

Supporting responsible consumer credit

David Thomas

Chairman

International Network of Financial Services Ombudsman Schemes

david_thomas@hotmail.co.uk

www.networkfso.org/index.html

Lead Ombudsman (Strategy)

Financial Ombudsman Service (UK)

david.thomas@financial-ombudsman.org.uk

www.financial-ombudsman.org.uk

Literate borrowers

OECD 2009 recommendation includes -

- ★ developing knowledge, skills and confidence
- ★ knowing where to find information and advice
- ★ making informed decisions
- ★ planning financially (including future changes)
- ★ understanding consequences of bad decisions

Effective regulation

- ★ Scope:
 - lenders and credit card providers
 - credit brokers and credit reference bureaux
 - debt collectors and debt managers
- ★ Regulator's powers and resources
- ★ Conduct-of-business rules or code
- ★ Prohibition of tying-in (e.g. insurance)
- ★ Staff training, targets and incentives

Promotion and sale

- ★ Promotion – clear, fair and not misleading
- ★ Disclosure – different from promotion
- ★ Standard forms, and summary boxes
- ★ Responsible lending
 - Vulnerable consumers (e.g. mental health)
 - Feckless youth v growing debt of elderly
 - Risk = behaviour, not cash
 - Some poor manage well: they have to

Credit reference bureaux

- ★ Availability and use
- ★ Giving reasons for refusal
- ★ Access and correction
- ★ 'Footprints' – penalise shopping-around
- ★ 'Thin files' – differing approaches

Account maintenance

- ★ Regular statements
- ★ Summary boxes
- ★ Adequate minimum repayment
- ★ Order in which credits are applied
- ★ Increases in credit limit
- ★ Changes in interest rate
- ★ 'Risk-based' re-pricing of interest rate

Problem solving

- ★ Internal complaint handling (by business)
- ★ External complaint handling (e.g. ombudsman)
- ★ Default charges
- ★ Harassment
- ★ Positive approach to financial difficulties
- ★ Fair shares for all creditors
- ★ Common financial statement

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