Lending Code Group

Annual Report for 2010

Chairman's statement

Professor Geoffrey Woodroffe
Chairman, Lending Code Group

On behalf of the Lending Code Group, I am pleased to introduce our Annual Report for the year ending 31 December 2010. The Report sets out the work undertaken last year by the Group.

The Lending Code Group ("the Group") derives its authority from the Finance & Leasing Association's (FLA) Board and has a remit which covers all matters relating to compliance with the FLA Lending Code ("the Code"). Monitoring of the Code is undertaken by the Group, which, among other things, can recommend action the FLA should take if any member is found to be in breach of the Code.

The Group meets five times a year to monitor compliance with the Code and recommend action to the FLA.

2010 in brief

A change in Government, regulatory reviews, continued focus on Payment Protection Insurance (PPI) and hesitant recovery from a severe recession were a few of the key features of 2010. Despite the uncertainty, the Code continued to offer consumers the twin assurances of confidence and protection.

Claims Management Companies' activity continued largely unabated, driven by many of the factors mentioned above and by press coverage of misselling of Payment Protection Insurance (PPI). This had a significant impact on the day-to-day running of the FLA's Conciliation Scheme.

2010 also brought changes in legislation and regulatory guidance which had an impact on the Code. These included the regulations implementing the Consumer Credit Directive 2008 and the Office of Fair Trading's (OFT) Irresponsible Lending Guidance.

Effective self-regulation lies at the heart of the continued existence of the Code and the role of the Group in monitoring the Code is an essential part of that self-regulation. The Group therefore concentrated for much of 2010 on ensuring that the Code Compliance Statement Review programme was functioning effectively. The programme aims to ensure that FLA members are fully aware of, and are adhering to, the provisions of the Code. Where necessary, best practice recommendations are made by the Group via the review programme, thereby ensuring better consumer protection.

These matters are considered in greater detail below.

Complaints reporting

A careful record of the numbers and types of complaints handled by the FLA complaints team is maintained and the results reported regularly to the Group. This information is of vital importance. It helps in identifying potential industry-wide problems and emerging trends relating both to compliance with the Code and the operation of the Conciliation Scheme. In addition, the complaints are a useful indicator of whether FLA members are in breach of the Code.

Where breaches occur, the Group works with the FLA's Compliance Manager to decide on appropriate action. The Group may also decide that further guidance might be needed to address a particular problem.

In line with the reporting process of the Financial Ombudsman Service (FOS), from January 2011 the FLA has been monitoring complaints where the outcome has changed in favour of the consumer. This will assist the Group in assessing the effectiveness of its own Conciliation Scheme.

Further detail on the complaint statistics for 2010 is given later in this Report.

Monitoring the Code

Annual Statement of Compliance

It is a requirement of the Lending Code that every year all FLA members complete a Statement of Compliance ("the Statement") to confirm that they comply with the Code's provisions. The Statement is a signed declaration by each member that its procedures and policies are in line with the requirements of the Code. Before signing the Statement, members are required to undertake an assessment of their operations in order to provide accurate information about how they ensure their organisations comply with the provisions of the Lending Code.

FLA members take compliance with the Code seriously. We were pleased that the latest returns indicated that, on the whole, members were compliant with the Lending Code for 2010. Many of the returns also provided instances of best practice that will be shared across the membership, including:

- improved internal procedures;
- improved complaints procedures; and
- improved methods of communication with consumers.

In the Statement, members should disclose any weaknesses or difficulties they have encountered in complying with the Code throughout the year. The responses members provide in this respect are particularly important as they help the Group to identify areas in the Code that may require additional clarification or guidance. This ensures that the Code remains relevant to members' businesses and consumers can rely on the Code's provisions.

Where difficulties with the Code were identified, an action plan was formulated and, with the assistance of the Group, the FLA Compliance Team worked with the member to ensure that full compliance was achieved.

In recent years, FLA members have been faced with a barrage of new consumer credit legislation. While this has placed increased demand on members' compliance operations, it has not diminished the importance of the FLA Code to members' businesses. Members' responses in the Statement indicated that they are still very much committed to compliance with the Code and its provisions. This endorsement of the Code by members was also echoed in reports made to the Group by the Compliance Statement Review Team.

The Statement plays an important role in the Group's work in monitoring compliance with the Code, as do the consumer complaints themselves. In addition, the Group has regard to matters raised by external sources such as the statutory regulators and media reports – including both the national and trade press.

Compliance Statement Review Visits

The monitoring activities of the Group include inspection visits to member firms. These visits are conducted by the Compliance Manager together with me and, on occasion, another independent member of the Group. The visits are an integral part of monitoring compliance with the Code.

