the organisations a customer can turn to for advice and help on areas such as debt and gambling problems. Not only that, but the lender makes the customer aware of the tools available such as benefit and budgeting calculators, which can be offered to help improve the customer's circumstances. This part of the process is important to ensure a good outcome for the customer and to try and prevent the customer from seeking out irresponsible lenders to borrow.
Bad Practice	The customer is automatically declined. The lender explains that they have been declined because they have not passed the credit or affordability checks.

3.3.3.3 Example 7

A customer previously notified the lender that they work a night shift and sleep in the morning, so they will not be able to respond during this time.

Good Practice	It is noted on the customer's records that calls should be blocked between 6am and 2pm. Any communication takes place outside of these hours.
Bad Practice	The lender sends outbound comms such as text, call, and email during the morning, and repeated follow up contact because the customer does not respond.

3.3.4 Consumer Understanding

- Staff should communicate clearly and effectively with the customer throughout the process. The channel through which to communicate should fit the needs of the customer and employees should recognise a customer in vulnerable circumstances as soon as possible to then act appropriately. For instance, a visually impaired customer may require a hearing loop, or a face-to-face meeting as opposed to an appointment over telephone. These communication channels may require testing, monitoring, and adapting to ensure the customers understanding and thus, a good outcome. Testing may involve a focus group or survey to understand the experiences of the customers throughout the lending process
- The customer should have all the information they need to make an informed decision; they should be presented with and understand the costs, benefits, and risks of the product. This information should be provided through the correct channels. For instance, providing lengthy documents via a mobile app is more difficult to read and digest than via a document that is emailed or sent in the post
- Any advertisements, documentation, and lending agreements relevant to the product should be transparent and avoid using any technical language and jargon. For instance, lending agreements should contain clear, straight forward information on items such as prices, interest rates, fees, and charges, cooling off periods and any other associated terms and conditions of the lending agreement
- Information should be easy to navigate around, with the most pertinent information up front, then signposting to other areas, where further details can be found
- Information should be provided at the right times. For instance, offers and rates can be temporary and can change over time, so it's important to ensure the customer is provided with the most recent information
- Any changes that the lender must make to the terms and conditions should be clearly documented and the customer should be made aware of such changes, with sufficient notice. This includes informing the customer if any part of the contract is coming to an end as the customer may not be aware unless directly informed by the lender

- The customer should clearly understand their role and responsibility in the lending agreement. It is important that the lender keeps up to date with the circumstances of the customer and how this affects their ability to carry out their role and responsibilities of the agreement
- The right to make a complaint should be clearly set out to the customer. In addition, complaints should be handled in a timely manner and monitoring should be in place, so the lender is aware of the details of complaints. This includes, how many complaints are being made, on what products, how many are upheld, how they are handled etc. It is a requirement by the FCA to report this type of information. Please see Section 5 for more details on complaints handling

3.3.4.1 Example 8

A customer wants to apply for a Helping Hand loan, to borrow £1,000, at the APR of 39.9%. The customer goes onto the lender's website to access further information.

Good Practice	The customer goes onto the website and there is a clear link to the products and services that the lender offers. From here, the customer can easily identify the Helping Hand loan link. This link takes the customer to another web page that focusses solely on the costs and benefits, both financial and non-financial, of the product. There are also additional links that takes the customer to further details on the product such as the full terms and conditions.
Bad Practice	The customer goes onto the website but there are multiple products all listed on the same webpage with a heavy focus on the benefits as opposed to the variation in costs. It is difficult for the customer to understand what the associated costs and benefits are of the Helpful Hand Loan. This could lead to the customer selecting a product which does not best suit their financial objectives.

3.3.4.2 Example 9

A customer with a good credit history has gone into branch to apply for a £2,000 Lifestyle Loan as the APR was the lowest, at 8.9%.

Good Practice	There is a clear link on the products and services page of the website that takes the customer immediately to the Helping Hand loan page. This page provides an overview of the loan, including the costs and benefits. There are then further links, clearly labelled which take the customer to further details, and the terms and conditions. The customer can easily navigate through all the information

Bad Practice	The customer goes onto the website but there are multiple products listed on the same webpage with a heavy focus on the costs as opposed to the differing benefits across the products. It is difficult for the customer to understand what the associated costs and benefits are of the Helpful Hand Loan and end up selecting a different product based on the lower APR.

3.3.4.3 Example 10

A customer has been on an introductory offer rate for their loan, for the last 4 months and it is due to end in 2 months.

Good Practice	The lender has alerts on the customer file to warn staff when a customer's introductory offer is coming to an end. This allows the lender to contact the customer a few months before the end of the introductory rate to offer them an alternative product which they could switch to. This alternative product offers a lower APR but has additional costs associated if the customer was to miss a repayment. The customer can make an informed decision on which product is more suitable for them.
Bad Practice	The lender relies on the customer to contact them if they wish to change their product once the introductory period ends.

3.3.5 Example across all four outcomes

The previous sections show examples of each of the 4 outcomes. As mentioned previously, these outcomes tend to overlap and when there is poor conduct relating to one outcome it is more than likely this will affect one or more of the other outcomes.

The below provides an example of what good practice should look like for a lending agreement, across all 4 outcomes:

Scenario: A customer, who has a low income, approaches the lender for a personal loan to cover unexpected dentistry expenses. The customer highlights that they do not like having outstanding debts and would like the option to repay the loan back earlier if they can.

