

The logo for LSB, consisting of the letters 'LSB' in a bold, white, sans-serif font, positioned in the top right corner of a dark blue circular graphic.

Business Plan & Budget

2023/24



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Our Budget for
2023/24

1. Message from our Chief Executive

Welcome to the Lending Standards Board's (LSB) 2023/24 Business Plan and Budget.

My foreword to our Business Plan last year was littered with words and phrases - 'unpredictable' and 'a perfect storm of new challenges and risks', for example - to describe the outlook for the coming year. In writing my foreword for this year's plan, I believe the same phrases are equally, if not more, applicable.

The world has shifted in many unforeseen and unwelcome ways since we transitioned from the end of the pandemic into the start of the cost-of-living challenges in 2022. The reasons are well-documented: the ongoing impacts of the economic and health crises driven by the pandemic; the war in Ukraine; the impact of higher energy costs; rising inflation and the resulting increases in interest rates; higher tax; the volatility of the UK political system of the past 12 months; and, most recently, the failure of two US banks and the ripple effect impacting customer and investor confidence in international and domestic banking systems.

Partly in response to these economic and political challenges, an undercurrent of unrest has manifested in industrial action across multiple sectors. At a macro level, the International Monetary Fund recently forecast that the UK economy would be the only one of the G7 nations to shrink in 2023. Against this, however, the Office for Budget Responsibility predicts that the UK will avoid a technical recession in 2023. Whichever forecast is closest, it is likely that the UK will remain in a period of continued economic turbulence for the short to medium term at least.

Yet even against this tumultuous backdrop, it remains difficult to predict the true outlook for the coming 12 months. Both during and since the pandemic, the financial services industry has prepared for an increase in individuals and businesses struggling with their finances, by putting in place increased support measures and forbearance, signposting to sources of advice and more proactive communications with their customers. Given the events of 2022, financial distress remains a risk for different demographics



of customers, particularly those with limited financial resources. Whilst some forecasts suggested a looming 'cliff-edge' of financial turmoil that could push many more personal and business customers into financial instability, this 'cliff-edge' moment has not yet materialised. In fact, many financial services firms report that a smaller percentage of their customer base than anticipated is in arrears with their financial commitments or showing signs of financial distress. Meanwhile, energy and fossil fuel prices have dropped dramatically from their peak last year and the forecast for inflation, although still high, is also considerably lower than previously predicted.

Nevertheless, times remain hard for many customers across the UK and whilst it is positive that we may have avoided the cliff-edge in 2022, this may, in part, be due to a time lag between the cost of living challenges developing and the real-time manifestation of customers' financial difficulties. We therefore cannot afford to rest on our laurels. The financial services industry must continue to prepare for the potential for an increasing groundswell of greater financial struggles for individuals during the coming year, as income continues to slowly be eaten away by the higher cost of everyday life, and savings potentially built up over the pandemic are used to supplement income at a time when wage increases are unlikely to keep up with the pace of inflation.

For small and medium-sized businesses, the impact of inflation is often even higher and multi-faceted. Ongoing concerns include fuel and energy prices, overall price pressures, resourcing challenges and volatility in the workforce climate, supply shortages, and the overall increase in the cost of doing business.



These factors, coupled with a customer base that is itself far more price aware and often spending less, make for another testing year. In addition, smaller businesses face the ongoing conundrum of how to scale up and grow in uncertain economic times.

Looking further ahead, the cumulative upwards creep of inflation, prices and taxes present a longer term issue for individuals and businesses. Even at the point that inflation is predicted to be brought under control later in 2023, the cost of everyday life is unlikely to reduce and will likely 'reset' at a higher level. We will all, individuals and businesses alike, need to adjust to a new economic climate of higher prices and what this means for the long-term health of our individual and business finances.

This backdrop will necessarily place a sharp focus on customers' ongoing financial resilience, the potential for an increasing use of credit to supplement income, and the resulting increased risk of a wider range and number of customers facing potential or actual financial difficulty. The financial services industry needs to be equipped to proactively respond to and support individuals and businesses, particularly those in vulnerable circumstances, who will continue to face pressures on their financial stability, and in some cases, their financial viability during 2023.

The prevalence and increasing sophistication of fraud and scams also looks set to continue. In addition to ensuring customers who fall victim

to scams are reimbursed, it has never been more important to ensure a consistent approach across the financial services industry to the overall prevention and detection of scams, and to achieving a consistent approach to firms' treatment of customers when they have sadly fallen victim to a scam. Cross-sector collaboration beyond the financial services industry and a common understanding of the opportunities available to all sectors to protect individuals from fraud are also key to achieving a reduction in successful scams and avoiding the devastating impact of such crimes on customers.

By committing to adhere to our Standards and Codes and embedding them within their organisations, our registered firms agree to uphold the highest of standards in the treatment of their customers. We, in turn, work with our registered firms to ensure that those high standards and customer protections are consistently maintained. Our activity this year will help our registered firms to assure themselves, their customers and their stakeholders, of their overall compliance with our Standards and Codes, and that they are actively driving and achieving the protection of, and better outcomes for, their customers.

Evolution of the Lending Standards Board

2023 marks three years since the LSB published its new Mission and Strategy. In that time, the financial services industry has faced a remarkable period of disruption and evolution, driving forward technological, product and service developments at an astonishing pace.

Whilst our Mission and Strategy have remained constant during that time, we recognise that we must also adapt so that we can continue to deliver an independent oversight framework in which fair customer outcomes and the highest possible standards are achieved. This is vital against the backdrop of an ever-changing industry, regulatory and economic landscape, and a market in which personal and business customers' expectations of their financial services providers, and the way in which they wish to access financial services, are also evolving.

