Grant Thornton

The UK consumer credit sector

Market update and sector insight

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Contents

Section

In this report **3**

Current market environment **4**

Spotlight on motor finance **9**

Key regulatory developments: 2024 **13**

About Grant Thornton UK LLP **16**

In this report

Welcome to our latest consumer credit publication, where we provide you with an update on the UK consumer credit market environment and outlook for 2024.

In this edition, we highlight recent developments in the motor finance sector following the FCA's review into discretionary commission arrangements. There are parallels to be drawn here with the rise of affordability complaints and remediation schemes in the high-cost short term credit sector, and we outline practical advice for firms that may be impacted by the FCA's review.

We also look at what's happening in the BNPL sector, including the impact of any regulation and the effect of increasing competition on firms' business models.

Key regulatory developments in the sector for 2024 are also outlined to help keep you up to date with what is happening.

Our Financial Services Restructuring team are market leaders in consumer credit restructuring and have led some of the largest and most high-profile assignments in the sector. These include Wonga, CashEuroNet (trading as QuickQuid, Pounds to Pocket and On Stride), MMP Financial (trading as My Money and Swift Sterling), Brighthouse and S.D.Taylor (trading as Loans at Home).

We help corporates directly, as well as supporting lenders, shareholders and other stakeholders including regulators with issues arising from financial and operational challenges they may face.

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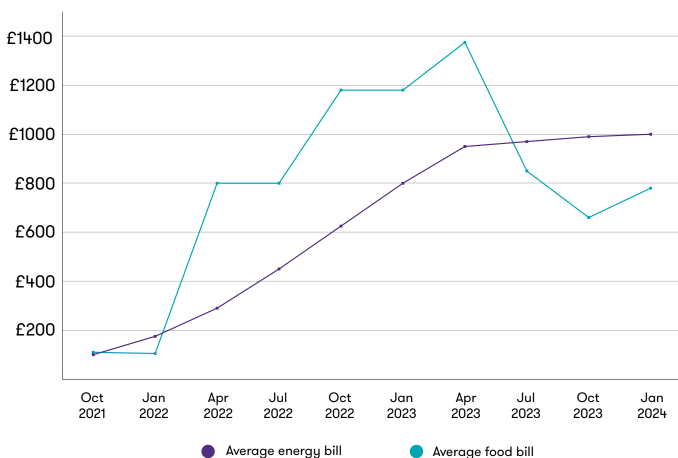
Current market environment

Cost-of-living crisis lessens but consumers remain under pressure

Inflation fell back faster than expected in 2023 and as of February 2024, CPI inflation was 3.8%. While this provides welcome respite for consumers, the average annual food bill remains £1,000 higher than it was pre-pandemic, and the average energy bill £760 higher meaning many consumers remain financially under pressure.[1]

Average increase in annual household consumption on food and energy since 2019-20 at prices in each quarter: UK



Source: Resolution Foundation. Q4 2022 and Q1 2023 data include £400 energy bill discount. Data is for annual household consumption, using the prices in each quarter. Consumption baskets are held fixed from 2019-20. Q4 2023 food bill data uses the average of October and November's food inflation rates, and Q1 2024 uses the Bank of England's forecast.

For example, food price inflation is the lowest since April 2022, but the overall price of food and non-alcoholic beverages rose around 25% between January 2022 and January 2024.[2]

Energy prices, while high, are falling. The Energy Price Guarantee, which protected customers from extremely high energy prices in late 2022 and early 2023 has been reducing since July 2023, contributing to lower customer bills.

In April 2024, the cost of energy fell further as the energy price cap was reset. A typical duel fuel consumer is now expected to pay £1,690 per annum, down £238 from January bills of £1,928.

Increased housing costs

Higher housing costs are contributing to continued financial pressure for consumers. Many homeowners with mortgages have already seen their mortgage costs rise as they remortgage at significantly higher interest rates. About 55% of UK mortgages have been moved onto a higher interest rate since borrowing costs started to rise from a record low of 0.1% in December 2021.[3]

In 2024, another 1.5 million households are due to re-mortgage. They are expected to face an average annual housing costs rise of around £1,800.[4]

Renters have also experienced a significant increase in housing costs as rents respond to buy-to-let landlords passing on increased mortgage costs (for private renters) or inflation (for social renters). In 2023 average rents for new lets rose 9.7%.[5]

1 Resolution Foundation: 'What 2024 has in store', 29 December 2023

2 Office for National Statistics Cost of living insights: Food 14 February 2024

3 The Guardian: 'UK homeowners face £19bn rise in mortgage costs as fixed rate deals expire', 4 January 2024

4 Resolution Foundation: 'What 2024 has in store', 29 December 2023

5 Zoopla Rental Market Report, December 2023

Current market environment

Real wage growth but lower income households impacted by end of cost-of-living support

As inflation has reduced, we are now seeing wage growth in real terms.