Outcome	Good Practice
Price and Value	Following the initial conversation with the customer to understand their financial requirements, the employee ensures that the customer is offered the products which have an interest rate that considers the customers income and clearly states which ones have a fee free early repayment. They also provide the customer with a clear breakdown of the loan's total costs including any fees and explain how the interest and term of each product will impact their repayments. This transparency allows the customer to evaluate the affordability of the loans on offer and make an informed decision.
Products and Services	The employee recognises that the customer has limited understanding of loan products, so they take the time to explain the different loan options available. They offer the customer a choice between a traditional fixed-rate loan and a flexible repayment plan that matches her income frequency, with no early repayment fees. The employee describes the benefits and drawbacks of each option, enabling the customer to choose the one that best aligns to their needs and financial situation.
Consumer Support	As the customer proceeds with the loan application, the customer expresses concern about repaying the loan given their low income. The lender's customer support team engages the customer in a detailed conversation, exploring their income sources, monthly expenses, and financial goals. Together, they develop a personalised repayment plan to ease the customer's financial burden. The employee assures the customer that they are available for ongoing support and encourages them to reach out if they have any difficulties or experience any changes to their circumstances.
Consumer Understanding	Understanding that the customer has a limited understanding of loan products, the employee provides the customer with a comprehensive explanation of the chosen loan terms, using simple, jargon free, relatable language. They provide the customer with examples of how interest accrual and repayment schedules work, ensuring the customer comprehends their responsibilities and how the loan will impact their finances. The employee then signposts the customer to educational materials that break down the loan concepts, empowering the customer to make informed choices.

3.4 Monitoring

Monitoring is central to the Consumer Duty as it allows lenders to assess, test, understand and evidence their customers outcomes at every stage of the regulatory lifecycle.

Monitoring of Consumer Duty, including vulnerable customers and complaints handling, which are topics discussed in the following sections, is very important and details of monitoring with respect to each of these sections is captured in Section 6.

Other Considerations

There are other key elements of harm that lenders should consider when aligning to the Consumer Duty.

These other elements were called out as particularly pertinent for credit unions within the annex of a "Dear CEO" letter from the FCA[8] and are discussed further in the following sections.

3.4.1 Governance and Oversight

A lender must have governance arrangements in place which ensure effective oversight and robust systems and controls. For instance, risk management frameworks should be in place to prevent harm to consumers going undetected.

The FCA expects lenders to have a champion at governing body level who, along with the CEO and chair, ensure the duty is being enacted. Smaller lenders, which includes most credit unions, will not be expected to establish a formal role, but they should select an individual who has an appropriate level of seniority to be responsible for leading the overall implementation of consumer duty.

The body, or individual for smaller lenders, should review and approve the assessments made on the outcome of the customers. This should be well documented alongside the monitoring carried out, so evidence can be provided to the FCA, should it be requested. Please refer to Section 6 for more information on monitoring.

The assessment should include:

- Assessment of the results and monitoring to understand if the customer's outcomes are aligned to expectations
- Highlighting any new or outstanding actions that are required to improve the outcomes of customers
- Evaluating any actions taken to mitigate shortfalls, to assess how this has impacted consumer outcomes

---

[8] Implementing the Consumer Duty in Credit Unions (fca.org.uk)

- Whether the culture and governance ensure good customer outcomes are central to the lender:
  - Do staff understand the consumer duty and are they able to raise concerns if they detect shortfalls in the consumer outcome?
  - Is the Duty being discussed and considered in the relevant meetings?
  - Is the structure in place to ensure good outcomes for the customer?

Adequate systems must be in place to protect against cyber threats and consumer scams, and these should be reviewed at regular intervals to ensure they keep up to date with the changing regulatory landscape.

If the lender outsources to an external third party, then it is the lender's responsibility to ensure that third party is complying to the Consumer Duty principle. For example, credit unions may outsource their IT to an unauthorised third party. In which case, it would be the credit union that would be responsible for ensuring the IT company is aligning to the Consumer Duty policy. They must ensure that staff have the skills and resources to oversee and test the outsourced activities. If any risks are identified through oversight and monitoring then these should be actioned and if they cannot, the partnership may need to cease.

3.4.2 Operational Issues including financial resilience

If there is a rise in numbers seeking lending from credit unions, for instance in times of rising costs and financial strain, there is an operational risk of things such as system failures and outages that may lead to data breaches or customers not being able to contact the lender. Effective monitoring and oversight must be in place, especially if a third party is providing any operational systems or support.

The FCA expects credit unions to be operationally resilient by having a comprehensive understanding of how each area of the business interacts and how the service can be delivered if there are problems with a particular area.

3.4.3 Proportionality

All lenders have a responsibility to act to deliver good outcomes, however, there will be significant differences in their capacity and capability depending on size and type of lender, and it must be proportionate. For instance, a credit union will have a different approach and capability to a major bank.

The following should be considered when devising the approach to Consumer Duty:

- Product or service, and the size, resources, and complexity of the firm
- The capabilities for consumer testing, depends on their size, resources, and activities, such that

their approaches may vary. Consumer testing refers to testing carried out by consumers on element of the lending process such as the communication tools, user interfaces and design of website and apps

- Assessing outcomes based on what is reasonable, depending on the nature of the product, the characteristics of the customers, the role of the lender (including in a distribution chain)
- Whilst all lenders will need to produce and regularly review Management Information on customer outcomes, this information should be appropriate to the nature, scale, and complexity of their business, considering the size of the firm, the products, and services it offers, and the customer base it serves. Please refer to Section 6 for more information of Monitoring

As a rule, lenders that have more sophisticated data strategies should have more detailed monitoring strategies. If a lender can produce certain levels of data analytics and monitoring on areas such as marketing, product design and acquisition to help generate profits, then the same level of data analytics and monitoring should be used to determine whether a good outcome for the customer has been achieved.

4 Vulnerable Circumstances

The FCA states that a 'vulnerable customer' is someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care.

According to a survey carried out by the FCA, in October 2020, there are now 27.7 million adults in the UK with characteristics of vulnerability. This highlights how important it is for lenders to identify customers in vulnerable circumstances at the earliest opportunity in the lifecycle of the agreement and ensure they are treated fairly, and their needs are understood to reach the aim of a good outcome for these customers.

It is important to realise that anyone can fall into vulnerable circumstances, and it is "vulnerable circumstances", or "characteristics of vulnerability" as opposed to "vulnerable customers" that lenders should refer to.

Consumers with characteristics of vulnerability should not be disadvantaged by their circumstances and should be able to receive an outcome that is as good as any other customer.

FG21/1[9] sets out the FCAs view on what lenders should do to comply with their obligations under the Principles of Business (PRIN). Lenders have an obligation to treat customers fairly which includes careful consideration for vulnerable customers. In addition, they have a responsibility to ensure that staff are given practical and emotional support when dealing with customers who are in challenging and vulnerable circumstances.

