

June 2009



# Update

C a m p a i g n i n g f o r y o u

Turning  
the  
Corner

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## Director General's Editorial



Welcome to the June edition of Update. You will notice some changes this month. We have tried to make it more concise, and easier to scan for the articles that are of most interest to you.

The extraordinary political developments of the last few weeks, and the very short time now remaining before the next General Election, mean that we need to adjust our lobbying messages to have maximum impact on a fractious and fractured Government, and on an Opposition really only now thinking seriously about its Manifesto.

While we are maintaining our campaigns for targeted help in the wholesale lending markets, for fairer tax treatment for asset finance, and for a range of other sensible government interventions to help us help our customers, our message now needs to focus on how we can help this Government – and the next – foster investment in the real economy and create jobs. We must also make clear to the government and our regulators the serious danger to the FLA's members' social and economic contribution posed by the avalanche of actual and proposed new regulation, particularly in the consumer credit sector.

These have been the themes of my recent speeches to consumer and asset finance audiences, and what I am saying at the Government's various credit industry forums. I have already made the high level arguments to Kevin Brennan, the new Consumer Affairs Minister at the Department for Business, Innovation and Skills (BIS). I have also written to the Government's new "Enterprise Tsar", Alan Sugar, seeking his help in making the case for asset finance within Government.

Our recent successful Consumer Summit allowed industry representatives to discuss the real market issues with senior Government officials, and stress the dangers of knee-jerk over-regulation. On pages 4 and 5 we highlight the main consumer credit regulatory consultations with which we are currently dealing.

On page 3, we report on our recent meeting with the Bank of England to discuss their latest proposal for an extension to the Asset Purchase Facility. We have pointed out to the Bank that unless they make some major changes it will have little benefit, despite the tantalising use of the words "consumer credit" and "equipment finance" in the consultation document.

On page 3 we report on the successful start of the FLA's fraud intelligence-sharing scheme for asset and motor finance companies. We provide an update for consumer credit members on PPI complaint handling on page 5. The outcome of a meeting between motor finance providers and eBay to discuss motor fraud is reported on page 6. Details of this year's Motor Finance Convention can also be found on page 6. Our motor finance members can take advantage of a series of other high quality seminars on the motor finance market. Further details are on page 10.

Last month, the FLA hosted a joint international conference with our European federation, Leaseurope, on the new international accountancy rules. This is an important issue for asset and motor finance companies. On page 3 we provide a report on the conference.

Recent EU developments can be found on page 7. A report of our recent media activity is on page 8. In our UK Parliament section on page 7 we report on an amendment to the Political Parties and Elections Bill that threatens to abolish the Edited Electoral Register, and on the Equality Bill, which if unamended could prevent lenders from using age as a criterion in credit scoring. On page 9 you will find our regular analysis of industry market trends.

Our next major event for members is the FLA Summer Drinks at Haberdashers Hall in Central London on 8 July. If you have not booked your place there are details on page 9. I look forward to seeing you there.

**Stephen Sklaroff**  
Director General



## Bank of England to extend asset purchase facility

On 8 June, the Bank of England published proposals to extend their existing Asset Purchase Facility (APF) to allow the Bank to purchase securities backed by consumer credit and business equipment lease agreements. This is the first concrete response to the FLA's lobbying campaign for such an extension to the APF. We have discussed the

proposals with the Bank. Our main concern is that the proposals are currently aimed at lending agreements that have less than nine months to run. This severely limits their usefulness. As we have pointed out to the Bank, similar schemes in the US and Canada cover agreements of up to five years' duration. Discussions continue.

## FLA hosts international accountancy conference

On 22nd May, the FLA and Leaseurope, our European federation, hosted a joint international conference in London on proposals for new lease accounting rules from the International Accounting Standards Board (IASB). The conference's 110 delegates were particularly concerned about the costs to lessees of meeting the proposed new rules, including the need for lessees to hold more detailed information about their leased equipment. The IASB announced at the conference that (following a U-turn in policy) they now plan also to

issue new rules for lessors' accounts, despite not yet having published any proposals for discussion. We are developing a response to the IASB's proposals with Leaseurope, which will call for the IASB to simplify their proposals and avoid excessive complexity and burdens on lessees. We are also encouraging UK trade associations representing users of leasing to respond in similar fashion.