The Group has devoted a considerable amount of time in recent years to developing and improving our inspection programme. Our aim has been to create a programme that is effective in:

- identifying any areas of concern with members' compliance with the Code;
- verifying members' compliance with the Code; and also
- working with members when failings are identified.

Members to be visited are selected on the basis of a risk model.

The Risk Model

Using a risk-weighted grading system, members are awarded a score, the results of which determine whether the member receives an 'Immediate' or a 'Recommended' Compliance Statement Review visit.

When making the final assessment, regard is given to the:

- size of the company;
- complaints levels under the FLA conciliation scheme;
- the efficiency of the member's complaint-handling processes;
- length of FLA membership;
- credit products offered;
- business status (e.g. whether member is writing new business);
- date of the last visit;
- member's adherence to the Statement return deadline; and
- other known factors.

The visit involves a review of the member's processes and meetings with the staff responsible for compliance and the day-to-day implementation of the Code's requirements.

Following the visit, a report is sent to the Chief Executive Officer or Managing Director with recommendations for improvement, if required.

Monitoring in 2011

In 2011, in conjunction with the review of the Code, we are looking at widening the measures we use to monitor the Code. This will include strengthening the measures already in place (e.g. the visits programme) and adding new tools such as Themed Reviews.

Enforcement action

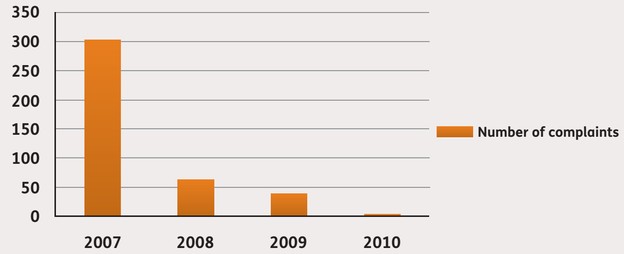
Enforcement action is taken as and when required. Usually, minor infringements can be dealt with by the FLA Compliance Manager. However, on occasion when a deviation from the Code has been discovered and the member has not taken action immediately to change its policies and procedures, it has been necessary for the weight and influence of the Group to be brought to bear on a member in support of the Compliance Team. Where this occurs either I or one of my independent colleagues accompany the Compliance Manager on a visit to the member to discuss the problem with the CEO and other staff. Alternatively, senior staff of the member firm may be invited to attend a Group meeting to explain its procedures and proposals for improvement.

More details on enforcement action are set out on page 20.

Financial Ombudsman Service (FOS)

The FOS has had responsibility for consumer credit complaints since April 2007. This means that in some cases the FOS's consumer credit jurisdiction extends only to complaints from consumers where the matter complained of took place on or after 6 April 2007. For complaints falling outside this jurisdiction and which were against an FLA member, the FOS would refer the complainant to the FLA for resolution. With the FOS's consumer credit jurisdiction having been in operation for over three years, the number of complaints received by the FLA from the FOS in 2010 has fallen significantly.

Financial Ombudsman Service:
complaint referrals to the FLA



Source: FLA Complaint statistics, 2010

We expect this trend to continue. However, the FLA Conciliation Scheme continues to offer an important and valuable service in the resolution of complaints, providing consumers and FLA members with a speedy and effective additional route for resolution.

And to 2011 ....

Looking forward further in 2011, the Group's attention will remain focussed on those areas it considers have the greatest potential for consumer detriment.

The continuing uncertain economic climate means that there is a need for clear and continual communication between FLA members and their customers. Consumers need to be assured that they can speak to their lender if they experience a problem or are in financial difficulties. Consumers must also feel confident that their concerns will be dealt with in a sympathetic and positive manner. Of equal importance is the need for responsible lending. Despite the current economic environment, the demand for lending remains strong. Responsible lending lies at the heart of the Code and underpins its provisions. It is essential that the lending decision is appropriate both for the consumer and the lender. This important central theme will be a key focus for the Group in the coming year.

Monitoring the Code will continue to form a central part of the Group's work. Codes such as the FLA's remain significant in today's regulatory environment. Adherence to the Code by the FLA's membership is vital to its continued success.

The Code at 18

2010 held special significance for the FLA Code – it was the year the Code was 18 years old.

Over the past 18 years we have seen a number of significant changes in the regulatory landscape, including an updated Consumer Credit Act (the first significant changes for 32 years), and major legislation from Europe in the form of the Consumer Credit Directive. But far from losing its effectiveness or failing to keep up with the times, the Code has changed and adapted to meet the exigencies of a consumer-driven society. We are proud to say that in the past 18 years the Code has gone from strength to strength, helping to keep consumers protected and lenders responsible.

We thought it fitting, given this significant milestone, to give a brief history of the FLA Code.