For this reason, we will be undertaking a strategic review of the LSB during the coming year. Its purpose is to consider our vision, aims and our strategic direction, plus areas of remit and expertise in light of how the financial services landscape has evolved since our Mission and Strategy was first published. The UK financial services framework remains one of the best in the world, leading the way in terms of regulation and standards for the protection of consumers and businesses.

"As the primary independent oversight body within the banking and lending industry, we can support the building of further trust and integrity in the financial services industry."

In undertaking our strategic review, we will look not simply to respond to emerging regulation, but to continue our role as a thought leader in industry, driving ever-higher standards as the sector and landscape continue to evolve and as potential areas of customer detriment emerge.

We also recognise that firms face an ever-increasing regulatory agenda of new measures and legislation. Our strategic review will therefore focus on the LSB's value proposition and relevance to our registered firms. This will include the maintenance of our existing Standards, setting new standards in financial services in areas where there is little or no existing regulation, and in assisting firms to assure themselves of their achievement of good customer outcomes in support of existing regulatory requirements, such as the Consumer Duty.

We will also consider how we can further enhance our reach and public profile so that customers are more aware of our work and the outcomes we seek to drive. As the primary independent oversight body within the banking and lending industry, we can, in this way, support the building of further trust and integrity in the financial services industry.

As a prelude to our strategic review, we have been listening and are grateful for the interaction and feedback we received from our registered firms and stakeholders who contributed to our 2022 perceptions survey. The major themes arising from this feedback include: the extension of our remit more broadly across new standards and codes; increasing our reach to a wider contingent of firms across industry; and how we continue to ensure that our Standards and areas of practice complement statutory regulation. These are cornerstones of our strategic review and our deliverables for 2023/24.

We will also be undertaking transformation projects across the LSB, from looking at how we enhance our oversight framework and the ways in which we conduct our compliance reviews, through to our work to measure and

report on the impact and value of our Standards and Codes in driving fair customer outcomes. We will set out how we will measure both our success and Key Performance Indicators as an organisation, and the success of our Standards and Codes, in driving up standards and positively improving customer outcomes across financial services.

And so 2023 promises to be yet another busy year for the LSB! I am very grateful to my LSB colleagues and our Board for their dedication and support as the LSB embarks upon the next phase of its own transformation. I look forward to sharing our work and the results of our strategic review with our registered firms, our stakeholders and the wider industry in due course.

Emma Lovell
Chief Executive



2. Executive Summary of Business Plan and Budget 2023/24

The LSB's Mission and Strategy is to drive fair customer outcomes within financial services through independent oversight, underpinned by four key strategic aims:

- set **high standards** to reflect what we learn from our oversight work and to respond to the new opportunities and challenges of the market, including the growth of fintech;
- deliver **independent oversight** to provide assurance that standards are being met, to highlight good practice and to ensure that weaknesses are remedied;
- ensure **wider reach** by taking a thought leadership role and by disseminating good practice through our publications, training and research and by expanding our market reach; and
- raise **awareness** of the LSB's work so that new entrant firms embrace our Standards and Codes and so that our findings are increasingly influential within participating firms and among organisations representing and supporting consumers.

Adherence to the LSB's Standards and Codes is a clear indication to customers and stakeholders alike that a registered firm is committed to best practice in the treatment of its personal and business customers, and places the achievement of fair outcomes at the heart of its activities.

Later in this document, we set out further detail on the activities we shall undertake under each of our strategic priorities. We plan and deploy our resources to focus most heavily on areas of highest risk and potential detriment to individual and business customers. Our key deliverables and work streams for the coming year have been fundamentally shaped by the economic climate and outlook for individuals and businesses during 2023, and what we believe to be the emerging risks which we anticipate will impact most heavily on personal and business customers of financial services firms.

In summary, our key work programme for the year includes:

- an ongoing programme of end-to-end compliance reviews focussed on the Standards of Lending Practice for business customers to understand firms' treatment of their business customers and to ensure that fair customer outcomes have been prioritised and achieved for businesses;
- continuation of our internal review process on the Standards of Lending Practice for personal customers in light of the ongoing evolution of regulation and the wider marketplace, including the Consumer Duty and the review of the Consumer Credit Act. The review will consider how the Standards may need to flex in order to reflect the developments of the regulatory roadmap and the Duty, and thereby ensure that, by adhering to the Standards, our registered firms are able to evidence, and assure themselves of, compliance with regulation and the Consumer Duty as applicable to personal lending;
- a significant research project focusing on the prevention of financial difficulties in both personal and business customers. This research will consider the data and metrics available to firms to identify customers at risk of financial difficulty; reduce the likelihood of them falling into difficulty in the future; and to mitigate the impact of when customers do fall into difficulties. The research will span both the Standards of Lending Practice for personal and for business customers and the outputs will inform whether updates to the Standards, or the accompanying guidance documents, are required in addition to insight and thought leadership work which will be shared with registered firms;

Adherence to the LSB's Standards and Codes is a clear indication to customers and stakeholders alike that a registered firm is committed to best practice in the treatment of its personal and business customers, and places the achievement of fair outcomes at the heart of its activities.



- continuation of the roll-out of our programme of cyclical compliance reviews of firms registered for the personal Standards. Cyclical reviews ensure that all registered firms are assessed over a regular cycle of between three and four years for their adherence to the end-to-end customer journey as set out in the Standards. Having commenced this work last year across our debt collection and debt purchase firms, we will be implementing cyclical reviews for the second tranche of firms signed up to the personal Standards;

- continuation of our work streams in relation to the Contingent Reimbursement Model Code for Authorised Push Payment Scams (the CRM Code). Whilst we await final implementation of the Payment Systems Regulator's (PSR) proposals for mandatory reimbursement of Authorised Push Payment (APP) scams, it is vitally important that the protections afforded to customers by the CRM Code continue to be implemented and adhered to by signatory firms. In this vein, ongoing monitoring of firms' progress against their action plans resulting from our most recent oversight review of the Code in 2022 will continue, together with the dissemination of best practice and insights in relation to the Code and its implementation. We will also work closely with the PSR, Pay.UK, firms and stakeholders as the Regulator sets out its next steps in relation to APP scams;

