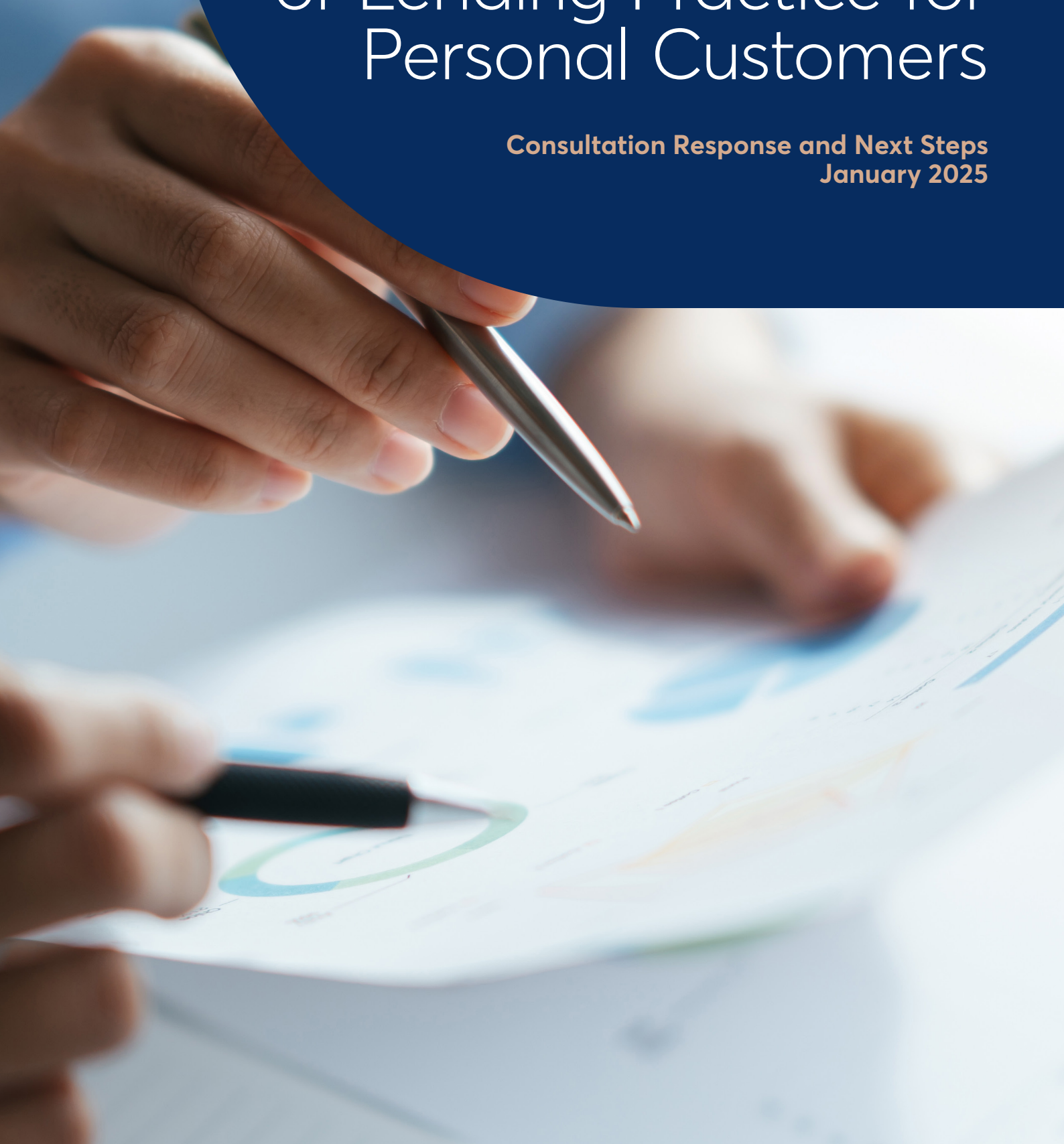




Review of the Standards of Lending Practice for Personal Customers

Consultation Response and Next Steps
January 2025



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1. Executive Summary

The Lending Standards Board's (LSB) Standards of Lending Practice for personal customers ('the personal Standards') have set a best practice lending framework for UK financial services firms and consumers since their launch in 2016. To ensure the LSB's Standards and Codes continue to be relevant to the sector and the risks faced by customers, they are subject to regular review. This report details the findings of our consultation on the personal Standards, which was conducted over the course of 2024.

This consultation is particularly significant as it examines the personal Standards in the context of the Financial Conduct Authority's (FCA) Consumer Duty, introduced in 2023. The Consumer Duty adopts the outcomes-focused approach to delivering for consumers that the personal Standards had previously pioneered.

