

Future changes to the Consumer Credit Act

HM Treasury will launch a consultation on the direction of the reform by the end of 2022.

The government plans to modernise the act by simplifying the 1974 Consumer Credit Act which regulates products such as personal loans including hire purchase and PCP agreements. By overhauling and simplifying the rules, it is said that this should in turn assist businesses to reduce costs but we will see if it achieves this aim once we understand the extent of the reforms and costs of implementation.

John Glen, economic secretary to the Treasury, said:

“The Consumer Credit Act has been in place for almost 50 years – and it needs to be reformed to keep pace with the modern world.

He goes on to say that:-

“We want to create a regulatory regime that fosters innovation but also maintains high levels of consumer protection. That’s why I have committed to undertake this ambitious long-term reform – and it’s exactly what I’ll deliver.”

A government spokesperson confirmed “The reforms will allow lenders to provide a wider range of finance whilst maintaining high levels of consumer protection. For example, we will ensure that the information a consumer receives throughout the lending process is easy to understand and will be both screen and print-friendly. We will also ensure that lenders are able to more easily provide credit

for emerging and new technologies such as electric cars, helping millions of people embrace technological innovation.”

Under the FCA’s retained provisions report and the Woolard Review, a reform regime was recommended on both. As we know, these reforms will bring many retailers that are currently outside regulation, into the consumer credit regime and therefore regulated by the consumer credit act for consumer lending.

The consultation paper outlining the governments proposals is expected to be published by the end of the year and stakeholders view will be sought on the matter.

Auxillias will be watching this closely and having dealt with many CCA reform projects in the past will be regularly providing insight on the changes proposed to its clients and community with specific guidance on the impact to their business based on their products and sector.

We will also be inviting our clients to join our sector focused working groups to work through the proposed reforms, discuss how it might impact the sector and its business and supporting implementation of the final reforms. We can also review any responses or feedback you have to the government and/or the FCA, to strengthen any comments you may wish to get across. 