Long Overdue: Reform of Consumer Credit Regulations in the UK

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STARTUP COALITION

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About Startup Coalition

Startup Coalition, formerly the Coalition for a Digital Economy (Coadec), is an independent advocacy group that serves as the policy voice for Britain's technology-led startups and scale ups.

Startup Coalition was founded in 2010 by Mike Butcher, Editor-at-Large of technology news publisher TechCrunch, and Jeff Lynn, Chairman and Co-Founder of online investment platform Seedrs. Startup Coalition works across a broad range of policy areas that matter the most to startups and scale ups: Access to Talent, Access to Finance & Regulation. We represent the startup community on the Government's Digital Economy Council, and the UK on the international organisation Allied for Startups Board.

Executive Summary

As part of the 2022 Edinburgh Reforms, the UK Government set out plans “for the UK to be the world’s most innovative and competitive global financial centre”. These plans included the launch of a consultation on the Consumer Credit Act (CCA), the foundational legislation which underpins lending in the UK and was originally introduced 50 years ago, in 1974. Whilst the Government completed this consultation in July 2023, we now stand at a fork in the road: either we continue to tweak around the edges of a regime which is failing consumers and creating uncertainty for businesses, or we advance with the ambitious reform required.

This report advocates for iterative, but ambitious reform of the CCA, alongside an overhaul of the other component parts of the consumer credit regulatory regime, specifically the governance of the Credit Reference Agencies (CRAs) and the functioning of the Financial Ombudsman Service (FOS).

To support our call for ambitious action, we have released research alongside this report which captures the views of 1,000 consumers. This includes evidence of their lending behaviours, knowledge of the products and services they use, and views on how the CRAs and FOS are functioning.

Our headline findings are that:

1. Younger consumers were more likely than older consumers to have used a credit product in the last twelve months.
2. Credit cards are the most popular credit product, with BNPL the second most popular.
3. Younger consumers use BNPL almost as much as they use credit cards.
4. Younger consumers report decreasing levels of debt, whilst middle-aged consumers are more likely to report rising levels of debt.
5. Most consumers pay off their credit card in full each month, with the oldest and youngest consumers most likely to do so.
6. The younger a consumer, the more likely they are to know the interest rate of their credit card.
7. Twice as many respondents said that their interest rate had risen in the last year as those that said that their interest rate had remained the same.
8. The public does not know who owns credit scores.
9. The majority of respondents said that credit scores should be up to date, and that they should be able to correct inaccuracies quickly.
10. The public wants a financial ombudsman service that is transparent and efficient.

Our findings present a view of rising debt among many consumers, and a fundamental lack of understanding from many as to how their products work, and how the regulators function today. They also expect far more of the CRAs and the FOS than they receive today.

Using this foundational data, we contend that the consumer credit regulatory regime has failed to adapt to innovation across multiple vectors. Firstly, it has failed to adapt to innovative ways of servicing customers in a way that maximises positive consumer outcomes. Secondly, it has failed to adapt to product innovation, leading to prolonged consumer and business uncertainty, particularly in its ability to

integrate Buy Now, Pay Later products. Thirdly, the consumer credit information sector, and the CRAs that dominate the sector, has failed to keep pace with innovation that maximises good consumer outcomes, and is also dominated by slow moving incumbents. Finally, the FOS is unfit for purpose and it is vital that it is reformed to deliver better outcomes for consumers.

Consumers deserve more than this failing regime, which is why we're calling for an ambitious but measured plan.

Step 1: Gradually, and systematically, phase out the CCA, starting with prescribed form, content and timing shifting to FCA rules.

Step 2: Create a Competitive CRA Sector, starting with the swift implementation of all CIMS remedies. Policymakers also need to support alternative data sources and challenger CRAs through the development of Open Finance.

Step 3: Reform the FOS, starting with the introduction of multi-track case categorisation to enable increased efficiency and funding reform, alongside the rapid introduction of a customer facing portal.

Importantly, this is a plan that must start before the next election. Reforming a foundational part of financial services regulation will be a formidable challenge, and requires political leadership, but it must start now. Consumers deserve better.

Introduction

The UK is home to a world-leading financial services sector. It is home to the world's biggest banks and financial institutions, as well as a trailblazing Fintech ecosystem which contributes around £11bn and over 76,000 jobs to the UK economy. This national asset is built on a spirit of innovation and progress which means the sector never stands still. The same is true for the regulators and regulation which underpin the sector. Examples of this desire to constantly improve include the recent Solvency II reforms and the ongoing growth of open banking.

There is one area within financial services in the UK which has remained untapped, however. There have been tweaks around the edges: a consultation here, a market review there, but the foundational challenge has not yet been tackled head on. This area is consumer credit regulation.

At Startup Coalition, we recognise that reforming the infrastructure which oversees lending in the UK is a formidable task. There are few parts of financial services where there is at once so much at stake for consumers, huge complexity in products and services, and rapidly changing market dynamics that make changing the regulations a potentially insurmountable challenge. This challenge is only further magnified by the looming prospect of an election year.

And yet, it is precisely because of the consumer, innovation and market complexity that confronting this long overdue reform must be a priority for the Government. Building the world-class consumer credit regulatory framework that the UK needs will take time, so it must begin now.

But first, let us examine how we got to where we are today.

A Brief History of Consumer Credit Regulation in the UK

Legislation covering consumer credit was highly fragmented before the 1971 Crowther Committee report on consumer credit, which concluded that wholesale repeal and reform was required instead of tweaking around the edges. The Consumer and Sale and Loan Act became the basis for the Consumer Credit Act (CCA) that we see today, which was tabled in 1974 and for the first time gave UK consumers centralised provisions and protections in the procurement of credit.

Over subsequent decades, the CCA has undergone several spring cleans. In 2004, a sprinkling of statutory instruments were tabled to simplify contractual terms and introduce consistency across paper and electronic communications. Meanwhile, in 2006, a more substantial reform led to the introduction of primary legislation to extend CCA protections to loans under £25,000.

The Global Financial Crisis significantly changed the way that the financial services industry was regulated in the UK, not least through the establishment of the Financial Conduct Authority (FCA) as the single regulator of the sector. As a result of the Financial Services Act 2012, regulation of consumer credit transitioned to the FCA, with new conduct rules outlined in 2014 in the Consumer Credit Sourcebook (CONC).

From this regulatory regime, the Credit Reference Agencies (CRAs) have emerged as a vital component within the sector. These actors perform a regulated function supporting affordability and credit worthiness assessments conducted by lenders. They are supervised by the FCA, with rules around conduct outlined in the CONC. Furthermore, the Financial Services and Markets Act 2000 (FSMA) founded the Financial Ombudsman Service (FOS), to act as a port of call for customer redress in the event that something goes wrong, covering all regulated services including lending.

Despite the changes over the years, however, we are today at a similar crossroads to that experienced fifty years ago. Consumer credit regulations were inadequate for the contemporary market in the Crowther Committee's time, and Startup Coalition believes that it is becoming clear that these current regulations are insufficient for today. Financial innovation, the proliferation of debt and the age of digitalisation have transformed the consumer credit landscape. This has led the Government to initiate its own review of the CCA, as part of the Edinburgh Reforms, initially announced in December 2022.

In July 2023, then Economic Secretary to the Treasury Andrew Griffith wrote in the UK Government's response to the proposed reform of the Consumer Credit Act that:

> *Successive amendments have attempted to update the CCA since its original enactment but, perhaps unsurprisingly, it is struggling to keep pace with the modern world. The time is now right to be as ambitious as our predecessors in 1974 and fundamentally reform the approach to the regulation of consumer credit in the UK.*

Since 2021, the Startup Coalition has been at the forefront of calls to modernise this vital piece of legislation. As we enter a likely election year, and the 50 year anniversary of the CCA's founding, it is vital that policymakers on both sides of the aisle appreciate the opportunity presented by reforming consumer credit regulation in the UK.

The Consumer Context to Reform

The world of consumer credit has changed dramatically over the past decades. Not only are people utilising more credit and debt than ever before but the number of credit products available for consumers is also higher than ever. The public now has access to a vast array of different credit options, from conventional mortgages and overdrafts to the proliferation of credit cards and Buy Now, Pay Later (BNPL).

The amount of outstanding debt on credit card balances alone in the UK is nearly £65bn, and we have seen the burden on consumers increase significantly during the cost of living crisis.[1] With credit card borrowing rising at the fastest annual rate, spending increasing, and prices rising due to inflation, we are seeing a significant number of UK credit card customers miss payments.[2] In data collected for this report, less than a third (29%) of respondents reported having less debt than they did a year ago, with the majority having the same (40%) or more (28%) debt than they had in the previous year.