The review's conclusions are that:

- Owing to the considerable overlap in scope between the FCA's Consumer Duty and the personal Standards, the personal Standards will be retired from 31 March 2025, and their requirements will no longer be overseen by the LSB.
- The LSB's engagement with stakeholders for this review – including registered and non-registered firms, as well as consumer groups and other stakeholders – has identified demand for continued support from the LSB in areas where the personal Standards had a particular impact on customer outcomes, and where firms may require additional support beyond the Consumer Duty as they consider 'how' to deliver the right customer outcomes.

Based on stakeholder feedback received during this review, the LSB will develop:

- New, exclusive guidance in key areas relevant to personal financial services customers for which, per this review, there is demand; and where, through our wider work, we know firms would benefit from support. These areas could include, for example, how financial services firms should best support customers in vulnerable circumstances or financial difficulty, how firms can protect customer outcomes while managing digital journeys, and how firms can ensure they are adopting an inclusive approach.

- Customer outcomes testing and benchmarking activity, which will allow firms to track the impact on customers of the changes they make to implement best practice, gain assurance that they are achieving the right outcomes, understand how customer outcomes are improving over time, and compare their performance on customer outcomes to that of peers and the wider financial services sector. Benchmarking will be delivered at a sector-wide level and within peer groups.

These new tools will support firms' efforts to deliver good outcomes for their customers – and will enable the LSB to better champion firms committed to delivering best practice for their customers.

2. Key Findings

Impact of the personal Standards

A positive shift in approach to customer outcomes since the Standards were introduced

A common theme of this review is the positive impact that the personal Standards have had on the financial services sector and its customers since 2016. Registered firms noted the Standards had shifted their approach to customer outcomes beyond mere compliance to an active focus on the outcomes delivered to customers; also remarked on was the role the Standards have played in spreading best practice. Registered firms felt that the Standards' focus on outcomes was driving forward their approach to customers in a way that statutory regulation was not.

Stakeholders agreed that the Standards had been positive for consumers, both in terms of the outcomes achieved and for the fact that the Standards pioneered putting customers at the heart of an industry code.

Since 2020, reviews of registered firms' adherence to the personal Standards have identified 153 areas where action has been required to achieve compliance, with the majority of the required actions completed by the time of this consultation. During our consultation, registered firms said they felt the LSB's review work had helped identify gaps in processes and outcomes that had not been uncovered internally, and that it had helped the internal buy-in required to drive change.

Overlap with the Consumer Duty

Helped firms prepare for statutory regulation

While there was strong support for the role the personal Standards had played since their inception, it is also clear – from the LSB's own analysis and consultation feedback – that the gap in the statutory regulatory framework that they filled has now been closed with the introduction of Consumer Duty in 2023. This review highlights the fact that the Consumer Duty's focus on customer outcomes reflects most, if not all, of the personal Standards' remit and purpose, and the overlap created means continued registration with the personal Standards is unsustainable for some firms. Some registered firms commented, positively, that the personal Standards had helped them prepare for the Duty's introduction.

Other stakeholders viewed the personal Standards as uniquely providing a detailed yet accessible framework for communicating 'what good looks like' for the treatment of personal customers and achieving the right outcomes, and that the Standards could be readily applied to a broad range of business models.

Demand for continued support

A continued need for LSB guidance, and support in the personal lending space

A number of stakeholders stressed that, despite the introduction of the Consumer Duty, there is still a need for the LSB's involvement in the personal lending space. Stakeholders felt that the LSB's experience in this area and ability to bring together groups from inside and outside the financial services sector would be of benefit to financial services firms and consumer groups alike. Others felt that there was a need for additional in-depth support or guidance in key areas – in particular, registered firms and others felt there was a continued need for support in relation to vulnerable customers or customers in financial difficulties. There is also significant interest across the sector in benchmarking activity that could help firms understand how they are delivering for their customers, how this compares to their peers, and, based on lessons from across the sector, how best practice is developing.

Implications for the personal Standards

Standards must evolve as the industry evolves

The LSB's personal Standards have had a significant, positive – and pioneering – impact on personal customer outcomes since they were introduced in 2016. But, as with any LSB Standards or Codes, the personal Standards do not exist for their own sake. Our Standards and Codes must always evolve to ensure they continue to provide unique protections and that they keep up with developing risks. Based on this review, the personal Standards will be retired. We will be in touch with registered firms with details on how this retirement will affect their registration and how they can engage with the new support tools.

