



DG's speech to the All Member Meeting 14 May 2020

As the Chairman mentioned in his opening remarks, you have been at the sharp end of probably the largest forbearance programme in living memory.

It is our job to ensure that Government and regulators understand what forbearance on this scale means for process management; what the consequences are for future lending; and what support members require now so that they can continue to meet their customers' needs, and the needs of our economy during the recovery stage.

To that end, we have focused on three priorities CCA reform, funding for our members, especially non-bank lenders, and the FCA's guidance on forbearance.

On the CCA, we have explained to regulators and HM Treasury that it is not fit for purpose in any circumstances and particularly not in a crisis. At Ministerial level, in Select Committee evidence, through MPs and numerous media briefings, we have set out how it slows things down and creates confusion for customers and creates risk for lenders if they try to circumvent the barriers it puts in the way. With the help of our legal associate members, we drafted the necessary changes to the regulations, and presented these to the Treasury. It is now considering our proposals in detail.

On support for non-bank lenders, we want them to get direct access to term funding from the Bank of England or the British Business Bank to put them on an equal footing with others, and give them the capacity to provide forbearance and new lending without taking on unsustainable risks to their liquidity. We joined UK Finance, Innovate Finance and IMLA to submit detailed proposals to HM Treasury, and have since followed up with Ministers, through the Select Committee and MPs, and briefings for national press. I have also written to the Chancellor to emphasise the need for urgent action and meet the Governor next week. The Treasury have told us they hope to give us news soon.

As far as FCA guidance is concerned, frankly the last thing we want now is that the FCA calls for further standardised payment deferrals. Instead, customers should if at all possible move back to regular payments so they do not build up a mountain of debt, and so that lenders have the capacity to provide ongoing help for those most in need, and have the ability to lend afresh to get the economy moving. In support of those objectives we are also pressing the Government to take on part of the credit risk of the exceptional level of forbearance that has been and will continue to be needed.

I have covered our immediate agenda. We hope of course that our lives and the economy will return to something approaching normal before too long. But we have to recognise that we could be facing a drawn out period of restrictions on behaviour and of economic damage, with prolonged consequences for the indebtedness of the nation and of your customers. We shall therefore be working and seeking your views



on what scenarios we should be considering for the next 18 months and their consequences for our work. Let's be prepared.

Now I want to turn to the FLA itself. We enjoy great support from our members, but that does not mean there is not room to change and improve our effectiveness. A number of you have made suggestions about how we can modernise. For example, that we should be more agile; more diverse in our thinking in part by tapping into a wider diversity of people; and better in the use of digital technology and social media.

The starting point for change is clarity of purpose and clarity about how we go about delivering that purpose, in short our values.

With the support of the Board we have simplified and clarified our purpose so that we will actually remember it and therefore be guided by it. It is – *to help members grow sustainable and trusted finance markets for consumers and businesses.*

We have also values for the organisation that support our purpose; *being trustworthy, showing leadership and working collaboratively.* These are in action and have served us well in recent weeks.

Trust is a vital component of how we work. Throughout the crisis we have sought to speak on the basis of solid evidence, and to build on our credentials as a respected industry body – your responses to our rather large number of surveys have helped us greatly in this.

We have shown leadership by putting forward credible, insightful and workable proposals to Government, to shape the debate on the remedies our members need.

We have collaborated with other organisations and across the whole membership to strengthen our proposals, voice and influence. And this has been appreciated by other associations such as UK Finance and the BVRLA.

To avoid becoming an echo chamber for ourselves, we also want to test our thinking on key stakeholders beyond our sector, so we now have a stakeholder advisory panel comprised of leading figures from business representative organisations, consumer interest groups, think tanks, environmental organisations and economic experts.

I also want us to be as open as possible to new thinking, whether within our teams or from our members. Internally we have started on that road, including through staff surveys and setting up an employee engagement forum. We plan now to review our governance to make sure that we are as open as possible to member views from all quarters; that from the Board down we craft and promote clear, effective strategies to deliver our purpose; that we are agile in our decision taking; and that we are good at challenging ourselves. I will be taking your views and consulting you thoroughly on this.



I have talked a lot about the crisis and the future but this meeting is also about our work during 2019. Our Annual Review, which we have published today, sets out what we have done over the last year.

Don't worry – I'm not going to talk you through all of it, but I do want to mention a few highlights:

Even before the enhanced contact during the Covid-19 period, *your* expert insights and the thought leadership shown in our pre-budget submission to the Chancellor of the Exchequer prompted a meeting between the FLA and the Economic Secretary to HM Treasury, where we raised the benefits of asset finance and the need for a comprehensive finance information service for SMEs. When the Government launched its new business support site in February, it matched our thinking. We were also asked to join the Business Finance Council as leasing and hire purchase usage are increasingly recognised by Government as important components of capital investment.

We worked with the FCA to get an outcome on motor commissions that was largely both fair and sensible. Whilst at the same time we are challenging its decision not to apply the ban on discretionary commission to Personal Contract Hire agreements. It is ridiculous to have two different levels of customer protection in the one market.

We work to enable members to attract, develop and retain the best talent through the apprenticeship standard for the asset finance industry, the SAF initiative in the motor finance sector, and maintaining up to date training on developments in core markets like consumer credit.

We have maintained a big programme of conferences, other events, podcasts and training. These are driven by your changing priorities – for instance those we held before the Senior Managers and Certification Regime (SMCR) came into force in December. And I am delighted that today we held our first online training course, part of a programme of courses addressing Covid-19 issues. The team have done great work to get these going and provide a new model for our training in future

As we emerge from this current crisis, we will do so with a sharpened sense of the role our members play, including on core issues that are off the headlines today but will decide the future direction of the UK; the move to net zero; the need to increase productivity; levelling up the regions; and fairness for customers.

The new partnerships we have forged with Government and regulators during this current period will be the cornerstone of new opportunities to influence those debates.

Whatever success we have depends on the partnership the FLA represents and I should like to conclude by thanking the Chairman and Board for their guidance and support since I started in December, the members, you, for the generosity you have

shown with your time and expertise, and the leadership team and staff as a whole for their guidance and dedication. I look forward to working with you all over the next year.