The FCA guidance explains that, for the lender to achieve good outcomes for customers with vulnerable characteristics they should:

- Understand the needs and characteristics of their target market and customer base to ensure the lender can recognise characteristics of vulnerability. This can include using readily available published information to understand the drivers and impact of vulnerability.

---

[9] FG21/1: Guidance for firms on the fair treatment of vulnerable customers (fca.org.uk)

- Ensure staff have the right skills and capability to recognise and respond to the needs of vulnerable customers. This includes, but is not exclusive to, the lender being respectful, empathetic, and sensitive to the customer's circumstances.

- Have an internal vulnerability policy that includes information on the likely vulnerabilities and needs in the lenders customer base and target market along with appropriate levels of training for staff
- Respond to their customers' needs throughout product design ensuring flexible customer service and communications.
- Lenders should monitor and assess if and how they are meeting and responding to the needs of customers with characteristics of vulnerability and make improvements where this is not happening

The Vulnerability Registration Service[10] (VRS) is a useful database for assessing a customer's circumstances. It is a not-for-profit organisation which provides a central, independent register for people with vulnerable characteristics. It allows individuals or someone on behalf of the individual i.e., a power of attorney, to register the individual's circumstances as vulnerable and/or that they wish to be pre declined. In addition, if the individual wishes to flag the type of vulnerability, they can flag this against several set categories. Lenders can get then get instant API decisions on those customers registered. This gives the lender sights of the vulnerability of a customer's circumstances up front and avoids a customer having to continually explain their circumstances to each lender. There is a fee associated to becoming a member, however, it provides valuable insight into the customer's circumstances early in the lending agreement. Please see Appendix D for further information, provided by the VRS.

[10] Vulnerability Registration Service - VRS

4.1 Vulnerability Drivers

The FCA maps out four key drivers that increase the chances of the customer falling into vulnerable circumstances:

Health

- Health Condition or illness

Life Events

- Events such as job loss or bereavement

Resilience

- Low ability to withstand finanical or emotional shocks

Capability

- Low capability or skills in areas such as numeracy or literacy or lack of understanding of financial matters

These vulnerabilities are overlapping, and it is likely a customer will experience one or more of these. For instance, a customer who has experienced a serious health condition, may no longer be able to work which, if their circumstances do not improve, reduces their ability to withstand financial shocks.

Customers may not want to reveal a vulnerability so is important that staff are trained on treating vulnerable customers fairly. For instance, pre-defined scripts or pointers on how to sensitively ask the customer at the earliest opportunity whether they have any specific mobility or customer service needs. This links into the customer support outcome in Section 3.3.3.

A lender should ensure there are processes and documentation in place so that the customer clearly understands what will happen if they share information about a vulnerability. This could include conversations with the customer or documentation posted to the lender's website. This should help the customer understand:

- What additional support they are likely to receive as a result
- What is likely to be discussed
- How their data will be treated and stored

The aim is to minimise the customer's concerns and anxiety when sharing this personal information.

Lenders should aim to identify circumstances of vulnerability as soon as possible, whilst ensuring they remain sensitive and empathetic to the customer and be alert to these changing characteristics. Once a vulnerability has been identified then the lender should continue to account for this. For instance, if the lender calls the customer and the customer makes the lender aware that they need to send documentary evidence by email as opposed to dictating the details via a phone call the lender should ensure this is the route for communication not just for this document, but for all further documents.

Considerations of the 4 key areas of vulnerability are discussed in further detail in the following sections.

4.1.1 Health

Customers may be affected by either a physical health issue or a mental health issue. This would require the lender to consider further help throughout the customer's lending journey.

A lender should ensure:

- Alterative documentation is available. For instance, braille or large text
- Additional communication tools are available. For instance, if the customer has impaired hearing, then verbal rather than written communication may provide a better outcome, or the customer may require a hearing loop for conversations
- Alterative meeting options are available. For instance, if the customer has a physical disability that makes it difficult for them to attend meetings in person, then the lender should offer them a conversation by phone instead
- The customer is given time and patience is expressed when the agreement is being explained. For instance, the customer may need time to discuss the agreement with a family member before finalising it
- Consideration is given to the impact the customer's health has on their ability to make the lending agreement repayments. This may affect the product and/or the associated conditions

4.1.2 Life Event

Any customer may be affected by a life event such as bereavement, family illness, relationship breakdown and caring responsibility. This may mean the customer makes poor decisions and can sometimes lead to a lack of willingness and/or ability to make the repayments of the agreement.

A lender should ensure:

- Continued communication between the employee and the customer to stay informed of the customer's circumstances and ensure they feel supported
- If the life event is causing financial difficulties for the customer, the lender should provide the customer with flexibility. For instance, this may involve changes to the repayment amounts in the short term. The lender should also consider other options such as:
  - Seek to understand the customer's new financial situation by recalculating their affordability and assessing if the current arrangement is still financially viable
  - Offer revised terms to suit any changes to the customers affordability
  - Offer advice on external debt advice, such as Debt Helpline and Step Change

4.1.3 Resilience

Customers that have low resilience typically have a low capacity to absorb financial shocks, such as a small increase to their mortgage payments.

One area the lender can ensure consideration is given to resilience is through the affordability assessment. The lender must ensure that when assessing the affordability of the customer, they ensure there are buffers in place that means the customer could still afford to make the repayments even with negative changes to their income or expenditure. Please refer to RM4 for more information on the good practice for assessing a customer's affordability.

If a customer finds themselves in vulnerable circumstances this can negatively affect their decision-making regarding buying and using financial services, which can exacerbate financial difficulties.

The lender should:

- Understand the resilience of the customer at the beginning of the agreement. A robust affordability assessment is the first step in achieving this. In addition, they should look to identify any changes to the customer's circumstance over the course of the agreement at the earliest opportunity. For instance, if excessive levels of gambling are picked up as part of the affordability calculation, this customer should be highlighted as being potentially vulnerable and could therefore be less likely to absorb financial shocks
- Understand the customer's new financial situation and recalculate their affordability to understand if the current arrangement is still affordable
- Look to offer revised terms to suit any changes to the customers affordability

- Offer advice on external debt advice websites such as money advice or debt advice helpline
- Provide the customer time to consider their options

4.1.4 Capabilities

The capabilities of the customer can impact their ability to understand the product and agreement they are signing up for. The customer may be at risk of coercion or fraud which impacts their ability to make their own decisions.