The Standards of Lending Practice for business customers

The LSB's business Standards set an appropriate level of protection for UK SMEs

Alongside the personal Standards, the LSB also oversees an SME lending-focused alternative – the LSB's Standards of Lending Practice for business customers ('the business Standards'). The business Standards, which are the only UK lending protections written specifically for SMEs, were subject to review in late 2023 and, unlike the personal Standards, were found to still be setting an appropriate level of protections.

Indeed, for many UK SMEs, the business Standards remain the only independently-overseen lending protections available and are particularly important given the unregulated nature of much UK SME lending.

While personal lending is explicitly within the scope of the FCA's regulatory perimeter, the same is not true for much UK business lending: lending to limited companies, or business lending over £25,000, for example, is explicitly beyond the FCA's oversight. As such, many SME borrowers have no recourse to independent oversight unless their financial services provider is registered with the business Standards. Following our review, some enhancements were made to the business Standards including, for example, additional protections on [personal guarantees](#). Firms signed up to the business Standards are making an explicit commitment to the value of independent oversight.

Looking ahead

Champion best practice by challenging firms to deliver better outcomes

Amid a rapidly evolving financial services landscape, the role of an agile standards-setter like the LSB becomes ever-more important. As we have set out in our [strategy for 2024-27](#), we have a renewed focus on the value we offer to registered firms and their customers – not just through our Standards and Codes, but through our wider expertise, data and unique insights. We have already set about transforming our organisation so that we can better achieve our mission of challenging financial services providers to deliver better outcomes for their customers; our changes to the personal Standards and the launch of new support in the personal lending space should be seen as part of this wider work.

Looking ahead, the LSB will continue to offer leading Standards and Codes, champion firms who are committed to best practice, provide assurance that firms are holding themselves to the highest standards, deliver industry benchmarking and insights, and evidence the impact of our work on customer outcomes. We have seen first-hand how valuable independent oversight and driving best practice across the financial services sector can be for firms and their customers – whether individual consumers or small businesses. We're proud of the impact the personal Standards have had over the last eight years – and we look forward to building on their legacy in future.

3. Background to the Consultation

a. The Standards of Lending Practice for Personal Customers

The Standards of Lending Practice for personal customers ('the personal Standards') have an established history within financial services, their origins lie in the Banking Code and latterly, the Lending Code which were in place from 1992 – 2015.

The 2013-14 review of the Lending Code identified that there remained a clear role for consumer-focused non-statutory regulation following the FCA taking on responsibility for consumer lending in April 2014. However, a prescriptive rules-based approach to the treatment of customers, particularly those who are in financial difficulty or in vulnerable circumstances, did not create the necessary incentive to drive firms to consider whether the actions taken to meeting the relevant rule were delivering the right customer outcome. The review found that a rules-based approach also assumed a one size fits all approach which did not reflect the diverse range of financial services firms providing products and services to consumers.

The LSB, following consultation with registered firms and wider stakeholders, developed the Standards of Lending Practice for personal customers. These set outcomes focused regulation, exemplifying best practice across the customer journey when providing loans, credit cards and overdrafts to consumers were launched in 2016 and were subject to further review in 2021.

The Standards contain instances of best practice not covered elsewhere. For example, the Standards require that Armed Forces personnel should not be disadvantaged when applying for lending simply because they have a British Forces Postcode; they also require that a customer's debt should not be sold where a firm knows that they have mental or critical health condition that affects their ability to manage their finances, or they are terminally ill.

Following the 2021 review, new requirements were introduced into the Standards on product and service design, which brought together new and existing expectations relating to the design and review of products and services offered by firms. In addition, the review updated and brought within the scope of the Standards previously standalone industry agreements.

This included best practice when communicating with credit card customers making minimum payments, through targeted interventions which will help inform customers of the implications of such repayment choices and provide them with access to support.

b. Supporting the Delivery of Statutory Measures

The Standards are also a live example of how non-statutory and statutory measures can work together effectively, and at pace, to prevent consumer harm – as seen through the introduction of the information remedies which flowed from the FCA's Credit Card Market Study. This found that competition was working fairly well for most consumers but identified significant concerns about the scale of harm from problem credit card debt. This resulted in a package of remedies being introduced by the regulator, including the information remedies which were developed by the LSB, in conjunction with the industry. The information remedies ensured that credit card customers are:

- Better prepared to make timely and informed decisions when a promotional rate comes to an end.
- Helped to take account of their spending and avoid incurring over limit charges through timely prompts.
- Able to set a more convenient payment date for future statements.
- Able to exercise greater control over unsolicited increases in their limit.