This growing debt comes at a time where interest rates are rising. September 2023 saw average interest rates rise from 20.7% to 23.8%, compared to 21.89% in the same month in 2022.[3] Interest rates are up at a time where customers are missing more payments than ever. This credit pinch means more consumers are moving into financial distress, which is when robust regulations become even more important.

To top it all off, over five million UK adults are currently locked out of financial services because they are "thin-file", meaning they do not meet the prescriptive requirements of the credit establishment, rendering them invisible and unable to access credit.[4] This is a substantial, and growing, population of people who are locked out of vital financial services when they need them most in the midst of a cost of living crisis.

The Innovation Context to Reform

The growth in credit products has been coupled with a radical change in the way in which consumers access credit. For the majority of consumers the days of accessing credit at your local credit union, bank or via the post are now gone. Instead, most consumers are accessing credit products over the internet and through their phone. The digital revolution has radically transformed the credit market in means and pace and, crucially, will continue to change it at a rate of knots.

Critically, the digital age *has* brought new dangers for consumers: varied degrees of digital literacy means that some consumers access and experience credit very differently from others, this has led some consumers to have improved credit experiences while others are at the mercy of outdated legislation and products. Decreased friction brought on by the onset of digitalisation has also led to an increased risk of mistakes, frivolous spending and, unfortunately, fraud.

Innovation, however, has been a transformative force for good, and offers many solutions to these challenges.

Digitalisation has enabled data to be exchanged securely in real-time, while research and development has honed better ways to inform and educate consumers efficiently and concisely. Innovation has also led to the proliferation of new products: the use of BNPL has exploded in recent years. Over 14 million people—more than a quarter of the UK's adult population—used BNPL to purchase goods online in

[1] OECD, Household Debt data, 2020
[2] Comparethemarket.com, One-fifth of UK credit card users have missed a payment within the last six months due to the rising cost-of-living, July 2022
[3] Bank of England, Money and Credit - September 2022, September 2022
[4] Inews, Meet the invisibles: People whose credit files are too 'thin' to access basic loans, April 2021

2023, with the payment method accounting for nearly 4% of online retail sales in 2020.[5] Data gathered for this report suggests this might be an underestimation, with 39% of respondents saying they had used BNPL in the last twelve months.[6] Having barely existed five years ago, the UK's BNPL market almost quadrupled between 2020 and 2021 (valued at £2.7 billion) and it is predicted that next year it could account for 10% of all British e-commerce transactions. Overall spending through these services in the UK will rise from £9.6 billion in 2020 to £26.4 billion in 2024.

In response to this rampant rise, commentary in the press, and sometimes in the halls of government, has suggested that BNPL may rip off young people. In the UK Parliament, BNPL providers have been compared to "loan sharks".[7] Other policymakers have suggested that the product "is particularly around young people", which is a concern as "they lack life experience to recognise the consequences of their purchasing habits and find it particularly tempting to exceed the budget that they should observe because buy now, pay later makes it sound so utterly painless."[8]

Au contraire: data collected for this report stands as a solid rebuttal to the traditional BNPL critique. Those most likely to use BNPL appear to be the most savvy when it comes to credit. 18 to 25 year olds understand their interest rates, and are most likely to be those reducing their overall credit debt when compared to people older than them, though of course their overall debt is inherently lower.

The picture of how consumers interact with innovative credit products is far more complex than the impression given in the press. It is vital to probe the dynamics underpinning consumer credit in the UK today to understand why the regulatory framework is inadequate.

And don't just take our word for it. As part of our investigation into the state of the consumer credit market in the UK, over the summer of 2023, we conducted a poll of 1,000 consumers to get their views.

[5]Financial Conduct Authority, Financial Lives January 2023: Consumer experience of the rising cost of living - the burden of bills and ways to get support, July 2023
[6] See Figure 2 below.
[7] Hansard, Economic Growth, Volume 740: debated on Tuesday 14 November 2023
[8] Hansard, Financial Services and Markets Bill, Volume 827: debated on Monday 30 January 2023

What Consumers are Saying About Credit Today

In September 2023 we commissioned Public First to conduct a poll of a thousand UK adults, aged 18 and above, on their credit usage habits. All results of the poll are weighted using Iterative Proportional Fitting, or "Raking". The results are weighted by interlocking age & gender, region and social grade to Nationally Representative Proportions. The polling highlighted several key issues with the consumer credit market which form a vital backdrop to the consumer credit crossroads.

Finding 1: Younger consumers were more likely than older consumers to have used a credit product in the last twelve months.

As Figure 1 demonstrates, responses to our poll suggest that younger consumers are more likely than not to have used a credit product in the last twelve months. The age group with the highest rate of credit usership were those aged 25-34, and we see a rapid drop off among older respondents. Our results suggest that if you are young, you are more likely to use new credit products compared to those who are older.

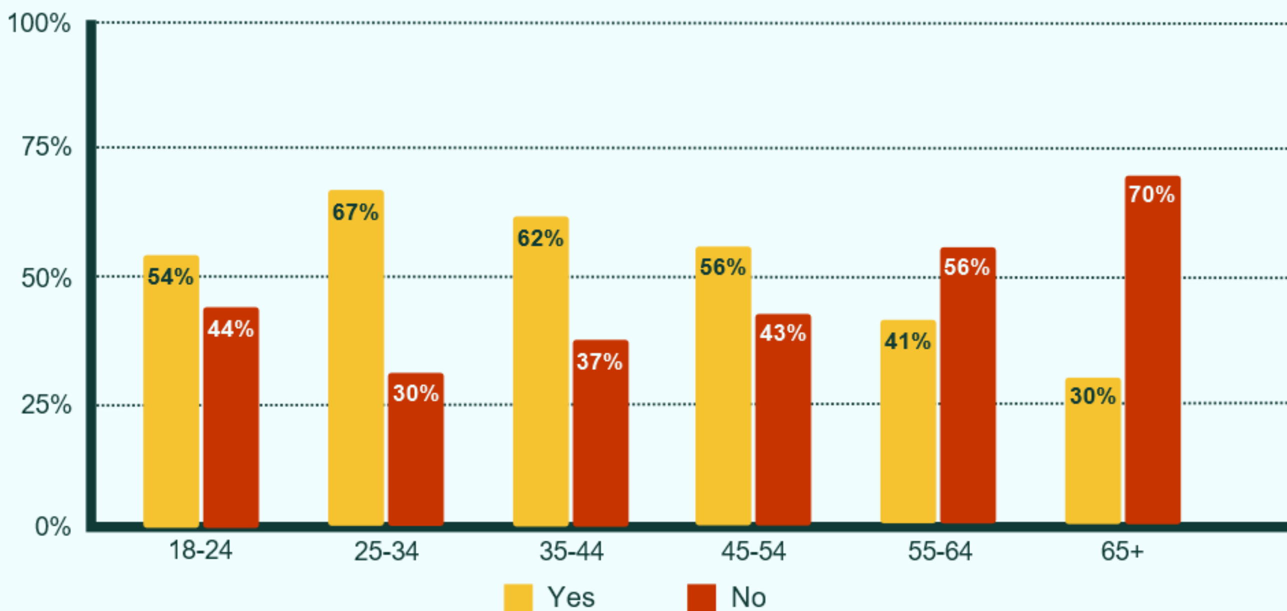

Figure 1. In the last twelve months, have you used a form of credit product to purchase a good or service? This graph excludes the individuals who stated that they 'Didn't know'

Finding 2: Credit cards are the most popular credit product, with BNPL the second most popular.

Finding 3: Younger consumers use BNPL almost as much as they use credit cards.

When asked about which credit products they had used, two products stood out over others. As Figure 2 demonstrates, the most popular credit product was credit cards with nearly three quarters of respondents (72%) having used one within the last twelve months. In second place, 39% of respondents reported having used BNPL in the last twelve months. However, the data is radically different when we break it down by age range. Those aged over 65 were significantly less likely to utilise credit products such as BNPL (15%), while those aged 18-24 had, comparatively, much lower credit card usage (54%) and higher than average BNPL usage (43%).

