SPEAKING OUT

An extract from Perspective: The affordability and responsible lending issue
Essential insights into the issues facing your industry today
At Equifax, we’re doing all we can to help retailer credit providers have a voice in regulation – something we’re really passionate about. Perspective talks to Mark Fairbairn, Head of Retail at Equifax, about our Retail Regulatory Forum. 

Ahead of full authorisation, retailers, along with other regulated UK credit businesses, have been grappling with interpreting the FCA rules on consumer credit to ensure that their policies and practices are compliant with the spirit and letter of the new regulations.

When speaking to our retail sector customers, we noticed that they lacked a common approach to issues such as proportionality, affordability assessments and vulnerability. They were keen to understand how their peers within the sector were managing these issues. What was missing was a place where they could do this.

Our solution was to create a Retail Regulatory Forum, which I was happy to lead. This was set up as a place where players in the home shopping and point-of-sale finance market could come together to talk about regulatory issues and arrive at a more consistent view appropriate for their market and customers.

Launching the forum

Our first Equifax Retail Regulatory Forum took place in October 2014. At the event, Kitty Ussher, former MP and Treasury Minister, talked about the political influences driving consumer credit regulation, and its likely direction of travel over the next few years. Detail was filled in by Steve Martin, Head of Compliance at Equifax, and we also shared our solutions for assessing elements of consumer affordability.

While retailers naturally place consumers at the heart of their businesses – they would not survive otherwise – it’s fair to say that delegates were not altogether confident that the regulator would appreciate how their sector differs from other financial services. In particular, consumers seeking to purchase retail products on credit would be put off by over-intrusive and complex affordability assessments.

The key conclusion from the day was that our clients wanted more first-hand guidance from the FCA in interpreting the Consumer Credit Rulebook (CONC) in ways that are practicable and relevant for the sector.

Establishing a dialogue

The FCA kindly agreed to attend the second Equifax Retail Regulatory Forum in April this year. This was an opportunity to give our clients a chance to hear what expectations the regulator has for full authorisation and how supervision will work in future.

The key message for our delegates underlined the FCA’s focus on the consumer and asked:

• Have you put the customer at the heart of your business model and can you demonstrate and provide evidence of this?

• Are your affordability assessments robust and have you considered the unintended consequences of providing your consumers with access to credit?

The Money Advice Trust also contributed a valuable talk on consumer vulnerability, how to spot it and practical steps in dealing with such customers.

While it’s clear that the retail sector wants to do the best for its consumers, the Money Advice Trust reminded delegates that external, independent agencies may be better placed to help, support and advise consumers.

Credit companies shouldn’t be wary or concerned about better engaging with these agencies.

Food for thought

This resonated well with the retail sector, which often finds the more vulnerable in society among its customers. While well-trained front-line support for customers is crucial, staff can often find themselves struggling with how best to support customers in difficulty. At what point is the best advice actually to contact another agency? This is a difficult judgment, so ongoing guidance and advice from the Money Advice Trust was appreciated.

Taken together, these excellent talks provided rich subject matter for discussion in break-out sessions directly with the speakers.

These were lively and engaging sessions with questions being raised about affordability assessments (and their proportionality relative to the product being offered), vulnerability, loan lengths and their terms.

Feedback was very positive all round: our customers felt that they had a better understanding of what to expect from the regulator, and shared some useful ideas around practice; the FCA appeared impressed with the focus of the retail sector on its own customers and its desire to do the right thing.

If you’re interested in finding out more or for a copy of the write up of the recent Retail Regulatory Forum event, please contact Mark Fairbairn by emailing mark.fairbairn@equifax.com or on 07917 183383.