In doing so, the Standards have provided an agile framework to identify and address gaps in the financial services regulatory framework and have been instrumental in driving forward good practice in the treatment of personal customers.

c. LSB Oversight of the Standards

Our oversight of the Standards has enabled firms, stakeholders and customers to place reliance on the customer outcomes being delivered by registered firms. Since 2020, we have identified 153 findings at registered firms where action has been required to address non-compliance with the personal Standards, with the majority complete.

Without our independent oversight and our work with firms, these risks to customer outcomes would not have been highlighted or fixed. A summary of the findings from our oversight of the personal Standards from this period can be found in **Section 6** of this report.

d. Regulatory Changes

Since the introduction of the personal Standard in 2016, and the 2021 update, there have been a number of regulatory developments in the consumer lending space which have sought to enhance protections for consumers accessing and using financial services products.

In July 2023 the FCA's Consumer Duty was introduced for new and existing products or services and from July 2024 applied to closed products or services. It is a significant development in the statutory regulation of financial services and as such, the industry continues to adapt its practices to the Consumer Duty. This requires firms to act to deliver good customer outcomes for retail customers and comprises cross cutting rules and guidance across products and services; price and value; consumer understanding and consumer support. A review of the Consumer Credit Act (CCA) is also underway and in the consultation response, published under the previous government in July 2023, set out that the majority of the CCA would be repealed and recast in the FCA rulebook.

The LSB has welcomed the introduction of regulation which reflects the focus on customer outcomes taken by the personal Standards. Our experience tells us that a focus on meeting regulation in isolation, without placing the customer at the heart of policies and processes, results in decisions and approaches which ultimately deliver poor customer outcomes.

We are proud that since their inception, the personal Standards have pioneered an outcomes focused approach to consumer lending. However, we are also cognisant that as non-statutory regulation can provide the proof of concept for its statutory counterpart, it is important that our work within the consumer lending space must adapt and evolve to ensure that this continues to provide value and deliver tangible benefits for firms and consumers.

e. Consultation Process

This review began in spring 2024, with 27 firms and other stakeholders interviewed between September and December. Through this engagement process we sought to understand:

- Views on the value that the outcome focused personal Standards had delivered across registered firms, the lending industry, consumers and stakeholders.
- The benefits that had been derived by registered firms, stakeholders and consumers from the LSB's oversight of the Standards, and how this now interacted with regulatory changes.
- How valuable registered firms and stakeholders had found the reports, guidance, and resources provided by the LSB.
- The extent to which there was support for the Standards to move from a regulatory focused framework footing to providing guidance focused on delivering good customer outcomes.
- The benefits that could be derived for firms and stakeholders of LSB benchmarking of outcomes being delivered by firms, at both individual firm and industry level.

The firms we spoke to included, those signed up to the personal Standards (registered firms) across retail banks, lenders and debt collection and debt purchase firms, and those from wider industry. We also engaged with a range of stakeholders across consumer representatives, membership bodies and industry bodies.

Our review also took into account the output of our own internal review on the alignment between the personal Standards and the Consumer Duty along with the findings from our oversight of firms' adherence to the Standards.

f. Scope of the Review

This consultation was focused on the personal Standards. The outcomes-focused business Standards were last subject to consultation in 2023. The output of this review was delivered in February 2024 and is available on our [website](#).

4. Summary of Feedback

The following sections set out a summary of the feedback received through our engagement with firms and stakeholders as part of the consultation process on the personal Standards, along with setting out the next steps for the LSB.

a. The Impact of the Personal Standards

There was a recognition across the firms which engaged in the review process that prior to the introduction of the Consumer Duty, the Standards and our accompanying oversight and insight activity had played a vital role in moving registered firms beyond just a focus on regulatory compliance to being actively focused on the outcomes being delivered to their customers. In doing so, we were told, the Standards were operating in a space that statutory regulation had not yet reached and were therefore driving firms' approaches forward in a way that statutory regulation was not. Some registered firms noted that they were in a stronger position to adhere to elements of the FCA's Consumer Duty, before it came into effect, due to the work they had already undertaken to ensure they were meeting the requirements of the personal Standards.

The cross-industry view obtained from our oversight activity was valued by firms and stakeholders alike. Firms particularly valued understanding how their approach aligned with that of their peers and the insights obtained from the sharing of best practice. It was noted that the LSB's ability to share evidence-based insights gained from our oversight work across the industry was unique to the organisation. Having access to these insights, whether through being directly involved in review work or via published summary or insight reports had challenged firms to consider whether their processes and policies were delivering the right outcomes for their customers, as well as helping to inform and shape firms' future policy thinking in the consumer lending space. Similarly, some noted that LSB training delivered to firms in relation to areas such as vulnerable customers had provided valuable insight.