- a full review of the Standards of Lending Practice for business customers to understand

where any updates or expansion of the Standards may be required to reflect the evolving lending market for businesses. Our policy-led research on green finance will also feed into any updates we make to the Standards;

- a cross-cutting thematic review across the Standards and CRM Code of a customer's digital journey to assess how increasingly digitised and data-driven customer interactions and journeys are impacting good customer outcomes;

- continuation of sharing insights and best practice via our Emerging Risk Forum, training and roundtables, and research and thought pieces on topical and risk areas of importance to our registered firms, which will also aid in the implementation and embedding of learnings from our oversight work or any changes to the Standards;

- continuation of expanding the coverage of the LSB's Standards and Codes across the financial services market by working with new firms, and those firms which are adhering to the principles of our Standards and Codes, to increase sign-up to the LSB framework; and

- following on from the launch of our 'Inclusion in Business Banking and Credit: disability and other access needs' report, we will be undertaking two further research reports around inclusion. The first, focused on the personal Standards, will consider what inclusion means for d/Deaf people and how firms can best support these customers. The second report will explore how firms can better support ethnic minority business owners to access lending and banking and grow their businesses.

We have budgeted expenditure of £3.5 million to deliver this programme of work, compared with a forecast spend of £3.3 million for 2022/23. We set out our costs and their comparison year-on-year in the final section of this document.

3. Our Role

The LSB is the primary independent oversight body for the banking and lending industry. Our mission is to drive fair customer outcomes within financial services through independent oversight of the Standards and Codes for which we are responsible. Financial services providers sign up to the LSB's Standards and Codes which are applicable to their products and services, and we undertake oversight and assurance activities to ensure they are compliant with our framework of standards and regulation. Our work with our registered firms ensures that firms consistently drive fair outcomes for their customers across their products and services, and that firms can demonstrate to their customers and stakeholders that they are committed to prioritising improved outcomes and protections.

Driving better outcomes and protections for customers is at the heart of the LSB's activities and we take great care to ensure that our Standards and Codes provide these protections for personal and business customers of financial services firms. As such, we set and oversee best practice standards in areas either where there is no regulation, or where statutory regulation does exist, we ensure that our standards complement and ameliorate the work of statutory regulators. We are a thought leader within the financial services industry, developing and driving higher standards and protections for personal and business customers as the sector and financial services landscape continue to evolve.

We maintain an effective, collaborative relationship with the Financial Conduct Authority (FCA), PSR, Financial Ombudsman Service (FOS), HM Treasury and other key industry stakeholders such as UK Finance, the Building Societies Association, the Business Banking Resolution Service, the Financial Services Compensation Scheme and the British Business Bank, together with key groups representing consumers and SMEs.

Our recently updated Memorandums of Understanding with the FCA and the PSR also clearly set out how the LSB interacts, collaborates and exchanges information with the statutory regulators in areas which span both the regulators' and the LSB's remits.

The value of self-regulation

A firm's willingness to implement best practice



standards, such as the Standards of Lending Practice for business customers, in areas that are unregulated, or to go beyond its statutory obligations in the treatment of customers, is vitally important in building trust and integrity in the financial services industry. Adherence to the LSB's Standards and Codes is a clear indication to customers and stakeholders alike that a registered firm is committed to best practice in the treatment of its personal and business customers.

Due to our engagement with registered firms and stakeholders, we are in a unique position to understand the challenges faced by the industry. This, together with our agility, enables us to effectively identify areas of risk in the industry and to swiftly adapt our current Standards, Codes and supporting guidance documents to provide insights and best practice that support the delivery of good customer outcomes and customer protections at all times.

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

Standards of Lending Practice for personal and business customers

- These Standards set the benchmark for good lending practice in the UK, outlining the way that our registered firms are expected to deal with their personal and business customers throughout the entire product life cycle, from first engagement through to collections and recoveries.

- The LSB is the only standard setting and oversight body for SME lending in the UK. Our Standards of Lending Practice for business customers, which were first introduced in 2017, provide protection for SMEs with a turnover of up to £25 million.

- The business Standards were formally recognised by the FCA in 2020, and that recognition was refreshed for a further three years by the FCA in 2023, under its process for recognising industry codes of conduct for unregulated financial markets and activities. The Standards are one of only four industry codes to be recognised by the FCA. Behaviour in line with an FCA recognised Code indicates a person subject to the Senior Managers and Certification Regime is meeting their obligation to observe 'proper standards of market conduct' in relation to unregulated activities.

- Sitting alongside these is a separate set of Standards focusing on the provision of asset finance products to SMEs with a turnover of up to £6.5m.

- The Standards of Lending Practice for personal customers, implemented in 2016, provide protections for personal customers in relation to overdraft, credit card, chargecard and unsecured loan products and services. The Standards also incorporate four information remedies, for which the LSB is responsible for oversight, arising from the FCA's Credit Card Market Study.

Contingent Reimbursement Model Code for Authorised Push Payment Scams (the CRM Code)

- The introduction of the CRM Code in May 2019 marked a major milestone in delivering increased protections for consumers who have fallen victim to an APP scam. The Code was drafted by industry and consumer representatives, with the LSB assuming oversight of it on 1 July 2019.

- The Code sets out consumer protection standards to detect, prevent and respond to APP scams and provides a commitment from signatory firms to reimburse customers who lose money where they were not to blame for the success of a scam.

Following our 2021 review of the Access to Banking Standard, applicable to the impact of bank branch closures on customers and local communities, the LSB ceased oversight of this Standard at the end of March 2023. The FCA will continue its supervisory programme of branch closures and changes in branch service provision.



