

Financial Promotions Team
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

10th September 2023

Dear Financial Promotions Team,

GC23/2 – FCA Guidance Consultation on Financial Promotion on Social Media

We welcome the opportunity to respond to this consultation. The Association of British Credit Unions Limited (ABCUL) is the primary trade association representing credit unions in England, Scotland, and Wales, with around two thirds of credit unions in 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 nearly 250 credit unions active in Great Britain today with more than 1.4 million members and £2.3 billion in assets under management. 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 financial promotions on social media and agrees that it is in need of significant amendments in order to protect consumers and set the standard that must be adhered to by social media "influencers".

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We strongly support the core commitments set out in the 2023/24 business plan to reduce and prevent serious harm and set a higher standard for consumers. The requirement to ensure that not only the potential benefits of any financial product are communicated but also the relevant risks associated are displayed clearly, especially for buy-no-pay-later products and other unregulated credit agreements.

We agree the prominence of required information in the various social media settings is required to help protect consumers. Considering the introduction on Consumer Duty firms should be expected to raise the standard of financial promotions and the information communicated within them.

We would strongly support that the FCA encourages all social media platforms to only allow regulated financial firms to promote financial products and services, and to have a standard policy of prohibited financial products and services being promoted across the spectrum of social media platforms. Tik tok has made some headway in this area by prohibiting many advertisements such as credit repair services, get-rich-quick schemes, and debt assistance programmes, and also requiring those who are licensed by the appropriate authority to ensure that all information e.g. interest rates, APR, fees and disclaimers are clearly presented in the promotions. The implementation on the Government's Online Safety Bill, once passed, will put the onus on social media sites and search engines to put in place the required systems and processes to reduce the risk to consumers being susceptible to financial promotions, which will be overseen by Ofcom. However, we do have concerns as to how this will be managed given how fast paced and evolving the social media landscape is. The guidance states that firms who produce dynamic medium content for social media platforms like Tik Tok, Instagram and Facebook must also comply with the guidance, however some of the video promotions like Instagram and Facebook stories are only available to view for 24 hours. So how can the FCA ensure that companies who look to use this "loophole" are held accountable for their actions.

ABCUL wholly supports the FCA's firmer stance and requirements on influencers due to the high risk of harm posed to consumers, especially the younger demographic and those who are vulnerable customers. The statistics in the Young Money Report 2022 clearly show how susceptible the younger demographic is to influencers and what they are promoting. We support the FCA's proactive approach to educating influencers with the materials that the FCA have produced, however we do have concerns that this information will not reach those who it is intended for. The commercial gain for many influencers wither that be monetary, physical products or just the increase in followers with ultimately supersede the risks given the volume of financial promotions produced daily on all the various platforms.

We acknowledge the guidance consultation recognises for more complex products and services that more comprehensive information can be provided via signposting. Our concern is where does the threshold for a complex promotion begin and will some firms use this as an excuse to not detail all the risks but instead signpost consumers to another site where many would not read the additional information.

We agree with the FCA's approach to affiliate marketing, those firms should take responsibility for the communications produced by the affiliate marketers. Holding the affiliate who is not an

authorised person to account as well as the firm should be the standard approach to ensure all comply with S21.

The credit union sector varies in relation to the resources available when producing social media content. The sector does not go out to cause any harm to consumers but instead want to help support them to be financially independent and provide financial education. ABCUL would ask that a proportionate approach be taken with any action, and those who have deliberately tried to confuse, influence, or manipulate consumers be held to firmly to account. For those who are simply in the process of trying to keep up with the ever-evolving social media landscape and requirements should be able to learn from any mistakes and the FCA and ASA should see this as an opportunity to educate those involved.

Please get in touch should you wish to further discuss our consultation response.

Yours sincerely,

A handwritten signature in cursive script that reads "Natalie McQuade". The signature is written in dark ink on a light-colored background.

Natalie McQuade

Head of Advocacy and Regulatory Affairs, ABCUL