The LSB's Information for Practitioners

The Standards of Lending Practice for personal customers

Money management – CCMS remedies

November 2021

Previously a standalone set of remedies, from 8 April 2021, the requirements set out in the four remedies have also been incorporated into the Standards of Lending Practice for personal customers. While the remedies continue to represent an industry wide agreement, not all firms are signatories to the Standards of Lending Practice for personal customers.

This document has been produced by the LSB and provides non-exhaustive examples of the approach registered firms may wish to take into consideration when seeking to adhere to the Standards of Lending Practice (the Standards) on money management.

Registered firms must be able to demonstrate to the LSB that they are adhering to the Standards of Lending Practice; however the LSB does not monitor compliance with the content of this document and as such, it is not intended to be prescriptive nor binding on registered firms. The LSB acknowledges that each registered firm will have its own way of demonstrating that it is adhering to the Standards without the need to refer to, or take account of, the content of this document.

This document will be kept under review and updated on an ongoing basis as the LSB gathers further examples of the work which is being undertaken by the industry in this area.

MM5. Firms offering credit card products should, in line with industry Credit Card Market Study information remedies, have in place processes to ensure:

Firms can find the full detail of the Credit Card Market Study (CCMS) remedies here.

Each of the four information remedies consist of a customer outcome statement which sets out what the remedy should achieve for the customers. They also include an outline of the actions that firms will take to achieve the outcomes for their customers.

To support firms in implementing the remedies in the most appropriate manner, the LSB has included guidance as part of our Information for Practitioners. The guidance is not binding on firms but sets out how firms can demonstrate they are implementing the remedies in a manner that is appropriate and supports fair customer outcomes.

Implementation and monitoring

When implementing these four remedies, firms should have considered what good customer outcomes look like and should have in place processes to monitor and review the effectiveness of these remedies in helping to achieve good customer outcomes.

Firms' review processes should also consider whether the communications and language used could be improved or adapted to help ensure that customers can clearly understand the purpose of the communication, the options available to them, and the consequences of any decisions they may take as a result of receiving the communication.

When conducting relevant second and third line reviews, firms should look to consider the impact of the remedies on customer behaviour throughout the customer journey. In particular, firms may wish to use these reviews to:

- explicitly assess how the remedies are operating to change customer behaviour and to prevent financial detriment; and
- review the approach to complaints, the strength of communications and the focus of first line controls, including the ability to identify CCMS related complaints.

What might good practice look like? Firms setting high level objectives regarding the customer behaviour they would be anticipating from the introduction of the remedies.

What might good practice look like? Firms using information gained directly from the remedies to inform their understanding of customer behaviours, allowing adjustments to be made to communications or support measures offered.

a. Customers are prepared to make timely and informed decisions about the options open to them when a promotional rate comes to an end

The **promotional rate expiry** remedy sets out the following customer outcome:

Credit card customers on a promotional rate are better prepared to make timely and informed decisions about the options open to them when this rate comes to an end.

In applying this remedy, firms are expected to provide customers with a standalone written reminder of the expiry date of any promotional offer between two weeks and a month in advance. You can access the full details of the remedy here.

The purpose of the remedy is to ensure that customers are reminded of the potential increased cost once a promotional rate expires and to allow them time to make an informed decision about the options available to them ahead of the rate expiring.

There is an expectation that, where the appropriate contact details are held, firms will send information digitally. However, firms may wish to consider whether the reminder could be delivered to customers via a range of channels, including written, digital, and via SMS, and whether customer outcomes would be improved by communicating with customers across more than one channel. When deciding the form of communication, firms should also consider what is most appropriate for the customer, based on any information held by the firm.

There may be elements of a firm's customer base who do not take any actions in response to the reminder. Such customers will therefore be exposed to increased costs due to carrying a high line of credit into a standard product. Firms should consider whether they can identify customers who have not engaged and use alternative methods of engagement or communication to encourage customer action.

While some customers will be comfortable not taking any actions when a promotional rate expires, firms should consider the depth of information and guidance provided to customers and whether this is sufficient to enable them to make an informed decision.

Area for consideration: Firms could employ bespoke illustrations setting out the financial impact of a promotion ending, as this will help the customer to make an informed decision based on the information relevant to them.

What might good practice look like? Including details of the financial impact of moving to the non-promotional rate to customers in their communications, alongside indicating that the cost of borrowing will increase. This could result in a higher impact interaction and positive customer response to reduce their balance before the promotional period ends.

b. Borrowing prompts help customers to take account of their spending and make informed decisions about how they use their credit card and avoid incurring over limit charges

The **borrowing prompt** remedy sets out the following customer outcome:

Borrowing prompts help customers to take account of their spending, to make timely and informed decisions about how they use their credit card and avoid incurring an over limit charge.

In applying this remedy, firms are expected to contact a customer where they cross a threshold of between 80% and 95% of their available credit card limit and to remind them if charges will be applied if they exceed the limit. You can access the full details of the remedy here.