A history of the Code

The first Code

The first FLA Code was written in 1992. This followed the creation of the FLA from a merger between the Finance Houses Association and the Equipment Leasing Association. Prior to the establishment of the FLA, two separate codes had existed – one for each organisation. The new Code – the FLA Code of Practice – consolidated the two Codes and covered both consumer finance and business finance transactions. The Code was based substantially on the provisions of the highly successful FHA Code, which had proved itself, during the five years of its operation, to be a valuable and flexible support to legislation.

2000

The first review of the new FLA Code took place in 2000. The review was prompted by the need to strengthen the Code in the face of growing demands for stronger voluntary codes to off-set the threat of increased regulation. The review led to the creation of two separate Codes – the Code of Practice, which covered all consumer credit, hire or lease agreements, and the Business Code of Practice which governed the conduct of transactions between FLA members and business customers.

In the same year the Consumer Code of Practice Monitoring Group and the Business Code of Practice Monitoring Group were created. Prior to this date the Monitoring Group had operated as a single body with responsibility for monitoring member practice under both Codes.

The decision was taken to split the Group to ensure that each Code was monitored by a specialist body of people with extensive knowledge and understanding of either consumer issues or the business market.

2002

The 2002 Code included enhanced provisions in relation to general insurance and greater protection for consumers taking advantage of 'interest free' option agreements. This latter revision was a landmark inclusion in the Code, as it was a clear example of providing consumers with protection over and above the law. This remains one of the key protection provisions within the Code. Significant improvements were also made to the section of the Code dealing with lending to consumers.

2004

The Code was reviewed again in 2004 following the changes to the Consumer Credit (Early Settlement) Regulations. At the same time, changes were made to the Code's insurance provisions providing consumers with greater protection when purchasing general insurance. The financial difficulties provisions of the Code were also improved, ensuring consumers were provided with assistance when they encountered problems.

2006

A major review of the Code took place in 2006. The timing of the review allowed incorporation of key legislative changes to the Consumer Credit Act 1974 which ensured that the Code remained relevant. Key changes included:

- enhanced provisions relating to pre-contract information;
- incorporation of the Store Card summary box following a report by the Competition Commission (this was also extended to cover credit card products);
- improvements to the responsible lending and financial assessment provisions;
- landmark provisions relating to "vulnerable consumers" (including those with mental health difficulties);
- inclusion of a 'health warning' about the effects of making only minimum payments on store and credit cards;
- expansion of the guidance for dealing with cases of financial difficulty sympathetically and positively.

The review also saw an overhaul of the design of the Code and for the first time the Code received the crystal mark[1].

2010/2011 Review of the Code

It is perhaps fitting, now that the Code has come of age, that we take the opportunity to review it again.

The current review is taking into account major pieces of recent regulation such as the Consumer Credit Directive and its consequential plethora of statutory instruments, the Irresponsible Lending Guidance from the OFT, and new initiatives such as CASHFLOW[2], the new Common Financial Statement Best Practice Guidance, [3]and new credit and store card guidance. These changes are aimed at improved consumer protection. The review is being undertaken in consultation with external stakeholders and member companies. The Group is very much involved in the process.

[1]The Plain English Crystal Mark symbol is printed on documents which the Plain English Campaign approves as being as clear as possible for its intended audience.

[2]CASHFLOW is a Government funded initiative, developed by creditors, debt collectors, trade associations and advice organisations to provide assisted self-help debt advice to people in debt.

[3]The new Common Financial Statement Best Practice Checklist is new guidance developed as a result of partnership working between AdviceUK, the British Bankers' Association (BBA), Citizens Advice, and the Finance & Leasing Association (FLA). The guidance is intended to clarify communications and encourage lenders to adopt best practice when dealing with repayment offers made by advisers on behalf of their clients.

Lending Code Group

In monitoring the Code it is essential that the Group has strong and independent involvement. To this end, the Group comprises a balance of representation from finance companies and independent consumer groups. Including my chairmanship of the Group, there is a majority of independent members.
This means that the needs of the consumer are properly represented while the commercial experience of the industry members can be brought to bear on the issues before the Group.

Thanks

I would like to express my thanks to all the members of the Group, both independents and representatives of FLA members, for their invaluable support and advice throughout the year. Although perspectives sometimes differ, we seldom reach different conclusions on how to tackle problems and policy proposals presented to us.

I am also grateful to Megan Charles and her compliance team for their willing help and support.