Lenders should aim to understand the capabilities and skills of the customer in core competencies such as numeracy, literacy and understanding of financial matters. For instance, the customer may not speak English as their first language, so they may have more difficulties understanding the documentation or verbal communication. Or the customer may have low digital capability, so they struggle to assess the online services.

If the customer is being persuaded to do something by force or by use of threatening behaviour, then they are being coerced into the agreement. Lenders must be alert to signs of coercive behaviour and take action to pause the agreement process until it has been thoroughly investigated. Coercion can take place in several circumstances such as a joint application or a guarantor agreement. Merely asking the customer if they are acting under their own free will is not sufficient to decide whether coercion is taking place.

If there are signs of coercive control or this is picked up by the lender via the Vulnerable Registration Service, then the agreement should be paused until the lender is sure that the applicant is acting under their own free will. It is good practice for the lender to suggest the applicant seeks independent legal advice.

Customers with lower capabilities may find it more difficult to understand the products, such as the amount they need to pay each month and the implications of components such as fees, charges, and interest rates.

The lender should:

- Provide the customer with time to consider the details of the product
- Ensure the employees are adhering to the Consumer Duty
- Be alert to signs of coercion:
  - Ensure that one applicant is not being coached through the application process by the other applicant or someone else, either through telephone recordings or observed through in person

meetings

- Ensure the individual has been given enough time to review and accept the pre contract information that explains their roles and responsibility in the agreement
- If the lender has access; check if the customer is flagged on the Vulnerable Registration Service and if they have specifically selected the coercion referral flag
- Ensure the applicant is understanding the product and the agreement on their own terms. For instance, if the applicant is hearing-impaired the lender should not rely on the joint applicant to interpret the information. They should ask the applicant if they would like an interpreter

4.2 Example

As previously mentioned, some areas of vulnerability are likely to overlap, and a customer is likely to experience multiple characteristics of vulnerability.

In a recent example FOS case[11]:

Miss W is unhappy that the credit union withdrew its loan offer to her and says it hasn't treated her fairly given her vulnerabilities. The credit union says that it withdrew its loan offer because Miss W exhibited behaviour which was unacceptable towards its staff. "

The credit union contacted Miss W and asked her to come to their offices so that Miss W could sign the form in person. Miss W attended and signed the form but ended up leaving the office with some of the documentation relating to the standing order for repayments, required to process her application. A representative from the credit union telephoned Miss W and asked her to return to the office with the paperwork. It says that in this call, Miss W swore at the representative. The credit union says that because of Miss W's "attitude and behaviour" it was decided to withdraw the loan offer.

Miss W was suffering from health problems and a life event:

- Physical health problems, that requires the customer to use a stick and a foot brace
- Mental health problems of anxiety and depression
- The customer's father has dementia, and the customer is the carer with frequent hospital appointments

[11] Decision Reference DRN-2579687 (financial-ombudsman.org.uk)

The customer felt she was not treated fairly given her circumstances and above all felt discriminated against because of her race.

The complaint was upheld.

If staff had followed the guidance set out in this guide, this complaint may have been avoided and Miss W could have received the loan she applied for and experienced a good outcome.

Staff should have asked the right questions when Miss W first attended the office. Miss W may then have felt inclined to open up about the difficulties she was experiencing which would have alerted staff to Miss W's vulnerable circumstances. In addition, staff should have observed Miss W's difficulty walking and noticed that Miss W had a physical disability.

If staff had identified Miss W's vulnerable circumstances at the start of the process and understanding of the difficulties, she was under then they could have provided Miss W with more support. Staff could have made it clear to Miss W that she did not have to attend the office in person and that the paperwork could be sent via post. This would have prevented Miss W from having to return to the office.

Not treating Miss W fairly meant she became frustrated, and this led to the loan being rescinded. It was this that meant Miss W made the complaint and the complaint was upheld.

The FOS imposed a cost of £300.00 to the lender. However, it is more than just the financial cost that can affect the lender. There is also the reputational damage to the lender caused by these cases.

This case shows why it is important to ensure employees are alert to characteristic of vulnerability as early as possible in the lending process, and that they act on this to ensure a good outcome for the customer.

5 Complaints Handling

Customer complaints should be dealt with promptly and fairly. This includes both complaints treated internally by the lender and those referred to the FOS, following no agreed outcome between the lender and the customer in the internal review.

DISP is the FCAs Dispute Resolution handbook[12], which provide rules and guidance on how regulated lenders should deal promptly and fairly with complaints. It also sets out how the Financial Ombudsman Service (FOS) considers unresolved complaints.

Credit unions must follow the Credit Unions Source Book (CRED) and most credit union lending is classified as unregulated. Consequently, credit unions are not subject to all the guidance and rules set out in DISP unless they engage in regulated lending activities. However, CRED does sets out specific DISP sections[13] that credit unions must follow, and these will be discussed in this section, in addition to the rules and guidance laid out in CRED.

---

[12] DISP.pdf (fca.org.uk)

[13] Consumer Awareness Rules (DISP 1.2), Complaints Handling Rules (DISP 1.3), Complaints Resolution Rules etc (DISP 1.4 – 1.8) and Complaints Record Rule (DISP 1.9),

For navigation of the following sections please use the links below:

5.1 Consumer Awareness and Handling

Lenders must publish information on their internal complaints handling procedures and ensure the consumer is aware of the availability of this information in writing at, or immediately after the point of sale. The information provided must be comprehensive and easy to understand for the customer.

Lenders must make the consumer aware of the role of the Financial Ombudsman Service (FOS) in the complaint's procedure. This should be included on the lenders website if one exists and in the contractual agreement.