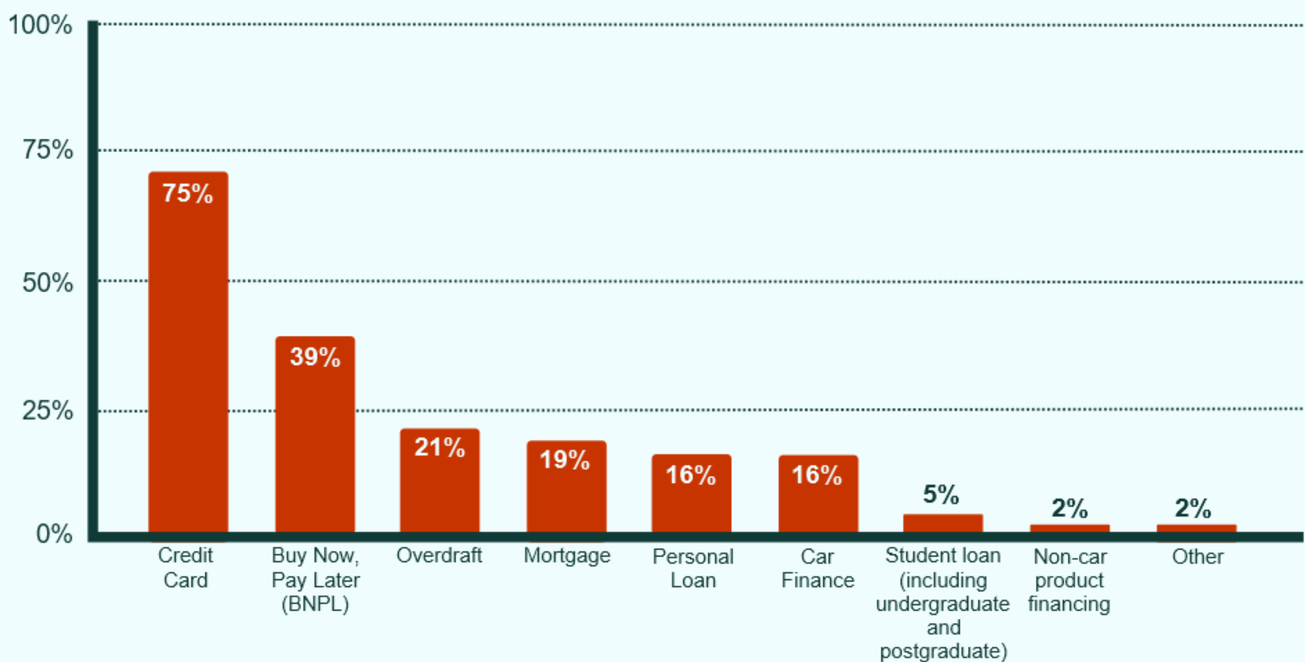

Figure 2. Which credit products have you used in the last twelve months? Please select all that apply

This data is significant in demonstrating how the consumer credit market has changed and presents differently to different consumers. Those who are younger are more likely to be accessing innovative but unregulated BNPL products instead of more traditional forms of credit like credit cards. It is vital that conversations about regulation of BNPL reflect this pattern of usership and recognise that the data suggests that BNPL is appealing to younger consumers almost as much as credit cards are, and that BNPL appeals to consumers of all age groups.

Indeed, when we asked respondents to compare two credit products, one which functioned in the way that many BNPL products are structured, and one which functioned as a conventional credit card, 71% preferred the BNPL construct.[9] Of course, this reflects the typical financial design of the products, and

[9] Question asked: Imagine two credit products. One (Credit Product A) charges you zero interest and requires you to pay back the full cost of the transaction in six, equal amounts over six months. If you miss a payment, you are charged a fixed fee of £5. The other (Credit Product B) charges you 20% APR, but there is no set time limit or amount to pay monthly. For example, if you wanted to buy a product for £100, Credit Product A would cost you £16.66 a month for six months, but you must pay back on time to avoid a late fee. Buying a product with Credit Product B would cost you £17.57 a month for six months, meaning the total cost would be £105.43, but you could

not the other reasons consumers may choose to pay in a certain way, such as convenience, security or loyalty, but it is meaningful nonetheless.

Finding 4: Younger consumers report decreasing levels of debt, whilst middle-aged consumers are more likely to report rising levels of debt.

It is not just in the types of credit products used that differs between age groups. As demonstrated in Figure 3, reported credit debt has fallen over the last twelve months for just one age group, those aged between 18 and 24. In comparison, those aged 35-44 have a similar if not higher amount of debt compared to a year ago.

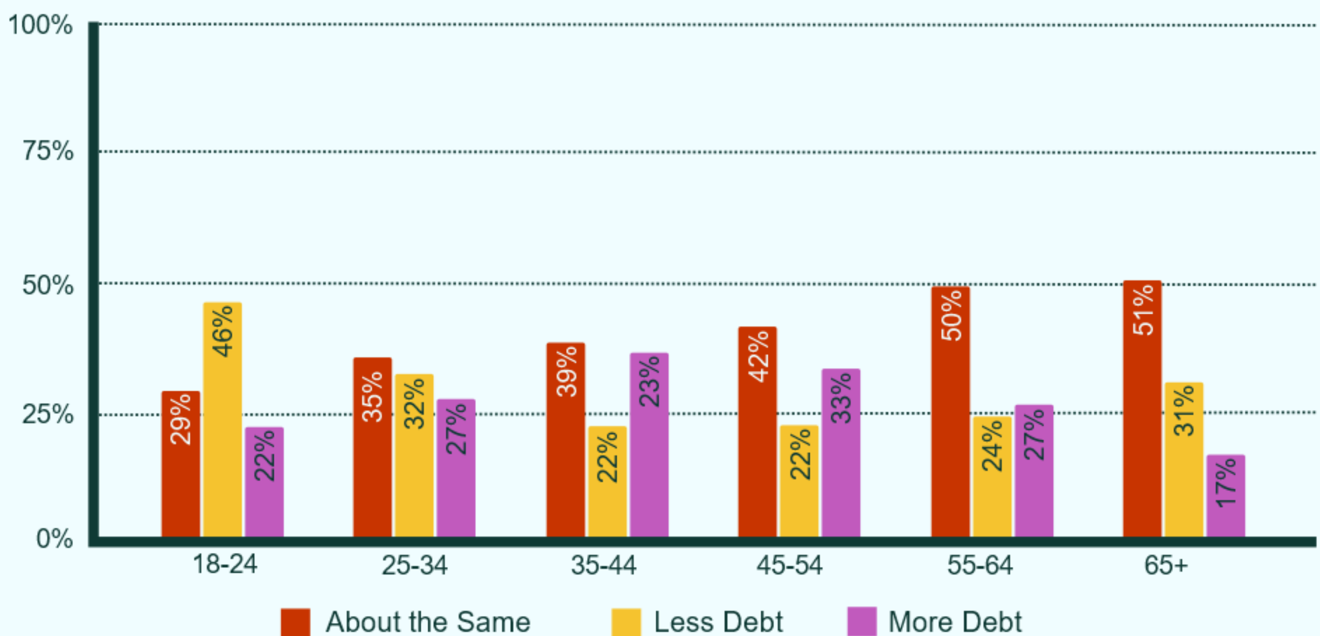

Figure 3. How much credit debt do you have now compared to a year ago? This graph is rounded to the nearest whole number

We proceeded to ask people about their credit card usage. As the most traditional way in which consumers access credit, credit cards are an excellent tool for analysing the general trends within credit.

Finding 5: Most consumers pay off their credit card in full each month, with the oldest and youngest consumers most likely to do so.

Further, when asked whether they paid off their credit card bill in full each month, we saw the highest rates of negative responses (i.e. respondents *not* paying off their credit card bill in full each month)

choose to spread the cost for longer than six months, with the cost increasing proportionately. Paying back in 12 months would cost £9.19 per month, meaning the total cost would be £110.23.Which type of credit product would you prefer to use?

amongst those aged 35-44. Respondents in this age group exhibit high credit card use, high reported indebtedness, and are less likely to pay off their credit card in full.