The business Standards are one of only four industry codes to be recognised by the FCA. Behaviour in line with an FCA recognised Code indicates that the firm is acting in a manner that the FCA deem a proper standard of market conduct.

4. The LSB's Programme of Work for 2023/24

a. Setting high standards

Led by the work of our Policy team, we ensure that the Standards of Lending Practice and the other codes of practice which fall under our remit lead the way in a changing financial services market and keep pace with rising customer expectations. We also ensure that our Standards and Codes evolve to reflect the findings of our own oversight work and our insight and horizon-scanning of the emerging risks within the industry. To this end, we have scheduled a number of updates and reviews of our Standards and Codes during the coming year.

The Standards of Lending Practice for business customers (the business Standards)

Introduced in July 2017, and revised in 2019, the business Standards provide protections for SMEs with a consolidated turnover of up to £25 million across loan, commercial mortgage, overdraft and credit card products. Signing up to and adhering to the Standards signals a firm's commitment to their business customers and to delivering fair outcomes for them.

The business Standards' customer outcomes focussed approach provides flexibility for firms to achieve good outcomes for a broad range of business customers with varying degrees of sophistication, complexity of business model and internal infrastructure.

We aim to ensure that the Standards remain effective and continue to provide the right framework to deliver fair customer outcomes, particularly in light of the legacy impacts of the pandemic and the challenging environment in which small and medium-sized businesses are now operating. As a result, we will be undertaking a full review of the business Standards and the accompanying Information for Practitioners during the 2023/24 year.

The review will consider where updates or expansions to the business Standards may be required to reflect wider developments in the business lending market and the regulatory roadmap, such as the Consumer Duty, along with any findings from our ongoing oversight work

linked to the Standards. We will explore how the Standards can further emphasise the expectations on firms related to inclusion and customer vulnerability, and underline the Standards' applicability to all channels or digital platforms used by firms to offer products to, and engage with, business customers.

The review will also encompass our work on green finance to set out how the Standards can reflect environmental and net zero considerations within lending to businesses. We will complete the review, and launch the updated Standards and updates to the accompanying Information for Practitioners, by the end of the financial year 2023/24.

The Standards of Lending Practice for personal customers (the personal Standards)

A customer outcomes approach to financial services is at the heart of the LSB's mission and strategy. Following the introduction of the personal Standards in 2016, replacing the Lending Code, we have focused on developing our expertise and knowledge in providing oversight and governance of outcomes focused regulation to protect personal customers of lenders and other financial services providers. Our approach enables the LSB, and its registered firms, to demonstrate the value of committing to fair customer outcomes that go beyond the requirements of statutory regulation.

The personal Standards' customer outcomes focused approach provides flexibility for our registered firms to achieve good customer outcomes while continuing to innovate and to deliver products and services that meet the evolving needs of their customers.

The Consumer Duty represents one of the most significant changes to retail financial services regulation in over 15 years. We recognise that firms face a significant task in ensuring they are implementing the new Duty in line with the FCA's expectations. To this end, the personal Standards are lending specific, and firms' adherence to them demonstrates a clear commitment to achieving fair outcomes and applying protections for their customers. When applied correctly, the Standards ensure that firms place customers at the heart of their operations and that firms' cultures, policies and procedures drive the right outcomes for customers, which is an approach shared by new Principle 12 which introduces the Consumer Duty. We therefore believe the personal Standards are a key tool that firms can use to support their plans to implement and embed the Duty and will support the effort of the FCA to improve customer outcomes via the introduction of the Duty.



In 2022, we undertook an internal review of the Duty requirements against the personal Standards and issued a policy statement to all registered firms setting out how the Standards will support firms to demonstrate how they are working toward good customer outcomes across the customer journey; and to evidence and assure themselves of their compliance with the Duty as it applies to personal lending.

We are mindful that the wider regulatory environment and marketplace continue to evolve and that the personal Standards may need to be flexed further to adapt and take account of these developments. In 2023/24, our work to take account of the Consumer Duty and other regulatory developments, such as the review of the Consumer Credit Act, will therefore continue, to ensure that the Standards continue to be a valuable tool, sitting alongside legislative and statutory rules, in supporting firms to achieve good customer outcomes.

Preventing financial difficulty

Against the backdrop of the cost-of-living challenges, the risk of a wider range of individual and business customers facing increasing financial stress and falling into financial difficulty is higher than ever. Support measures for customers facing financial distress is therefore an area of emphasis for both the LSB and the financial services industry over the coming year.

We will be undertaking a significant project cross-cutting both the personal and business Standards that considers the data and metrics available to firms to identify and assess customers at risk of financial difficulty, and investigating how firms can use this data proactively to mitigate the risks of financial distress occurring, and to reduce the impact when a customer does fall into difficulty.

The outputs of this project will feed into our insight and thought leadership work which will be shared with registered firms to ensure that they are prioritising support for, and protection of, customers at risk of financial difficulty and those who are facing increasing financial distress. They will also inform whether updates to the Standards, or the accompanying guidance documents, are required.

The Contingent Reimbursement Model Code for Authorised Push Payment Scams (the CRM Code)

The CRM Code is currently the only form of protection for customers which specifically addresses the prevention and detection of, and response to, Authorised Push Payment (APP) scams. Outcomes for customers have demonstrably improved since the introduction of the Code in 2019 and its oversight by the LSB, and we recognise the work of signatory firms and their commitment to continue to adhere to the Code.

Key work streams which we shall progress during 2023/24 include roundtables following the development of guiding principles for firms resulting from our recent research work in respect of the effective warnings provisions of the Code; updates to the Information for Practitioners, where required; and continuing to share best practice and insights in relation to the Code and its implementation.

Support measures for customers facing financial distress is an area of emphasis for both the LSB and the financial services industry over the coming year.