Non-firm stakeholders such as consumer representatives, membership bodies and industry groups, unanimously agreed that the work of the LSB, and the personal Standards in particular, had been instrumental in improving outcomes for consumers.

The ability to gather data and information from firms in relation to consumer treatment and to share these insights across industry in the form of standard setting, summary reports and best practice, was highlighted as a particular strength and an area where the personal Standards had added significant value.

Stakeholder feedback noted that the LSB's USP was the proven ability to work with firms to deliver industry standards while ensuring that the customer remained at the heart of this work. In doing so, the LSB is able to challenge firms' approaches and effect change in key areas of the customer journey or customer segments such as vulnerable customers. The feedback we received also reflected on the role that the LSB can play in providing a 'safe space' where firms can seek a regulatory view as they develop new approaches or seek to address issues or problems.

b. Oversight of Firms' Adherence to the Standards

We were told that the LSB's oversight of registered firms' application of the personal Standards had provided some firms with a regulatory perspective which they may not necessarily have had otherwise. For example, a firm noted that while it had been confident it had been meeting its regulatory requirements, being involved in an oversight review had identified where improvements were required to ensure that its approach had a clearer focus on the outcomes being delivered to its customers.

Our compliance activity was highlighted as providing firms with confidence that in meeting the expectations of the Standards, that they were acting in line with wider industry, while also identifying areas for improvement where our oversight activity found this not to be the case. We also received feedback that our oversight activity had supported firms to consider whether they were delivering for their customers as intended, and our work had added useful emphasis and focus on this area.

Some firms reflected on the role that our compliance activity had played in effecting change within their organisations. We were told that being involved in our review work had enabled firms to identify gaps in processes and outcomes that had not been uncovered internally. The output of our work had subsequently been used to obtain internal buy-in to drive forward activity to address these gaps, which had led to improved outcomes for customers.

Larger firms who were more likely to be subject to supervisory work being undertaken by the statutory regulators, and with increasing statutory regulation more generally, felt that the addition of LSB oversight was unsustainable. Larger firms considered that the value add which had previously been there for firms from the Standards, had been lost in the new world of the Consumer Duty. We were told that the requirements of the Customer Duty reflected most, if not all, of the Standards, and for some firms, there was the perception that our oversight activity was often focused on similar or the same areas as the regulator.

There were also differing views of the value obtained from the annual attestation process which requires firms to confirm that they are applying the requirements of the Standards, and which is signed off at chief executive level within each firm. Some firms found this to be a helpful tool, which in some cases was embedded into processes and used to understand whether the firm was meeting its commitments under the Standards. For others, it was used as framework to ensure that customer outcomes remained in focus across the business. The regular 'drumbeat' of the attestation, helped to ensure that consumer outcomes were regularly considered and, with an internal expectation of seeing improvements every year, helped firms to embed the Standards into their ways of working. While for some firms, this process provided less of a tangible benefit and was viewed as more of a time-consuming administrative process than one which added value to the firm.

c. The Role of the Standards in the Context of the Consumer Duty

There was broad recognition that since their inception, the Standards had spearheaded an industry focus on customer outcomes. We were told that the personal Standards have been an important signposting tool supporting and embedding a customer outcomes approach, which was previously a gap in the statutory regulatory framework. However, the view shared across registered firms was that the introduction of the Consumer Duty had superseded the role of the personal Standards.

Firms told us that they had undertaken a full review of the customer journey across their product offering and internal analysis had identified that the Consumer Duty set similar, or the same requirements on firms as the Standards. As mentioned above, the dual regulation within the personal lending space meant that there was a risk of the FCA and the LSB 'tripping over each other' when it came to review work, and this was raised as a concern by some firms.

Therefore, the value of the personal Standards was less clear than had previously been the case and the review of the role of the personal Standards was welcomed as the gaps in regulation which had been previously addressed, were felt to have been closed via the introduction of the Consumer Duty. Albeit some feedback from non-lender firms noted that the regulator's guidance which accompanies it did not always directly relate to the role that these types of firms played in the customer journey in same way the Standards do.

Non-firm stakeholders saw the position differently and viewed the Standards as providing a clear and accessible framework for communicating what good looks like when it comes to the treatment of personal customers. A number stressed that they still believed there was a need for the LSB to continue its work within consumer lending to ensure that our expertise and experience could continue to be utilised to set and promote best practice within the sector. While acknowledging the role of the Consumer Duty, it was noted that the regulator's broad remit meant that it may not always be possible for it to provide sector specific guidance, which was something the LSB would be able to.