Professor Geoffrey Woodroffe
Chairman, Lending Code Group

FLA Director General's foreword

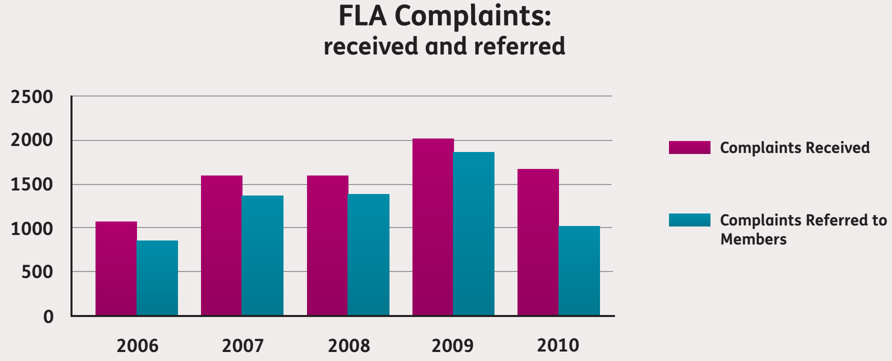
Over the 18 years of its existence, the FLA Lending Code has proven its worth in providing a robust set of rights for the customers of FLA member companies. It is highly respected by the Government, our regulators and the bodies representing the interests of consumers. The major review of the Code currently underway will allow us to ensure that it remains flexible, comprehensive and relevant as we work with the new Government on the programme of extensive change to the statutory regime which now faces us.

We have made clear to the Government that we expect intelligent self-regulation, of the kind exemplified by the Code, to be an important part of any future regime. The FLA continues strongly to support the work of the Code Group. My thanks go to Professor Woodroffe and the rest of the Group for their continued hard work and commitment.

Stephen Sklaroff
Director Genera

FLA's complaint scheme for 2010

The FLA operates two complaint resolution schemes – Conciliation and Arbitration. Both are free for consumers and open to any customer of a full FLA member, provided that the complaint has not been subject to court proceedings.



Source: FLA Complaint statistics, 2010

Table 1: FLA Complaints received and referred

	2008	2009	2010
Complaints received by the FLA	1638	2067	1726
Complaints referred to members	1399	1384	1084
Complaints not pursued	239	683	642

Source: FLA Complaint statistics, 2010

Numbers of complaints

In 2010, the total number of consumer complaints received by the FLA from members of the public was 1,726. Of these, 1,084 were referred to FLA members for investigation. In the other 642 cases, either the complainant chose not to pursue the complaint further or the complaint was resolved without the need for FLA conciliation.

This represents a decrease both in the number of complaints received by the FLA and in those referred to the FLA membership for further investigation (see table 1). Two key developments may account for this decrease:

1) Improved complaint handling procedures by FLA members

The FLA conciliation scheme operates as a second stage process for many FLA members. Some members have reported improved resolution levels within their own organisations at the first stage which means that fewer complaints flow through to the FLA. This is supported by the FOS, which has acknowledged the improved complaint-handling procedures by firms[4].

2) Increased awareness by consumers of the FOS complaints scheme

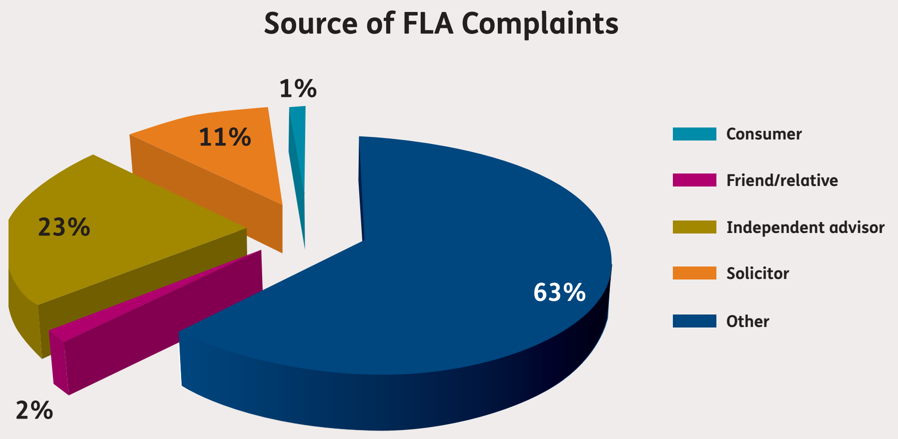
In accordance with the Financial Services and Markets Act 2000 (FSMA 2000) firms are required to advise their customers of the FOS's complaints scheme. This has increased awareness of the scheme. Even so, members continue to refer consumers to the FLA scheme as it offers speedy, cost-effective and efficient resolution of complaints.

[4]*Financial Ombudsman Service plans and budget for 2011/2012: a consultation paper*

Source of complaints

Consumers

Complaints to the FLA Complaints Scheme are received from a number of sources. Most come directly from consumers. In 2010, the number of complaints direct from consumers accounted for 63% of the total. These figures assure us that the scheme continues to be readily accessible to consumers.