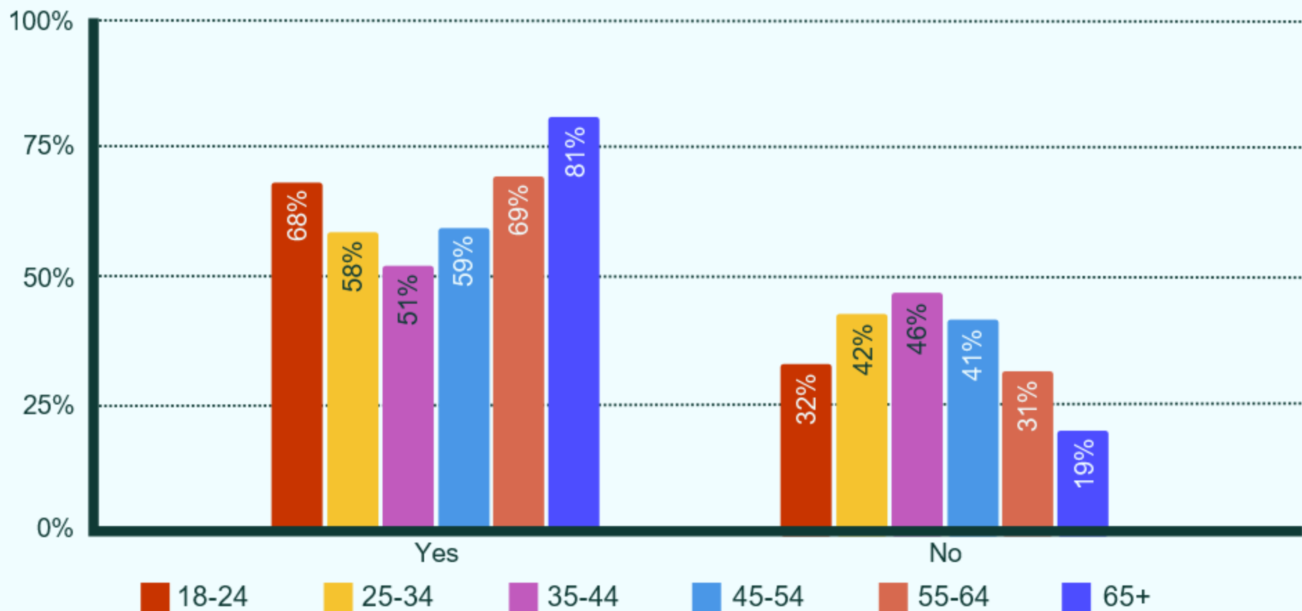

Figure 4. Do you pay off your credit card bill in full each month?

Finding 6: The younger a consumer, the more likely they are to know the interest rate of their credit card.

In contrast, while those aged over 65 were the most likely to pay off their credit card bill in full each month, the youngest respondents, those aged 18-24, also reported a high propensity to do so (68%). This demographic is also the most likely to know the interest rate of their credit card, as shown in Figure 5. 57% of those aged 18-24 said they knew their credit card interest rate, compared to just 28% of those aged over 65, and 44% of those aged 35-44, the age group least likely to pay off their bill in full each month. This data complements the findings of others from elsewhere: Fairer Finance found that people often thought they knew more about their rates and contract than they actually did. In fact none of the participants were able to answer the most difficult questions around credit cards and those able to identify various fees remained low, with 60% not being aware of a fee for cash transactions.[10]

[10] Fairer Finance, Improving disclosure in the consumer credit market, March 2023

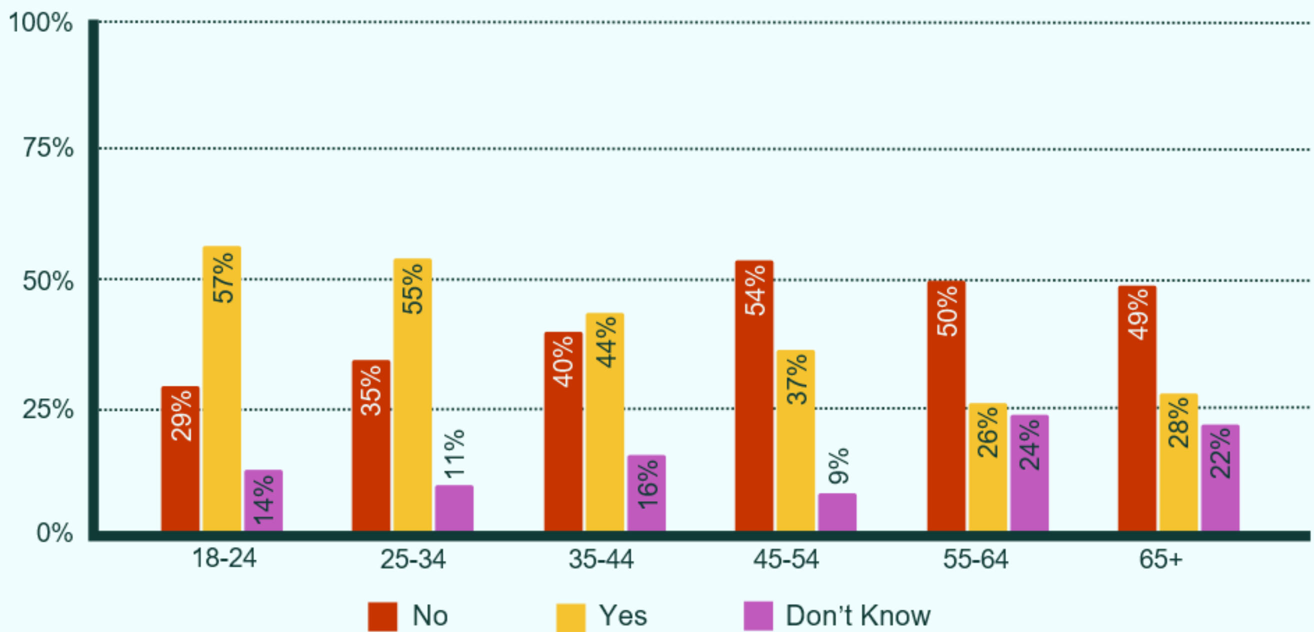

Figure 5. Do you know the interest rate of your credit card?

Finding 7: Twice as many respondents said that their interest rate had risen in the last year as those that said that their interest rate had remained the same.

Returning to responses across all age groups, of those that knew whether their credit card interest rate has changed over the last twelve months, twice as many respondents said the rate had risen than said it had stayed the same, and only 4% of all respondents said that their rate had reduced.

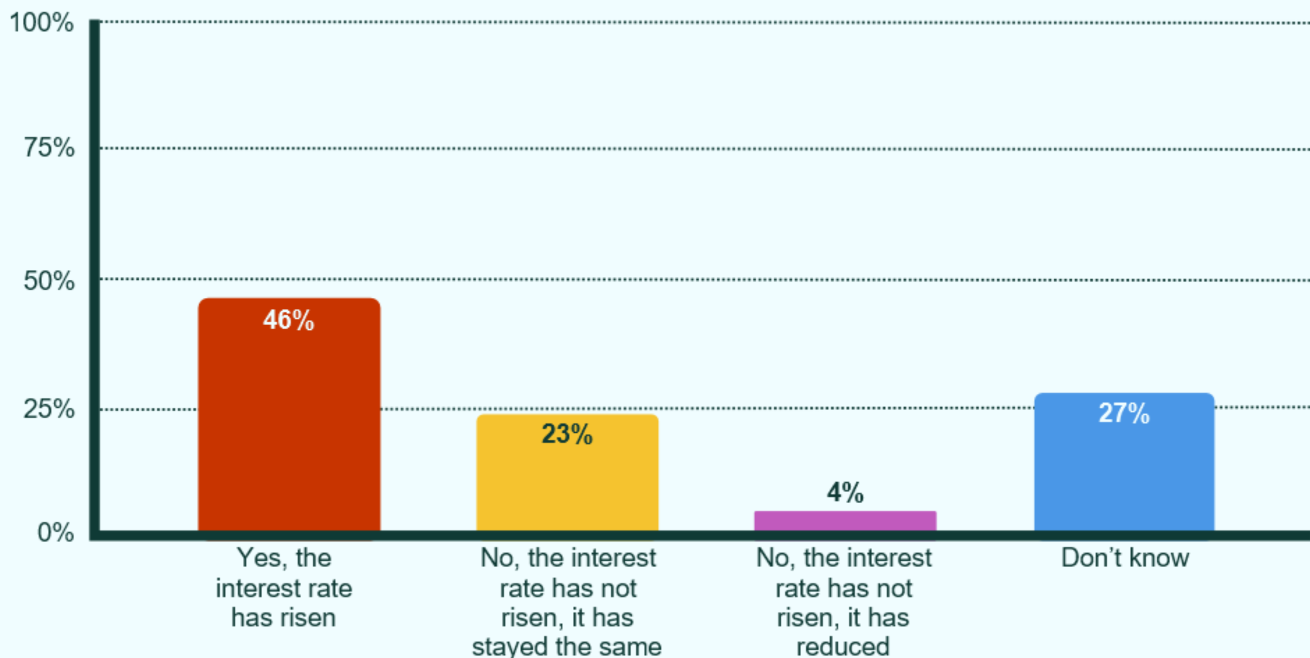

Figure 6. Do you know if the interest rate on your credit card has risen in the last year?

Finding 8: The public does not know who owns credit scores.

The above evidence shows that large swathes of the public are often unaware of the details of the credit products they use, and this lack of knowledge extends to the surrounding infrastructure of consumer credit, including the scores that underpin their access to debt. When we asked the public if they knew who owned their credit score, over a third (37%) said they didn't know and a quarter believed that they owned their credit score themselves. Among 18-25 year olds, the same percentage of people believed that the financial regulator owned their credit score (11%) as answered correctly (that the score is the property of the Consumer Credit Agencies) and more believed they themselves owned their credit score (28%).