The LSB's independence and associated convening power across firms, consumer representatives and wider stakeholders, together with the ability to create and facilitate discussion forums between stakeholder groups to drive forward tangible customer focused activity, was also cited as a vital value add in the consumer lending space. This was due to the ability to balance sometimes disparate views while delivering solutions focused on improving customer outcomes.

d. Reputational Benefit Derived from the Standards

As well as the practical and tangible benefits mentioned above from signing up to the personal Standards, the reputational benefit of being a registered firm was raised by some firms. We were told that being signed up to the personal Standards had acted as a 'badge of honour' and helped the firm to demonstrate that it was a business which cared about its customers.

Some stakeholders suggested that the LSB's involvement, particularly in new areas, could help to improve customer uptake of new products and services and encourage financial services providers to invest in these new areas. This was because the LSB's unique position as an independent non-statutory regulator, meant that we were often best placed to work with industry, in a way that also provided assurance to external stakeholders that the needs of customers were fully considered and embedded in the output of this work.

e. The Role of Best Practice in Supporting Good Customer Outcomes

As part of the review process, we explored the potential for an evolution of the LSB's work in the personal lending space. Through engagement with firms and stakeholders, we tested appetite for moving the regulatory framework of the Standards to a package comprising guidance, customer outcomes testing and benchmarking activity.

The guidance would draw on our experience of setting best practice in the personal lending space as well as being informed by the findings of our oversight activity. Rather than setting a regulatory framework, this would capture and build on relevant best practice and unique insights obtained via our work on the personal Standards and be used to support industry to deliver good customer outcomes.

Customer outcomes testing would enable firms to understand where any improvements could be made and benchmarking would enable firms to understand how they were performing on both an individual level, and against their peers. The insights gathered through this work would also be shared across industry and provide a barometer of how industry is delivering for particular customer groups or within areas of the customer journey.

There was broad support from firms for guidance and best practice with suggested areas of focus including customers in vulnerable circumstances and supporting those in financial difficulty. This reflects some of the findings from our [2023 customer vulnerability review](#) which found that there was still more work for firms to do to ensure that vulnerable customers were provided with a support solution that met their needs. We also found that financial difficulty and wider vulnerability were often conflated which can result in poor customer outcomes.

Feedback noted that these were the types of areas in which there continued to be demand for examples of best practice which could be used by firms to provide a 'health check' and/or to enhance existing approaches. Firms and stakeholders noted that guidance and scenario-based examples of good and poor practice can help firms to understand what they should be doing to achieve good customer outcomes without the 'regulatory burden' which came with the Standards. Further, this approach could provide firms with a regulatory view and early warning of any emerging or actual poor practice. This would allow a firm to target any areas where it may have concerns, or to provide assurance that the firm's approach was in-line with wider industry.

Some firms told us that that they would still find value in the sharing of guidance and insights and a process of appraising firms' approaches to customer outcomes. This could include LSB conducting reviews of firms' approaches to personal lending, with tailored recommendations for improvements. This was however caveated with it needing to be appropriately tailored and not adding significant extra workload to a firm.

We received some feedback from stakeholders which suggested that in adopting a guidance approach in the consumer lending space, consideration could be given to whether this could also provide a cross-industry view on any regulatory 'pain points' or where the LSB could introduce good practice examples to support firms' application of the Consumer Duty. There was some feedback to suggest that more ad-hoc insight reports on industry 'hot topics' would be welcome. This would provide an industry wide view of emerging issues as well as capturing good and poor practice to enable firms to take stock and inform their thinking.

Some firm and stakeholder respondents provided suggestions on areas where we could continue to shape consumer lending policy through the provision of guidance and thought leadership. Themes highlighted included financial inclusion, access to credit, the treatment of customers in vulnerable circumstances, including e.g. victim survivors of economic abuse. Feedback also noted that the LSB's expertise and experience could be utilised in new emerging areas which currently lack statutory regulation, such as Buy Now Pay Later (BNPL).

f. LSB Benchmarking

We had a positive response and significant interest across the firms we engaged with on how LSB benchmarking activity could support firms to understand how they were delivering for the relevant customer base. We were told that while some firms use external organisations to support with benchmarking, the LSB's cross industry view and ability to share best practice could better enable firms to understand how their approaches compared against those adopted by their peers, as well as informing what was working well and where improvement may be required. Firms noted that this was activity which could not readily be provided by the statutory regulators. Similarly, stakeholders noted the positive impact a LSB led approach could have on sharing and driving forward best practice across industry to deliver better outcomes for customers.