Annual growth in employees' average total earnings (including bonuses) was 5.8% in October to December 2023. Annual growth in real terms (adjusted for inflation) for total pay rose by 1.4% over the same period.[6]

The graph below illustrates the recent rises in real total pay as inflation falls.

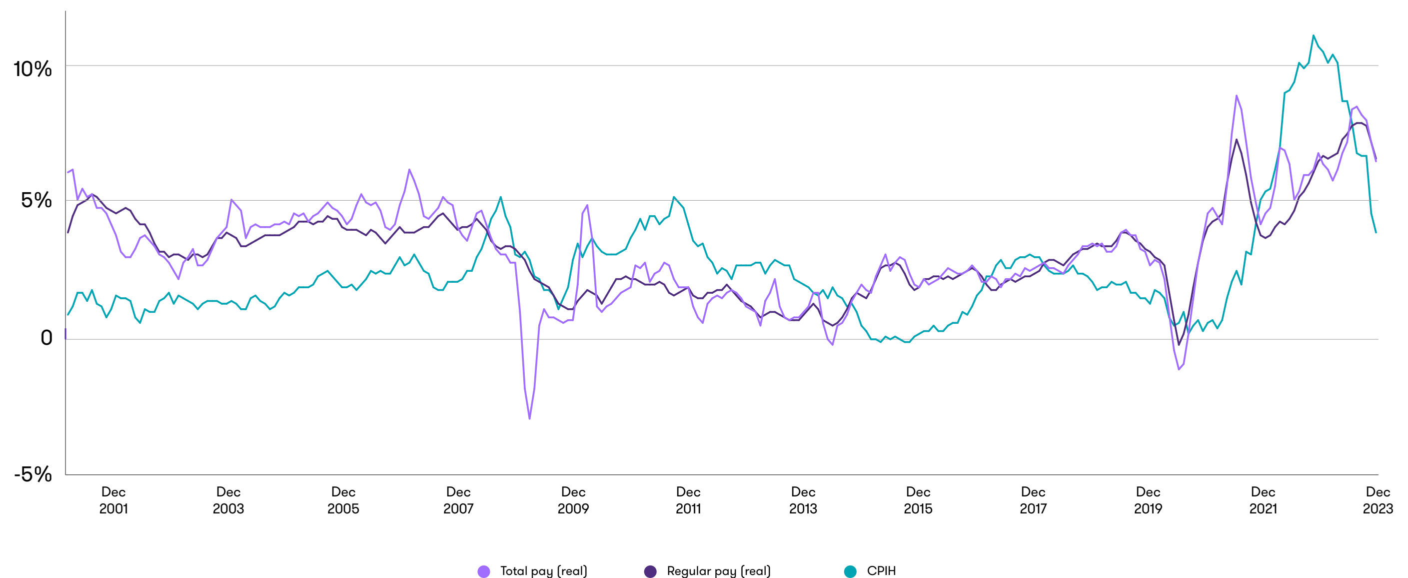
However, due to thresholds for Income Tax and National Insurance being frozen until 2028, the net effect is expected to see all employees who earn below £26,000 p.a. (approximately the median salary) worse off or unaffected, while those above will benefit.[7]

In addition, in February 2024, the last cost-of-living payment was made to those who qualified (pensioners and families on means-tested or disability benefits). These cost-of-living payments were made from 2022 to support those on the lowest incomes. Despite an uplift in the Universal Credit, the loss of cost-of-living payments will mean that many households will be worse off in cash terms.

For example, a single, out of work parent with one child will receive around £520 more Universal Credit, but will no longer receive the £900 cost of living payments leaving them around £380 worse off for the next financial year. According to the Resolution Foundation, the typical household in the poorest quarter of the working-age population is on course for an income fall of 2% in 2024-2025.[8]

Unemployment increased to 3.9% in January 2024, and was above economists' expectations. There has also been a rise in the number of people leaving the labour market due to ill health, with half a million more people out of employment than before the pandemic.

