The Credit Card Market Study (CCMS) information remedies

September 2018

This wording has been developed in collaboration with members of The UK Cards Association to address the remedies proposed as part of the FCA's Credit Card Market Study.

The section on unsolicited credit limit increases has been developed to address the remedies proposed under the FCA's Credit Card Market Study in relation to unsolicited credit limit increases (UCLI). The requirements should be applied alongside existing FCA CONC Rules & Guidance (6.7.7 – 6.7.11) and the UK Cards Association (UK Finance) Best Practice Guidelines:

The term 'unsolicited' is defined as Firm driven increases. The requirements apply at an account level.

Promotional rate expiry
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

1. If a firm offers a credit card product with a promotional rate, the customer should receive a standalone written reminder of the expiry date of their offer.
   a. In addition to the expiry date, the reminder should inform the customer that the cost of borrowing will increase and include the interest rate that will apply to the affected balance after that date. Firms may also choose to signpost customers to information on their statements regarding estimated interest.
   b. A customer receiving a digital communication should be contacted 2-3 weeks before the expiry date of the offer. This should, where practical, also apply to a customer contacted by letter. However, a longer timeframe is permitted for these customers, but firms should ensure that the reminder is sent not more than one month before the offer expires. Marginal flexibility will be acceptable to allow for weekend and bank holidays.
   c. The expectation is that, where the appropriate contact details are held, firms will send the information digitally.
   d. There is not a requirement to notify where (i) the promotional rate is withdrawn, for example due to non-payment; (ii) where the customer has already repaid their promotional balance in full; or (iii) where a customer has an unused promotional offer.

Borrowing prompt
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 over limit charges

2. Where a credit card customer crosses a threshold between 80% and 95% of their available credit card limit, they should be contacted to alert them to this and to remind them if charges will be made for exceeding it.
    a. The notification should be provided to customers who cross the threshold. The level within this range will be determined by the individual firm, enabling firms to take into consideration the differing ways in which customers may operate their account.
    b. The notification should be made when the threshold is crossed for the first time in any one statement cycle. There is not a requirement to send additional messages where the balance remains over the agreed threshold in subsequent cycles.
    c. Contact with the customer should be made via a digital channel. Eligible customers should be automatically opted-in to the alert, but provided with the ability to opt-out, should they wish to do so, at the firm's discretion.
    d. Firms may wish to include messages which encourage the customer to consider increasing their payments.
    e. The requirement to notify does not extend to (i) customers who have selected different credit limit utilisation 'trigger points'; (ii) those who have paid in full in the preceding month; or (iii) accounts for which no digital contact details are held. However, this does not preclude firms from contacting these customers if they wish to do so.

Payment date changes
Customer outcome: allowing customers[1] to set a more convenient payment date for future statements enables them to exercise greater control over their credit card account

3. Firms should ensure that systems and processes allow for a credit card customer to set a 'later than' payment date of their choosing.
   a. The ability for the customer to move payment dates to align with their needs, such as a salary payment date, will vary from firm to firm; some systems allow for an exact date to be set and others a 'later than date'.
   b. The opportunity to change a payment date should be included, as a minimum, within the written communication to the customer that their monthly payment was late. Customers should be advised that the request would be actioned once the account is back up to date, unless otherwise agreed by the firm.
   c. Firms may set a maximum number of payment date changes per year. The number of changes allowed is at a firm's discretion.

[1] Where existing legislation does not prohibit a payment date change.

Unsolicited credit limit increases
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

If a firm provides UCLI, it must meet the following requirements:

1. **New applicants**[2]

   a. As part of the application process, or during account set-up, a new customer must be provided with an 'active choice' around how they would like their credit card provider to help them to manage any future increase(s) in their credit limit.
   b. This choice must be positioned as a preference to:
      (i) 'Opt-out' – a customer can be contacted about a UCLI, which will be applied unless the customer takes action to reject it; or
      (ii) 'Opt-in' – a customer can be contacted about a UCLI, but this will not be applied without them activating it.
   c. The options must be equally prominent, with no option pre-selected.
   d. If a customer does not (for whatever reason) make a choice, the opened account must default to 'Opt-in'.

Communication with new applicants regarding their 'active choice'

Clear and consistent information should be provided to the customer (at the point they are asked to exercise their 'active choice') as part of the application, or the account set-up process. This must include why the customer is being asked[3] to exercise such a choice, what it means in practice and that they can change their mind in future.

2. **Existing customers**

Firms may continue to operate an 'Opt-out' process for existing customers.

Communication with existing customers regarding a UCLI must:

- Clearly explain the process being followed, including how customers can:
  - ***Opt-out model:*** (a) reject the new limit; (b) Opt-out of all future UCLI; or (c) change their (Opt-in/out) preference for any future UCLI.
  - ***Opt-in model:*** (a) activate the new limit; (b) Opt-out of all future UCLI; or (c) change[4] their (Opt-in/out) preference for any future UCLI.
- Include a 'health warning' to explain the balance of potential benefits and risks – see below.
- Ensure that, where choices are set out, these are prominent, neutral and avoid framing effects.

[2] Except where a 'universal Opt-in model is operated, i.e., the firm has a policy where all UCLI are on an Opt-in basis.
[3] It is acceptable for a firm to require a choice in order for the application to proceed.
[4] Except where a 'universal' Opt-in model is operated, i.e., the firm has a policy where all UCLI are on an Opt-in basis.

- Provide at least one frictionless 'self-serve' option for customers to exercise their preferences.[5]

Health Warning

The following model clause is proposed:

"A higher credit limit may offer greater flexibility and convenience to meet your financial needs. However, it may also increase the risk of taking on too much debt, which may be costly, or take a long time to pay off. You should carefully consider whether you need a higher limit"

(Firms will have some discretion around the precise language used, but the above must form the basis of the clause).

3. Selecting accounts for a UCLI

Firms must exclude accounts from their selection process where:

- The account meets the FCA's formula for the calculation of 'persistent debt'[6] for a period of 12 months.
- A customer is identified, via data currently available to the firm, as being two or more payments in arrears on a lending product, as identified through a credit reference agency.[7]
- A customer's account has been subject to any form of forbearance by the firm in the last 6 months.

[5] Examples are direct links from email, SMS, mobile app servicing, online banking, automated free-phone number – frictionless describes the need for it to be easy for customers to reject a UCLI, or to express their future choices.
[6] The final definition is expected to be confirmed before the end of 2017.
[7] Firms will have some discretion around the materiality of certain information, such as their policy relating to very small balances.