We are also cognisant of the PSR's decision on a regulatory framework for reimbursement of customers who fall victim to APP scams. As the Regulator's proposals are finalised and implemented over the coming year, it is our expectation, also shared by the PSR, that all existing signatory firms continue to adhere to the CRM Code, and the LSB's oversight of the Code, to ensure that there is no reduction in customer protections.

Beyond the Regulator's reimbursement proposals, we believe it is essential that financial services firms continue to work to protect their customers from scams and to prevent criminals using their services. We therefore believe there should remain an independent standards framework for firms capturing the conduct elements of the CRM Code, even once the PSR has introduced new requirements on reimbursement. Maintaining an industry code, with independent oversight by the LSB, would allow firms to continue demonstrating their commitment to good customer outcomes and treatment of customers. This framework could also support firms in applying consistent protections to victims of APP scams across Faster Payments, CHAPS, and 'on us' transactions.

We will continue to work closely with the PSR, Pay.UK, firms and stakeholders to give effect to the Regulator's decision on a regulatory framework for mandatory reimbursement, and the future of the CRM Code and industry standards on protections and treatment of customers in relation to scams, as the Regulator sets out its final direction for implementation of the reimbursement framework during 2023.

New standards and codes

Throughout the year, we will also be actively considering the need for the development of new Standards covering areas of the financial services market where our oversight, expertise and rigor can demonstrably deliver better outcomes for personal and business customers by driving up standards and best practice within firms. This work is supported by the first stage of our market sector analysis project completed in 2022 which assessed the LSB's current market coverage and the financial services ecosystem, with the second stage of this work due to commence in the first quarter of 2023/24.



b. Delivering independent oversight

Rigorous, independent oversight is the LSB's core competence and contribution to improving outcomes for customers of financial services. Signing up to our Standards and Code demonstrates a firm's intention to achieve fair and improved outcomes for customers. The LSB's oversight regime is the mechanism to robustly demonstrate and evidence firms' commitment to doing the right thing and to fully and effectively implementing the requirements of the Standards.

In planning our resources and oversight work for the year, we ensure that we are provided with assurance about compliance with our Standards and Codes, both at a system-wide level and in individual participating firms. This is informed by our analysis of the key areas of risk to customer outcomes in any given year.

Our 2023/24 programme of oversight work, led by our Compliance team, includes the ongoing end-to-end cyclical reviews and thematic, system-wide reviews, as well as close and continuous monitoring in specific areas of oversight work completed in 2022/23 to ensure that firms have implemented the recommendations and actions we required of them.

In addition to issuing individual outcome reports to each firm, where appropriate, we will continue to publish reports summarising the findings of our reviews at industry-level to draw out good practice and to identify weaknesses in need of remedy from which all registered firms and the wider industry can learn.

Compliance enhancement programme

Our current oversight framework is comprised of three key pillars:

- compliance reviews – both full end-to-end reviews in relation to each Standard or Code and risk-based thematic reviews;
- relationship and engagement meetings with all registered firms; and
- an annual self-attestation process.

During 2023/24, we will be undertaking a programme to assess how we can enhance and expand our oversight framework further. In doing so, we aim to deliver additional value to our registered firms so they can gain increased assurance of their adherence to our Standards and Code and their commitment to achieving good customer outcomes; and to personal and business customers of our registered firms so they can be reassured of their firms' commitment to achieving good outcomes and protections.

This programme will explore what new or enhanced forms of assurance and compliance methods we might introduce into our oversight framework in future. We will also assess our use of data and Management Information sources and how we are able to provide meaningful reporting on adherence to our Standards and Codes to enable benchmarking of firms.

Oversight reviews for 2023/24

Our thematic reviews assess compliance with the Standards and Codes system-wide in areas of particular risk or challenge.

Business Standards customer journey reviews

Registered firms' adherence to the business Standards will continue to be a key area of focus during the coming year. Via our oversight work, we assess firms' treatment of their business customers to gain assurance that the required outcomes set out in the Standards are being achieved across

the customer journey. This is particularly vital in light of the lasting impacts of the pandemic and the increasingly challenging environment in which businesses are now operating.

We commenced the first tranche of end-to-end compliance reviews of all firms signed up to the business Standards in 2022, and will complete tranches two and three of this review programme during 2023/24. The review encompasses outcomes under mainstream commercial lending and under the Government support schemes implemented during the pandemic, including CBILS and BBLs.

Following completion of all tranches of reviews, all firms signed up to the business Standards will move into a programme of cyclical reviews over a three to four year period. We will also publish a summary report to industry of our findings across all tranches, drawing out both areas of good practice and where any weaknesses need to be remedied.

CRM Code

Following completion of our latest assessment of firms' adherence to the CRM Code in 2022, this year we will be undertaking close and continuous monitoring of firms' progress against their action plans required to remediate findings from last year's review. We will also take the opportunity to test all firms' implementation and embedding of closed actions from our previous reviews.

The digital journey

In an ever-more digital and data-driven world, customers' expectations are continuing to evolve in relation to how they wish to interact with their financial services providers; what protections they expect to be in place to support those interactions; and how their financial services providers continue to meet their needs as their life and business circumstances change. The pandemic and resulting restrictions drove an acceleration of customers choosing, or being required, to interact with their bank or financial services firm digitally. In addition, the growth of digital-only providers has increased the volume of interactions with customers which are achieved primarily via an app or an online platform.

The LSB's personal and business Standards are applicable to all channels via which a customer interacts with their lender.



In light of the continuing increase in digital-based interactions with customers and the emphasis on online and digital journeys for financial products and services, we will be undertaking a cross-cutting thematic review across the Standards and CRM Code of a customer's digital journey with their firm.

In undertaking this review, we will assess how increasingly digitised and data-driven customer interactions and journeys are impacting good customer outcomes; how the environment in which customers are operating impacts their digital journey; and where good practice and areas for improvement in outcomes achieved for customers across the digital journey can be drawn out to support both registered firms and the wider industry.