Lenders may wish to display the FOS logo, as per the diagram on the right, on the website or in branches to make the consumer aware of the FOS.	Financial Ombudsman Service

- The consumer must be able to make a complaint free of charge[14] and the lender should not profit from the complaint being made. For instance, if the complaint is made via telephone, then the consumer should not incur any charges over and above the standard call rate.
- It is important that lenders report and monitor complaints made against them as the FCA may request sight of this from a Consumer Duty perspective. Characteristic for MI might include:
  - The nature and number of complaints
  - The number of complaints upheld internally
  - The number of complaints referred to the FOS
  - The feedback from the consumer regarding the compliant process
- The lender should have a process in place to identify and deal with the root cause of the complaints. For instance, is it a systemic problem with the product that needs fixing, is more training required for employees when dealing with customers etc. The lender should then document actions with associated time scales to remove the risk of further complaints.
- The lender should have training in place to ensure that any changes to rules and guidance are communicated to the employees and these are documented and acted upon

If the lender finds a systematic problem that is recurring and risks a bad outcome for other customers that have not raised a complaint, the lender should proactively contact these customers.

A lender must appoint someone of appropriate seniority to be responsible for the firm's compliance oversight[15] and the individual must be willing to provide their name to the FOS in the event it is requested.

5.2 Complaints Resolution

Lenders must assess the complaint fairly, consistently, promptly and with impartiality.

Lenders must send written acknowledgement to the customer that the complaint has been acknowledge and is being reviewed, so they are aware of the progress.

The lender should look to obtain all the relevant information, for instance:

- Previous complaints of a similar nature raised towards the lender and/or FOS

[14] DISP 1.3.1 A R
[15] DISP 1.3.7 R

- Evidence provided by the consumer of their complaint
- All rules, guidance and regulations surrounding the complaint

The lender must communicate any decisions to the consumer in a clear and comprehensive manner. Any remedial action required, communicated, and accepted by the consumer must carried out promptly.

The lender should aim to resolve any complaints internally before referring cases to the FOS.

Resolved Complaint: A complaint is resolved when the consumer who raised the complaint has accepted the response from the lender. This acceptance does not need to be in writing, it can be a verbal acceptance.

Written Acceptance: The lender must summarise the complaint and the resolution of the complaint[16] in written form unless there is evidence that another form of communication would aid a better outcome for the customer.

Within the summary the following should be covered:

- Evidence that the individual has made a claim and that the claim is now considered resolved by the lender.
- Inform the individual that if they do not agree with the outcome then it's possible to pursue the case by referral to the FOS.
- If the complaint has been ongoing past certain time frames,[17] then the lender does not have to allow these to be referred to the FOS. If the lender agrees to waive these time frames, they must indicate this in the summary.
- Provide the website address for the Financial Ombudsman Service and inform the consumer that there is further information on at this website that they can access.

5.3 Time Limits

[16] DISP 1.5.4 R

[17] More than 6 months after the final response or final summary communication was sent from the lender. More than 6 years after the event of the complaint or 3 years from the date the consumer became aware they had cause for complaint.

It is expected that within 8 weeks of receiving a complaint the lender must address the complaint either by a **Written Response** (refer to section 5.2) or a **Final Response**.

Final Response: This is a written final response which includes information on the complaint such as the nature of the complaint, whether it is upheld, if upheld how it will be redressed, if rejected the reasons why and FOS information including how to make a referral if the customer remains unhappy with the outcome[18]. Please see Appendix Item A - Glossary item "Final Response" for further details.

Written Response: This is a written response which explains why the lender cannot make a final response and when it expects to do so. It also informs the customer that they may now refer the complaint to the FOS, enclosing information on the FOS and the website address.

A **Written Response** or **Final Response** is not required if the customer has already provided written acceptance, or if the complaint is resolved by a lender within 3 business days[19] after the complaint was received. For instance, if the complaint was received on Monday and the complaint was resolved by Thursday afternoon then this would not apply. Whereas if the same complaint was resolved on Friday it would apply. It also does not apply if the individual has already indicated in writing an acceptance of the lender's response, as reference in Section 5.2 – Resolved Complaint, provided the lenders response includes information on how the individual can pursue the claim if they change their mind. This includes information surrounding the FOS (leaflet, website link) and should indicate whether the lender agrees to waive the relevant time limits if applicable.

5.4 Forwarding a Complaint

This section does not apply to a complaint that is resolved by the lender within 3 business days[20] after the complaint was received.

If a lender has grounds to suggest that the individual's complaint is fully or partially another lenders responsibility, then the lender is in their rights to forward the complaint on to the other lender. On the conditions that:

- It is forwarded on promptly
- The lender informs the individual making the complaint that it is being forwarded to another lender

---

[18] DISP 1.6.2 R
[19] It must be within close of business on the third business day
[20] It must be within close of business on the third business day

- The lender provides the individual with the other lenders contact details
- For joint responsibility, then the lender must act in the same way as they would do if it was their sole responsibility.

If the lender received a forwarded complaint, they must act as if the complaint had been made directly to them.

If a lender receives a complaint which is outside of the relevant time limits for a complaint to be referred to the FOS, then the lender may reject the complaint without consideration, but they must contact the individual to explain this in a Final Response

5.5 Complaint Records

A lender must keep a record of each complaint and the resolution of the complaint for at least 3 years. This information should feed into regular reporting and monitoring to help understand the customer outcomes and any actions following this such as system improvements and training requirements.

5.6 Complaints Reporting

Credit unions have a slightly different complaint reporting procedure than other lenders. Credit unions are subjected to CRED 9, whereas other lenders must continue to conform to DISP. The following section evidences the rules and guidance as set out in CRED 9 that credit unions should follow. For all other lenders, this section is not applicable and Appendix Item E evidences the rules and guidance that other lenders should follow.

5.6.1 Credit Union Reporting

A credit union lender must provide a "Credit Union Complaints Return" report addressed or delivered to the Central Reporting Team at the FCA each year. This should be provided no later than 1 month after the end of the reporting period which runs from the 1st April to the 31st March. Late fees can be incurred for missed deadlines.