Finding 9: The majority of respondents said that credit scores should be up to date, and that they should be able to correct inaccuracies quickly.

We also asked respondents for feedback on how they believed credit scores should be formulated. 83% of those polled felt that their credit score should be up to date with their financial situation and that if something was wrong with their credit score they should be able to correct it for free. Further, 68% felt that if there was something wrong with their credit score that they should be able to update it within 24 hours.

Finding 10: The public wants a financial ombudsman service that is transparent and efficient.

Finally, we also asked respondents to share views on the Financial Ombudsman Services (FOS), which is their primary source of independent redress when things go wrong. A large majority of respondents believed that they should be able to continually check the status of their case (91%). When asked how long a complaint usually takes to be resolved by the FOS, the most popular answer among respondents was that it should be somewhere between 3-4 weeks and 1-2 months (37%).

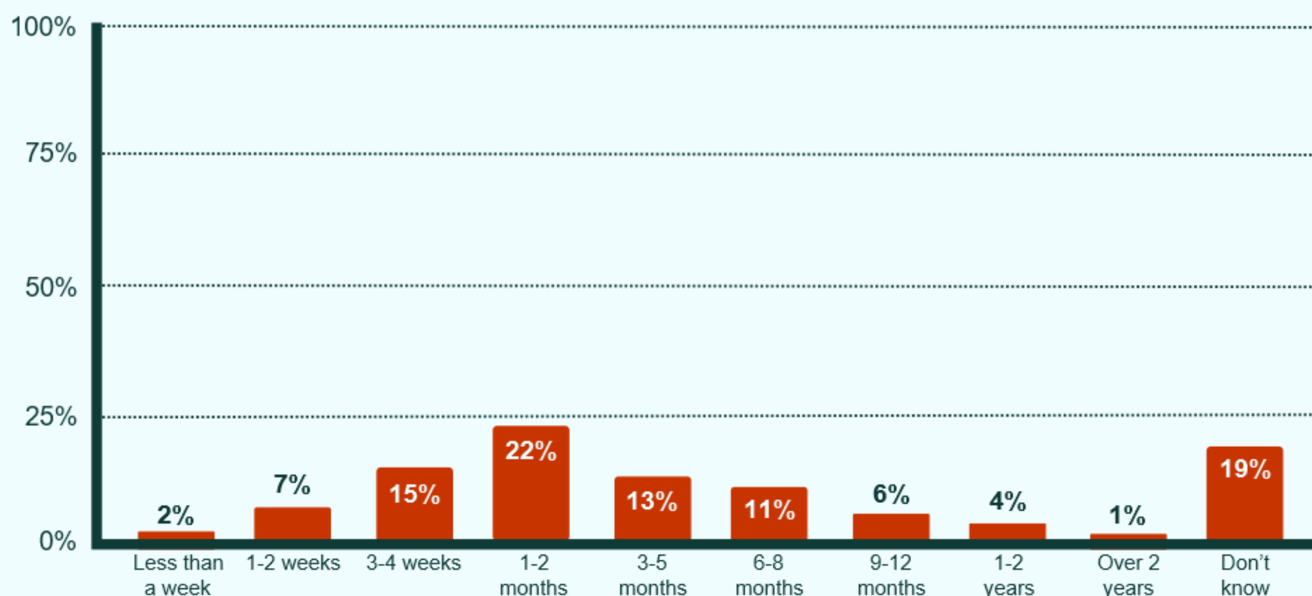

Figure 7. On average, how long do you think it takes for complaints to be resolved with the Financial Ombudsman Service? Even if you are not sure, please try to give your best guess.

Our data presents a fascinating picture of consumer credit in the UK which is far from simple: different age groups exhibit different behaviours but there is a consistent lack of knowledge and awareness of how the credit system works, and how specific products function. There is also a critical, and concerning pattern of the most indebted using more expensive forms of credit, and not paying back debt in an optimum time frame.

Summary of Main Findings

1. Younger consumers were more likely than older consumers to have used a credit product in the last twelve months.
2. Credit cards are the most popular credit product, with BNPL the second most popular.
3. Younger consumers use BNPL almost as much as they use credit cards.
4. Younger consumers report decreasing levels of debt, whilst middle-aged consumers are more likely to report rising levels of debt.
5. Most consumers pay off their credit card in full each month, with the oldest and youngest consumers most likely to do so.
6. The younger a consumer, the more likely they are to know the interest rate of their credit card.

7. Twice as many respondents said that their interest rate had risen in the last year as those that said that their interest rate had remained the same.
8. The public does not know who owns credit scores.
9. The majority of respondents said that credit scores should be up to date, and that they should be able to correct inaccuracies quickly.
10. The public wants a financial ombudsman service that is transparent and efficient.

Against the backdrop of rampant change and economic tumult, it is more important than ever that the regulations protecting consumers when they take on credit are robust, clear and can adapt to the fast moving world we live in.

So how is the consumer credit regime faring in these times of change?

Moving With the Terms: has the Consumer Credit Regime Held Up?

Robust regulation should adapt to changing technologies. To protect consumers, whilst not stifling innovation and growth, it is vital that the rules of the land are future-proofed, or can at least adapt promptly to changing circumstances. The Startup Coalition is a proponent of principles-based, outcomes-focussed regulation, where the end goals are defined without confining actors to specific ways of achieving these stated outcomes, meaning adaptability and innovation are enshrined.

This type of regulation means that where new, innovative products are offered to the market, consumers can continue to be protected. At the same time lenders clearly understand the costs of doing business and their responsibilities and can employ and offer the most up to date products and services that digital innovation enables. Outcomes-focussed regulation is also how the FCA treads its delicate balance between securing an appropriate degree of protection for consumers and promoting effective competition in the interest of consumers.

In the past decade, we have seen a variety of different innovations within credit. We access credit in more ways than ever before, there is a wider variety of credit products available and digitalisation has enabled more accurate and a greater range of data to be available to act as the pipeline between consumers and credit products. To assess how well the consumer credit regime has held up we will analyse these innovations in turn to figure out where innovation has been unleashed, to the benefit of the consumer, and where innovation has been hampered.

Tech Innovation: Consumer Communications

When the CCA was first introduced in 1974, the way in which consumers accessed credit was very different to the modern day. Loan applications needed to be submitted through the post or in store, with servicing in person, or over the phone if you were lucky. Today, whilst larger loans maintain a shadow of the old ways of working, laptops, mobile phones and tablets are the default ways in which consumers interact with debt, with credit also accessed at the point of sale.

This digital wave has also changed the way credit products are communicated to consumers to promote convenience and clarity, but the consumer credit regulatory infrastructure has curtailed the degree to which consumers benefit from this. For instance, under the prescriptive requirements of the CCA, consumers must be able to see documents in non-changeable, downloadable and printable “durable mediums”, leading to the swathes of legalese that many consumers only interact with as they scroll past

links that are never opened. Indeed, where once “downloadable” and “printable” were critical criteria for documentation associated with regulated lending, it is not necessarily the case that in a digital age these are required from media to be “durable”.

Later on in the process, the antiquated language of the CCA is further exposed when consumers find themselves overdue and potentially in financial distress. Under law, creditors must issue a template Notice of Sums in Arrears (NOSIA), regardless of whether they have been able to communicate with the distressed customer, and potentially arrange a repayment plan. In practice this means a consumer may have a constructive conversation with their lender, agree and consent to a personalised plan to pay their debt back, but will then receive an impersonal, clinically worded letter, that may well add to the distress and lead to confusion. At a time when firms are being encouraged to optimise “good consumer outcomes” with the introduction of the new Consumer Duty, these outcomes are directly compromised by the outdated CCA requirements, even when there are better processes and technologies available *and being used*.

Open banking was introduced in the UK through a competition remedy and the second Payment Services Directive between 2018 and 2019, and has since been used by over seven million UK consumers. Open banking enables an individual to consent to “port” their financial information from a data holder (e.g. bank) to a regulated third party (e.g. lender) in real time. Above, we outlined how consumers that enter forbearance will be issued with a NOSIA, even if they have discussed repayment with the lender. Repayment plans are a vital and frequently utilised part of the provision of credit, with one in five of those that responded to our poll having used one before. The critical flaw of requiring a template NOSIA is even more pronounced when a repayment plan could be made more personalised and affordable through the sharing of information via open banking.

Finally, the demand for modern ways of communicating feed through into consumer perspectives of the FOS too, with 91% of respondents answering that they believe consumers who make a complaint to the FOS should be able to check the status of their case. In reality, no customer facing portal exists, which is inexcusable in 2023.

Conclusion 1: The consumer credit regulatory regime has failed to adapt to innovative ways of servicing customers in a way that maximises positive consumer outcomes.