Real average earnings single-month annual growth rates in Great Britain, seasonally adjusted, and CPIH annual rate, January 2002 to December 2023



6 Office for National Statistics

7 Resolution Foundation: 'What 2024 has in store', 29 December 2023

8 Resolution Foundation: 'What 2024 has in store', 29 December 2023

Current market environment

Impact of higher interest rates

For many more affluent households, the higher interest rate environment seen in 2023 benefitted them as gains from higher savings rates outweighed the extra debt interest. This is because interest rate rises take time to translate into higher mortgage costs for households with fixed rate mortgages.

The Resolution Foundation found that between Q4 2021 and Q3 2023, annualised savings interest increased by £34 billion. This is almost double the £18 billion increase in household's debt interest bill over the same period.[9] However, as more households remortgage throughout 2024, the higher interest rates will increasingly impact homeowners as they face higher mortgage repayments.

Those at the lower end of the economic scale and more reliant on unsecured consumer credit, have already felt the impact of higher interest rates in their increased debt servicing costs. This heightens the risk of default on loans, raising concerns around credit risk for lenders.

Rising default rates

According to the Bank of England, default rates for total unsecured lending increased in Q4 2024 and were expected to increase again in Q1 2024.[10]

An index of lenders' expectations for defaults for Q1 2024 showed a reading of +31.7 on the Bank of England's credit conditions survey.[11] This would mark the sharpest quarterly rise in defaults since late 2009 during the global financial crisis.

There were 93,680 homeowner mortgages in arrears of 2.5% or more of the outstanding balance in Q4 2023, 7% more than the previous quarter.[12]

Given that most people prioritise their mortgage payments over other bills, this data is illustrative of sector wide rising default rates and will have implications for providers of consumer credit.

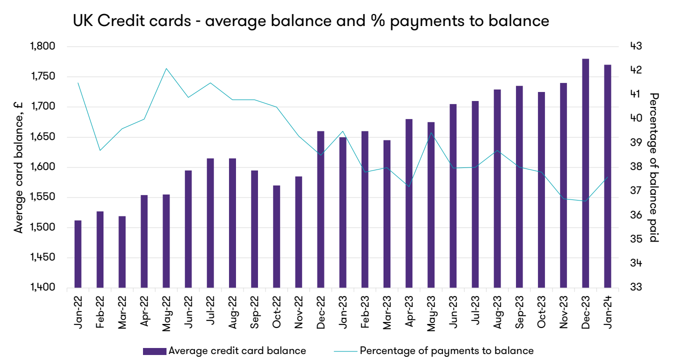
Increased reliance on credit cards

Average credit card balances were on an upward trajectory throughout 2023. Latest data available from the FICO UK credit card market report shows that in January 2024 the average balance reached £1,770 - 0.7% down from December 2023 (£1,780) which was the highest since 2006.

The average monthly spend in January 2024 was £775, 8.6% lower month on month, which is consistent with typical patterns for the new year. Reflecting continued high prices, year on year spend in January was 2.4% higher than 2023.

The percentage of payments to balance was 37.6%, a 2.6% increase from December 2023. This was the first increase in payments to balance since July 2023.

A sign of pressure on finances is the number of customers missing one, two and three payments. While the percentage of customers missing one card payment was 1.2% lower month on month in January 2024, this must be taken in context of a 14.8% increase in December 2023. Additionally, consumers missing two payments increased significantly - 12.6% month on month. Those missing three payments rose 1.4% month on month (4.7% year on year). This reflects the challenges still faced by those without savings to fall back on and growing dependency on credit.[13]



A development that lenders should monitor is a rise in the number of consumers using their credit cards to take out cash. The percentage of customers doing so increased steadily between March and September 2023, before falling back slightly in the last quarter of 2023, including January 2024.[14]

Using credit cards to withdraw cash is a clear indicator of financial stress as interest charged for cash on credit cards is always higher than standard purchases. This trend reflects research done by UK Finance in 2023 which showed that the number of consumers paying for items in cash was rising for the first time in a decade as people made greater use of cash to manage their budgets.[15]

9 Resolution Foundation: 'What 2024 has in store', 29 December 2023

10 Bank of England Credit Conditions Survey - 2023 Q4

11 Bank of England Credit Conditions Survey - 2023 Q4

12 UK Finance , Arrears and possessions, Q4 2024

13 Above statistics from FICO UK credit card market report, January 2024, published 25 March

14 FICO UK credit card market reports, Sept/Oct/Nov/Dec 2023/Jan 2024

15 UK Finance: 'Half of all payments now made using debt cards'

Current market environment

BNPL usage rises, but FCA concerned consumers are unaware of risks

While credit cards and overdrafts remain the most widely used credit product, BNPL options continue their growth.

