CONSUMER CREDIT

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CONSUMER CREDIT TRADE ASSOCIATION

This issue:

NOTE: With such a diverse membership contributing, the views expressed in this magazine are not necessarily the views of CCTA.

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A case in question

Q&A

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Dear David & Joanne

A number of common questions have arisen recently in relation to financed assets, taking each one in turn:

Q: The person in control of the asset may claim a lien for works carried out or for storage. What does this mean and can they do that?

A: A lien is a right to keep hold of an asset pending settlement of a claim. Generally liens:

- only arise for repairs to an asset which improve it (not general maintenance)
- do not arise in relation to storage unless there is a specific agreement between the owner of the asset and the person who holds the asset which includes a term providing for the lien (liens given under agreements between the hirer and a third party generally do not bind the owner unless authorised by the owner)
- do not give a right to sell although notice of intention to sell can be given in relation to uncollected goods under the Torts Interference with Goods Act
- are lost if there is a break in possession i.e. the claimant gives up the asset but then regains possession.

Often lien claims relating to storage are capable of being challenged but the cost of disputing what may be relatively modest claims may have to be taken into account along with any continuing depreciation in the asset. Often the best course is a negotiated settlement, although those claiming such liens will do so simply because that is what they expect. It is easy to hold the asset to ransom. It is possible then for the owner to take legal action for the recovery of the asset and ask the court to make an order for the release of the asset immediately, in return for payment of the disputed amount of the lien into court. The asset will then be released with the disputed lien being determined by the court at a later date.

Q: A third party has wrongfully sold my asset and sold it for more than the balance outstanding, can I claim in conversion for the full sale proceeds or just what was owing to me?

A: Subject to well known exceptions, for example where motor vehicles on hire purchase are sold to innocent private purchasers, only the owner of an asset is entitled to sell and pass title. Whether it is the hirer/lessee or someone else who has purported to sell or buy the asset every person in the sale chain is liable to the owner for damages for conversion. The damages are assessed by reference to the value of the asset, but if the value is more than the balance outstanding under the finance agreement, then the claim is limited to the balance outstanding. Damages for conversion must reflect the owner's loss. Had the asset not been wrongfully sold, then the owner could only expect to have received more than the total amount payable under the agreement (VFS Financial Services (UK) Ltd v Euro Auctions (UK) Ltd [2007] EWHC 1492 and Wickham Holdings v Brooke House Motors [1967] 1 W.L.R. 295; [1967] 1 All E.R. 117).

Q: I have a claim in conversion but substantial improvements have been made to the asset, can I claim my asset back without allowing for the expense incurred in carrying out the improvements?

A: If a person claims that he has made improvements to the asset then, usually, he is entitled to receive an allowance for the asset's increase in value. This is not necessarily the amount that has been spent on improving the asset. Expert evidence may be required. If payment is offered in lieu of the return of the asset, the amount representing the increase in value can be deducted. If this cannot be agreed, then a court may have to decide but there are always legal costs to take into account. The same principles apply if a person has bought the asset for an increased price because of the improvements.

Welcome

"Merry Christmas from all at CCTA"

Greg Stevens CEO

Since the last issue of the Consumer Credit magazine, GDP growth expectations and employment prospects have both deteriorated. The Eurozone financial problems still remain unresolved, with a deepening political upheaval with the Governments in Greece, Italy and Spain undergoing significant change. The US has its own financial problems, which Congress is nursing through in the short term, but will need intensive care in the medium term. The Arab Spring continues at a pace, with new eruptions in Eygpt, and Iran could potentially being drawn in if the new financial sanctions create unrest there. On the domestic scene Thomas Cook, a company established for over 150 years, has now been drawn into the failing retailer scenario, partly by the Arab Spring.

Closer to home, the coalition Government is likely to undershoot its budget projection of debt clearing, prior to the next general election. The Bank of England stated that the immediate financial prospects for the UK look difficult. The Prime Minister, and the Chancellor of the Exchequer, are both promulgating difficult times ahead, with a down beat November statement expected.

There are slight glimmers of a Plan B being formulated, but dripped out day by day, rather than a joined up plan. At the moment, these initiatives appear to be too small to make any significant difference, but added together have the appearance of a larger assistance to markets. The move to assist the housing market is welcome, but the banks will need considerable persuading as to the credit risk of the consumers likely to take up the offer. The Nationwide 'Save to Buy' product has been successful, and providing good market growth for the building society, at the same time as helping first time buyers.