A number of firms noted that in order to be most effective and deliver the necessary insight, the underlying methodology for any benchmarking exercise would need to comprise both qualitative and quantitative data. Context was also viewed as being an important consideration when developing a benchmarking model and a key part of this for many firms was the sharing of best practice to understand the cross-industry view and approaches which could improve the outcomes being delivered to customers.

Some firms noted there was a need to ensure that any activity undertaken as part of the customer outcomes testing piece was proportionate and should not be onerous on firms. The need to consider the potential negative reputational impacts for firms of any benchmarking activity if this information would be published, was also raised.

5. Summary and Next Steps

Based on the views expressed by financial services firms and other stakeholders during this consultation, and following our own analysis and oversight activity, we will retire the Standards of Lending Practice for personal customers from 31 March 2025. Firms' registration with the personal Standards will automatically cease on this date, and the personal Standards will no longer be subject to LSB oversight. We will be in touch with firms to discuss the orderly wind-down of their registration with the personal Standards.

We are proud of the impact that the personal Standards have had since their introduction, but it is clear that these particular Standards have now been superseded by statutory regulation.

Per the feedback received during the course of this review, the personal Standards have played a pioneering role in the financial services sector adopting an outcomes-focused approach to consumer lending, and that our accompanying oversight has ensured this approach has become embedded within the sector. However, to ensure our Standards and Codes have value and are proportionate, they must play a unique role – the gap in the statutory framework that the personal Standards have filled since 2016 is, following the introduction of the FCA's Consumer Duty, no longer there.

Next steps

Alongside a need to retire the personal Standards, this review makes clear a continued need – expressed by financial services firms and stakeholders alike – for the LSB to remain engaged in the consumer lending space.

This is particularly the case in areas where the LSB can share best practice and unique insights which can support industry to deliver good customer outcomes and address new and emerging risks. There is also demand among firms for regular feedback on their performance and ability to deliver the right customer outcomes that may not be available from a statutory regulator. In this regard, this review supports findings from the LSB's wider work and our own understanding of where firms have been in particular need of additional guidance, feedback or support.

Key areas identified in this review where further LSB guidance can support industry to deliver good outcomes for their customers include areas such as financial inclusion, access to credit, working with customers in vulnerable circumstances and in financial difficulties. Our wider work has also found, for example, that firms can encounter challenges when seeking to resolve long-standing customer issues through new technology: our forthcoming report on firms' digital customer support will highlight the significant differences in outcomes for customers that are delivered through AI-driven 'chatbots' or 'live' customer service agents.

The LSB's continued work to support firms and their personal customers will come in two broad forms. We will continue to produce best practice guidance, exclusive to registered firms, covering those areas where additional guidance is required to support the delivery of good customer outcomes – as outlined above, this includes areas where current weaknesses exist, where new customer risks are emerging, or where process and technology is changing. We will continue to work with firms and other stakeholders on pioneering ways to tackle risks to customers – and to challenge firms to deliver better customer outcomes.

To support this activity, we will also develop the benchmarking tools that have received support from firms during this consultation process. These tools will allow registered firms to evidence that they are delivering the right outcomes for their customers, how these outcomes are improving over time, and how they are performing against their peers and the wider financial services sector. Outcomes testing will feature as part of our benchmarking work, providing firms with assurance over their ability to deliver the right outcomes; we will ensure this work remains proportional and bespoke to firms' needs and resources.

From January 2025, we will begin to engage with registered firms, as well as those beyond the registered firm base, to provide further detail on our approach and to understand appetite from firms to be involved in this form of activity. We acknowledge that some firms may decide that it is not suitable for the needs of their business.

We will write to firms in January to confirm the close out process for the Standards ahead of 31 March 2025, including any associated internal activity such as changes to customer facing communications.

6. The Impact of our Oversight Activity

Since 2020, we have undertaken a combination of thematic reviews, cyclical reviews and an annual self-attestation process across the personal Standards.¹ Set out below is a brief summary of some of the key activity and findings from these reviews:

Money Management, October 2021

This work was informed by data submitted by all registered firms as part of the annual self-attestation process and management meetings with registered firms. While formal reports were not issued, the findings from this desktop review were shared with firms to support best practice. Some key findings from the review were:

- Across firms we identified long wait times between identifying potential financial difficulty and customers being encouraged to contact the firm which could lead to financial difficulty emerging. At the time, most firms did not have a specialist pre-arrears team which could have contributed towards this.
- Contact with customers identified as being at risk of falling into financial difficulty could be procedural and automated in nature rather than tailored to customer circumstances.
- Firms had drawn lessons from consumer behaviour seen during the pandemic which had informed the development of more effective communication methods which had been built into engagement strategies.
- However, at this point we identified that communication designed to elicit more proactive engagement from customers remained a challenge and was limited to certain channels, primarily letter or SMS messaging, albeit this was changing.
- There were lower levels of engagement across firms' own financial support teams than with customer self-help tools.