Cyclical reviews of firms

We will be continuing the roll-out of our programme of cyclical compliance reviews of firms' adherence to the personal Standards. Cyclical reviews ensure that all registered firms will be assessed over a regular cycle of between three and four years for their adherence to the end-to-end customer journey as set out in the Standards. Reviews set to a specific cadence and regularity will ensure that firms have up-to-date feedback on their performance and adherence to our Standards and Codes; ongoing relationship development and dialogue with the LSB; and that those areas not captured by thematic reviews continue to receive focus.

Having commenced this work last year across our debt collection and debt purchase firms, we will be implementing cyclical reviews for the second tranche of firms signed up to the personal Standards.

As we progress our work, we will roll-out cyclical reviews in future years to assess each firm's compliance across the business Standards and the CRM Code.

Annual self-attestation process

Our annual self-attestation process will continue in 2023/24 to inform our view of overall compliance with our Standards and Codes and our risk analysis and prioritisation of areas for review in future. By requiring the attestation process to be signed off at senior executive level within firms, the process enables firms' boards and senior executives to gain assurance each year of their firm's overall adherence to, and embedding of, the Standards and Codes within the firm.

Review of newly registered firms

We undertake end-to-end compliance reviews of all new firms which have entered full registration for the personal or business Standards, or the CRM Code, during the first 18 months of their full registration. This ensures that we can assess their overall compliance with the Standards or Code and can assure ourselves that the highest standards and practices are maintained.

Two new firms entered full registration during 2022 for the business Standards and the CRM Code respectively. By the end of 2023/24, both firms will have undergone their first full compliance review.

Cyclical reviews ensure that all registered firms will be assessed over a regular cycle for their adherence to the end-to-end customer journey as set out in the Standards.

c. Reaching wider

The LSB's Mission and Strategy sets out that we will be a thought leader within the industry by undertaking research and disseminating good practice and areas for improvements across our registered firms and the wider financial services industry. We ensure that our registered firms derive ongoing value from their registration with the LSB, both in terms of the rigor and independence of our oversight work, and access to the latest insights, research and training on service delivery and outcomes for customers.

LSB Insight

The LSB's Insight team supports the raising of standards and promotion of best practice across the industry by disseminating the findings of our oversight and policy work across our registered firms. This is achieved via a diverse annual programme of work which builds on the evidence delivered by our oversight and policy work and raises awareness of what approaches can improve outcomes and service delivery for both personal and business customers. The team's work involves the publication of reports and research, thought pieces and blogs, along with hosting events, forums and training sessions for registered firms.

In support of our work to expand the LSB's reach, the Insight team's work programme for 2023/24 will include:

- a research project focusing on the prevention of financial difficulties in both personal and business customers referenced earlier in this document;
- roundtables and workshops to disseminate the findings of LSB's oversight work across the business Standards, the personal Standards and the CRM Code. Through these events, the team shares good practice, highlights areas for improvement by firms identified by our oversight work, and reflects back on risk areas and topical subjects for firms in order to raise industry standards;
- delivery of insights and training on the implementation and embedding of any changes to the personal or business Standards and the CRM Code;
- hosting our consumer-specific and business-specific Emerging Risk Forums to highlight challenges faced by firms in the retail and business sectors and how they are being overcome through sharing insight and experiences;



- two new research reports on inclusion in financial services, following on from the launch of our 'Inclusion in Business Banking and Credit: disability and other access needs' report in 2022. The first report will consider what inclusion means in relation to Deaf people and will highlight best practice to support those customers. The second research report will explore how firms can better support ethnic minority business owners to access lending and banking and grow their businesses;
- publication of articles and thought leadership pieces that provide further detailed insight and best practice and highlight areas of risk for our registered firms and the wider industry;
- bespoke training sessions and call calibration sessions for registered firms on specific areas of our Standards and Codes and wider matters, such as vulnerability;
- roundtable events which bring together business and consumer representatives respectively to discuss topical and risk areas impacting personal and business customers and to provide valuable feedback on these issues to the LSB; and
- use of our multiple delivery channels, including social media, blogs, podcasts and our newsletter, to disseminate insight on risks and opportunities facing the financial services sector and customers of financial services firms.

The more firms that sign up to our Standards and Codes, the further our reach can extend to support the highest possible standards, increase customer protections and increase overall confidence and trust in the financial services industry

LSB market coverage – increasing protections for customers

Our engagement and interaction with new firms are also key to expanding our reach. We work with new firms to embrace our Standards and oversight in order to broaden the range of firms to which our Standards and Code apply, and thereby increase our coverage of the market and the number of customers benefiting from the protections and outcomes set out in the Standards. The more firms that sign up to our Standards and Codes, the further our reach can extend to support the highest possible standards, increase customer protections and increase overall confidence and trust in the financial services industry, all of which are increasingly important as new firms and products enter the market and increase the choice of providers for customers.

To this end, our work this year to build our market coverage and extend the protections afforded by our Standards and Codes includes:

- working with existing registered firms which would benefit from registering for other Standards and Codes to evidence their commitment to customer protection and to drive up standards across their businesses;
- further implementation of our strategy to identify and support new firms to sign up to our Standards and Codes in order to increase our market coverage;
- linked to our support for new firms to sign up to the LSB, we will be undertaking a post-

implementation review of our interim registration process, first launched in 2020. The review will consider the lessons we have learned about the process since it was introduced, and, taking into account feedback from our 2022 perceptions survey of firms and stakeholders, we will consider how the registration process, and the journey that new firms embark upon in achieving full compliance with our Standards and Codes, are proportionate and consider the size, maturity and complexity of smaller and newer entrant firms to the market;

- focus our strategic relationships strategy on those firms which have not yet committed to the Standards; those which are adhering to the principles and spirit behind our Standards and Codes but without formal registration to the LSB; and those which have a significant share of relevant markets or which are promoting innovative approaches to the delivery of financial services. This will include those firms with a focus on a 'digital-only' strategy and customer journey; and
- undertake the second phase of our market sector analysis to identify areas of most relevance to the LSB's remit within the financial services eco-system. This work informs our current and future market coverage; where we can extend our reach into new firms and new products or services; and those underserved sectors where self-regulation and the LSB's independence and rigor can add value to driving up standards and outcomes for customers.

d. Raising awareness

To build upon the value and relevance of the LSB's work, we must be as influential as possible in driving fair outcomes for customers and setting best practice standards within the financial services sector. Our findings and work need to be focused, relevant and make a difference, both for our registered firms and the wider industry, and for customers themselves.