The purpose of the remedy is to ensure that customers are contacted in a timely fashion so that they are aware of the risks of exceeding their credit limit and are able to take actions to manage their finances.

There is an expectation on firms that they should employ clear and succinct messaging to customers, with easy to access to links to make payments or take other appropriate actions, such as to access support. These messages should be sent via a channel which is appropriate for the customer.

Borrowing prompts may work alongside a range of alerts including those for a balance update, a payment received, a payment due date, and spend tracking. Firms should consider the effectiveness of different forms of prompts, and their delivery, via a range of different channels, to ensure customers are informed in a timely and effective fashion.

Area for consideration: Firms could monitor customer behaviour immediately following the issue of borrowing prompts. This can put firms in a stronger position to understand the effectiveness of the prompts. Where firms are not doing this, the effectiveness of the prompts may not be completely understood. Knowing how customers are, or are not, responding to prompts may help firms in reviewing and improving implementation of the remedy.

What might poor practice look like? Firms do not take steps to review and strengthen communications or to ensure the prompts being issued in line with the remedy are understood by customers.

c. Customers can set a more convenient payment date for future statements to enable them to exercise greater control over their credit card account

The **payment date charges** remedy sets out the following customer outcome:

Allowing customers to set a more convenient payment date for future statements enables them to exercise greater control over their credit card account.

In applying this remedy, firms should ensure that their systems and processes allow for a credit card customer to set a 'later than' payment date of their choosing. You can access the full details of the remedy here.

The purpose of the remedy is to give customers greater flexibility to move payment dates to align with their needs.

Payment dates are set by customers at the point of application, with subsequent customer requests to move their payment date allowed. Where limits are set on the number of payment date changes allowed, firms should adopt exception processes to allow further adjustments in certain circumstances.

Key to this remedy is the clarity of customer communications. Firms should use clear communications at appropriate points in the customer journey to raise awareness of the option for customers to change their payment date, or for them to retain the payment date originally advised at point of acquisition.

Area for consideration: Firms could be proactive in ensuring that customers being charged for late payments understand that they have the option to change their payment date to a date that may be more suitable for them.

Area for consideration: Firms could consider the reasons why a customer may wish to change their payment date when designing communications or planning engagement prompts on the option for payment date changes. For example, this could be due to a change in employment, or a desire to align with rent or mortgage payments.

d. Customers are able to exercise greater control over how their credit limit is managed through the provision of clear information and easy ways to express their preferences regarding unsolicited increases in their limit

The **unsolicited credit limit increases** (UCLIs) remedy sets out the following customer outcome:

Customers are able to exercise greater control over how their credit limit is managed through the provision of clear information and easier ways to express their preferences regarding unsolicited increases in their limit.

In applying this remedy to new and existing customers, firms should provide an 'active choice' around how customers would like to be assisted to manage any future increase(s) in their credit limit, with an option to either 'Opt-in' or 'Opt-out' following contact by the firm. You can access the full details of the remedy here.

The purpose of the remedy is to give customers greater control over any increases in their credit limit, including whether an 'Opt-in' or 'Opt-out' system works best when contacted about any such increase.

New and existing customers of the firm should be provided with an active choice which is positioned and communicated in line with the remedy's requirements. To ensure the choice is clear to the customer, firms should avoid relying on the 'Opt-in'/'Opt-out' terminology used in the remedy. It should also be clear to a customer that, where it is possible, if they do not make a choice they will be default to the 'Opt-in' option, in accordance with the remedy.

The use of ‘Opt-in’ and ‘Opt-out’ terminology can be confusing to customers, and it is important that the options made available under the remedy are clearly presented to customers.

For new applicants, a customer can ‘Opt-out’, this option means UCLIs can be applied unless a customer takes an action to reject it, or ‘Opt-in’, this option means customers can be contacted about credit limit increased but UCLIs cannot be applied without the customer activating them.

This means that when an UCLI is offered:

- Customer who chose the ‘Opt-out’ will be given the option to reject any UCLI
- Customer who chose the ‘Opt-in’ will be given the option to activate any UCLI
- All customers will also be given the option to opt-out of all future UCLIs or to change their existing ‘Opt-out’/’Opt-in’ preference.

Given the complex language of the remedies and the potential for confusion regarding the terms ‘Opt-out’ and ‘Opt-in’ firms should avoid using jargon. Alternative wording can be introduced to ensure customers are clear about the options and the implications of the choices they are making. Given the choice presented to customers requires clear explanation, firms should monitor the action customers take and review the language and communications used to ensure new and existing customers are provided with clear messaging which reflects the potential risks of UCLIs.

Firms should also consider monitoring outcomes for customers who may select different options, including customers who change their preference during the lifecycle of their account. Firms may also wish to consider how customers can benefit from education, at various points, as to the potential risks of credit limit increases and the appropriateness of their chosen option to ensure customers understand the implications of their decision. Steps to improve communications and to make the options for customers clear should be undertaken with a view to reducing the potential for persistent debt.