## FLA fraud intelligence - sharing scheme up and running

The FLA's new fraud intelligence-sharing system for business finance is now in operation, and a significant number of members have started to use it or are planning to do so shortly. The Asset Finance Division's Risk and Fraud Group is now focusing on reducing risks to

members when businesses go into administration. Its July meeting will consider new guidance for both insolvency practitioners (IPs) and asset finance providers, to help members to minimise their losses when an IP is appointed.

## New Business Code launches next month

The FLA's revised Business Finance Code was approved at the FLA AGM ON 7 May and takes effect on 1 July. The new version has six high-level commitments, which form the public-facing part of the Code. Accompanying guidance explains in more detail how FLA members will meet the commitments.



## Lenders facing rising tide of regulation

Over the next nine months, consumer credit lenders will need to implement the OFT's new Irresponsible Lending Guidance; participate in the OFT's Unsecured Credit Review; and consider changes to the regulation of unsolicited credit card limit increases and credit card cheques. There will also be Government consultations on: shortening the limitation period for the recovery of debt; banning access to the Edited Electoral Register; claims management company regulation; debtor petitions in bankruptcy; and whether second charge mortgages should be regulated via the Financial Services Authority (FSA). Each of these will have a direct impact on the industry and some will have a more immediate effect than others. Those with the highest priority are listed below.

The **Consumer White Paper** is due to be published this week, with a three-month consultation period. The Paper is expected to focus partly on what the Government has already achieved, such as the breathing space for unsecured credit borrowers in difficulty, improvements to the Common Financial Statement (a document which helps assess the income and essential expenditure of a person in debt and how much money is available to repay creditors) and the promotion of assisted self-help. The paper is also expected to set out the Government's plans for future regulation of the sector including of charging orders, claims management companies and 'high cost

credit'. The Government has also been looking at the new US Card Act, which imposes draconian new regulations on credit cards in the US. Credit prices in the US have risen as a direct result of the new Act. We have stressed to the UK Government that the US regulatory regime is very different from the UK's and that there is no easy read-across.

The Treasury is also expected to publish a White Paper on financial services regulation soon. Publication appears to have been delayed because of the Consumer White Paper.

The **Consumer Credit Directive (CCD)** Regulations will be published in July, with a short consultation period. The regulations will be laid in Parliament in November, leaving industry six months to implement them by June 2010. As the implementation date is fixed, officials are providing the FLA with early drafts of the regulations. This will allow lenders to start to prepare now. We are also meeting BIS on a regular basis to discuss other aspects of the CCD, such as how the duty to provide adequate explanations and assess creditworthiness will be delivered.

The **OFT's draft Irresponsible Lending Guidance** will be published in August with a three-month consultation period. The Guidance will support the OFT's Fitness Standard for firms holding a consumer credit licence. It will be launched in January 2010. The OFT is coordinating with the BIS on the creditworthiness provisions of the CCD, to ensure that there is no conflict between the Regulations and the Guidance.

The **OFT Unsecured Credit Review** will run from July to December 2009. The review will assess the effectiveness of competition in the credit market (including the effects on the availability of credit for consumers). It will analyse consumer behaviour, influences on consumers' decisions, what choices are available to consumers and how financially aware they are. Lenders are likely to receive individual requests from the OFT for additional information.

# Consumer Finance



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## FLA objects to FSA proposals for PPI Complaints Handling

Work on a Statement of Principles for PPI Complaints Handling has been taken over by the FSA and will be incorporated in the FSA Handbook rules. The FLA is being consulted informally by the FSA in advance of a formal consultation process, which will take place in July. The new rules will cover evidential standards and redress for past complaints.

Stephen Sklaroff has written to Jon Pain, the FSA's Managing Director of Retail Markets, to object strongly to the FSA's proposal that new rules would be retrospectively applied to old cases.