In the UK, it is estimated that nearly half of adults (48%) have used BNPL.[16] In 2023, the total amount spent using BNPL rose to £16.8 billion, a 12.8% increase from 2022,[17] as the impact of the cost-of-living crisis continues to affect consumers.

However, 22% of BNPL users have missed one or more repayments in the six months to December 2023 and been charged late repayment fees. More than a quarter of these people had a negative impact to their credit score or were contacted by a debt collection agency as a result.[18]

The FCA remains concerned that too many consumers are unaware of the risks – with their research showing that 19% of users report being unaware of the fees charged by their provider.[19]

Despite the government's Woolard Review recommending 'urgent' regulation in February 2021, it was reported in July 2023 that officials were considering delaying the introduction of regulation. Labour has made BNPL regulation a pledge in its election manifesto, creating a dividing line with the Conservative party. We can therefore hope for more clarity after the election, expected later in 2024.

Should the sector be regulated, BNPL firms will need to ensure they have embed the comprehensive FCA rules around assessing affordability and treatment of customers in financial difficulty into their processes.

Consumers will also have the right to complain to the Financial Ombudsman Service (FOS) if they feel they were mis-sold or unaware of risks, increasing the possibility of firms experiencing higher volumes of complaints which may require additional resources. This has been a significant issue for other sectors in the past (e.g. high-cost short-term credit).

BNPL firms will also need to comply with Consumer Duty rules, and evidence to the FCA that their BNPL services are delivering good consumer outcomes.

While preparing for any future regulation, BNPL firms business models are being challenged by increased competition and softening investor interest.

The market share of existing BNPL providers is being tested as larger banks enter the market. NatWest, Virgin Money, HSBC and Monzo all now provide BNPL products. Global tech firms such as Apple have also entered the market. Apple has immediately become a significant player due to its leading position in the digital wallet market. This increased competition is likely to put a downward pressure on margins.

BNPL firms may also be experiencing softer investor interest. While Klarna has recently reported its first quarterly profit in four years, many BNPL firms are loss-making. Now the cost of funding is higher, investors may require a greater focus on profit rather than increasing market share. This is a view echoed by Moody's in its latest sector report.[20]

16 Equifax UK BNPL Barometer

17 Adobe data: Enterprise Times, 8 January 2024

18 The Financial Times, 2 January 2024: One quarter of UK buy now pay later users hit by late repayment fees

19 FCA: Deferred Payment Credit: findings from the Financial Lives Survey, Oct 2023

20 Moody's Investors Service: BNPL report, 8 November 2023

Current market environment

Consumer complaints remain an issue for the sector

Consumers continue to complain about the services that they receive from consumer credit firms.

According to most recent data from the Financial Ombudsman Service (FOS), in Q3 2023/24 (October-December 2023), the FOS received 47,868 new complaints about financial products and services representing a 15.8% increase from the same quarter last year (Q3 2022/23: 41,303 complaints). The FOS upheld 35% of cases in favour of the consumer.[21]

Complaints relating to credit cards reached the highest level ever recorded in a three-month period, with 5,660 new complaints This is an increase of 76% year on year. 55% of these complaints were about perceived unaffordable or irresponsible lending by financial firms.

Almost three quarters of complaints about credit cards were brought by complaints management companies (CMCs), compared to just a quarter of complaints in the same period of 2022/23.

Each complaint to the FOS generates a case fee of £750, currently payable by the firm regardless of outcome. Together with resources required for the complaints handling process, consumer complaints remain a significant issue for the sector. For example, Vanquis (formerly Provident Financial) issued a profit warning in March 2024 driven by a surge in consumer complaints – the majority of which are believed to have been generated by a single CMC.[22]

A spotlight on the motor finance sector, which is also currently facing a high level of consumer complaints, is included on page 9.

