

RULES

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**LENDING STANDARDS
BOARD**

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THE LENDING STANDARDS BOARD REGISTRATION RULES

1. DEFINITIONS

1.1 In these Rules the following words and expressions have the following meanings:

'Adjudication Committee' means the sub-committee to which the Board has delegated its powers under Rules 6 and 7 and the Adjudication Procedure in accordance with section 4.1 of the Adjudication Procedure;

'Adjudication Procedure' means the written adjudication procedures published by the LSB as amended from time to time;

'Applicant' means a firm seeking registration with the LSB as a subscriber to the Lending Code;

'Associations' means the British Bankers' Association and The UK Cards Association;

'Board' means the board of directors of the LSB established under its Memorandum and Articles of Association, save that in respect of the provisions and powers set out under Rules 6 and 7 and the LSB Adjudication Procedure, any reference to the Board shall include any sub-committee of the Board duly authorised under clause 4 of the Adjudication Procedure;

'Breach' means any breach of the Lending Code or these Rules or knowing participation in conduct with a third party which would be a breach if the third party were subject to the Lending Code and these Rules;

'Code Compliance Officer' means the individual appointed by a Registered Firm in accordance with the requirements of the Lending Code;

'Complaints Procedure' means the written procedure published by the LSB as amended from time to time to consider and handle complaints about the LSB itself;

'Compliance Policy' means the written policy published by the LSB relating to Breaches and sanctions as amended from time to time;

'Day' means any day which is not a Saturday or Sunday or bank or public holiday in England and Wales, or where the head office of an Applicant or Registered Firm is in Scotland or Northern Ireland, in respect of that Applicant or Registered Firm, any day which is a public holiday in that country and/or England and Wales;

'Executive' means the permanent executive staff for the time being of the LSB;

'Lending Code' means the Lending Code setting minimum standards of good practice when dealing with personal and micro-enterprise customers in the UK in relation to unsecured loans, credit cards and current account overdrafts and associated services and secured lending to micro-enterprise customers, and related guidance published by the Associations as amended from time to time;

'LSB' means The Lending Standards Board Limited;

'Material' means in relation to a Breach, one that has been assessed by the Board as being material in accordance with the factors outlined in section 2.2 of the Compliance Policy

'Register' means the register of Registered Firms maintained by the LSB;

'Registered Firm' means a person whose name is included on the Register and who agrees to comply with the Lending Code and these Rules; or Compliance Policy;

'Review Panel Procedure' means the written review procedures published by the LSB as amended from time to time and approved or amended at the absolute discretion of each Review Panel;

1.2 In these Rules, unless the context otherwise requires:

- (a) references to any party shall, where relevant, be deemed to be references to or to include their respective lawful successors or assigns;
- (b) references to any enactment shall be deemed to include references to such enactment as re-enacted, amended or extended before or after the date of these Rules and any subordinate legislation made from time to time under it;
- (c) references to a 'person' include any individual, company, corporation, firm, partnership, limited liability partnership, joint venture, association, organisation, institution, trust or agency, whether or not having a separate legal personality;
- (d) references to the masculine gender shall include references to the feminine and neuter genders as appropriate and references to the singular shall include the plural and vice versa.

2. ELIGIBILITY FOR REGISTRATION

To be eligible for registration with LSB an Applicant must satisfy the following eligibility criteria:

- (a) agree to comply with the Lending Code and be bound by these Rules;
- (b) each year complete and sign an annual statement of compliance in a form prescribed by LSB (the 'Annual Statement of Compliance') and pay the annual LSB subscription fee;
- (c) allow LSB to conduct a pre-registration visit in accordance with the arrangements set out in Rule 5.2 and rectify to LSB's reasonable satisfaction any identified instances of non-compliance with the Lending Code as may be required by LSB; and
- (d) interim permission/full authorisation by the Financial Conduct Authority (FCA) for the type of business it undertakes.

3. REGISTRATION APPLICATIONS

- 3.1 A registration application shall be made on the form prescribed from time to time by the LSB.
- 3.2 The registration application must be accompanied by such application fee (non-refundable) and registration fee as may be prescribed (in accordance with Rule 3.8) from time to time by LSB.
- 3.3 LSB may require from an Applicant such information and may institute such investigation to verify the information provided by the Applicant as it deems necessary. Such information may include but is not limited to requiring the Applicant to demonstrate compliance with Rule 4.1.
- 3.4 LSB shall consider each application and the information provided by the Applicant and may in its complete discretion decide to register or refuse to register.
- 3.5 If LSB decides to accept the registration application it shall promptly notify the Applicant in writing and shall include the name of the Applicant on the Register as a Registered Firm.
- 3.6 Subject to Rule 3.7, LSB shall decline registration where:
 - (a) the Applicant does not meet the eligibility criteria set out in Rule 2; or