Third party representation

We also receive complaints on behalf of consumers from friends and relatives. We are aware that individuals experiencing financial difficulties may find it a challenge to communicate directly with a lender, especially where the situation is exacerbated by a health or mental difficulty. In these cases, the FLA will accept complaints referred by relatives or friends, providing full authority is given.

In recent years we have seen a significant shift in the numbers of complaints received from other sources. The greatest change has been in respect of complaints received from Claims Management Companies (CMCs)[5]. This complaint source, together with complaints from solicitors, has grown in recent years. In 2009, CMCs and solicitors referred approximately 15% of complaints (CMCs – 11%; solicitors – 4%). In 2010, the number of complaints received from these two sources accounted for approximately 34% of the total received (CMCs – 23%; solicitors – 11%). As with other third party complaints, the FLA will accept complaints from CMCs where it is clear that they are acting on behalf of the consumer and with the consumer's full authority.

Complaints are also received from Trading Standards and some Members of Parliament.

Financial Ombudsman Service

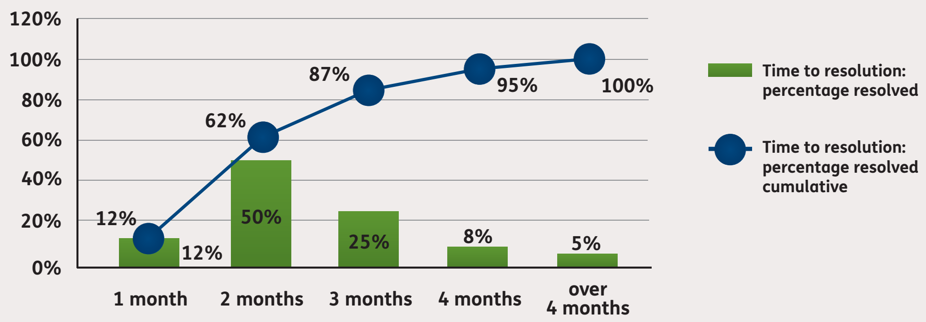
In some cases, complaints that the FOS is unable to deal with (for example, cases outside their jurisdiction) are referred to the FLA for resolution. The length of time that the FOS scheme has now been running means that fewer complaints now fall into this category. This has affected the number of referrals to the FLA from the FOS. In 2010, the FOS referred five complaints compared with 304 in 2007 when the FOS scheme began. The FOS referred 39 complaints in 2009.

[5] The complaints received from Claims Management Companies are categorised as 'Independent Advisers'.

Time to resolve complaints

The Lending Code Group considers it important to resolve complaints as quickly as possible and works closely with the FLA complaints team to achieve this. It is vital that the consumer, in approaching the FLA, is assured that every attempt will be made to resolve the complaint within a reasonable timeframe. In 2010, the FLA resolved 62% of complaints in two months and 87% in three months.

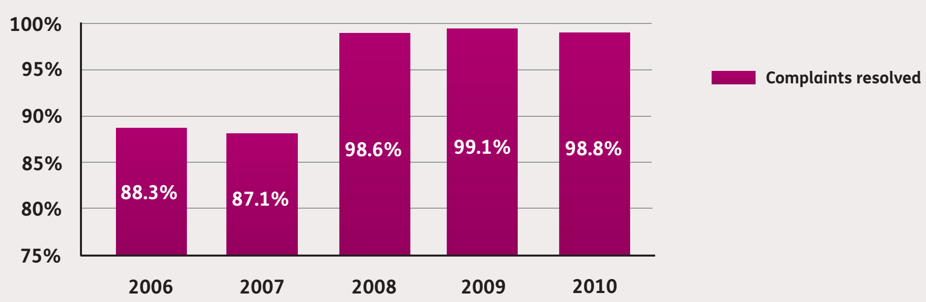
Complaint resolution rates



Source: FLA Complaint statistics, 2010

Of the 1,084 complaints processed in 2010, 1,071 were resolved . This represents a resolution rate of just under 99%.