Sector outlook for the rest of 2024

The UK economy is showing nascent signs of growth – albeit subdued. While monthly GDP figures have been inconsistent, both January and February 2024 showed small GDP growth of 0.3% and 0.1% respectively. Real wage growth is also positive, and economists expect this to persist through the remainder of the year. The Bank of England expects inflation to fall to around 2.75% by the end of 2024, which in turn is contributing to financial markets expecting the monetary policy committee to start cutting interest rates in H2 2024.

According to the Finance and Leasing Association (FLA), consumer finance new business grew 3% year on year in February 2024, and is expected to grow by 4% in 2024 as a whole. Respondents to the FLA's industry outlook survey expected to grow market share by consolidation, acquisition, new products and partnerships. AI was also a key factor in consumer credit firms' growth plans, by leveraging technology to improve customer service.

However, consumer credit firms need to continue to carefully manage the risks facing their business, from a higher cost of funds to increasing default rates – the FLA survey illustrated that 82% of respondents expected some increase in the numbers of customers in arrears throughout 2024.

21 Financial Ombudsman Service: Quarterly complaints data, published 1 March 2024

22 The Financial Times, 11 March 2024: The UK's subprime credit sector looks increasingly uninvestable

Spotlight on motor finance

In January 2024, the FCA launched a review of historical motor finance discretionary commission arrangements across several firms in the sector to establish whether there has been 'widespread misconduct'. This follows a steep rise in consumer complaints to the Financial Ombudsman Service (FOS) about motor finance, which were up 144% year on year for Q2 2023/24 (July-September 2023).

Complaints relate to discretionary commission arrangements (DCAs) – banned by the FCA in January 2021 - where brokers were incentivised to arrange finance at higher interest rates than the market standard in return for greater levels of commission, to the detriment of consumers.

Following recent FOS decisions,[23] the FCA believes that consumers may have a valid claim for compensation about loans made before the ban was in place, as many consumers were never informed how the commission model worked, which firms were required to do.

It has been estimated that loans sold with DCAs constituted three-quarters of motor finance lending between 2007 and 2020, and therefore the FCA expect a significant escalation of consumer compensation claims.[24] Should 'widespread misconduct' be established by the FCA, the regulator could instigate an industry-wide consumer redress scheme under section 404 of the Financial Services and Markets Act. Whilst there is much speculation, analysts have estimated the cost to the motor finance industry of compensating consumers via redress payments could be anywhere between £6 billion and £16 billion, plus any fines which may be issued by the regulator.[25]

Regardless of the outcome of the FCA's review, motor finance firms will likely receive increased complaints due to the media attention. The FCA has introduced a pause on the statutory response timeline until 25 September 2024, at which point the FCA has also indicated it will aim to communicate a decision on next steps. However, it would be prudent for firms to consider the likely future impact of increased complaints to their business now and start preparing.

Comparison to the high-cost short term credit sector

Motor finance firms can draw useful comparisons with the high-cost short term credit sector (HCSTC). The HCSTC sector experienced similar challenges around increased levels of historical complaints when the FCA conducted a systemic review to call out unaffordable lending practices. As a result of a steep rise in redress claims, intensified by the involvement of claims management companies, several firms exited the market or undertook a formal restructuring procedure to deal with redress liabilities.

We have acted as administrators for many of these consumer credit firms, including Wonga, CashEuroNet (trading as QuickQuid, Pounds to Pocket and On Stride), MMP Financial (Trading as My Money and Swift Sterling), BrightHouse and S.D. Taylor (trading as Loans at Home). We have also advised on restructuring options, including scheme of arrangements, supporting with the development of large-scale remediation exercises, as well as contingency planning and required insolvency options to others in the consumer credit market. Consequently, we have some pertinent observations for the motor finance sector right now.

23 Financial Ombudsman Service: Decision Reference Numbers DRN-4188284 and DRN-4326581

24 This is Money: 'Will the FCA's motor finance probe lead to PPI-style payouts?': 15 February 2024

25 ibid

Spotlight on motor finance

Focus on financial and operational resilience

For firms in the motor finance sector, focussing on financial and operational resilience is key. The FCA expects that if, or when, firms face a disruptive event, and management cannot evidence appropriate recovery processes or contingency planning to rectify this in a timely way, then the firm, as well as senior managers may be held accountable.