Beyond failing to adapt to technological innovation in maximising positive consumer outcomes, it is also important to examine how robust the consumer credit regulatory infrastructure has been to *product* innovation. To do this, let us use the most well-covered example of credit innovation in recent time: Buy Now, Pay Later.

Product Innovation: Buy Now, Pay Later

What is BNPL?

Buy Now Pay Later is a form of credit deferral that allows a customer to purchase goods and split their payments across multiple deposits. Buy Now, Pay Later (BNPL), is a service that has proliferated in

recent years, with providers like Klarna, Clearpay, Laybuy, Zilch and Butter all offering solutions that enable customers to purchase goods and then repay the amount back in (usually) interest free instalments over multiple months.

As captured above, our evidence shows that BNPL is used by a large swathe of the population, and is not confined to any one demographic. In the last twelve months it has been used by nearly one in four people (39%), with highest usage among those aged 45-59 (51%), and even by 15% of those aged over 65. It is also used by more than a quarter of respondents in every single region of the UK. It is a significant part of our economy, not confined to young people, nor the less affluent.

Why isn't BNPL regulated?

To date, providers of BNPL services have leveraged a regulatory loophole, Article 60F(2) of the CCA, so that they can supply an unregulated lending facility to consumers. The A60F(2) exemption facilitates delayed payment for goods and services provided the total is repaid over no more than twelve months by no more than twelve instalments and no interest or other charge is payable. The exemption means the credit product is not regulated under the CCA or by the FCA. Article 60F(2) of the CCA was originally created to accommodate instances whereby short term payments were deferred for a limited time, at zero interest, such as dentist payments, sports or membership clubs.

Critically, the furore that has surrounded BNPL in recent years often fails to recognise that BNPL is not an innovative form of credit in itself, and indeed the loophole was designed to permit exactly the sort of credit BNPL offers. What BNPL firms have done is twin this construct with frictionless digital user journeys and ecommerce. This, critics argue, comes with some dangers for the consumer. The lack of friction, that is to say the ease in which someone can access credit, theoretically decreases the time taken by a consumer to consider and understand the product, increasing the overall risk of that credit, and jeopardising good customer outcomes, to use the language of the Consumer Duty.

This criticism relies on the false assumption, however, that friction and lengthy legalese associated with convention credit products is any better at enabling consumer understanding and promoting positive outcomes. As demonstrated above, this is not the case, and our poll findings consistently demonstrate that users of conventional credit products do not know basic information about their debt. Of those who responded, more consumers in our survey answered *did not know their interest rate* (43%) than answered that they did (42%). Further, data from fairer finance found that only two in five people were able to answer the most basic of questions about credit cards they had just applied for.[11]

With all of the above in mind, the underlying failure of the consumer credit regulatory infrastructure is that it was not equipped to handle the onset of BNPL. Indeed, far from "exploiting" a regulatory loophole, BNPL providers have utilised it in exactly the way it was designed. Sceptics would do better to acknowledge this reality and critique the underlying issue (of shoddy regulation) than bemoan the success of clever innovators.

In summary, BNPL is currently unregulated. This allows innovation on consumer access to credit, but also leaves the industry susceptible and vulnerable to bad actors. Regulation is needed within the space, BNPL is definitely a credit product and the consumer must be offered protections with credit. However,

[11] Fairer Finance, Improving disclosure in the consumer credit market, March 2023

there is no use in simply calling BNPL credit and placing it into the out-of-date and unfit for purpose CCA. Instead we need a robust and proportionate regime for BNPL.

How have efforts to regulate BNPL gone so far?

Rightfully, HM Treasury is currently looking to bring BNPL under regulations and this is something we support. However, so far attempts to regulate BNPL have been woeful.

In February 2021, Chris Woolard's "Review of change and innovation in the unsecured credit market" ("the Woolard Review") outlined that there was an "urgent need to regulate all buy now pay later products."[12] This precipitated a consultation later that year in which the Treasury entertained simply closing the A60 exemption for BNPL firms, forcing them to adhere to the requirements for other credit products under the broader CCA. Upon inspection, not only did they uncover the other sorts of loans that would be caught up, such as the dentist payments, sports or membership clubs, for which it was originally intended, but they quickly realised that elements of the incumbent CCA regime would be overly burdensome and disproportionate to the risk actually involved in a BNPL transaction.

This realisation led the Government to pursue a "tailored approach" to regulating BNPL, culminating in the February 2023 consultation on draft legislation.[13] This proposal is a marked improvement and reflects the extensive engagements with the sector undertaken in the two years since the Woolard Review, but further demonstrates that the entire effort is built on sand. The proposal retains a cherry picking approach of applying selected elements of the old regime, whilst building bespoke requirements for BNPL.

This is no fit way to regulate.

There is an urgent need to regulate BNPL, but the process of the last three years demonstrates that we are not solving the underlying issue here. There is an elephant in the room that requires political ambition and leadership to acknowledge and tackle head on: it is not BNPL that needs regulating properly, but the entire consumer credit market.

Conclusion 2: The consumer credit regulatory regime has failed to adapt to product innovation, leading to prolonged consumer and business uncertainty.

While the concept isn't new, the execution of BNPL is what has made it so popular. It represents a different mass-appeal credit product to those that have dominated the sector before. Regardless of the product, in order for the credit industry to function, information is vital and the most important pieces of information to fuel credit is affordability and creditworthiness. Affordability looks at whether you're able to afford a loan and creditworthiness assesses how likely you are to actually pay it. Both of these are the pipelines for credit; anytime a consumer accesses credit the lender needs to know whether the consumer can afford the loan and their track record for taking out and repaying loans. But, to what extent has the consumer credit regulatory framework kept pace with this?

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[12] Financial Conduct Authority, The Woolard Review - A review of change and innovation in the unsecured credit market, February 2021

[13] HM Treasury, Regulation of Buy-Now Pay-Later - Consultation on Draft Legislation, February 2023

Process Innovation: Measuring Affordability and Creditworthiness

Creditworthiness for traditional credit products, like credit cards and mortgages, has conventionally been measured using the services of Credit Reference Agencies (CRAs). Conventionally, CRAs provide a credit score to lenders as part of measuring an applicant's affordability. Credit scores measure the creditworthiness of an individual based on their credit history, including information like the number of accounts, total levels of debt, repayment history, and other factors. The methodologies behind these scores are opaque and, more concerningly, often reflect incomplete or inaccurate information. Whilst we have already outlined that consumers do not understand their credit scores, with under a quarter (22%) correctly answering that credit scores are "owned" by the CRAs, our evidence shows that CRAs are consistently falling short of what consumers expect from affordability assessments.

So how well is it working?

Our research found that consumers have clear expectations of credit scores and CRAs. Consumers want their credit scores to be accurate. 84% of those we polled said that they expect their credit score to be up to date with their latest financial information, and a majority (56%) believed that BNPL loans should appear on their credit score. If something is wrong, respondents want to be able to update it, with 83% saying they expected to be able to do this for free, and 68% said they expected this to be updated within 24 hours.

The reality often falls well short of these expectations. Most credit information is reported in monthly cycles.[14] This means a consumer applying for credit may well be rejected or accepted based on unreliable and outdated information. This is true both within an individual CRA and between them, as represented in Figure 9 below. This time lag for information can have a major impact both on a lender and on the consumer. Consumers are able to take out multiple credit products in a very short period of time before the CRAs are able to update their credit information and score. This can cause increased risk for the lender and may cause the consumer to over leverage their financial position.

CRAs compared		Two or more	Adjacent deciles	Same deciles
CRA A	**CRA B**	57%	26%	16%
CRA B	**CRA C**	35%	36%	29%
CRA C	**CRA A**	54%	28%	19%

Figure 8, Differences in Relative Scores Between CRAs[15]

[14] Financial Conduct Authority, Credit Information Market Study Interim Report and Discussion Paper, November 2022, Page 56
[15] Financial Conduct Authority, Credit Information Market Study Interim Report and Discussion Paper, November 2022

As a consumer you have limited access to your own credit score and the process for updating incorrect information is arduous. Consumers can apply for a “Notice of Correction” (NoC), but even if these requests are successful they do not impact credit scores, and instead are provided alongside them to lenders. This does not need to be the case, particularly as there are new, innovative ways of applicants consenting to share data that can support updated incorrect information.

With open banking, the moment a consumer takes out a loan, it can then be reflected in the information they share with future lenders. With open banking, data can be extracted directly from a consumer’s bank account with their consent, reducing the risk of misreporting by third parties. Meanwhile, open banking data can also enrich “thin credit files”, which today lock over 5 million consumers out of credit in the UK. Indeed, there are a handful of challenger CRA startups which have started to offer alternative solutions, often built around open banking, with some seeking to tackle gaps in the credit information market head on, by utilising alternative sources of information such as property rental data to build a credit profile for consumers who do not have a traditional credit history.