Raising awareness of our work is vital to demonstrating our value and relevance: to our registered firms, so that they understand the benefits they derive from their registration with the LSB; to firms' boards and senior executive teams to reinforce the firm's overall drive to achieve fair customer outcomes; and to customers themselves, through the organisations representing them, so that they understand our work, its implications and the standards they can expect from the firms signed up to our Standards and Codes.

Our ability to shape and influence better customer outcomes within financial services is dependent on our work to raise our profile higher and how bold we are in our approach. In 2023/24, we shall:

- continue to articulate our current and future value proposition for our registered firms and non-participating firms to reinforce our work and the value of registration for both firms and their customers;
- build further upon the strong relationships which we have with our registered firms. We appreciate the engagement between the LSB and the boards and senior executive teams at our registered firms to share market insights and to promote the value in ongoing and active engagement with the LSB's work in support of the firm's overall strategy and drive to achieve fair customer outcomes. We will continue this level of engagement, in addition to our annual programme of oversight relationship meetings, to ensure that firms' senior teams value the independent assurance that the LSB's work provides;
- broaden further our role as a knowledgeable and constructive participant in public discourse about the Standards we oversee, by building further on our established social media and wider media presence and by increasing our attendance at external roundtables and other events;
- increase our involvement in wider industry initiatives and debates, to help to drive change through our independent and informed work with firms and stakeholders in the industry;
- work with consumer and business representative groups to extend awareness of the LSB's activities directly amongst customers, providing assurance that standards and customer outcomes are prioritised and achieved by our registered firms and sharing our rich source of insights into customer outcomes and service delivery by our registered firms; and
- build upon our established media profile and channels to proactively raise awareness of the LSB, including our role as an independent oversight body and the Standards and Codes for which we are responsible; and to support cross-sector and industry initiatives, where appropriate, in areas covered by our remit.

e. Our people and governance

Our team

An organisation is only as good as its people and at the LSB, given our relatively modest size, this adage has never been more apt. Whilst our team is of a modest size, our output, influence and reach punch far above our weight, driven in large part by the dedication and professionalism of the LSB team.

Our team is extremely proud to drive forward the LSB's Mission and Strategy. We have high expectations of our registered firms to live and breathe the spirit and principles of our Standards and Codes – the same is true of the expectations we set for ourselves. Our team shares a mutual drive and commitment to ensuring that fair customer outcomes and protections are at the heart of the LSB's activities, and that by working together, we all have a vital role to play in ensuring that personal and business customers continue to receive the expected levels of service, support and fair outcomes from their financial services providers.

People and culture strategy

The LSB is passionate about supporting and developing its people to ensure that all those who work with us develop versatile and transferable skills and perspectives, and are outward-looking and empowered to continue to make a real difference on behalf of consumers and customers of financial services firms.

In support of our team, we will be undertaking further work over the coming year to finalise a refreshed matrix of LSB values and behaviours and how they underpin our overall working culture and the outcomes we deliver for registered firms and customers. Linked to this work, we will be formalising updates to our induction, performance management, remuneration and benefits packages, and training and development processes.

People surveys throughout the year are also a vital touchpoint with the team to ensure we embed our people and culture work. We will continue to support our team from a wellbeing perspective, offering a range of activities and support measures to ensure all of our team prioritise their physical and mental health.



Personal and professional development

We will continue our focus on staff training and personal development as part of our performance management framework. As a small team, we are able to offer meaningful opportunities for our people to gain a depth of knowledge of the financial services industry, working across a broad range of firms and our different Standards and Codes and cross-functionally across the LSB teams. We also believe it is important that our team are supported to achieve both personal and professional development so they can build their skill sets and experience to the benefit of the LSB and our work, but also for their future careers beyond the LSB.

Diversity and inclusion

The drive to improve diversity and inclusion in financial services firms so they better represent the customers they serve is a continuing priority for firms and regulators alike. The LSB also has a role to play - we must continue to reflect a diverse and inclusive approach, both in terms of our own team and Board and their approach to diversity and inclusion, and also in terms of our understanding and reflection of the needs of the diverse range of customers of financial services whom our Standards and Codes protect. Our work on diversity and inclusion this year will feed not only into our own people and culture strategy, but also how we continue to

ensure that our Standards and Codes reflect wide-ranging customer needs and the lived experiences and inputs of a diverse range of customers.

The LSB Board

From 1 April 2023, the LSB's new Chair will be Ken Scott, who succeeds Chris Pond after six year in the role. We have also welcomed a new Non-Executive Director, Debbie Forster MBE, whose term commenced in October 2022.

During the coming year, our Board composition will undergo a further transition, as two Non-Executive Directors, Liz Barclay and Graham Peacop, come to the end of their final terms in March 2024. We will therefore commence a process of recruitment to fill those vacancies on the Board before year end.

The drive to improve diversity and inclusion in financial services firms so they better represent the customers they serve is a continuing priority for firms and regulators alike.

Our work on diversity and inclusion this year will feed not only into our own people and culture strategy, but also how we continue to ensure that our Standards and Codes reflect wide-ranging customer needs and the lived experiences and inputs of a diverse range of customers.