- (b) the Applicant does not pay the appropriate application and/or registration fee; or
 - (c) does not complete the registration application form to the reasonable satisfaction of the LSB.
- 3.7 If LSB is minded not to register an Applicant it shall, within 10 Days of that decision, give the Applicant a statement warning it (the 'Warning Notice') that registration may be declined under Rule 3.6 and the reasons for this decision. The Applicant may make, within 15 Days of receipt of the Warning Notice, written submissions to the LSB and/or rectify any matter which prevents its registration. The LSB shall then, within a further 30 Days of receiving such submissions from the Applicant or if no such submissions are received within 30 Days of issuing the Warning Notice, notify the Applicant as to whether registration is or is not to be declined including a statement of reasons for any refusal. The decision of the LSB in accordance with this Rule 3.7, shall, subject to the provisions of the Review Panel Procedure, be conclusive upon the earlier of the expiry of the period permitted for a reference to the Review Panel under the Review Panel Procedure, or the receipt by the LSB of notice from the Applicant that it does not intend to make any such reference.
- 3.8 Application and subscription fees shall be of such amounts as LSB shall from time to time determine and shall be based on the size of that part of the Applicant/Registered Firm's business which is governed by the Lending Code. Such fees shall be published by LSB on its website and the subscription fee shall be payable annually in advance in respect of each financial year commencing 1 April. If an Applicant becomes a Registered Firm during the course of a financial year its initial subscription fee shall be calculated on a quarterly pro rata basis. If a Registered Firm voluntarily cancels its registration it shall not be entitled to a refund of any subscription fee paid in respect of that year's registration.
- 3.9 If a Registered Firm ceases to comply with the requirements of Rule 2 (d) above its registration with LSB shall automatically lapse (subject to Rules 9 and 10) and any subsequent reinstatement of registration shall be at the discretion of LSB.
- 3.10 The registration of a Registered Firm shall continue until the registration automatically lapses under Rule 3.9 or is cancelled under Rule 7 or Rule 10.

4. OBLIGATIONS OF REGISTERED FIRMS AND LSB

4.1 The Registered Firm shall:

- (a) comply with the Lending Code and be bound by the terms of these Rules;
- (b) have arrangements and procedures to comply with the Lending Code and these Rules;
- (c) subject to any overriding duty of confidentiality to its customers, allow and co-operate with any inspections and visits made by LSB and/or its Representatives to monitor compliance with the Lending Code. Such visits may include mystery shopping visits;
- (d) pay the annual subscription fee within 20 Days of the date of the invoice;
- (e) duly complete and submit in a timely manner an Annual Statement of Compliance;
- (f) promptly notify LSB of any Breach of which it becomes aware, except for Breaches which are minor or are purely technical and involve negligible customer detriment;
- (g) promptly notify LSB of the name of its Code Compliance Officer, as appointed from time to time;
- (h) deal with LSB in an open and co-operative manner.

4.2 If a Registered Firm fails to pay its annual subscription fee in accordance with Rule 4.1(d) above, interest shall accrue on the amount overdue at a rate of 4% per annum above the Bank of England Bank Rate until such time as the annual registration fee is paid.

4.3 If a Registered Firm fails to duly complete and submit to the LSB an Annual Statement of Compliance within one month of the reference date specified by the LSB, the Registered Firm shall be liable to a daily default fee (of an amount decided upon and published by the LSB from time to time) until such time as the Annual Statement of Compliance is submitted to the LSB and the Board shall have the power to cancel or suspend that Registered Firm's registration.

4.4 In discharging its functions of monitoring compliance with the Lending Code and in all its dealings with Registered Firms, LSB shall act reasonably and in good faith and shall comply with these Rules.

5. PROVISION OF INFORMATION

- 5.1 A Registered Firm shall:
- a) provide LSB with such information as LSB may from time to time reasonably require to discharge its function of monitoring compliance with the Lending Code;
 - b) notify LSB in the event that the Registered Firm is the subject of regulatory or enforcement action or investigation by the FCA or any other regulator in respect of matters covered by the Lending Code.
- 5.2 LSB shall be entitled to attend the premises of any Registered Firm to inspect and gather such information as LSB may from time to time reasonably require subject to 10 Days' notice being given to the Registered Firm's Code Compliance Officer or in the absence of a Code Compliance Officer, the Chief Executive for the time being of that Registered Firm (except in the case of mystery shopping visits), to discharge its function of monitoring compliance with the Lending Code and the Registered Firm shall ensure that reasonable co-operation is always given.