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## FLA argues against extension of wider FSA powers on commissions

The FLA has opposed FSA proposals to extend its draft Code on Remuneration to all FSA-regulated firms, including firms supervised under the general insurance regime. Responding to a discussion paper, the FLA argued that commission payments reflected new business costs. These are transparent to consumers, for whom the APR represents the total cost of the credit.



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On 15 July 2009 we will be hosting a timely conference on the subject of Payment protection insurance and the lending landscape: what next? Single premium PPI has already been phased out. From next year point of sale products will be subject to the Competition Commission's new regulations. Delegates will discuss the implications for our industry.

Book now at:  
[www.flaevents.org.uk](http://www.flaevents.org.uk)

For further information about FLA events contact  
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# Motor Finance



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## FLA publishes vehicle 'clocking' guidance

On 3 June, the FLA published guidance for finance companies – endorsed by the Association of Chief Police Officers Vehicle Crime Intelligence Service (AVCIS) Steering Group – on vehicle mileage tampering, or 'clocking'. Motorists are attempting to avoid the charges incurred if they exceed the mileage limits in their finance agreements. An increasing number of cars are being returned to FLA members with suspicious mileage. The guidance accompanied the FLA's Q1 2009 motor fraud statistics, which showed that the industry had reduced motor fraud cases by 35% in the first three months of 2009. The guidance provides advice on what action motor lenders should take if they suspect that the mileage on a returned vehicle has been tampered with.

## FLA Motor Finance Convention announced

The FLA's Motor Finance Convention will this year be held on 11 November. Last year's Convention attracted 100 senior industry representatives and was a sell-out. We are currently finalising this year's programme, which will as always include high-profile speakers covering current industry hot topics. To book your place at the Convention, please visit:

[www.flaevents.org.uk](http://www.flaevents.org.uk)

## Vehicle repossession forum in August

The FLA is holding a best practice forum for vehicle finance providers on 13 August. The forum will provide guidance and advice to lenders on appointing, working with, and managing vehicle recovery agents. The event will include case studies from lenders and recovery agents, as well as guidance on due diligence, legal requirements and appropriate management information. Delegates are able to choose whether to attend the morning or afternoon sessions, or the full day. To book your place at the forum, please visit:

[www.flaevents.org.uk](http://www.flaevents.org.uk)

## FLA meets eBay

The FLA recently met eBay, the largest online marketplace and one of the largest sellers of cars, to discuss how eBay can assist in tackling fraudulent online car sales. The FLA and eBay share a concern that fraud detection systems need to be more robust. The FLA is now talking to the Vehicle Safe Trading Advisory Group (VSTAG), which includes Auto Trader and motor.co.uk, and is a forum for developing industry-wide guidance on secure motor trading.

## FLA invites support for AVCIS Vehicle Fraud Unit

The FLA is finalising arrangements for the sponsorship of the ACPO Vehicle Crime Intelligence Service (AVCIS) for a further 12 months from 1 September 2009. The AVCIS Vehicle Fraud Unit investigates cases of stolen or fraudulently-obtained vehicles notified by FLA member finance companies. All members interested in supporting AVCIS from 1 September should contact the FLA as quickly as possible to secure your participation.

Book now  
**Motor Finance  
Convention**  
11 November 2009

[www.flaevents.org.uk](http://www.flaevents.org.uk)



## European responsible lending proposals published

On 15 June the European Commission (EC) published proposals on responsible lending and borrowing. While the main focus is on mortgages and credit intermediaries, the commission seems to want to re-open some of the Consumer Credit Directive's provisions. We are currently considering the implications and will respond by the end of August.

A study published earlier this year on the Commission's behalf found that problems in the credit intermediation market were largely confined to mortgage brokers. Following successful lobbying by the FLA, the point-of-sale market (motor and non-motor) and affinity partnerships were given broad approval.

## EC Group rejects pan-European single database on credit history

In another lobbying success, the EC's Expert Group on Credit Histories rejected the creation of a pan-European database. A consultation paper has been published to consider feedback from a wider group of European stakeholders. The deadline for responses is 31 August.