However, these startups face near insurmountable barriers to meaningfully compete with the big three.

CRA services are falling well short of consumer expectations, with their opaque practices left unabated and unaccountable for years. In 2019, the FCA set out to change this, initiating the Credit Information Market Study (CIMS). In its 2022 Interim CIMS Report, the FCA stated that “challenger CRAs that rely on Open Banking technology to provide affordability products, struggle to compete head on with the 3 large CRAs. They are more likely to offer complementary products to the 3 large CRAs’ offerings and so are unlikely to exert a strong competitive constraint.”[16] As the final CIMS report stated “... this potential limiting of competition could cause poor outcomes for consumers in the long run, such as higher prices as higher costs incurred by credit information users are passed through to consumers and less innovation.”[17] Competition within credit information is vital for the long term health of the market.

Yet again, we contend that the conclusions of CIMS, like the BNPL regulatory odyssey outlined before, demonstrate the perils of trying to tweak around the edges when the underlying infrastructure is so fundamentally broken.

What’s the SCOR with this broken market?

Competition drives innovation, which drives optimal consumer outcomes. The credit information market is not a competitive one, however, and this is because the sector is built on a self-regulatory regime that enshrines the interests of incumbents at the expense of newcomers and, fundamentally, consumers.

The Steering Committee on Reciprocity (SCOR) is the body that controls the standards of how credit information is submitted and shared. Membership of SCOR is limited to the incumbent CRAs, a few utility bodies, and a handful of trade associations like UK Finance and the Consumer Credit Association UK, with no direct representation of consumers. In practice, the composition and role of SCOR means

[16] Financial Conduct Authority, Credit Information Market Study Interim Report and Discussion Paper, November 2022
[17] Financial Conduct Authority, Credit Information Market Study Final Report, December 2023

the big three CRAs govern themselves: they get access to more data and have used their market dominance to set the rules of the game, locking out challengers.

For example, SCOR produces the rules around the standards of credit information exchange, such as the privacy rules for the exchange of financial information between financial services firms and CRAs, which are defined under the Credit Reference Agency Information Notice (CRAIN). These rules effectively create a standard privacy body for the CRAs to work under when providing credit scores to third parties, but exclude challenger CRAs. In practice, this means that the challenger CRAs are required to make tailored privacy notices for any third party they provide credit scores to, significantly increasing the friction of doing business.

This is no fit way to regulate such a critical part of the consumer credit regulatory regime. It is vital that steps are taken to increase meaningful competition in this market, particularly when a rulebook exists in the CONC that is obviously currently insufficient to ensure the functioning of the market.

In the final CIMS report, the FCA themselves found the SCOR arrangements slow to respond to changes in the credit market. They also agreed that there "was a lack of diverse stakeholder representation in the governance arrangements and that the arrangements were too narrow in focus."[18] They also agreed that if the latest developments are ignored in the credit reporting framework that consumers' financial behaviour may not be appropriately reported, leading to lending decisions which do not effectively reflect consumers' risk profiles.

Conclusion 3: The consumer credit information sector has failed to keep pace with innovation that maximises consumer outcomes, and is also dominated by slow moving incumbents.

The CCA has failed to accommodate technical, product *and* service innovation. Meanwhile, when things go wrong, consumers need somewhere to help resolve their issues. For many consumers the last resort is to take a complaint to the Financial Ombudsman Service (FOS).

Yet here, at the place of last resort, consumers are completely let down.

Fed up with complaining: the FOS

Across all regulated financial services, the FOS acts as a final safety net to ensure consumers are protected. There are rules on when a complaint can be brought to the ombudsman: the consumer must first give the business they are unhappy with the opportunity to look into the complaint itself, before the ombudsman service can make a decision on the dispute. The business has a maximum of eight weeks to resolve the complaint. If they do not resolve it within this time or the consumer is not happy with the response only then can the consumer bring the complaint to the ombudsman service.

[18] Financial Conduct Authority, Credit Information Market Study Final Report, December 2023

How should a FOS complaint work?

After a complaint is submitted, the FOS takes between 2-3 months to assign an investigator to the case, who will then begin an initial assessment of the case to decide how complicated it is and often to make an initial judgement. This initial judgement will take up to an additional 90 days after the investigator has been assigned. So far the judgement may have easily taken up to 6 months.

After the initial judgement both the consumer and businesses have the opportunity to appeal the complaint. This has the potential to majorly increase the timescales involved in any complaint.

These timelines are nauseatingly long and at odds with what consumers expect from their ombudsman. In responses to our poll, most respondents said that they expected cases to be resolved within 3-4 weeks, or 1-2 months – instead it can take up to 2-3 months just to have an investigator assigned to your case. Many cases can end up taking up to two years to resolve. Once the FOS has made a final decision, this decision is binding. In a judgement the ombudsman has the authority to request or require a company to offer financial compensation, correct a consumer's credit file, or offer an apology, as a means of dispute resolution, though it relies on the FCA for enforcement.

We have heard from dozens of Fintechs that a combination of inconsistent rulings, opaque processing, and a lack of oversight of its decisions have produced a world in which the FOS consistently veers towards precedent setting rather than judgements within the regulatory framework. This is always a risk with outcomes-based regulation, as it leaves interpretation of often varied practices to the regulator, but when combined with inconsistent judgements and pressure to adhere to ambiguous directives like the new consumer duty, this flexibility becomes uncertainty and unpredictability. This is bad for businesses and consumers.

Such uncertainty is magnified for consumers as cases are often submitted into a black box, with minimal visibility of progress. The FOS lacks any consumer portal or route to check the actual status of one's case, meaning consumers could have to wait up to two years to have a complaint resolved by the FOS, with almost no ability to actually check the status of your case or to know when you can expect a result.

Fed up with complaining

Delays and incompetence, combined with an opaque process and lack of updates during investigation, mean that the FOS has a Trustpilot rating of just 1.3, an exceptionally low score for the body that should be the final safety net protecting consumers. As one user recently complained “In November last year I submitted a complaint to the Ombudsman… Nearly a year later and they haven't even allocated the case to an investigator. What's the point I wonder?”

But the problems run deeper. For many finance or finance adjacent companies, the FOS is costly. Whilst businesses get three free cases in each financial year, any other time a complaint is made to the FOS about a company they must pay £750, regardless of the amount of money involved in the case itself or whether the company has done anything wrong.[19] This is especially damaging for low cost products like

[19] Financial Ombudsman Service, Case fees, April 2023

Buy Now, Pay Later, which have an average transaction fee of £65-£75, and for startups who often struggle with this fee.

Case fees have risen significantly in the last few years, from £550 to £650 in 2020 and from £650 to £750 in 2021. When the cost of the FOS fee is significantly higher than the transaction cost, even far before a judgement is met, firms have a perverse incentive to write-off complaints rather than wait for the FOS's decision.

Despite being costly, the FOS is not using its time and resources to improve its service for consumers or businesses but instead has taken a role in setting regulatory precedent. Against a regulatory backdrop that is increasingly principle-based and outcome-oriented, the FOS has been accused of moving beyond independent arbitration, towards filling gaps in regulation. This alone could be a considerable degree of scope creep, but we have then heard that such judgements are inconsistent.

Not only does the FOS not have the time, resources or expertise to be setting regulatory precedent and enforcing this consistently, but it also fundamentally lacks the mandate to do so. When other regulators are creating case law or regulatory measures these are always done through consultative processes, with plenty of time for those concerned to engage with the regulators and provide detailed information to the regulation-making process, as well as oversight and accountability. Instead the FOS is effectively regulating firms via the backdoor.

With the introduction of the Consumer Duty the FOS is likely to have to deal with an increasing number of cases, while the Consumer Duty is loosely defined enough that the FOS is likely to have to fill in the gaps, effectively regulating by themselves. The FCA must step-in to ensure that FOS decisions, especially for complicated cases, are supported by statutory footing and regulatory best practice.

The FOS faces the issue of an inappropriate funding model, with consistently rising prices, while simultaneously being unfit for purpose. A fundamental overhaul is needed to improve the service.

Conclusion 4: The FOS is unfit for purpose and it is vital that it is reformed to deliver better outcomes for consumers.

Summary of conclusions:

- Conclusion 1: The consumer credit regulatory regime has failed to adapt to innovative ways of servicing customers in a way that maximises positive consumer outcomes.
- Conclusion 2: The consumer credit regulatory regime has failed to adapt to product innovation, leading to prolonged consumer and business uncertainty.
- Conclusion 3: The consumer credit information sector has failed to keep pace with innovation that maximises consumer outcomes, and is also dominated by slow moving incumbents.
- Conclusion 4: The FOS is unfit for purpose and it is vital that it is reformed to deliver better outcomes for consumers.

