

Telephone: 020 7066 9346
Email: enquiries@fs-cp.org.uk

Nick Wood
Consumer Credit Policy
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

9 October 2019

By email: Nick.Wood@fca.org.uk

Dear Nick,

Quarterly Consultation No 25 CP19/27 – Chapter 8 Lending Standards Board – FCA code recognition

This is the Financial Services Consumer Panel's response to the FCA's Quarterly Consultation No 25 CP19/27 Chapter 8, which focuses on the FCA code recognition of the Lending Standards Board Standards of Lending Practice for business customers.

The Panel welcomes the opportunity to submit views on '**Q8.1: Do you think the LSB's code for business customers should be recognised by the FCA? If not, please explain why.**'

The Panel does not think the LSB's code for business customers should be recognized by the FCA. We explain the reasons for this below.

Although the Panel would prefer formal regulation to be extended to cover lending to small businesses, it has previously made clear that the Lending Standards Board's (LSB) Standards of Lending Practice for business customers set a useful voluntary benchmark for good lending practice¹.

However, the Panel has voiced concerns about the FCA recognising industry codes for unregulated activities which take place in retail markets. In its response to *CP17/37 - Consultation Paper on Industry Codes of Conduct and Discussion Paper on FCA Principle 5*², the Panel said that it was not appropriate for the FCA to recognise industry codes for unregulated activities which took place in retail markets. In line with this view, the Panel is concerned that recognition of the LSB code for business customers could be potentially misleading for SMEs if they are told that they are covered by a code recognised by the FCA but the activity itself is unregulated.

In the Panel's view, a decision to recognise the code would increase confusion around the FCA's regulatory perimeter, adding further complexity and increasing consumer confusion about how the perimeter works at a time when the FCA is making efforts to clarify and

¹ [Financial Services Consumer Panel response to the Treasury Committee SME Finance Inquiry](#) (March 2017)

² https://www.fs-cp.org.uk/sites/default/files/fscp_response_cp_17_37_industry_codes.docx .pdf

reduce this. The issue of what appears to be regulated or not is a key area of concern to the panel.

The Panel also has reservations about the lack of transparency surrounding the LSB's monitoring and enforcement of standards. Effective voluntary regulation relies on transparency about the performance of individual firms. Without this, there is no accountability for either individual firms or the organisation responsible for self-regulation. If the FCA does go ahead and recognises the LSB code then it should as part of the process seek robust undertaking from the LSB about how it will address this point, since the supervision of firms or individuals regarding their compliance with codes in unregulated markets is not something the FCA will undertake.

I trust you will find these comments useful as you consider whether to approve the LSB's Standards of Lending Practice for business customers. The Panel would be happy to discuss these points with you or colleagues if you would find it helpful.

Yours sincerely,

Wanda Goldwag
Chair, Financial Services Consumer Panel