The report is set up to capture details of the complaints received by the lender. Please refer to Appendix Item B to view the Credit Union Complaints Form which includes a detailed breakdown on the information required for reporting purposes.

Where a complaint can fall into multiple categories then the lender should select the one that most closely reflects the complaint.

For a complaint to be regarded as closed for reporting purposes one of the following must have occurred:

- **Written Acceptance**: The customer has accepted verbally or in writing the lenders earlier response.
- **Final Response:** The lender has sent a final response letter to the customer.
- The lender must not have heard from the individual who raised the complaint for 8 weeks or more since the last letter from the lender was sent.

Fully or partially upheld complaints should be recorded as a complaint.

Non upheld complaints, regardless of any payments made to the consumer, should be recorded as not upheld/rejected.

The report should not include complaints that were resolved one business day after the business day the complaint was received. If a complaint is received on a non-business day or outside of business hours, then the complaint can be recorded as received on the next business day.

The report should not include any fully referred complaints. Complaints with joint responsibility between lenders can be reported by both lenders as part of the complaints form.

Where a credit union reports on the payments they have made in response to the complaint, this should include any amount paid, or cost incurred, by the credit union, where a cash value can be readily identified. It should not include repayments or refunds of premiums that were taken in error[21].

The lender must make the FCA aware of any reporting changes, including changes to the individual who raised the complaint and the lenders employee who is handling the compliant.

[21] DISP 9.2.6 G

6 Monitoring

It is important that lenders have monitoring in place to ensure a good outcome for the customer is achieved and to be able to prove this to the FCA.

A good outcome should be pre-determined, over the short, medium, and long term where appropriate, for customers applying for and using the lenders products and services.

The governing body or in the case of smaller firms like credit unions, senior individuals responsible for consumer duty, must review the monitoring. This should be done at least annually to understand if there is a good outcome for the customer.

During the implementation phase of the monitoring, lenders should be able to share with the FCA the planned approach to monitoring. This should include the information, data, and insights the lender is planning to gather, and any changes proposed to deliver these insights.

Once monitoring is in place and a defined expected good outcome for each of the metrics has been derived, then the actual outcome can be compared to this expected to understand if the outcomes are being met. When assessing whether outcomes are being met, there should be sufficient analysis of the distribution of outcomes across groups of consumers in the target market, beyond broad averages. For instance, segmentation based on age bands, geographical areas, customer in vulnerable circumstances. However, it is important that the segmentation does not hide information that masks the true story of the customers outcomes. It is also important that where there are differences between segments of customers for the same product and target market, lenders can evidence that all customers continue to receive a good outcome. For instance, if different prices are charged for different segments of the target customer base, then the lender must be able to evidence that all customers are getting fair value from the product or service.

Where monitoring shows that outcomes are not being met, lenders must identify why they are not being met and document the actions needed to address this. These actions should include time frames of when the issue should be addressed and who is responsible for carrying out the remediation. These actions should be prioritised based on the level of risk associated to the action, with the highest risks being addressed first.

An individual customer view is much more important under the Consumer Duty to understand how individual customers outcomes differ based on their needs. To do this depends on the resources of the lender as it is much more time and labour intensive to perform this type of analysis and may not be appropriate for smaller lenders, such as credit unions, who do not have the capacity to carry out such a detailed assessment.

This section covers examples of monitoring by the key areas discussed within the document. The lists of monitoring metrics are not exhaustive, and it is up to each individual lender to set up a monitoring process on a periodic basis. For instance, monthly, or another period if it is deemed appropriate, and more accurately shows good outcomes are being achieved.

Monitoring should be proportionate to the size, resource, and capabilities of the lender. Clearly, there will be significant differences in the capabilities of firms. For instance, a credit union with a small work force is unlikely to have the resources to produce MI to the extent you would expect from a large bank or building society, who may have teams dedicated to MI production.

As a rule, lenders that have more sophisticated data strategies should have more detailed monitoring strategies. If the lender can produce a certain level of detailed MI to target sales, then this same level of detail should be reflected when they monitor outcomes.

Below details the types of monitoring that are important across the full lending cycle with more details specific to each of the four outcomes, vulnerable circumstances and complaints detailed in the subsequent sections:

- Customer feedback – Customers should feel comfortable to, and be able to, provide feedback on any part of the lending cycle. Focus groups, surveys and rating websites can be useful tools for gathering this feedback
- Internal training – Do employees have the level of knowledge that is in line with expectations. For instance, do they know the best products of services to offer a customer, do they know when and where to signpost customers when they are struggling with debt, do they make the customer aware of the complaints handling procedure
- Staff feedback – Employees should feel comfortable to raise any issues or concerns, as well as provide input on improvements that could be made to existing products, services and processes
- Compliance reports – Are the standards being met
- Continued review of the processes in place – For instance, are the marketing materials clear, understandable, and reflective of the product or service on offer. Are there mistakes that may results in the customer not understanding the product or feeling mislead which could lead to a complaint and a bad outcome for the customer
- Continued review of the treatment of customers – This can be understood from customer

feedback, but it can also be assessed via file reviews, monitored calls, review of correspondence between employees and customers.

- Monitor and review complaints over time – Review these together with any action taken to understand if the complaints procedure is being followed correctly
- Monitor and review the outcomes over time – Review these together with any action taken to understand if the outcomes are being followed correctly
- Draw upon external sources for information about consumer outcomes – The FCA references the Financial Lives Survey[22], which includes granular data about the financial lives of different groups

It is worth noting that Portfolio MI is not covered within this section. Please refer to RM11 Portfolio MI Good Practice Lending Guide for more information.

6.1 Price and Fair Value

The table below list examples of metrics that could be monitored to assess whether the "Price and Fair Value" outcome is being met.

Metrics	Further Information
Profitability Data	Profitability including revenue, profit margins and cost of providing the product.
Cost and fees	The volumes and value of the costs and fees charged to the customer and the performance following the charges. Does the performance of the customer deteriorate after they have incurred charges, is the credit rating of the customer affected. How does it change.
Customer retention rates	Retention rates and drop off rates – Does this differ by channel of application, the design of the product, the lending process and the ease of application and usage.
End of Agreement	Volume of customer reaching the end of their agreement, without cancelling or moving product.