How do we fix it?

Just as the context to the introduction of the CCA 50 years ago was a regime in need of an overhaul, we face a similar issue now. Only a wholesale overhaul can futureproof the consumer credit regulatory regime in an age of constant innovation and economic upheaval. However, with total credit debt at levels that could not have been imagined 50 years ago at the inception of the CCA, and with innovation occurring at a faster pace than ever, the stakes are much higher now.

The answer must be a mixture of pragmatism and ambition.

Overhauling the CCA will not be an easy task. We must effectively build new tracks while the train is already in motion. We cannot have the CCA stop overnight while we rebuild as we must continue to provide vital protections to consumers, but we must still take action. We must set the course for a world-leading regime grounded in the FCA in the long run, while recognising the imperative to keep consumers safe in the short term, while also providing innovators with certainty.

To that end, below we outline our blueprint for fixing the consumer credit market, with steps outlined in order of priority.

Step 1: Overhaul the CCA

Recommendation: Gradually, and systematically, phase out the CCA

This is the most controversial, but fundamentally important and ambitious, of our recommendations. There is no doubt that CCA reform and repeal will be an extended and difficult process. Long consultation processes alongside slow enforcement timelines will be necessary for ensuring that the industry can prepare and adapt to the changes. During these long periods there must be key safeguards for consumers and so, fundamentally, the CCA must remain during the process of its repeal. This creates a complicated and difficult process for overhauling the CCA but this cannot be an excuse to delay the process. Instead we must tackle this challenge in stages, and start now.

We advocate that the Government must begin the process of systematically dis-applying elements of the CCA as soon as possible and move them to the outcomes-based framework, such as solely relying on the CONC. We should keep vital pieces of consumer protection, such as section 75, while building primary legislation that is outcome focussed and can adapt to change.

Where should we begin?

The most logical place to begin is with prescribed form, content and timing within the CCA, and specifically sections Sections 77, 78 and 79 which prescribe the statements that must be for fixed-sum credit agreements and running-account credit agreements. These changes are comparatively simple,

with many already existing within the FCA handbooks, and can enable better outcomes for the consumer in the long term.

While some types of prescribed form, content and timing are important for protecting consumers, it's important that prescribed content is principled and outcomes-focussed and sufficiently flexible to match the innovative ways in which consumers are offered credit, and their needs are best served through digital and innovative technologies. Indeed, we have already seen innovative, unregulated forms of credit provide better consumer understanding of credit products as they are not hamstrung by the outdated legalese and language requirements from the CCA.

The rules on consumer credit communication contained within the FCA handbooks, the Principles of Business (PRIN) and Consumer Duty, provide adequate foundational protections for consumers, and certainty for businesses, combined with the ability to use best in class technology to service their consumer optimally.

Whilst a consultation would be necessary and appropriate, we believe that the FCA handbooks already provide most of the information requirements in the CCA already, based on the nature of the lender within CONC, BCOBS and MCOB. Each handbook specifies important and differing requirements for different firms. The high level principles within these existing regulatory frameworks provide the consumer with adequate protection whilst also enabling future innovation in both types of credit as well as innovation in how that credit is offered. An example of this is how "adequate explanation" is defined in the CONC: a firm must provide adequate explanation before the agreement is made (CONC 4.2.5(1)R) and the custom must "pass through screens" containing the adequate explanation (CONC 4.2.19G). This lays the expected outcome out clearly, whilst enabling lenders to compete on user experience and experiment to ensure that customers truly understand what is being presented to them, without prescribing explicitly what must happen, which could become overly frictionful, confusing, or ultimately ignored by the applicant. This outcome will only be further enhanced as a result of the introduction of the Consumer Duty.

Beyond the gradual phase out, it is inevitable that there will be some elements of the CCA regime that do not have an equivalent rulebook in the outcomes-based regime. The key Section 75 protection is one such example. In this case, Startup Coalition would advocate for reform of the FSMA to incorporate these elements, only after the phase out process has been exhausted.

Step 2: Create a Competitive CRA Sector

Recommendations:

A. The swift implementation of all CIMS remedies. This specifically includes:
  - **a.** A new Credit Reporting Governing Body (CRGB)
  - **b.** The introduction of a common data format
  - **c.** A streamlined NoC process, including vulnerability markers
  - **d.** Mandatory data sharing with designated CRAs
  - **e.** Designated CRA regulatory reporting to FCA

B. Support alternative data sources and challenger CRAs through the development of Open Finance

The CRA sector needs action to promote innovation, competition, and better consumer outcomes. Fortunately, in December 2023 the FCA released their final report for the CIMS, which outlined tangible steps to fix the broken market, starting with a new Credit Reporting Governing Body (CRGB) with representation from across the market, including, most importantly, consumers.

With better information collection and usage, the consumer is both better protected and better able to access the form of credit that best suits their needs or that is the best deal for them. This means more accurate data and information in both affordability and creditworthiness assessments and better information provided to the consumer. Current affordability and creditworthiness assessments are inadequate for some applicants and products., whilst importantly there is not nearly enough competition in the CRA market to improve customer outcomes.

We have already highlighted some of the specific issues that the CRAs have in consumer data accuracy, with information being restrained to monthly submission cycles, an antiquated update method when information is incorrect, and a lack of enrichment data for those who don't have a traditional credit history. Better information within the credit market is likely to help relieve some of these issues by stopping both lenders from handing out bad loans to consumers who are already over-leveraged but also by stopping consumers from over-leveraging their finances with loans in the first place.

The key to injecting competition into the credit information market is adopting new forms of standardisation and data sharing models, as captured in the final CIMS report. There is currently limited incentive for the incumbent CRAs to do this. Standardised reporting practices and formats would allow challenger CRAs a much better opportunity to work alongside the existing incumbents. We cannot dictate what these standards will actually look like. However, we can achieve fair and reasonable standards by ensuring that the new CRGB has consumer and challenger CRA representation and by ensuring that it consults with the wider credit market actors.

Further, while the CIMS final report has recommended data sharing it has limited its scope to designated CRAs. We believe that if the goal is to achieve a competitive credit information market that the data must be fully opened up, requiring the data to be shared between any registered CRA.

Importantly, a clear standard for consumers to dispute incorrect credit information must be established. As the CIMS final report found, "consumers were unclear where the responsibility for correcting errors lay (between the CRA and lender) and have to engage individually with each CRA to dispute any errors."[20] According to this same report, some CRAs often ask consumers to approach the lender first to correct any errors whilst the lender tells the consumer that the CRA is actually responsible. We must create better practices for the consumer dispute process, making it easier for consumers to correct mistakes when they arise.

Finally, Startup Coalition has been a passionate advocate for the use of pro-competitive legislation to empower consumers to use their data in more ways. The introduction of open banking has transformed financial services by enabling consumers to share their financial information in real time, within guardrails defined under regulation. One of the main use cases that we have so far seen proliferate has been the complementary use of open banking data to enrich credit files, but this data is currently limited.

[20] Financial Conduct Authority, Credit Information Market Study Final Report, December 2023

In the 2023 Autumn Statement, the Chancellor set out plans to legislate for open finance as a matter of priority. We believe this would mean expanding open banking through an open finance scheme under the Data Protection and Digital Information (DPDI) Bill.

Step 3: Reform the FOS

Recommendations:

- **A) The introduction of multi-track case categorisation to enable increased efficiency and funding reform**
- **B) The rapid introduction of a customer facing portal**.

A transformative and radical solution is needed for the FOS. While this will take a while, and requires more detailed discussions between the FCA and the FOS, we believe that there are some immediate changes that would help relieve some of the key issues with the FOS.

The way cases are processed and paid for must be reformed. As laid out in the report the FOS has seen a significant amount of scope creep that effectively has the FOS regulating firms by the backdoor. Multi-track case categorisation would allow the FOS to differentiate between simple cases that should be cheaper for businesses, and complex cases that require FCA input.

We already have international examples of this such as Australia's equivalent ombudsman, the Australian Financial Complaints Authority (AFCA). This would inject transparency into the process. The simplest cases would be filtered out, fast tracked and charged less. Meanwhile, more complex cases could come with a more expensive case fee for the firm, and be subject to appeal where the FOS acts to fill gaps in the regulation. This would also provide clearer feedback for consumers on the expected timelines for their cases based on the complexity of the complaint.

The FOS must introduce a customer facing portal as soon as possible. It is not acceptable that many of the vulnerable financial customers in the UK are left in the dark about their case. Clear information about expected timelines and the progress of a case are basic requirements for ensuring that consumers are informed.