¹ Our programme of cyclical reviews is designed to provide a regular cycle, over three-to-four-year periods, of reviews to assess firms' compliance across the personal Standards. These reviews ensure those areas not captured by thematic reviews continue to receive focus.

Effectiveness review of the CCMS information remedies, March 2021

As part of the oversight framework agreed between the LSB and FCA, we undertook a [post implementation effectiveness review](#) to assess how this package of remedies had impacted upon customers' use of their credit card. Some key findings from the review were:

- The promotional rate expiry remedy had had a positive impact when prompting customers to increase their payments before a promotional period ends. However, it had minimal impact on the relatively small proportion of customers carrying over a greater than 80% credit balance to the standard product at the end of the promotional period. We recommended that the communications were reviewed to ensure they are as strong as possible.
- The data provided by firms evidenced a good proportion of credit card customers making a payment that significantly reduced their utilisation immediately following receipt of a borrowing prompt. However, this did not always correlate with the trend of customers incurring over limit charges which varied significantly between firms for the periods we tested. We recommended that firms which had not seen a reduction in customers being charged needed to understand the reasons for customer inertia and enhance their approach.
- The impact on the number of customers receiving an over limit charge following the issue of threshold prompts varied significantly between firms assessed. This indicated that further action was required to strengthen communications and customer understanding of the costs that could be incurred if appropriate payments are not made.
- Further activity and education should be considered for customers that did not change their payment date despite receiving a late payment charge.
- We noted that there was generally an upward trend of customers selecting to 'opt-out' of unsolicited credit limit increases, meaning that the customer had to proactively reject any credit limit increase offered. This increased from just over half of new and existing customers in the first period assessed to approximately two thirds of customers by the third period. However, we identified that firms needed to do more to ensure that customers were clear about the impact of the options selected, and how increased credit can lead to escalating costs and financial detriment.

Cyclical review, October 2022

This review focused on Debt Collection Agencies (DCAs) and Debt Purchasing Firms (DPFs) and focused on how firms' arrangements were meeting the circumstances and needs of customers who are in financial difficulty or are vulnerable. Firms received graded report following the review; a summary of key findings were:

- Firms needed to do more to address a lack of appropriate questioning around customers' circumstances, including:
 - › Where the customer had a variable income e.g. self-employed or fixed term contract; costs associated with dependents and childcare; exploring whether there had been any known changes to the customer's income and expenditure; whether they had any non-regulated borrowing e.g. via family and friends or BNPL products.
- Signposting was generic and not always tailored to the customer's situation which resulted in missed opportunities to support the customer.
- We identified instances of triggers and flags being missed during calls with vulnerable customers.
- The quality of recording of system notes was an issue identified at three of the firms.
- One firm had limited oversight of its debt collection agencies, and the Management Information (MI) provided to governance committees was limited in scope and sample size.

Customer vulnerability thematic review, March 2023

[This review](#) assessed whether vulnerable customers were receiving fair outcomes, in line with the requirements of the personal and business Standards. A summary of the findings were:

- Firms needed to enhance available MI to enable them to be better evaluate the effectiveness of their vulnerability strategies.
- We did not always see solutions being set up to support vulnerable customers. There was often a conflation between financial difficulties and wider vulnerability, resulting in a focus on addressing financial difficulty rather than supporting from a vulnerability perspective.

- We found inconsistencies in identifying and investigating potential vulnerability triggers, and customer led disclosures being missed which indicated that firms needed to do more to embed training amongst customer facing employees.
- Verbal and written communications needed to more clearly explain the implications of missing payments and the tone and positioning of these communications required review to ensure that they elicited the necessary customer engagement.
- Signposting was often generic to debt advice bodies rather than tailored to support for customers with vulnerabilities.
- Often vulnerability information was either inaccurately captured or in some cases, not recorded. Where it was captured, it was not always readily accessible where there were considerable notes across multiple systems.

Digital thematic review, due to be published in 2025

This review focused on the application of the personal Standards to digital journeys across a sample of firms to ensure the Standards are being applied consistently across all digital journeys and fair customer outcomes are achieved. Alongside this, we have undertaken a mystery shopping exercise focused on gaining a comprehensive view of the digital customer experience of webchat enquiries and applications for credit, focusing on adherence to the personal Standards. The findings from this work will be published in early 2025.