[22] The Financial Lives survey | FCA

Product Switch	Volume of customers that carry out a product switch and the reason for the switch.
Customer Feedback	Assess through focus groups, surveys, rating websites, how the customer feels about the value they have received from the price and value of the product of service. This can help the lender make improvements to ensure the good price and value for the customer.
Benchmarking	How does the price and value of the product compare to similar products on the market.

6.2 Products and Services

The table below list examples of metrics that could be monitored to assess whether the "Products and Services" outcome is being met.

Metrics	Further Information
Benefit Utilisation	Are customers using all the benefits of the product or service. What volumes of customers use each product or service.
Updates	Have any changes been made to the product or service. What impact has this had on the customers performance.
Channel	What channel did customers use to apply for the product or service. For instance, online, in branch, via telephone.
End of Agreement	Volume of customer reaching the end of their agreement, without cancelling or moving product.
Accept/Declines/Referrals	Volume of customers that are an accept/decline/referred.
Decline Reason	If the customer was declined, was the customer declined automatically at the preliminary questionnaire, at the affordability assessment, credit risk assessment, age band criteria, income threshold.
Referral Reason	If the customer was referred, what was the reason for this, was it due to their affordability assessment, credit risk assessment, age band criteria, income threshold? Or were they recommended for another product or service because it was more suitable. Why was this other product more suitable.

Customer Metrics	The number of joint applications, average incomes, average disposable income, number of missed payments.
Product Pricing, Fees, and Charges	Are certain groups of customers more likely to take out a certain product or service.
Performance on Product	Is a customer more likely to miss a payment or incur fees and charges on certain products? Does this differ by customer segment.
Customer Feedback	Assess through focus groups, surveys, rating websites, how the customer feels about the product or service they have received. This can help the lender make improvements to ensure the products and services continue to/improve upon providing a good outcome to the customer.
Benchmarking	How does the product or service compare to similar products on the market, this includes the pricing, fees and charges and costs.

6.3 Consumer Support

The table below list examples of metrics that could be monitored to assess whether the "Consumer Support" outcome is being met.

Metrics	Further Information
Call Monitoring	Recording and monitoring employee calls with customer to ensure they align to procedures and compliance requirements.
Written Communication Monitoring	Review the written communication between employee and customer to ensure they align to procedures and compliance requirements.
Call Times	Are the call times within pre-defined time period (lenders may define a required Service Level Agreement (SLA) which states the maximum call waiting time that should be achieved).
Customer Feedback	Assess through focus groups, surveys, rating websites, how the customer feels about the support they received throughout the lending process journey. This helps the lender improves the support the customer receives.
Early Withdrawal from Products	How many withdraw early from each product, what are the reasons for the withdrawal and what segment of the customer target market

	withdraw early.
Forbearance Measures	What additional forbearance measure were carried out when the customer was struggling to make the repayments or alerted the lender to changes in their circumstances.
Outages	Were there any app, website or IT outages that affected the customer's journey. Did it result in reduced volume of applications. Were there complaints following the outages.

6.4 Consumer Understanding

The table below list examples of metrics that could be monitored to assess whether the "Consumer Understanding" outcome is being met.

Metrics	Further Information
Call Monitoring	Recording and monitoring employee calls and the written communication with the customer to ensure they align to procedures and compliance requirements. Is the customer receiving all the information they need to make an informed decision, is the customer made aware within this of the complaint's procedure and the role and responsibilities of the FOS.
Written Communication Monitoring	
Customer Journey Adjustments	Were any adjustments required throughout the customer journey – For instance, braille, spoken text, hearing loops.
Change in Circumstances	How many customers informed the lender that their circumstance had changed, and what action was taken to address this - What was the subsequent performance of these customers. Was this an improvement on the performance prior to the change.
Customer Feedback	Assess through focus groups, surveys, rating websites, how the customer feels about their understanding throughout the whole lending process.

6.5 Vulnerable Circumstances

The monitoring that has already been discussed should take place to ensure that vulnerable customers achieve as good as outcome as everyone else.

Vulnerable customer outcomes should, where possible, be assessed and monitored compared to other segments within the same target market. It is recognised that lenders may not have the data about customers protected characteristics to do this and it's important that monitoring does not come at a cost to the relevant data protection legislations.

The FCA state that they: *"do not require firms to systematically collect data or to collect new data about customers protected characteristics, for example to ask customers bout their ethnicity. However, where firms do already collect data about customers' protected characteristics, we expect them to use this data to monitor differences in outcomes between different groups, where possible."*

The table below list examples of metrics that could be monitored to assess the outcomes of vulnerable customers.

Metrics	Further Information
Volume of Customers in Vulnerable Circumstances	Volume of customers in vulnerable circumstances.
Point where Vulnerability was Identified	The point in the journey where the vulnerability was identified – Was it at the start of the journey, or did it take longer to identify.
Channel where Vulnerability was Identified	The channel by which the vulnerability was identified – Did the customer divulge the information voluntarily, was it identified via the VRS, did the employee ask the right question which resulting in the customer providing information on their circumstances.
Type of Vulnerability	The type of vulnerability experienced by the customer– Is it a life event, health, resilience, capability or did it take another form.
Customer Feedback	Assess through focus groups, surveys targeted at customers in vulnerable circumstances to understand how they felt about their experience of the lending process and how it could be improved.

6.6 Complaints Handling

The table below list examples of metrics that could be monitored to assess the outcomes of complaints handling.

Metrics	Further Information
Call Monitoring	Monitor calls and written communication between the employee and the customer when a complaint is being raised – Is the customer treated according to the complaints handing procedure.
Written Communication Monitoring	
Volume of Complaints	Volume of complaints.
Type and Cause of Complaints	For instance, were the complaints related to unaffordable lending, bad treatment of the customer through the journey, vulnerable circumstances not accounted for. These could be segmented by the four cross cutting rules.
Outcome of the Complaint	Was the complaint declined, upheld, or referred following internal review. If the complaint was referred to the Financial Ombudsman (FOS), was it then declined or upheld by the FOS.
Channel of Complaint	How did the customer complain, for instance, did the customer provide a formal written complaint, was it over the telephone or was it in branch.
Recompense	Type and value of recompense – Was the customer provided with compensation, what was the value of the compensation.
Customer Feedback	Assess through focus groups, surveys targeted at customers in vulnerable circumstances to understand how they felt about the lending process and how it could be improved.

