

A VIRTUAL VIEW OF SELF-REGULATION



CHRIS POND,
CHAIR OF THE LSB

The world of financial regulation and compliance has undergone dramatic change over the past decade, as the sector has striven to improve standards and salvage trust with the wider public following the crash. The theme of the decade has been that simply doing the bare minimum is no longer enough – comprehensive, gold-standard protections are what firms should be pushing for. The Lending Standards Board (LSB) has evolved alongside this changing environment to meet this precise need.

Our overarching goal is clear – to drive fair outcomes for personal and business customers within financial services through independent oversight of the Standards and Codes for which we are responsible.

We have high expectations of our registered firms, as we do of ourselves as the primary independent oversight body in the financial services industry.



EMMA LOVELL,
CHIEF EXECUTIVE OF THE LSB

The financial services industry moves quickly, and consumer expectations are changing. The LSB is in a unique position to understand emerging areas of customer detriment and we remain agile with our [Standards and Codes](#) to ensure they continue to provide appropriate consumer and SME protections. The [personal Standards](#) and the [Contingent Reimbursement Model Code](#) (CRM Code) have both undergone recent reviews and updates following consultation with firms and key stakeholders, and a review of the [Access to Banking Standard](#) is underway to ensure it is as effective as it can be in minimising the impact of bank branch closures on customers.

Our position at the forefront of customer-focused self-regulation enables us to set the benchmark for good outcomes to help registered firms better protect their customers. As we move out of the pandemic and restrictions in the UK ease, albeit with caution, we will continue to work closely with our registered firms to ensure they are well equipped to continue to support good customer outcomes.

THE VALUE OF SELF-REGULATION

The LSB's approach to regulation benefit consumers, SMEs and the industry as a whole.

We are outcomes focused, allowing firms flexibility to achieve good outcomes regardless of their size or delivery channels and to innovate to meet evolving customer needs. Our oversight regime recognises this and focuses on how firms can demonstrate they are meeting the outcomes.

Firms sign up to the applicable LSB Standards and Codes, and we undertake oversight and assurance activities to ensure they are compliant. Our **registered firms** include the UK's major banks and lenders, credit and store card providers, debt collection agencies and debt purchase firms.

Adherence to the LSB's Standards and Codes is an indication to customers and stakeholders that a registered firm is committed to best practice in the treatment of its personal and business customers. This willingness to go beyond statutory obligations in the treatment of customers is vitally important in building trust with key stakeholders and consumers.

As the primary self-regulatory body for the banking and lending industry, we are in a unique position to understand industry challenges. This, together with our agility, enables us to effectively identify areas of risk in the industry and adapt our Standards and Codes to provide increased consumer protection.

INNOVATION IN REGULATION

Before our Business Standards were introduced 2017, lending to SMEs was an unregulated activity, largely sitting outside the FCA's perimeter. Therefore, small businesses, who weren't necessarily financial experts, were exposed to significant risks when borrowing money. We developed our Standards through workshops with firms, stakeholders and trade bodies, and introduced the Standards for SMEs with a turnover of up to £6.5 million, covering loans, overdrafts, credit cards and chargecard products. The Standards were amended in 2019 to include commercial mortgages and extend the protections to SMEs with a turnover of up to £25 million. This is an important example of innovative regulation which is supported by the industry, regulators and stakeholders, as demonstrated by the FCA's formal recognition of the Standards in 2020.

WHAT ARE THE LSB'S STANDARDS AND CODES?

Our Standards and Codes go beyond the requirements of statutory regulation. They provide a best practice and robust framework in which to deliver good customer outcomes, and importantly, collectively drive up industry standards.

Firms who are signed up to, and compliant with, the LSB's Standards and Codes are better equipped to deliver fair customer outcomes.

The LSB's Standards and Codes cover the following areas:

- Standards of Lending Practice for personal customers – best practice standards for personal customers of financial services.
- Standards of Lending Practice for business customers (and Asset Finance) – **an FCA recognised industry standard** that sets the benchmark for good lending practice for SMEs in the UK with a turnover of up to £25 million.
- The CRM Code for Authorised Push Payment (APP) scams – providing protections for consumers against APP scams.
- Access to Banking Standard – minimising the impact of bank branch closures on local communities.
- Credit Card Market Study (CCMS) remedies – improving customers awareness of their borrowing and repayment patterns.

WHY REGISTER WITH THE LSB?

- Objective and independent oversight: Robustly monitoring firms' implementation of and compliance with our Standards and Codes through thematic and individual reviews, relationship meetings and self-attestation.
- Access to the latest thinking: [Insight and thought leadership](#) on how standards evolve and how industry is addressing evolving customer needs. Exclusive research and thought pieces available to registered firms via the private side of our website.
- Internal assurance: Individual firm reports and recommendations aim to improve practices and evidence compliance with the Standards and Codes.
- Event attendance: Two guaranteed places at any of our roundtables to support firms to embed the Standards and Codes.
- Emerging risk insight: Gain insight into tackling industry challenges and newly developing risks at our Emerging Risk Forum.
- Bespoke training: Helping firms embed the Standards and Codes through bespoke training.

THE REGISTRATION PROCESS

01

Early engagement

An opportunity to understand how firms are supported through the registration process, their motivation for registration and approach to good personal and SME customer outcomes.

02

Interim registration

Interim registration signals a commitment to working towards compliance with our Standards and Codes, and allows 12 months tailored support to reach full registration.

03

Full registration

Firms reaching full registration are assigned a Compliance Manager, gain access to restricted insights and training and free attendance at all LSB events.

WHAT DOES THE INDUSTRY SAY?

As technology evolves, the pace of change moves ever faster which creates a perennial challenge for legislators and regulators; how to match this change in a proportionate way that provides consumers with appropriate levels of protection. It's a difficult balance between putting the brakes on innovation and allowing room for new ideas, products and services to develop in what are often uncharted waters.

Equally, technological ability does not equate to a license to bring new products and services to a financial services market where we know that engagement and education levels can be low. Just because it can be done, doesn't mean that it should be done, especially when the intellectual insights and know-how might be weighted heavily in favour of the provider. And here is where self regulation can step in. By looking to the sector to provide the right standards, new innovations can be introduced in a way that builds trust in the industry and protects consumers and SMEs. Put another way, self regulation can be an essential tool in mitigating risk; a win/ win for businesses and their customers.

Eric Leenders,
Managing Director, Personal Finance
UK Finance