The information referred to above at 5.2 includes access to customer files transacted on behalf of, or by, third parties. Such third parties may include other Registered Firms.

- 5.3 LSB shall not, save as required by law, or as permitted in accordance with Rule 5.4 or Rule 5.5 below, at any time after the execution of these Rules divulge any information in relation to the affairs or business or method of carrying on business of a Registered Firm which it knows at the time to be confidential and which it has learnt as a result of its dealings with that Registered Firm; save that the LSB may identify to any governmental organisation or body whose principal purpose is regulation (including self-regulation) a Registered Firm about which it has serious concerns. LSB may, with the consent of that Registered Firm, divulge to any of these bodies information in the possession of LSB regarding that Registered Firm.
- 5.4 LSB may divulge to the FCA information about any Registered Firm, without consent but subject to notification to the Registered Firm concerned, in relation to obligations in the FCA Handbook or under HM Treasury or HM Revenue and Customs regulations:
- relating to the fair treatment of customers under Principles 6 or 7 of the Principles for Businesses, when the matter has been examined by the LSB in the context of the fairness commitment in the Lending Code,

- relating to a complaint under, or a suspected infringement of, the Unfair Terms in Consumer Contracts Regulations 1999 on a matter that falls within the FCA's remit, or
 - relating to a complaint under, or a suspected infringement of, the Unfair Commercial Practices Directive as implemented by the Consumer Protection from Unfair Trading Regulations 2008, on a matter that falls within the FCA's remit.
- 5.5 LSB may divulge to the FCA information about any Registered Firm, without consent but subject to notification to the Registered Firm concerned, in relation to issues or cases referred to LSB by the FCA for consideration, and each Registered Firm consents to the disclosure by the FCA to LSB of information about such matters.
- 5.6 The provisions of this Rule 5 shall be subject to any overriding duty of confidentiality of the Registered Firm to its customers.
- 5.7 Where the LSB incurs exceptional costs in the course of undertaking work to follow up an adverse finding in a themed review or an investigation of a Registered Firm in respect of a suspected material breach of the Lending Code, it shall be able to seek reimbursement from the Registered Firm concerned outside the normal fee arrangements. Exceptional costs would cover such expenses as necessary travel to overseas call centres. Prior to incurring these costs, the LSB will agree them with the subscriber concerned.

The above arrangements are separate to the ability of the LSB to recover costs in respect of third parties engaged as part of an investigation of an alleged or suspected Breach set out in paragraph 1.2 of the Adjudication Procedures.

6. ADJUDICATION PROCEDURE

LSB, the Board and Registered Firms shall act in accordance with the Compliance Policy and the Adjudication Procedure.

7. SANCTIONS

- 7.1 The sanctions which may be imposed by the Board for a Material Breach shall be:
- (a) the publication of the Registered Firm's name and details of the Registered Firm's Breach in the LSB's Annual Report and/or on the LSB's website;
 - (b) The issue of directions as to future conduct;

- (c) The issue of recommendations on the remedy of past conduct;
 - (d) The issue of a reprimand or warning;
 - (e) Public censure of a Registered Firm, by notifying the media of the Board's findings in respect of a Breach and any sanctions applied, and posting the press release on LSB's website. Instead of, or in addition to, notifying the media, notification may also be made to any other bodies as the Board may see fit; and
 - (f) The cancellation or suspension of the Registered Firm's registration.
- 7.2 Where the Board finds that there has been a Material Breach, notification of such finding and of any sanction shall (once the period for making a reference to the Review Panel under the Review Panel Procedure has expired or, if a reference is made, such reference has been determined) be given to the Executive and may also be given to the Associations and subsequently, to other bodies including the media as the Board may decide. LSB shall have the same powers to give notice of and publicise any cancellation or suspension of registration under Rules 3.9 and 4.3 or any voluntary withdrawal of registration under Rule 10.

8. REVIEW PANEL

The Review Panel shall act in accordance with the Compliance Policy and the Review Panel Procedure.

9. CESSATION OF REGISTRATION

A Registered Firm whose registration has been cancelled or suspended shall not be entitled to any refund of registration fees, shall not hold itself out as a Registered Firm and in particular shall not use any stationery or letterhead which refers to LSB or registration with LSB or provide a hypertext link on its Internet website (if any) to the Internet website of LSB.

10. VOLUNTARY CANCELLATION OF REGISTRATION

- 10.1 Any Registered Firm intending to cancel its registration shall give three months' notice in writing to LSB of such intention.
- 10.2 Voluntary cancellation of registration shall not prejudice the right of LSB to institute any investigation or disciplinary proceedings within three months of such cancellation or the right of LSB to continue any investigation or determination proceedings for a period of 12 months following such cancellation or the institution of proceedings under this Rule 10.2 (whichever is the later).