# UK Parliament

## Lords threaten to abolish Edited Electoral Register

The House of Lords has threatened to abolish the Edited Electoral Register, which is used by lenders for a number of reasons, including to combat fraud and to help underwrite changed credit limits. An amendment to the Political Parties and Elections Bill, tabled by Lord Norton of Louth (Conservative), was withdrawn following Government pressure and FLA lobbying. In an attempt to pre-empt new amendments, the Ministry of Justice (MOJ), with BIS's support, has pledged to consult extensively on the future use of the Edited Electoral Register.

## FLA calls for retention of age in credit scoring & modelling

The FLA has called on Equality Bill Committee members to grant an explicit exemption from the Bill for the use of age in credit scoring and in credit risk models. The use of age is an important consideration in lending decisions, and underpins responsible lending. A European proposal for an Anti-Discrimination Directive already acknowledges that age is a risk factor in the provision of financial services.

Prague 2009  
**WHERE TO NEXT?**

**Eurofinas & Leaseurope  
Annual Conventions**

Prague Marriott Hotel  
4-5 October 2009

Registration now open



[www.annual-convention.eu](http://www.annual-convention.eu)

# Media update



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Since the last edition of Update, we have issued 16 press notices (four on motor finance, five on asset finance and seven on consumer credit).

One focus for our media work has been the question of extending capital allowances to leasing companies. Another has been the IASB's proposals on lease accounting. Our comments on capital allowances were reflected in helpful articles in the online versions of the *Telegraph* and the *Times*. They were also covered in the leasing and business press, including in *Leasing Life*, *Leasing World*, *Fresh Business Thinking*, and *Business Moneyfacts*. Having made common cause with the Forum of Private Business, we got further coverage in the regional and specialist press, including *Teesside Evening Gazette*, *Health and Care*, *South Shields Gazette*, *Bangla Mirror*, and *ERT Magazine*.

Based on our briefing, the *Mail on Sunday* published a number of articles in May highlighting the need for Government action to support asset finance for SMEs. Our quarterly asset finance statistics were covered in *Leasing Life*, *Leasing World* and *Business Money*.

Our concerns about the huge number of overlapping and potentially contradictory consumer credit regulatory reviews were carried in *The Guardian*, *The Times*, the *Financial Times*, the *Daily Mail*, the *BBC News website* and *The Scotsman*. Our monthly consumer finance statistics attracted excellent coverage on the *BBC website*, in the *Independent on Sunday*, the *Times*, *The Mail on Sunday*, *Metro*, *The Telegraph*, the *Daily Mail*, *The Scotsman*, the *Daily Record*, *Scotland on Sunday* and *the Herald*.

Our statistics have also featured widely in the regional papers, including the *Birmingham Post*, *Belfast Telegraph*, *Yorkshire Post*, *Manchester Evening News*, *Eastern Daily Press*, *Aberdeen Press & Journal*, *Newcastle Journal* and the *Lancashire Evening Post*.

We also gave broadcast interviews on various aspects of our statistics for *BBC Two's Working Lunch*, *BBC Radio 2 Drive Time* show, *BBC Radio Scotland* and the *BBC News Channel*.

While media interest in PPI has been dropping, Stephen Sklaroff took up an invitation to give the industry's side of the story in a live debate on 28 May on *BBC Radio 5 Live's Breakfast show* on the day the FSA's Single Premium ban came into force.

Our monthly motor finance statistics have achieved widespread coverage, especially in the regions. They were covered by the *Daily Telegraph*, the *Sunday Times* and the *Independent*, as well as the *Birmingham Post*, *Hull Daily Mail*, *Cambridge Evening News*, *Shropshire Star*, *Teesside Evening Gazette* and the *Harlow Herald*.

The FLA Vehicle Recovery Scheme, which came into force on 1 May 2009, was covered in *Auto Express*, *Manchester Evening News*, *Edinburgh Evening News*, *Lennox Herald*, *Bradford Telegraph* and *Argus*, *Lancashire Evening Post*, as well as in the motor finance trade press including *Leasing World*, *Motor Finance*, *Motor Trader* and *AM*.

We published an opinion piece on the advantages of motor finance in *The Observer* on 17 May. Paul Harrison also appeared on *BBC Two's Working Lunch* on 28 May to talk about motor finance.