Percentage of Complaints Resolved

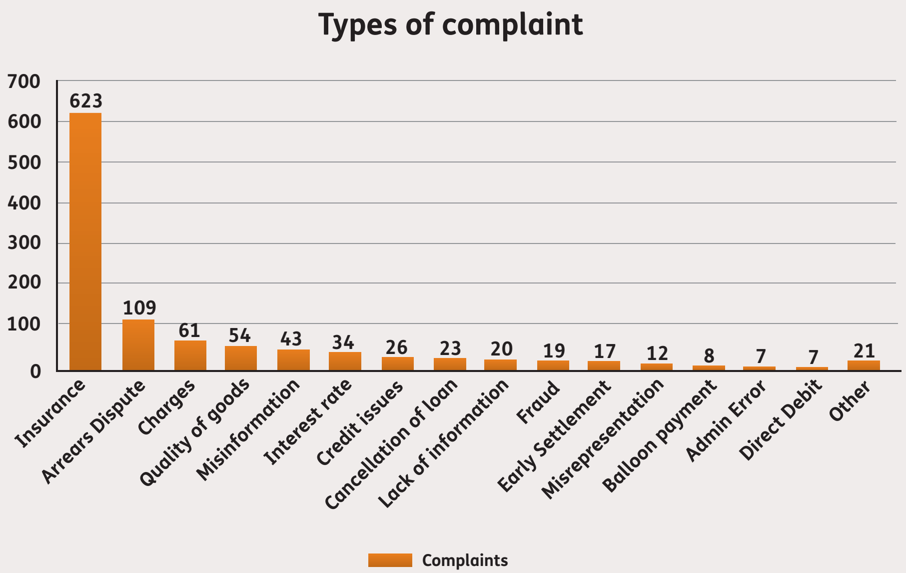


Source: FLA Complaint statistics, 2010

The average time taken under the FLA scheme to resolve a complaint was 60 days. This is in line with the time limit set by the Group. For 2011, the Group has revised the time limit to 56 days.

What are the complaints about?

The type and nature of each complaint is recorded and each complaint is categorised. The main categories of complaint are indicated below.



Source: FLA Complaint statistics, 2010

Arbitration cases

The FLA also operates an Arbitration Scheme. Cases are referred to the Scheme when the consumer has not accepted the decision reached via the Conciliation Scheme, and the type of complaint is not eligible for consideration by the FOS. No cases were referred to the Arbitration Scheme in 2010.

Social Policy Areas

Dealing with financial difficulties

How FLA members deal with consumers who are experiencing financial difficulties is a key consideration for the Group. This became particularly significant in 2009 in the light of the prevailing economic climate and remained so in 2010. The Group focused on this area in its assessment of members' compliance with the Code.

Despite the fall in complaints, the FLA figures gave some indication of the effects of the economic downturn on consumers. Arrears disputes represented 10% of the complaints received by the FLA, making it the second highest category of complaints for 2010. FLA members are required to treat consumers in financial difficulty sympathetically and positively and our assessment of members' practices indicated that many members employed a range of forbearance methods to assist consumers.

Members are also encouraged to take care when dealing with consumers suffering from health problems (including mental health) which can be linked to financial difficulties. The Code contains specific provisions about mental health and debt. Members are required to train their staff appropriately and to be sensitive and sympathetic to the consumer's condition.

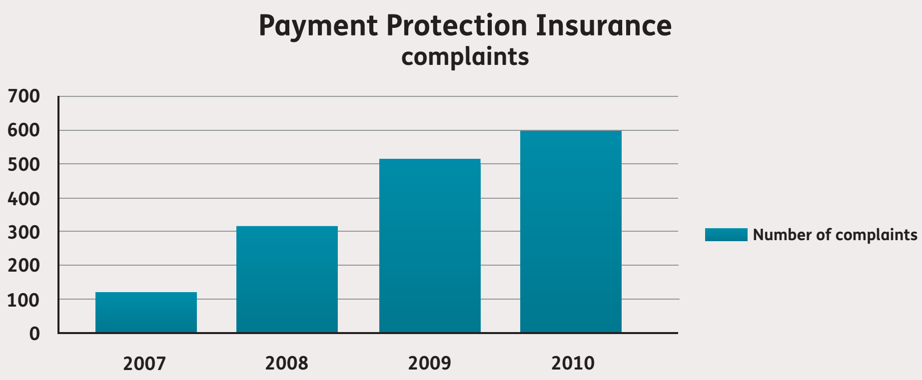
FLA members' responses to the Statement indicated that they are taking positive steps to comply with these provisions.

The Code Group continues to monitor compliance with these provisions. It is expected that they will be enhanced during the current review of the Code.

Insurance

Payment Protection Insurance remained the main area of complaint in 2010. PPI received considerable public attention during the year as the Competition Commission wrapped up its three-year investigation into the PPI market, culminating in a ban on the sale of PPI at the same time as the associated loan, and the British Bankers Association launched a judicial review of the Financial Services Authority's (FSA) proposed new approach to complaint-handling.

Complaints about PPI represented the majority of complaints handled by the FLA. At 623, PPI complaints represented 57% of all the complaints handled in 2010, a 14% increase on the previous year's figures.