11. COMPLAINTS PROCEDURE

If an Applicant or a Registered Firm has any complaint about the LSB, such complaint shall be dealt with in accordance with the Complaints Procedure.

12. WAIVER

The Board may in its absolute discretion from time to time waive any one or more of the terms of the Lending Code in respect of particular classes of Applicants/Registered Firms and/or in particular circumstances. The details of any such waiver shall be published by the Board in such manner as it deems appropriate and shall specify the classes of applicants/Registered Firms and/or circumstances in which the waiver applies and the period (if any) for which the waiver is effective.

13. AMENDMENTS

- 13.1 These Rules, the Compliance Policy, the Adjudication Procedure, the Review Panel Procedure and the Complaints Procedure may be amended from time to time by the Board, following agreement with the Associations, if in its opinion such amendments are necessary or desirable to enable LSB to discharge its function of monitoring and encouraging compliance with the Lending Code.
- 13.2 Registered Firms will be consulted, in reasonable time, prior to the introduction of any such amendment, variation or modification.
- 13.3 Any amendment to these Rules will be notified in writing to Registered Firms not less than 20 days prior to the date on which such amendment comes into effect.
- 13.4 Subject to Rule 10, if a Registered Firm voluntarily cancels its registration as a direct result of being notified of an amendment which it considers unacceptable (the 'Amendment') and notice of that intent to cancel is given to the LSB within 20 Days after notification of the Amendment, then the Registered Firm shall be entitled to a pro rata refund of its annual subscription fee for each whole month following the date of cancellation of its registration and the Amendment shall not be binding on the Registered Firm during the notice period (of three months as provided for under Rule 10).

14. THIRD PARTY RIGHTS

These Rules do not confer or purport to confer on any third party any benefit or any right to enforce any terms of these Rules under the Contracts (Rights of Third Parties) Act 1999.

COMPLIANCE POLICY

1. INTRODUCTION AND PRINCIPLES

- 1.1 This document sets out the policy of LSB relating to Breaches of the Lending Code by Registered Firms and the application of sanctions by the Board. It has been drawn up pursuant to the provisions of the Lending Standards Board Registration Rules ('the Rules') and in the event of conflict between this policy statement and the Rules, the Rules shall prevail. Defined terms shall have the same meanings and definitions as set out in the Rules.
- 1.2 This Compliance policy will be operated in a context in which:
- (a) Registered Firms wish to engender public confidence by demonstrating that they can police their dealings with personal customers, or small business customers, as applicable, effectively and at reasonable cost;
 - (b) the Lending Code sets minimum standards of good lending practice in support of this aim;
 - (c) LSB seeks and expects an open and co-operative relationship with Registered Firms, in discharging its responsibility for monitoring and providing reassurance that they are successfully complying with the Lending Code. LSB expects that many instances of non-compliance will be resolved through dialogue without resorting to formal enforcement action;
 - (d) LSB will be firm but fair, acting in a manner that is transparent, proportionate and consistent;
 - (e) Registered Firms promise under the Lending Code to act fairly and reasonably in all their dealings with personal customers, or micro-enterprise customers, as appropriate, in the UK;
 - (f) the Lending Code is designed to allow competition and market forces to work to encourage higher standards for the benefit of customers. LSB will support this aim; and
 - (g) LSB will avoid double jeopardy for Registered Firms in respect of matters falling under the jurisdiction of other regulatory or code enforcement bodies.

2. BREACHES

- 2.1 LSB regards it as good practice for each Code Compliance Officer to maintain an internal breaches log, listing Breaches of which he becomes aware and recording the remedial action taken. In addition, in accordance with the Rules a Registered Firm shall promptly notify LSB of any Breach of which it becomes aware, except for Breaches which are minor or purely technical and involve negligible customer detriment.
- 2.2 The factors which LSB and the Board will take into account in assessing whether a Breach is Material will include (without limitation):
- (a) the extent of actual or potential customer harm;
 - (b) whether the problem was isolated or systemic;
 - (c) whether the Breach was inadvertent, or represented a knowing act of commission or omission;
 - (d) the length of time over which the Breach continued undetected or without effective remedial action being taken;
 - (e) whether there were any warning signals, such as concerns expressed in the media, customer complaints, or guidance from LSB, and what heed was paid to such signals;
 - (f) the extent of damage to confidence in, or the reputation of, the credit industry at large; and
 - (g) the extent to which the Registered Firm sought to profit, or to avoid or mitigate a loss, by its actions or omissions.