5. Our Budget for 2023/24

In setting our annual budget, we take into consideration the following principles:

- ensuring the budget fully takes account of the Mission and Strategy of the LSB;
- ensuring that priorities and deliverables are fully aligned with customer outcomes;
- understanding the resource requirement to enable key deliverables;
- understanding the costs of delivering priorities by each Standard and Code we oversee;
- ensuring a cost-efficient approach;
- covering the annual operating costs of the LSB fully from annual recurring income, as a not-for-profit organisation; and
- ensuring fairness and transparency in fee setting for our registered firms.

In an effort to mitigate fee increases for our registered firms this year, we have taken the decision to utilise a proportion of our reserves to fund some of our discrete project work, recruitment fees and capital expenditure. After utilising reserves, we will recognise a pre-tax deficit of (£237k) for 2023/24 (2022/23 forecast: pre-tax surplus of £19k). The funding requirement is analysed in more detail in the next section.

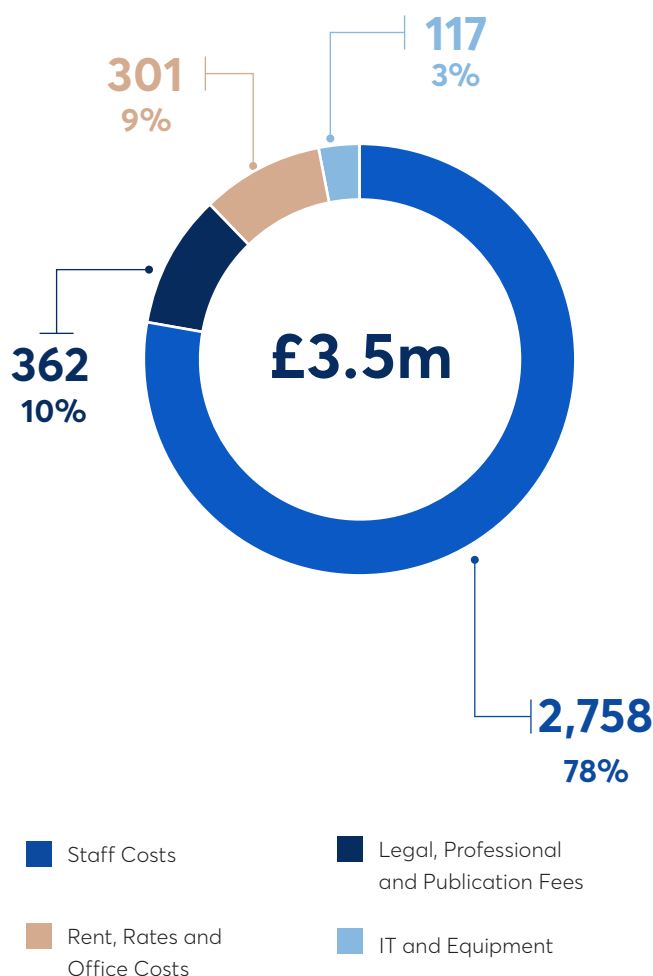
Funding requirement

The LSB's budget for total administrative costs is £3.5 million in 2023/24. Figure 1 on the right details the funding requirement by expenditure type.

Staff costs

The LSB has 22 members of staff, with a number of vacancies to be filled bringing the total staff complement to 26 in 2023/24. Staff costs are budgeted to be 78% of administrative costs of the organisation (although a portion of recruitment fees will be funded by utilising reserves). We will continue to invest in our people and culture work and the ongoing training and development of our team.

Figure 1 - Funding requirement by expenditure type totalling £3.5 million



Legal, professional and publications fees

In 2023/24, we are budgeting to spend £362k on Legal, Professional and Publications Fees. In order to mitigate fee increases, £125k of professional fees in relation to research and discrete projects will be funded by utilising reserves.

The LSB will continue an ongoing programme of internal audit of risk to ensure optimal risk management, governance and control structures are maintained in line with our strategic aims. Our external risk audit and assurance provider is Grant Thornton.

Our strategic aim of continuing to raise awareness of the LSB will see us invest further in our communications and strategic relationships functions this year.

As part of setting high standards and increasing the impact of our work, we will continue to share insights and best practice with our registered firms via the Emerging Risk Forums (including our new business focussed forum), other training and roundtables, and our research and thought pieces.

Rent, rates and office costs

Rent, rates and office costs are budgeted to be £301k, with the LSB having moved to new, more flexible office premises in 2022 which has driven a more cost-effective and appropriate option for premises.

In addition, venue hire fees and travel and subsistence costs have been budgeted to increase from the previous year in a continuation of a return to pre-pandemic levels.

Income

Total income is budgeted to be £3.3 million in 2023/24.

Our fees reflect the resources committed by the LSB to each of the Standards and Codes we oversee, and we have sought to mitigate fee increases as far as possible as we maintain a cost recovery model with fees reflective of the planned deliverables. We have utilised reserves this year to fund a portion of our professional fees in relation to research projects, recruitment fees and capital expenditure.

Our business development strategy and ongoing market sector analysis work in 2023/24 will build further on our work to expand our market coverage and the future opportunities for the LSB to diversify the areas of its remit and its funding sources.

Balance sheet and reserves

Figure 2 on the right details the balance sheet position budgeted at the end of 2023/24. Cash represents 91% of Current Assets and we are budgeting that we will close 2023/24 with a cash balance of £1.3 million.

The LSB's reserves policy has been set taking a risk-based approach, at a level to cover costs in the event of closure of the organisation plus a small contingency amount. The LSB's opening reserves for the budget year 2023/24 are forecast to be £1.6 million. After utilising a proportion of accumulated reserves and realising a post-tax deficit of (£189k) for the year, we are budgeting to close the year with reserves of £1.4 million.

Figure 2 - Balance Sheet closing position 2023/24