7 Governance

As part of good governance, a lender's Consumer Duty and Complaints Handling procedures should be reviewed on a periodic basis, or more regularly if required, and any assumptions or processes updated as necessary.

Governance pertaining to Consumer Duty has been covered to a degree in Section 3.5.1. However, for full understanding of good practice regarding governance and to cover all other areas discussed in this document, it is advisable to review this alongside the RM15 Lending Policy Guide for Governance.

Please see the full Glossary for a comprehensive list of Credit Risk Management terms.

8 Appendix

8.1 Appendix A: Glossary of Terms used in the Consumer Duty and Complaints Handling

Term	Description
Consumer Credit Source Book (CONC)	The Consumer Credit Source Book (CONC) is the FCA's specialist sourcebook for credit-related activities. It principally covers lenders' obligations regarding unsecured credit or secured against non-land-based assets (such as cars). For credit agreements secured on land, such as a residential mortgage, these are covered by the FCA's Mortgage and Home Finance: Conduct of Business Sourcebook (MCOB).
Credit Unions Sourcebook (CREDS)	The Credit Unions Sourcebook is the FCA's specialist sourcebook for credit unions. Most credit union lending falls within the remit CREDS, but for regulated lending activities not covered by CREDS such as mortgage lending or high interest loans, then the regulations are defined by the relevant source book, i.e. CONC and MCOB for unsecured and lending secured on land (mortgages) respectively.
Dispute Resolution Handbook (DISP)	The Dispute Resolution Handbook is part of the FCAs handbook that sets out how complaints are to be dealt with by respondents, including lenders and the Financial Ombudsman Service.
Financial Conduct Authority (FCA)	The FCA is the regulatory body that oversees consumer credit lending in the UK. The FCA is responsible for the Consumer Credit Source Book (CONC) and the Credit Unions Source Book (CREDS).
Financial Ombudsmen Service (FOS)	The Financial Ombudsman Service is a free and easy-to-use service that settles complaints between consumers and businesses that provide financial services. Usually, customers will be referred to FOS if they cannot find a satisfactory resolution to their issue via direct negotiation with their lender.
General Data Protection Regulation (GDPR)	The General Data Protection Regulation (GDPR) is a European data protection law that gives individuals more control over their personal

	information and includes rules and guidance about how companies should think about data privacy.
Final Response	A final response is a written response from the lender which covers the following elements: (a) accepts the complaint and, where appropriate, offers redress or remedial action; or (b) offers redress or remedial action without accepting the complaint; or (c) rejects the complaint and gives reasons for doing so. and which: (d) encloses a copy of the Financial Ombudsman Service's standard explanatory leaflet and provides the website address of the Financial Ombudsman Service. (e) informs the consumer that if they remain dissatisfied with the lenders response, they may now refer his complaint to the Financial Ombudsman Service; and (f) indicates whether the lender consents to waive the relevant time limits by including the appropriate wording set out in ■ DISP 1 Annex 3R
Vulnerability Registration Service (VRS)	The Vulnerability Registration Service (VRS) is a not-for-profit organisation providing a central, independent register of vulnerable people – helping companies to identify vulnerability and keep people safe. It is free to use, entirely voluntary, and users can remove themselves from it whenever their circumstances have sufficiently improved.

8.2 Appendix B: Credit Union Complaint Return Form

Credit Union Complaint Return Form

8.3 Appendix C: Other Lenders Complaint Return Form

Other lenders complaints return form

Full permission consumer credit firms are required to complete Part B 35-45 DISP 1 Annex 1

8.4 Appendix D: Vulnerability Registration Service (VRS)

Consumer Brochure v3.pdf

Crib Sheet for Customer Services Fa

8.5 Appendix E: Other Lenders Reporting Requirements

A lender must submit complaints form to the FCA twice a year, within 30 business days of the end of the relevant reporting period otherwise late fees can be incurred. If a system failure occurs, then the lender should notify the FCA immediately to avoid late fees. These 2 reporting periods should consist of:

- A report six months immediately following the lenders accounting reference date and.
- a report six months immediately preceding the lenders accounting reference date.

This is the case unless the lender has permission to carry out only credit related regulated activities and has a revenue arising for those activities that is less than or equal to £5 million a year. In which case the lender is only required to submit a report once a year and the reporting period will be immediately following the lenders accounting reference date.

The lending "Complaints Return" form, which is not applicable to credit unions, can be found in appendix item C. (DISP 1 Annex 1R). The lender must complete the relevant sections which are dependent on the number of complaints the lender has received in the reporting period; less than 500 complaints or 500 plus.

Where a complaint can fall into multiple categories then the lender should look to select the category that most closely reflects the complaint type.

A lender should only include complaints in their reporting where the responsibility of the complaint lies fully or partially with the lender. Complaints that have been forwarded on in their entirety should not be included. A lender who is part of a wider group may submit a joint report.

If the complaint is fully or partially upheld, then the complaint should be recorded as a complaint.

If the complaint is not upheld, regardless of any payments made to the consumer, the complaint should be recorded as not upheld or rejected.

The report should include complaints that were resolved one business day after the business day the complaint was received.

Where a lender reports on the amount of payments made, this should include any amount paid, or cost borne, by the lender, where a cash value can be readily identified. It should not include repayments or refunds of premiums that were taken in error[23].

For a complaint to be regarded as closed for reporting purposes one of the following must have occurred:

- **Written Acceptance**: The customer has accepted verbally or in writing the lenders earlier response.
- **Final Response:** The lender has sent a final response letter to the customer
- The lender must not have heard from the individual who raised the complaint for 8 weeks or more since the last letter from the lender was sent.

The lender must make the FCA aware of the any reporting changes, including changes to the individual who raised the complaint and the complaint handler at the lender.

[23] DISP 9.2.6 G