

NEWS RELEASE

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The Lending Code: A new chapter

In launching the Lending Standards Board's (LSB) latest Annual Report, Chairman Lord Hunt of Wirral, set out the benefits that the recently published Standards of Lending Practice, which are replacing the Lending Code, will bring.

Lord Hunt commented:

The move, from prescriptive rules to outcomes based principles and standards will have benefits for both firms and the customers they serve providing greater flexibility to innovate and use new business models to achieve good customer outcomes.

This also facilitates better engagement with customers, particularly those who are in financial difficulties, where sometimes adherence to rigid process to achieve compliance with rules can lead to a poor customer experience or outcome.

Referring to the proposed changes in the LSB's oversight regime, Lord Hunt said:

The LSB's independent oversight is also evolving to ensure it is complementary to the FCA's work, reducing overlap and giving increased recognition for the quality and maturity of firms' own internal governance and compliance processes.

The LSB will continue to hold firms to account if they fall short of the expected standards but in a way that does not burden them with an onerous monitoring regime that isn't reflective of current and emerging risks.

Lord Hunt concluded:

This is an exciting and challenging time for the LSB. The Board continues to believe that effective, complementary self-regulation has a major role to play in ensuring that all personal and small businesses customers receive a fair deal from their lender.

Further information about the changes can be found in the Report which also provides full details and findings of the LSB's comprehensive monitoring and research work undertaken in the last year.

The Report can be found at:

<https://www.lendingstandardsboard.org.uk/wp-content/uploads/2016/09/lstb-annualreport-201516.pdf>

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Notes to editors

About the Standards of Lending Practice and the LSB

The new outcomes based Standards of Lending Practice have been developed in conjunction with a working group of current Lending Code subscribers, overseen by a Steering Group which also included the Chief Executive of StepChange Debt Charity.

The Standards comprise:

- Seven overarching Principles that provide the framework for how firms want to serve their customers.
- A set of desired customer outcomes linked to different stages of the customer journey from initial application to closure, including supporting customers who find themselves in financial difficulties.
- For each outcome, a number of standards demonstrating how the outcome will be achieved.

The first set of Standards, covering lending to personal customers are now available on the LSB website and will become effective on 1 October. The Standards incorporate what is in the current Lending Code, translated into outcomes, as well as new protections mainly around support for customers who are in vulnerable circumstances and identifying early signs of potential financial difficulty.

Work has already started on Standards of Lending Practice for business lending, extending to firms with an annual turnover of up to £6.5 million, significantly above the scope of the current Lending Code which covers just micro-enterprises. We expect these to be launched in early 2017. Much of this lending falls outside of the scope of the FCA statutory regime, thus providing additional protections and more consistent treatment for small businesses from launch.

The new Standards, as with the Lending Code, will be overseen by the independent Lending Standards Board. The LSB has a range of sanctions available to it ranging from private warnings through to, in the most serious cases, public censure. In all cases action plans will be required to address areas of non-compliance.

The Lending Code and the Standards are co-sponsored by the British Bankers' Association and The UK Cards Association. The LSB's directors include a majority of independent members as well as representatives of the sponsors. Details of the Board members can be found on the LSB website.

Review of the Lending Code

The new Standards and the changes to the LSB's oversight regime followed an independent review of the Code, undertaken by Professor Russel Griggs OBE.