3. SANCTIONS

- 3.1 The purposes of sanctions for Material Breaches are:
- (a) to act as a deterrent against future Breaches by the Registered Firm and/or other institutions;
 - (b) to engender public confidence in the Lending Code by demonstrating that Registered Firms cannot indulge in unfair, unreasonable or incompetent conduct with impunity;
 - (c) to help prevent Registered Firms from profiting from Breaches whether by acts of commission, such as exploitative marketing or misleading advertising, or acts of omission, such as failure to

upgrade systems and procedures to ensure compliance with the Lending Code; and

- (d) to exclude Registered Firms which demonstrate unwillingness or serious inability to comply with the obligations set out in the Lending Code.

3.2 The sanctions available to the Board are as follows:

- (a) the publication of the Registered Firm's name and details of the Registered Firm's Breach in the Annual Report of the LSB and/or on the LSB's website;
- (b) the issue of directions as to future conduct;
- (c) the issue of recommendations on the remedy of past conduct;
- (d) the issue of a warning or reprimand;
- (e) public censure of a Registered Firm, by notifying the media of the Board's findings in respect of a Breach or Breaches and any sanctions applied, and posting the press release on LSB's website. Instead of, or in addition to, notifying the media, notification may also be made to any other bodies as the Board may see fit; and
- (f) the cancellation or suspension of a Registered Firm's registration.

3.3 In determining the level of any sanction the Board will, amongst other things take into account:

- (a) the seriousness of the Material Breach;
- (b) any evidence of repeated or regular Breaches;
- (c) accumulation of complaints against the Registered Firm;
- (d) the impact of the Material Breach on the integrity of the Lending Code;
- (e) the degree of co-operation with LSB by the Registered Firm in connection with the identification and rectification of the Material Breach; and
- (f) relevant precedent, although the Board will not be bound by precedent.

- 3.4 The Board or the Executive may on occasion issue recommendations for restitution to customers disadvantaged as a result of a Registered Firm's Material Breach. However, the normal route for customers seeking redress, where a Registered Firm's internal complaint escalation procedures have failed to provide satisfaction, will be the Financial Ombudsman Service.

ADJUDICATION PROCEDURE

This document expands and supplements Rule 6 ('Adjudication Procedure') of the Rules. In this Adjudication Procedure defined terms shall have the meanings and definitions as set out in the Rules.

1. INITIAL INVESTIGATION

- 1.1 The LSB may carry out an initial investigation into any Breach which is alleged or suspected of having been committed or which is alleged or suspected of being committed by a Registered Firm.
- 1.2 LSB may, at its reasonable discretion, request the appointment by the Registered Firm, or itself appoint, accountants or other relevant professionals to assist in an investigation, for example in analysing the extent of any customer detriment resulting from a systemic Breach. Any fee in respect of such appointment shall be paid by the Registered Firm.

2. SOURCES OF INFORMATION

- 2.1 Information may reach the Executive from formal compliance monitoring activities e.g. Annual Statement of Compliance, compliance visits, mystery shopping, or from informal intelligence gathering e.g. press reports, customer complaints, employee 'whistle blowing'.
- 2.2 The Executive may choose in exceptional circumstances to keep confidential from the Registered Firm, if so requested, the identity of any person who refers a matter for investigation to the Executive.
- 2.3 The Executive shall not be obliged to investigate any allegation of a Breach that it considers to be fictitious, vexatious or frivolous.

3. ACTION BY THE EXECUTIVE

- 3.1 The Executive may make enquiries, seeking clarification if necessary from the Code Compliance Officer of the Registered Firm concerned or in the absence of a Code Compliance Officer the chief executive for the time being of that Registered Firm and from any other persons it considers necessary.
- 3.2 If it finds evidence of a Breach that having regard to the factors outlined in section 2.2 of the Compliance Policy it reasonably considers is likely to be regarded by the Board as Material, the Executive shall, subject to the provisions of section 3.3 below, present to the Board the evidence and a prima facie recommendation as to the seriousness of the alleged Breach in the form of a statement of facts and recommendation ('Statement').

- 3.3 A draft of the Statement shall be disclosed to and if possible agreed with the Registered Firm concerned, prior to the first meeting of the Board at which it is to be considered. The Registered Firm shall submit its response to the Statement ('Response') within 20 Days of the date of receipt of the draft Statement, or such lesser period as in exceptional circumstances may be specified by the Board. This consultation is intended to ensure that all parties are agreed on the relevant facts or, if not, to clarify where the disagreement lies. The Registered Firm shall be able to state any mitigating circumstances which in its view are relevant to the case.
- 3.4 When drafting the Statement, the Executive shall have regard to the Compliance Policy and to this Adjudication Procedure.