# Research and Statistics

## FLA Industry Trends

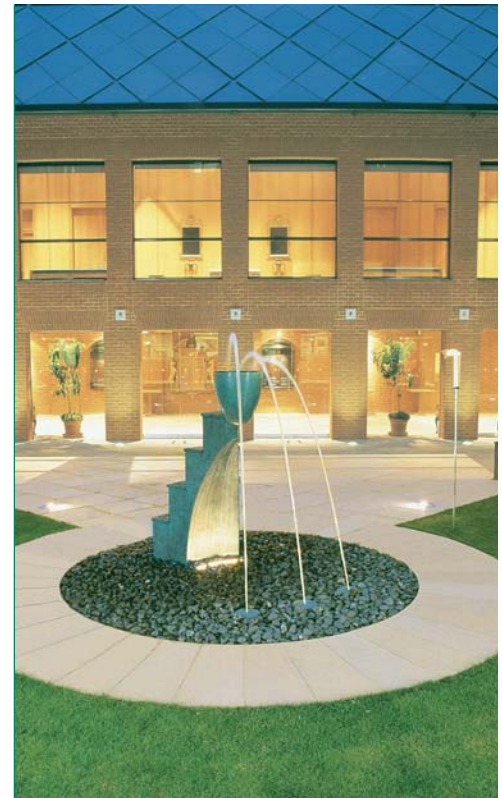
The **business finance sector** reported a fall in new business in April of 44% compared with the same month a year earlier. In the four months to April, new business contracted by 33%. The high value sector fell in the first four months of 2009 by 24%. Broker-introduced finance contracted by a similar rate over the same period, but the sector increased its share of new business under £20 million in the year to April. Direct and sales finance fell sharply in the first four months of 2009 – by 36% and 39% respectively.

The **consumer finance sector** reported a fall in new business in April of 19% compared with the same month a year earlier. In the first four months of 2009, new business contracted by a similar rate. New second charge mortgage loans fell in April to a new low, with new business down by 90% to £22 million. Retail store credit fell in April by 13% compared with April 2008. Store card finance contracted by 21% over this period. Store instalment credit was 5% lower in April than the same month in 2008, but grew by a similar rate in the first four months of 2009.

The **motor finance sector** reported a fall in new business in April of 26% by value and 23% by volume compared with the same month a year previously. In the first four months of 2009, the number of cars financed (business and consumer) was 23% lower than in the same period in 2008. The number of new cars bought on finance by consumers through dealerships contracted in April by 32%. FLA members' penetration of private new car sales in the year to April was 53.1%, which was 0.8 percentage points lower than the March figure. The number of used cars bought on finance by consumers through dealerships fell in April by 14% and in the first four months of 2009 contracted by 9%.



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This year the **Summer Drinks reception** on 8 July will take place in the grounds of the **Haberdashers' Livery Company**, in the City of London.

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For further information about FLA events contact  
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# Association news



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## Membership

In May, **Companywatch** rejoined the FLA as an associate member of the Asset division. Two new members will join the Asset Finance Division on 1 July: **Haydock Finance Ltd** will be a full member and **Human Inference** will join as an associate member.

**Compucredit** joined the Consumer Finance Division as an associate member in June.

**Europol International** will become an associate member of Motor Finance Division on 1 July.

## Training

The **Effective Complaints Handling course** on 8 July will cover the technical and regulatory aspects of handling complaints under the FLA's Lending Code. This is an essential course for all FLA members operating in the consumer credit market.

A new series of courses is available for the Motor Finance Division. There are four courses to choose from. Each stands alone, but together the four give a comprehensive understanding of motor finance. The series starts on 13 July with **Designing a Bespoke Motor Finance Package**. **Selling Motor Finance Packages to Businesses** is on 14 July. The final two are half day courses and take place on 10 September: **Complying with Motor Finance Regulation** and **Working with Motor Dealerships to sell Finance**. Discounts apply if you book more than one of these courses.



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### Update is for sharing

Please consider passing Update to a colleague who might find it useful. Remember FLA membership covers all staff within each member company. If you would like your own copy just e-mail your name and company to:  
[update@fla.org.uk](mailto:update@fla.org.uk)

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