Source: FLA Complaint statistics, 2010

The most common complaint made to the FLA in respect of PPI involved the complainant alleging that their insurance product had been mis-sold. This breaks down into a number of common complaints, including that:

- the policy was not suitable for the complainant's circumstances when they had been given the impression at the point of sale that it was;
- they had been told wrongly that insurance was compulsory when taking out the loan; and
- they had been sold insurance when they did not request it.

Another area of dispute involved insurance premiums which were funded as part of the loan (i.e. a one-off payment was added to the outstanding loan).

A complaint can arise if the consumer settles or ends the agreement early but finds that they are not necessarily entitled to receive a proportionate rebate of the insurance premium. FLA members now provide some form of rebate to consumers who settle their loans early and many have developed fairer and more transparent rebate systems.

The Lending Code requires FLA members to adhere to the FSA's Insurance Conduct of Business[7] rules on selling general insurance.

[7]The FSA's rules (ICOBS) set stringent procedures for intermediaries selling insurance products. Breaches of ICOBS are punishable by disciplinary action, including fines and public censure.

Default charges

To a lesser extent, compared with previous years, we continued to receive complaints about default charges. The number of complaints received in this category fell in recent years and this downward trend continued in 2010. Complaints in this category represented 6% of complaints. This compared with 10% in 2010. (These complaints relate to contractual fees imposed by the lender for failure by the consumer to meet their contractual obligations.)

Neither the FLA nor the Code Group can impose a specific limit on members' charges, but members are expected to be able to justify the amount charged. The Code encourages transparency on the part of members about default charges which may be applied if consumers fall behind in their payments. The Code also promotes on-going communication between members and consumers. Ideally, such communication should avoid the need for default charges.

Communication with consumers

It is important that consumers are able to speak to their lenders at any point in the lifetime of an agreement. A breakdown in communication can be frustrating and often leads to dissatisfaction.

Complaints under this heading typically concern members failing to respond to letters, emails and/or calls to consumers ('lack of communication'), or consumers feeling that the information they have been given about their agreement was inadequate or incorrect ('misinformation').

Together, these categories accounted for 6% of FLA complaints in 2010. This represented a decrease of 4% on the 2009 figure.

The essence of the Code is clear communication between members and their consumers so that disputes and concerns can be dealt with quickly and effectively. Inadequate communication is often an issue which can be addressed through customer service training and development. The Group is keen to ensure that members' staff receive regular training on the Code. This is a particular focus of the Group's review work.

The 2010 Statement asked specific questions about the information given to consumers about their loan agreement. This is particularly important in view of the new requirements imposed on firms by the Consumer Credit Directive. We were pleased to see that the majority of members have effective measures to ensure that consumers understand, and are happy with, their agreement. Following the implementation of the Consumer Credit Directive, FLA members are now required to provide specific information to consumers about their agreements. These requirements will be reflected in the revised FLA Code.

The Group also encourages members to monitor complaints received about suppliers and brokers so that difficulties with third parties can be addressed and procedures amended as necessary. Many members have specific procedures and departments to deal with such complaints. The 2010 Statements indicated that members liaise closely with credit brokers, dealers and other point of sale staff with the aim of ensuring that consumers are fully briefed when being sold products.

The Group will continue to identify and monitor areas where it feels more guidance is required.

Responsible Lending

In March 2010, the Office of Fair Trading published its long-awaited guidance for creditors on Irresponsible Lending. The requirement to lend responsibly is a key tenet of the FLA Code. FLA members are committed to this requirement and to treating customers fairly. Failure to lend responsibly can lead to a number of difficulties including financial, mental and emotional problems and can give rise to a variety of complaints. Often a complaint about irresponsible lending is disguised as other issues. The FLA Compliance Team will increase its efforts to track complaints of this nature. The Group will work with the Team to ensure that these complaints are dealt with appropriately.

Enforcement Action

Procedures for handling non-compliance with the FLA's Lending Code are set down in the FLA's Articles of Association. Members agree to these articles as a condition of their membership. In all cases, non-compliance is reported to the Lending Code Group. Where a potential breach has been identified, this may result in specific monitoring of complaint levels by the Compliance Team. Where sufficient evidence has been collected to conclude that a breach of the Code has occurred, discussions are held with the member to agree corrective action.

There are a number of courses of action at the Group's disposal depending upon the seriousness of the breach. These include:

- **compliance visits (separate from the monitoring visits mentioned above);**
- **written warnings;**
- **requests for written submissions to the Group;**
- **meetings to discuss non-compliance.**

The Group may refer a serious breach of the Code to the FLA Disciplinary Panel who can pass it to the Board for consideration. Ultimately, this could result in expulsion from the Association.