We recommend firms conduct detailed scenario analysis, with cash flow and liquidity modelling to enable management to understand what the business can withstand, both financially and operationally. The process of determining impact tolerances - and then scenario testing to understand if the firm can remain within these tolerances - provides greater visibility of areas of potential stress or vulnerability.

Forecasting likely financial outcomes in a range of severe but plausible scenarios is also key to assessing a firm's adequate capital and liquidity resources. It also provides greater clarity on triggers that may lead to underperformance, such as a sudden increase in compensation levels or operational costs related to assessing redress complaints. This is especially important right now.

Revisit your wind-down plan

Given the overlap in data sets and modelling requirements, an increased focus on operational and financial resilience also benefits a firm's wind-down planning.

Motor finance firms should re-assess their wind-down plans to consider how they may be affected by historical DCAs, including how a remediation exercise and associated liabilities may impact the financial performance of the business.

A robust and deliverable wind-down plan can act as a tool to build stakeholder confidence at a time of uncertainty and ensure that all risks have been appropriately considered. It can also assist management and advisors in developing contingency plans in a more efficient and cost-effective manner.

Spotlight on motor finance

Practical advice when considering a remediation exercise

In the event your business needs to undertake a remediation exercise, consider these key elements below. This is by no means exhaustive, but gives some indication as to how complex and expansive a remediation exercise can be:

Governance and oversight

- Have you considered a governance framework to aid decision making and co-ordinate a successful remediation exercise?
- what will your MI reporting suite look like and how timely will it be?
- has a detailed project plan been developed, identifying tasks, key milestones, roles and responsibilities?
- what elements of the process are expected to be outsourced to a third party and what arrangements are in place to ensure appropriate oversight?

Population identification

- Have you taken suitable steps to identify the population impacted and its various cohorts?
- have you undertaken any historical debt sales which may have included impacted consumers? Are there any obligations in the sale and purchase agreement, such as clawback provisions, that need to be considered?
- are you aware of any gaps in your data (e.g. anonymised data), dependency on legacy systems or need to access cold data which may impact identifying the population or review process?

Review methodology

- Does your review methodology cover all scenarios and relevant products?
- have you identified internal data points, developed review templates and a robust communication plan, including customer data gathering forms and scripts for customer service representatives?
- how will you deal with appeals, contentious cases or anomalies?

Quality assurance

- What quality assurance has been undertaken to verify steps taken to identify the population, assess a complaint and calculate redress to ensure customers are receiving the right outcome?
- will you be undertaking a pilot phase? Over what time period? what is the sample size? What metrics will be used to measure success?

Funding, resourcing and training

- Reflecting on the projected population, complaint volumes and uphold rate (including appeals), have you performed detailed scenario analysis to identify the financial impact, taking into consideration the operational costs, redress compensation and loan adjustments, as well as collections across your existing portfolio?
- have you established how the remediation exercise will be funded while ensuring the business has sufficient liquidity to continue as a going concern?
- have you considered alternative restructuring options if funding the cost of remediation at par is problematic?
- have you identified headcount requirements across functions and prepared a resourcing plan?
- who will train the review team and customer service representatives? What will the training consist of?

Communication and complaints handling

- Have you developed an extensive suite of customer communications across various mediums (SMS, email, letter, website, call scripts), including FAQs and redress assessment letters communicating the outcome of a customer's complaint?

Receiving adequate support throughout a remediation exercise can help minimise disruption across the business and deliver a successful, cost-effective campaign.

Spotlight on motor finance

The use of restructuring procedures to address financial difficulties

A number of firms in the consumer credit sector have used formal restructuring procedures (such as a scheme of arrangement or other compromise alternatives) to address financial difficulties driven by an increase in redress liabilities. These court-sanctioned restructuring tools can allow a firm to crystallise historical redress liabilities and reach a compromise or arrangement with their creditors which may provide a better outcome than any likely alternative.

The outcomes of the various consumer credit firms which have had formal restructuring procedures sanctioned by the court have set precedents for the sector. The judgements in each case are informative for how any motor finance firm contemplating a scheme of arrangement should approach the use of schemes in the future, including any challenges that may be raised.

A scheme of arrangement or restructuring plan can provide finality in respect of their historical redress liabilities and allow a firm to continue to trade which can, compared to an insolvency, improve consumer outcomes. Once there is certainty around dealing with such liabilities, future debt or equity raises become much more attractive to potential investors.

