ABCUL
Association of British Credit Unions Limited

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Financial Conduct Authority – Guidance for firms on the fair treatment of vulnerable customers

We welcome the opportunity to respond to this consultation. ABCUL is the primary trade association representing credit unions in England, Scotland and Wales with around two thirds of credit unions in mainland Great Britain affiliated to the Association.

Credit unions are co-operative societies who provide financial services – primarily savings and loans facilities – to their member-owners. They are registered as Co-operative Societies under the Co-operatives and Community Benefit Societies Act 2014 and the Credit Unions Act 1979. As deposit-takers they are dual-regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

Credit unions have since their inception in Britain in 1964 been closely associated with anti-poverty and financial inclusion. They tend to provide savings and loans facilities to those with limited or no access to financial services from mainstream providers, generally due to their low income and / or lack of a developed credit profile. They have been a central element of numerous government and philanthropic initiatives to extend financial inclusion and address the lack of adequate provision of affordable credit and secure savings facilities for large sections of the population. They are capped in the interest that they can charge at 42.6% APR under the Credit Union Act 1979 and provide credit in competition with high-cost lenders.

They are numerous, with around 300 credit unions active in mainland Great Britain today, and have around 1.3 million members and £1.5 billion in assets under management. They range from mid-sized businesses of up to 50 staff to small voluntary organisations.

Response to consultation

We broadly welcome the guidance and its aims to clarify firms' obligations towards vulnerable consumers and appreciate the practical illustrations of where firms may fail or succeed in treating these people fairly. Credit unions through their financial inclusion mission are often particularly exposed to having vulnerable consumers within their membership due to the correlation and causal relationship between vulnerability and financial exclusion. At the same time, many credit unions operate under very tight margins through the pressures of serving a population who on average require more personal support whilst charging a fraction of the interest to those unable to access mainstream credit compared to high-cost credit providers.

We support the non-binding status of the guidance whilst acknowledging it's potential to support supervisory decisions in relation to contraventions of the Principles. This approach supports greater proportionality and flexibility when applying the principles to credit unions which is crucial given their fewer resources compared with other firms applying the guidance.

For example, a smaller credit union with several paid members of staff and a handful of volunteers would not likely have a separate specialist vulnerability support team whilst a large retail bank might be reasonably expected to. On the other hand, credit unions still maintain a lot of person to person contact with their members compared to larger firms and are well placed to form personal relationships and monitor potential changes in a members' situation or behaviour.

Our key concern, therefore, is to ensure that the guidance is applied to credit unions flexibly and proportionately and we would like to emphasise that point here. Given the scale and nature of credit unions and their mission to support vulnerable consumers – particularly the financially vulnerable – they have strong personal relationships and a superior understanding of their members' vulnerability. However, they are often less systematic and more informal in the ways in which they pursue this due to their limited resources. As such we support the commitment made in the guidance consultation to proportionate application and we look forward to working with the FCA to make this a reality.

We believe that the guidance around *potentially* vulnerable consumers and how these people should be considered is not clear, as recognised elsewhere in the guidance; everyone is susceptible to vulnerability and can be affected by illness and sudden distressing life events such as losing a job or a partner. We also find that the example of a potentially vulnerable person with a 'history of stress-related illnesses' to be problematic as they are arguably already especially susceptible to harm should a firm fail to take adequate levels of care. Firms already armed with such information should take additional care to avoid causing undue stress, for example, by ensuring that their communications are timely and accurate. However, we agree that it may be good practice for larger firms to use segmentation analysis to help them better identify vulnerable customers.

Whilst we acknowledge that the Information Commissioner's Office remains the lead regulator for data protection we appreciate the co-operation between the regulators to explore how firms might be compliant with both regulators' requirements considering the renewed focus given to data protection in recent years. We appreciate that the basis for safeguarding economic wellbeing under DPA 2018 provides an option for recording sensitive data about vulnerability without the data subject's consent some firms may not have considered.

Overall, we are very supportive of the thrust of the guidance and agree with the FCA's position not to introduce further policy interventions at this time. Credit unions in particular due to their resource pressures need ample lead-in time to implement new rules and guidance published by the regulators. In addition, we feel that the combination of the principles and this guidance should provide a robust and sufficiently broad framework for the FCA to supervise firms and take enforcement action against unfair practices as necessary.

We would be very happy to discuss this further if you wish.

Yours sincerely,

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