4. ACTION BY THE BOARD

- 4.1 In accordance with its constitution, the Board may delegate its powers in respect of enforcement proceedings to an Adjudication Committee. Each Adjudication Committee shall comprise three Board members and a non-voting Chairman who shall be a solicitor or barrister of at least 10 years' standing (Adjudication Committee Chairman). Subject to section 4.4 below, the selection of Board members will be on a rotational basis.
- 4.2 If:
- on receipt of the case papers, the Adjudications Committee Chairman or any member of an Adjudication Committee so requests; or
 - an Adjudication Committee is unable to reach a unanimous decision on a case presented to it; or
 - the Chairman of the Board, on the recommendation of the Chief Executive, considers that a case involves important precedents for the future or points of principle

an enforcement case shall be considered by a full meeting of the Board.

- 4.3 Meetings of the full Board to hear enforcement cases shall be chaired by the Adjudication Committee Chairman.
- 4.4 The Chief Executive shall not sit as a member of the Board or take part in any discussions (other than in his capacity as a member of the Executive) or decisions of the Board in connection with the investigation.
- 4.5 The Executive shall present the Statement to the Board. The Registered Firm shall be entitled to attend and present its Response to the Board and may be assisted by or represented by another person.

- The Registered Firm may be represented by a solicitor, barrister or experienced advocate at the hearing, provided that it has notified the Adjudication Committee Chairman at least five Days before the date of the hearing of its intention. If (and only if) the Registered Firm elects to be so represented, the Executive shall be entitled to be represented by an advocate of comparable seniority.
- 4.6 The Board or the Adjudication Committee may, if it considers appropriate, seek legal advice from independent legal advisers in respect of a case brought before it.
 - 4.7 The Registered Firm or its representative may make a request to the Adjudication Committee Chairman for consent to call witnesses provided that such request shall be made no later than 10 Days before the date of the hearing. If consent is given to witnesses being called, witness statements must be submitted to the Adjudication Committee Chairman at least two Days before the date of the hearing.
 - 4.8 The Executive, or its representative shall answer any questions from the Board relating to the Statement and the Registered Firm or its representative, if present, shall answer any questions from the Board relating to the Response.
 - 4.9 The Board shall make its decision in accordance with the Rules and Compliance Policy.
 - 4.10 The evidential test shall be that of civil law (the balance of probabilities) rather than that of criminal law (beyond reasonable doubt).
 - 4.11 LSB shall inform the Registered Firm of the Board's preliminary decision within 10 Days of the date of the hearing and shall if the Board concludes that a Material Breach has occurred, provide details of the Material Breach, the Board's reasoning and any proposed sanction sufficient to enable the Registered Firm to make written representations to the Board. Such representations must be made within 20 Days of the date of the letter advising the Registered Firm of the Board's decision.
 - 4.12 If the Board finds that there was no Material Breach, no further action shall be taken.
 - 4.13 Upon receipt of written representations from the Registered Firm in accordance with section 4.11, the Board shall, within 20 Days, decide whether it is still of the opinion that a Material Breach has occurred and, if so, what sanction it wishes to impose (in accordance with the Compliance Policy). The Registered Firm shall be notified of the Board's final decision by LSB within 10 Days of the Board's decision.

If public censure is a proposed sanction the wording of any press release or other written communication shall be included in the notification to the Registered Firm of the Board's decision.

- 4.14 Where the Board determines that there was a Material Breach, it may impose such sanctions (if any) as it considers appropriate in accordance with the Rules and the Compliance Policy.
- 4.15 The Board shall not be bound by considerations concerning the admissibility of evidence that would apply in a court of law, but will be bound by the rules of natural justice and the principles embodied in Article 6 of the European Convention on Human Rights and Fundamental Freedoms.

5. RIGHT OF REFERRAL TO THE REVIEW PANEL

The Registered Firm may within 20 Days of receiving notice of the Board's final decision request that the matter be referred to the Review Panel for further consideration. If no such notice is received, the Registered Firm shall be deemed to accept the Board's final decision.

6. COSTS

Each party shall bear their own costs incurred during the Adjudication Procedure except that the Registered Firm shall bear the cost of any appointments made under section 1.2 of this Adjudication Procedure.

7. NOTIFICATION TO THE ASSOCIATIONS

In every case where a Registered Firm accepts a finding of Material Breach by the Board, or following a referral to the Review Committee, the Review Panel decides there has been a Material Breach, LSB shall notify the Association or Associations of which the Registered Firm is a member of the details of the Material Breach and any sanctions applied. This will be for information only and is not intended as an additional sanction.