FLA Disciplinary Panel

The Lending Code Disciplinary Panel ("the Panel") is a committee of the FLA Board which deals with disciplinary matters arising from non-compliance with the Lending Code. The Panel is independent of the Lending Code Group and will convene only after an investigation has been conducted by the Lending Code Group and an attempt made to resolve the issue.

The Panel comprises five members – two members of the FLA Board and three independent members.

A matter will be referred to the Panel when the Lending Code Group has reasonable cause to believe that there has been a significant breach of the Code, which the member company has failed or refused to remedy to the satisfaction of the Lending Code Group or where it is considered that the actions of the member company have resulted or may result in future in serious consumer detriment or significant reputational damage to the Code.

If a member is found to be in breach of the Lending Code, the Panel may:

- impose a formal or an informal warning;
- make recommendations as to future conduct;
- recommend to the Board that the member is expelled from the Association.

It was not necessary to convene the Disciplinary Panel in 2010.

Enforcement Action in 2010

In 2010, the Code Group dealt with the following matters with individual members:

- code non-compliance in respect of interest option loans;
- non-compliance with the provisions relating to the sale of general insurance (PPI).

These problems were resolved by the members concerned. Various other member companies also received letters from the FLA's Compliance Manager about issues identified in their CEO Annual Statement of Compliance.
These issues included:

(a) breaches of data protection procedures;
(b) a failure to apply the correct complaint procedures;
(c) a failure to advise consumers of their right not to receive marketing information, if they do not want it;
(d) incorrectly applied interest rates;
(e) a failure to advise consumers of a change in their terms and conditions.

The Group has since been advised by the relevant companies that they have implemented the necessary procedures to ensure these Code requirements are met in the future.

The Lending Code Group comprises:

Independents

Professor Geoffrey Woodroffe (Chairman): Geoffrey is a Solicitor. He was formerly Director of the Centre for Consumer and Commercial Law Research, Brunel University, and Principal of the College of Law, Chester. He was a Director of the National Consumer Council and the Funeral Ombudsman. He is a consultant with Which?, the OFT and BIS. He is the author of Woodroffe & Lowe's Consumer Law and Practice (8th Edition 2010).

Nick Lord: Nick Lord has worked in the consumer advice and advocacy field for 25 years. His past posts include senior Money Advice roles at Citizens Advice and National Lead Tutor for the Money Advice Trust. He now works as a consultant in money advice and personal finance issues.

Frances Harrison: Frances has worked in areas of consumer and financial policy and advice provision at the National Consumer Council, Citizens Advice and local authority regulatory services.

Helena Wiesner: Helena is a consumer affairs specialist, with particular emphasis on financial services. She has served as a public interest member of a number of regulatory bodies, most recently as a Council member of the Council for Licensed Conveyancers and was previously Deputy Chairman of the Personal Investment Authority. She has served as a Director of the National Consumer Council, Financial Ombudsman Service and the Investors Compensation Scheme.

Sally Coles: Sally Coles has been involved in and around advice work and training for 30 years. She worked for Shelter for 12 years before setting up her own training and consultancy company. Sally is a MAT and IMA approved trainer and specialises in designing and delivering training courses around best practice models. She has written various articles for advice sector journals and currently writes the 'ABC of money advice' column in Quarterly Account.

Claire Whyley: Claire Whyley is a professional researcher, policy analyst, and consumer champion. She is currently a freelance consultant helping organisations develop their capacity to understand and respond to consumer needs, and undertaking specialist research and policy development in the fields of consumer disadvantage, poverty, debt, credit regulation, financial and social exclusion. She is also a member of the Financial Services Consumer Panel.

Peter Tutton: Peter Tutton has been a social policy officer at Citizens Advice since 2004 working on credit and debt issues.

Industry Practitioners who served in 2010

Judith Mullen
Head of Internal Audit
The Paragon Group of Companies plc

Chris McAteer
Compliance Manager
MBNA Europe Bank Ltd

Richard Tatford
Operations Director
GMAC UK plc

Elizabeth Mullins
Head of Compliance
Close Motor Finance Ltd

Robert Cholmondeley
Head of Compliance
HFC Bank Ltd

FLA STAFF

Megan Charles
Compliance Manager
FLA

Patsy Calnan
Code Administrator
FLA

Hanifa Teladia
Code Administrator
FLA

Finding out about FLA's conciliation and arbitration scheme

If you have a complaint against a member of the Association or would like to find out more about the conciliation and arbitration scheme, please contact us:

Finance & Leasing Association
2nd Floor
Imperial House
15-19 Kingsway
London
WC2B 6UN

Telephone: **020 7836 6511**
Fax: **020 7420 9600**
Email: **code@fla.org.uk**
Website: **www.lendingcode.org.uk**

If you need information in a different format (for example, audio tape or different language) please let us know.