

Credit Information Market Study Team  
Competition Division  
Financial Conduct Authority  
12 Endeavour Square  
London  
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24<sup>th</sup> February 2023

## **Response to Credit Information Market Study Discussion Paper**

Dear Credit Information Market Study Team,

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. Since their inception in Britain in 1964, credit unions have 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 a vital alternative to illegal money lenders.

They are numerous, with about 250 credit unions active in Great Britain today with more than 1.4 million members, £2.5 billion in assets under management, and £1.3 billion on loan to their members. They range from mid-sized businesses of up to 50 staff to small voluntary organisations.

## Overview of Response

The credit union sector welcomes the FCA's review of the credit information market and agrees strongly that the market is in need of significant restructure.

We believe there is a need for standardised reporting, better coverage and more consistent credit information. A streamlined, standardised and simplified process for credit information reporting would greatly benefit both creditors and consumers.

However, it is essential that standardized and streamlined reporting is developed with full consultation of creditors. Whilst we support a mandatory data sharing requirement, such a requirement could be onerous for credit unions if it is not sufficiently streamlined.

## Interim Report Findings

### **Q1. Do you have any views on our interim findings on the market overview?**

The FCA's findings in the market overview reflect the credit union sector's views and experience of the credit information market.

## Industry Governance Reform

### **Q1. Do you agree that there is a need for a new credit reporting governance body with broader objectives that is more inclusive, transparent and accountable?**

We strongly believe there should be external oversight and governance of the credit information market to ensure greater accountability within the industry. However, further and more detailed consultation would be needed to ensure that a new governance body is established to be robust and fit-for-purpose.

## Remedy 2A - Mandatory data sharing with CRAs

### **Q6. Do you agree with the principle of a mandatory reporting requirement to certain designated CRAs to establish a 'core' consumer credit information dataset?**

We agree in principle with mandatory data sharing requirement and believe it is necessary for consistent and comprehensive data coverage. However, we would only support a mandatory data sharing requirement

if the process for data sharing is significantly streamlined, with a single portal for creditors to report to with the same data file format.

**Q7. Do you agree in principle with the proposal to establish a CRA designation framework?**

We would agree with the introduction of a CRA designation framework, on the condition that a standardised and streamlined method of reporting is implemented. It would be unreasonably burdensome for credit unions to be required to report separately to range of CRAs. We believe that a single portal should be established for reporting to designated CRAs, to make a mandatory data sharing requirement reasonable for creditors to meet.

**Q10. Do you have views on the possible costs and benefits of including a broader range of CRAs within a designation scheme?**

If the process for reporting to CRAs is not streamlined significantly - such as by a single portal for reporting to all designated CRAs – the cost and operational burden of including a range of CRAs would be unreasonable for the credit union sector.

**Q13. Do you think designated CRAs should be prevented from levying direct charges to receive data under a mandatory reporting requirement?**

We would strongly oppose CRAs from levying direct charges on creditors for supplying credit information. We would not agree with a levy on creditors given that they already pay to access credit information.

**Q14. Do you agree that firms should be left to decide whether to share full or negative only credit information under a mandatory reporting requirement?**

We disagree and believe that all firms should be required to share full credit information under a mandatory reporting requirement. A full report is essential to understanding a loan applicant's credit commitments and to have a full picture of their payment habits. Provided that the reporting process is streamlined and standardised, it would not create extra operational burden to provide full credit information as opposed to providing negative information only.

## Remedy 2B – Common data format

### **Q18. Do you agree with the proposal to establish a common data reporting format?**

We strongly agree with the proposal to implement a common data reporting format. The current system of reporting allows uneven and inconsistent data coverage. This is unfair to consumers, and undermines creditors ability to make informed credit decisions. A common data reporting format would also simplify the process of data sharing for creditors. It is important that creditors are consulted sufficiently in the process of establishing a common data reporting format.

### **Q19. Do you agree with the principle of a new approach to reporting arrangements to improve consistency and granularity?**

We strongly agree with there being a new approach to reporting arrangements that ensures consistent and more detailed data. The current reporting arrangements are not fit for purpose, with uneven and inconsistent data coverage for key information in credit files, such as debt solutions.

### **Q20. Do you agree with the potential new approach to reporting arrangements and debt solutions?**

We strongly believe that there should be a more consistent and comprehensive approach for reporting both debt solutions and forbearance measures. It is important that a future approach to credit reporting is flexible to adapt to changes in the debt solution landscape.

### **Q21. Do you agree that consumers should have the ability to record non-financial vulnerability markers and/or Notices of Correction across designated CRAs in a streamlined way?**

We would strongly agree that Notices of Correction should be able to be recorded across CRAs via a streamlined process. However, as discussed in our response to the question below, we would not agree with vulnerability markers being included in a consumer's credit file.

### **Q22. Do you agree that lenders and other users should have the ability to record non-financial vulnerability markers across designated CRAs with appropriate consumer consent?**

We disagree that vulnerability markers should be recorded on a credit file, as we do not believe that vulnerability should have a bearing on a

credit decision. Marking vulnerability on a credit file, even with consent, runs the risk of discrimination against vulnerable consumers and creates the risk that creditors will face unreasonable allegations of discrimination for their credit decisions.

**Q24. Please provide evidence on the additional costs that might be incurred from a common data format, separately identifying any one-off and ongoing costs, and on the possible benefits that would result.**

Introducing a common data format would reduce the operational cost for credit unions to report to more than one CRA. A common data format and more uniform credit information would deliver significant benefits to the fairness and safety of credit decisions and is likely to improve creditor's ability to manage credit risk and ensure that appropriate and informed decisions are made when approving credit applications.

[Remedy 3A – CRA/CISP signposting to statutory credit file](#)

**Q30. Do you agree that CRAs and firms providing credit information services (CISPs) should be required to prominently**

## **signpost to the availability of credit information through the statutory process?**

We agree that mandatory signposting is essential to ensuing consumer awareness of statutory credit information.

### Remedy 3C – Single portal – streamlined disputes process

#### **Q41: Do you agree that there should be a streamlined process for disputing and correcting errors in credit information held across designated CRAs?**

We strongly agree that there should be a streamlined process for consumers to dispute and notify of errors in credit information across designated CRAs.

### Remedy 4A – More timely reporting of key data

#### **Q49. Do you agree in principle that more timely reporting of key data to designated CRAs could deliver net benefits to firms and consumers?**

We agree in principle that more timely reporting of data would provide better protection for both consumers and creditors alike. Credit unions will often have loan applicants that have quickly accumulated a significant amount of credit, that is not reflected in a credit report due to the time lag.

However, a streamlined and single point of reporting is essential for more timely reporting of credit information to not be overly burdensome for credit unions.

#### **Q50. Do you agree with our suggested approach of encouraging industry-led change in this area?**

Adequate consultation with the credit union sector is vital to ensuring a more frequent reporting schedule is reasonable for credit unions to meet in practice.

Please get in touch if you wish to discuss ABCUL's response to this consultation.

Yours sincerely,

Niamh Evans

Policy and Advocacy Manager, ABCUL