8. PRECEDENCE AND VARIATION

- 8.1 In the event of this document being at variance with the Rules, the Rules shall take precedence.
- 8.2 The Board shall have the power to make rules for any procedures which are not provided for by this Adjudication Procedure, following consultation with Registered Firms through the Associations.

REVIEW PANEL PROCEDURE

This document expands and supplements Rule 8 ('Review Panel') of the Rules. In this Review Panel Procedure defined terms shall have the meanings and definitions as set out in the Rules.

1. DECISION TO APPROVE

1.1 If the Board (which term does not for the purposes of this section include an Adjudication Committee) finds that:

- (a) an Applicant is ineligible for registration (under Rule 3.6 of the Rules); or
- (b) a Registered Firm has committed a Material Breach and that a sanction should be imposed (under Clause 4.13 of the Adjudication Procedure),

the Board will ask the Executive to notify the Applicant/Registered Firm in writing of the Board's decision within 10 Days of the Board meeting at which such decision is made.

1.2 The Applicant/Registered Firm may within 20 Days of receiving such notice, request that the matter be referred to the Review Panel.

2. ESTABLISHMENT OF THE REVIEW PANEL

2.1 The Review Panel shall comprise three members, one of whom shall be the Chairman who shall be a solicitor or barrister of at least 10 years' standing (Review Panel Chairman). The LSB and the Applicant/Registered Firm in every case referred to the Review Panel shall each appoint a member of the Review Panel who shall be a credit industry expert, and who shall not be a member of the Board, the Executive, or an officer, employee or agent of the Applicant/Registered Firm.

2.2 The LSB and the Applicant/Registered Firm shall notify the Review Panel Chairman of the name and details of their respective nominations to the Review Panel within 15 Days following LSB's receipt of the Applicant's/Registered Firm's request for the matter to be referred to the Review Panel.

2.3 Each member of the Review Panel must sign a declaration prior to his appointment, that, to the best of his knowledge and belief, no circumstances exist which might give rise to justified doubts as to his impartiality or independence and that if such circumstances arise

subsequently he shall immediately disclose them to the Review Panel and all parties to the proceedings.

- 2.4 The Review Panel Chairman shall notify the LSB and the Applicant/Registered Firm of the names and details of the members of the Review Panel.

3. OPERATIONS OF THE REVIEW PANEL

- 3.1 The Applicant/Registered Firm may within 20 Days of receiving details of the Review Panel members, provide the Review Panel with such written representations and documents as it considers relevant including any witness statements or with notification that it does not wish to adduce further evidence and is content to rely on the evidence originally presented to the Board. The Applicant/Registered Firm and the representatives of LSB, as parties to the proceedings, may adduce new evidence not available to the Board.
- 3.2 The meeting of the Review Panel shall take place within 15 Days of receipt of such written representations or notice (under paragraph 3.1 above). If subsequent meetings of the Review Panel are required, after the first meeting has taken place, these will be arranged as soon as possible thereafter but making reasonable allowance for the need for new evidence (if any) to be adduced and for relevant witnesses to be available.
- 3.3 The Applicant/Registered Firm and the Executive may on request appear before the Review Panel and may be represented by a solicitor or barrister. They may also cross examine witnesses on the basis of their witness statements, if permitted by the Review Panel, having regard to its obligation to deal with the case justly, fairly and proportionately.
- 3.4 The Applicant/Registered Firm and the Executive shall inform the Review Panel of the names of their legal representatives (if any) and of any witnesses whom they wish to cross examine.
- 3.5 Following full consideration of the matter the Review Panel shall decide whether to confirm or amend the decision of the Board.
- 3.6 The Executive and the Applicant/Registered Firm shall be informed of the decision of the Review Panel and be provided with a list of reasons for its decision within 10 Days of the Review Panel meeting at which such decision is reached. In the case of a decision that is not unanimous the Applicant/Registered Firm will be entitled to know how the three members voted.
- 3.7 The Review Panel has the power to confirm, set aside or vary the previous decision of the Board (including the power to confirm the

previous decision of the Board as to the gravity of the Material Breach but change the sanction imposed).

- 3.8 All meetings of the Review Panel shall be held in public unless the Applicant/Registered Firm informs the Review Panel in advance that it wishes the meeting to be held in private and the Review Panel consents.
- 3.9 The Review Panel shall not be bound by considerations concerning the admissibility of evidence that would apply in a court of law, but will be bound by the rules of natural justice and the principles of Article 6 of the European Convention on Human Rights and Fundamental Freedoms.
- 3.10 The meetings of the Review Panel will take place in London unless the parties agree otherwise.
- 3.11 The decision of the Review Panel shall be final and binding.