Ultimately, if a firm is unable to raise sufficient funds or reach a compromise to deal with any historical redress liabilities, contingency planning should be undertaken to consider other options. This is something that should be considered early to ensure the best possible outcome for all stakeholders, including customers.

Key regulatory developments: 2024

Reform of the Consumer Credit Act

In July 2023, the government published its response to its consultation: Reform of the Consumer Credit Act (CCA) and announced that it intends to move forward with its ambitious overhaul of the CCA. The purpose of reform is to facilitate innovation in the credit sector, increase accessibility of credit products and contribute to growth in the sector and economy more broadly.

The proposition is to move the majority of the CCA into the Financial Services and Markets Act 2000 model. This will involve repealing much of the CCA and recasting it in the FCA Handbook, allowing the regulator to quickly respond to developments in the consumer credit market rather than having to amend existing legislation.

During H2 2024 the Government plans to produce more detailed proposals and conduct further stakeholder engagement.

FCA review of its guidance for the fair treatment of vulnerable customers

The FCA is looking to conduct a post-implementation review in 2024 to test the effectiveness of firm implementation of the guidance that was issued in February 2021: FG21/1 Guidance for firms on the fair treatment of vulnerable customers.

The regulator aims to publish a final report of this review by the end of 2024.

FCA expectations on investment based P2P platforms

In January 2024, the FCA wrote to investment-based crowdfunding P2P platforms, outlining the potential harms to consumers and markets arising from crowdfunding business models, and its plan to tackle those harms.

In particular, the FCA noted that platforms should pay attention to:

- strengthening risk warnings
- banning inducements to invest
- introducing positive frictions including a cooling-off period
- improving client categorisation and appropriateness testing.

The FCA set out its expectations in relation to the promotion of investments, saying it expected firms to regularly review good and poor practices and make any necessary changes. In addition, it warned that financial resilience is an area of focus, with many firms facing inconsistent or 'lumpy' income streams, putting their business models at risk. The Consumer Duty will also be a key focus of the FCA's supervision strategy and that it will "intervene assertively to prevent harm arising".

Key regulatory developments: 2024

Consumer Duty Board report

Under FCA rules, firms need to prepare a report for their board after completing an annual review of whether the firm is complying with its obligations under the Consumer Duty. The first report is due by 31 July 2024.

The board is required to review and approve the firm's report on consumer outcomes, confirm it is satisfied the firms is complying with the Duty, and assess whether the firm's future business strategy complies with the Duty obligations.

The FCA has said that in 2024 they will be reviewing a sample of Board reports, looking at the data used to monitor outcomes, examining what scrutiny there has been, and what actions have been taken.

Consumer Duty comes into force for closed products

The Consumer Duty comes into force for closed products on the same day the Board report is due: 31 July 2024.

By this date, firms will need to demonstrate that they are achieving good consumer outcomes for all their closed book products which are no longer marketed or distributed to retail customers, nor open to renewal. This may bring logistical challenges for those managing large closed books of legacy business.

FCA sends Dear CEO letter to motor finance portfolio

On April 12, the FCA sent a Dear CEO letter to all firms in its motor finance portfolio – including lenders, dealers and brokers. The letter relates to concerns around maintaining adequate financial resources in light of increased complaints relating to discretionary commission arrangements, and the associated costs for handling and resolving those complaints. Firms are expected to:

- assess the adequacy of their financial resources, taking into account risks, potential liabilities and any potential redress liabilities. Firms must consider the impact of any capital reduction, such as dividend payments on their ability to meet future liabilities that may arise from historic use of DCA arrangements
- ensure the accuracy of financial statements and regulatory reporting
- make adequate disclosures to the FCA
- make adequate disclosures to group stakeholders
- deal with DCA complaints and subject access requests appropriately.

The FCA states they may intervene if they find a firm has not undertaken any assessment of adequacy of financial resources, or may be at risk of not having adequate financial resources. The regulator will also intervene if they identify actions that appear to be an attempt to avoid potential future liabilities.