4. COSTS

- 4.1 LSB and the Applicant/Registered Firm will bear their own costs in respect of the Review Panel proceedings.
- 4.2 The fees and costs of the Review Panel shall be paid by such party or parties as the Review Panel shall determine and in such sums and at such time as the Review Panel thinks reasonable and proportionate.
- 4.3 If LSB or the Applicant/Registered Firm do not agree with the apportionment of fees and costs as decided by the Review Panel in accordance with section 4.2 of this procedure the matter of fees and costs shall be referred for final determination to a single arbitrator selected in like manner to the procedure provided for in section 4 of the Complaints Procedure.

5. PRECEDENCE AND VARIATION

- 5.1 In the event of this document being at variance with the Rules, the Rules shall take precedence.
- 5.2 The Review Panel shall have the power to make rules for any procedures which are not provided for by this Review Panel Procedure.

COMPLAINTS PROCEDURE

This document sets out the Complaints Procedure which is referred to in Rule 11 of the Lending Standards Board Registration Rules.

1. SCOPE AND OBJECTIVE

- 1.1 This procedure is available to Applicants and Registered Firms.
- 1.2 The objective of the procedure is to enable mistakes to be put right as quickly as possible and with the minimum of cost and inconvenience. It is designed to avoid the need to resort to legal action, but if legal proceedings are commenced they will override this procedure.
- 1.3 The procedure is designed to deal with errors or omissions of an administrative nature. It is not available for challenges to decisions made under the Compliance Policy, the Adjudication Procedure or the Review Panel Procedure, nor for matters of interpretation of the Lending Code.

2. COMPLAINT HANDLING STANDARDS

The LSB has set itself the following standards for handling complaints against itself or its agents or contractors:

- 2.1 It will try to resolve a complaint immediately, communicating with the complainant by whatever means are requested or appear most appropriate.
- 2.2 If the complaint cannot be resolved on the day of receipt, a written acknowledgment (which may be in electronic form where the complainant has facilities to receive such communications) will be sent at the latest by the close of business two Days after receipt of the complaint.
- 2.3 The acknowledgment will normally indicate that the LSB will aim to resolve the complaint within 10 Days of receipt.
- 2.4 If it is evident at the outset that a period of 10 Days is unrealistic, or if it subsequently proves impractical, the LSB will give in writing an alternative estimated timescale for the resolution of the complaint. It will keep the complainant informed of progress, including any further changes to the timescale, with reasons.

3. PROCEDURE

- 3.1 Anyone who is dissatisfied with their dealings with the LSB should address their complaint initially to the Chief Executive, unless it concerns the Chief Executive's personal handling of a matter.
- 3.2 If the Chief Executive fails to resolve the complaint, or is personally involved in the cause of complaint, the complainant should write to the Chairman of the LSB.
- 3.3 The Chairman will decide whether to uphold any resolution or rejection of the complaint already proposed by the Chief Executive. The Chairman may refer the matter to a meeting of the Board, indicating what remedy is being sought by the complainant, before reaching a decision. In this case the complainant will be told when the matter will be considered by the Board.
- 3.4 If the complainant does not accept the Chairman's decision, the case may be referred by either the complainant or the LSB to an arbitrator in accordance with the provisions of section 4 below.

4. ARBITRATOR

Any reference of a complaint and the LSB's response for arbitration shall be made for final determination to a single arbitrator and shall be decided pursuant to the rules of the London Court of International Arbitration from time to time in force. The parties shall jointly appoint the arbitrator not more than 20 Days after service of a request in writing by either party to do so. The arbitrator shall be a lawyer with previous experience of arbitration proceedings. If the parties are unable to agree within 20 Days as to the appointment of such arbitrator then such arbitrator shall be appointed on the application of either party to the President for the time being of the Law Society.

5. COMPLAINTS AGAINST INDIVIDUAL LSB STAFF MEMBERS

- 5.1 A complaint about the behaviour of an individual member of LSB staff should be addressed privately and confidentially to the Chief Executive (or if it concerns the Chief Executive, to the Chairman).
- 5.2 If the Chief Executive (or Chairman) upholds the complaint, and offers a remedy acceptable to the complainant (which may be simply an apology), any consequent disciplinary action against the member of staff will be entirely an internal matter to be handled by the LSB management and/or Board.

- 5.3 If the Chief Executive (or Chairman) rejects a complaint as being without merit, or if any remedy offered is not accepted, then the complaint will be treated as being against the LSB as an organisation and will follow the procedure set out in section 3 above. In such circumstances, any disciplinary action contemplated or taken against a member of staff will be a separate matter and will again be handled privately as an internal issue by the LSB management and/or Board.

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