Key regulatory developments: 2024

FCA portfolio letter for consumer credit firms

In March 2024 the FCA published a letter to CEOs of consumer lending firms outlining the key risks of harm to consumers. The letter covers high-cost lending, mainstream consumer credit lending, and credit unions. The FCA's supervisory programme will focus on these harms over the next two years. It expects firms to:

- lend responsibly and sustainably
- ensure that the price paid for a product or service is reasonable compared to the overall benefits
- support consumers in financial difficulty
- handle complaints and redress requirements effectively
- have appropriate systems and controls in place to mitigate risks of financial crime
- have robust governance practices.

The FCA will also focus on ensuring access to affordable credit as part of its objective to promote competition and positive change.

Firms should discuss the letter with their Board and be able to demonstrate the steps taken to address these risks.

Financial Ombudsman Service: Plans and Budget 2024/5

The FOS published its strategic plans and budget in April 2024. The FOS has committed to resolving 17% more cases in the year ahead than in 2023/24 - from 192,500 to 225,000. It has also committed to resolving complaints faster.

The FOS has also confirmed its intention to reduce the case fee payable by a firm from £750 to £650. The compulsory and voluntary jurisdiction levy costs to businesses will also be reduced.

The FOS continues to consult on whether they should charge complaints management companies (CMCs), referred to as professional representatives, a fee each time a complaint is made. Various fee options are being considered.

Over the past two years, approximately 20% of complaints have been brought by a professional representative, though they do not pay a fee for using the service provided by the FOS from which they can gain economic benefit. The FOS notes that while people may choose to use a professional representative, doing so can reduce a consumer's redress by up to 30% or more.

The FOS will also hope that charging professional representatives a fee will reduce duplicate complaints, or complaints made about loans which do not exist.

The FOS intends to remain a free-to-use service for direct complainants.

FCA Business Plan 2024/5

On 19 March 2024 the FCA published its business plan for 2024/5. It bears a close resemblance to the plan for the prior year and is centred around the FCA's existing core operational objectives, underpinned by 13 pre-existing public commitments.

It is worth noting that this is the final year of the FCA's current three-year strategy, and therefore many of the initiatives are already in progress.

In keeping with its existing operational objectives, the FCA will focus on three core areas:

- reducing and preventing serious harm
- setting and testing higher standards
- promoting competition and positive change.

For the year ahead, the FCA's plan reflects the following areas of focus:

- protecting consumers, with the Consumer Duty taking centre stage
- ensuring market integrity
- promoting effective competition
- facilitating international competitiveness and growth.

Across its 13 public commitments, the FCA's plan highlights three core priorities:

- reducing and preventing financial crime – the regulator will be data led and use intelligence and take assertive action to reduce and stop financial crime. It will work alongside partners such as the National Economic Crime Centre.
- putting consumers' needs first – the FCA will 'test' firms' implementation of the Consumer Duty. Firms should also expect the FCA to reinvigorate its focus on the treatment of customers in vulnerable circumstances.
- strengthening the UK's position in global wholesale markets.

Additional commitments more relevant for the consumer credit sector include:

- reducing harm from firm failure, with continued focus on firm' wind-down planning
- improving the redress framework, for example via its review on the historic discretionary commission arrangements in the motor finance market
- minimising the impact of operational disruptions – with a reminder that from 31 March 2025, all relevant firms will need to maintain their important business services without intolerable harm to consumers and markets.

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No. 1

We are number 1 in the mid-market for EMEA restructurings. We are number 6 in the market for large-cap EMEA restructurings (Reorg 2023).

Top 3

In terms of number of UK-based licensed insolvency practitioners, Grant Thornton's Recovery and Restructuring team is comparable to the Big 4, and probably in the Top 3.

No. 1

Leading nominated adviser to AIM listed companies.
Our 62 clients make us one of the largest auditors in AIM (no.4).

55%

Provide advisory services to 55% of the FTSE 100.

23
UK offices

200+
partners

5,000
UK employees

Grant Thornton in Financial Services

85%

In the past three years we have worked with 85% of the top 20 European and US banks and worked with six of the ten largest global insurance firms.

9/10

We are one of the largest providers of Skilled Person Reviews to the FCA, sitting on 9 out of 10 FCA Skilled Person Panels.

£4.8bn+

Our asset recovery team has recovered over £4.8bn of assets in the previous 10 years from over 65 countries.

£1.7bn

In 2023 our experienced team advised on 36 financial services deals totalling £1.7 billion cumulative value including seven deals with cross-border involvement and 10 deals involving private equity.

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