Paying down debts appears to be gathering momentum, and the Prime Ministers' comments for consumers to live within their means, and pay off their credit cards, could rebound on disposable spending in the retailers golden quarter, in the run up to Christmas. Retailers are struggling, but equally some are doing well. Internet businesses will probably have their best Christmas ever, so high street retail figures remain blurred at the moment, although companies like Comet being sold for £2, does not bode well for the big ticket item products. Most retailers are hoping that the British public dig deep, and spend as normal in the festive season, including the New Year sales. Each year is always a record retail year, could this be the year when Christmas consumerism fails? The rental/lease quarter day at the end of March, could see the commencement of a seismic shift, with blood on the floor in retailing for the rest of the year.

The sale of Northern Rock, heavily discounted to Virgin, could assist in bank lending again, but it is only a drop in the ocean to business, and consumer needs. Regulation of the banks is ever increasing, as is the requirement for additional capital adequacy. The recent high profile case of the new Chief Executive of Lloyds Banking Group, having to take a prolonged rest from work because of stress related illness, indicates the pressures that the banks, especially the 'Peoples Banks' are under. Project Merlin is still failing to provide funding to the high risk areas of second tier lending, with many hurdles being put in the way of funding applications to the banks. Our members are reporting that private investors, smaller banks and block discounters are lending in certain areas and sectors, so we have a positive beginning.

It has been a traumatic year for change and unrest, but the majority of our members have fought tooth and nail through this consolidation period. By the end of the year we will have over 50 new members, with many more in our potential pipeline. CCTA is resourced and ready for the defence of the consumer credit regime, which as you all know is threatened by the change to the new regulator, the Financial Conduct Authority (FCA). We will commence in earnest during 2012, and will seek the input of our members throughout the process.

We have finished our round of eight Face-2-Face discussion groups. There was no surprise at the topics raised, with lobbying legislators and regulators at the top of the agenda, followed closely by funding issues. We have increased our lobbying activity over the year, and it remains the number one priority for 2012. We would like to thank all of the members who attended the discussion groups, for their time and valued input. We will be repeating the exercise in 2012, at five regional venues, including one in London. We will also be asking for topics, or questions before the event, details will be forwarded in early January, with London the first venue taking place in April 2012.

Our Conference on 10 November at the Belfry Hotel in Nottingham was a resounding success. A massive thanks to the Sponsors, Exhibitors and Delegates who attended. A turnout of over 120 was testament to the topics covered. A comprehensive post conference write up is included with this magazine.

If you would like to discuss any of the issues covered in this article, please feel free to call me on 01274 714959, or email me at greg.stevens@ccta.co.uk

Greg Stevens

Mind the GAP

A cautionary tale of product governance

Conference this year was dominated by discussion around the future regulation of consumer credit. Explanations of the new players in the regulation arena, debate about who will regulate CCTA members, and fears about the potential loss of the protection provided by statutory law, were all on the agenda.

There seemed to be a consensus of opinion that 'better the devil you know' should be the maxim going forward. Consumer credit needs the absolute certainty of the Consumer Credit Act, and the thought of the principles based regulatory regime promised by the Financial Conduct Authority (FCA) was not a welcome prospect. Support for the Office of Fair Trading (OFT) has never been stronger.

However, should this be the only fear thrown up by a principles based regulator?

Probably not, if the experience of the insurance industry with Financial Services Authority (FSA) is any guide. Principles can leave much to the imagination, and the resultant variations in interpretation can cause problems, not least when the Financial Ombudsman Service's (FOS) interpretation becomes the only one that matters.

Payment Protection Insurance (PPI) is a classic example. Admittedly the product had issues, but the uncertainty brought about by the FSA principles has caused too many ill informed judgements to be made by FOS who boast that they uphold the vast majority of complaints. They seem amazed that ambulance chasers are bringing record numbers of complaints knowing they are almost certain to profit from FOS decisions.

In its June 2011 introductory paper 'The Financial Conduct Authority – Approach to Regulation,' the FSA makes it clear that the approach will be more invasive and will promote product governance among firms. It promises more product intervention and will seek hard evidence that firms have such governance in place:

- the FCA will be ready to intervene... where there is evidence that these markets are not operating in the interests of retail consumers or the wider economy
- the FCA will also be more ready to... tackle potential and emerging risks to consumer protection and market integrity before they materialise, and in order to prevent large scale detriment
- the FCA will intervene early in relation to products where the risks are likely to outweigh the benefits the products will bring, considering factors such as the number of consumers and the amount of potential loss. The FSA has already proposed a new and intrusive approach to the way firms bring financial services products to the retail market. The FCA will look to build on this approach.

This is consistent with consultations by the FSA on product intervention earlier this year.

In the FCA paper FSA admits that this approach requires more expertise and understanding of the regulated activities and markets than that currently held by FSA. Presumably this means that their interventions so far have been carried out without the necessary understanding, a view that would be widely supported.

Even now, before they have attempted to recruit the required expertise the FSA has published further guidance on PPI and Short Term Income Protection products. It continues to make subjective comments about the 'need' (or more accurately the lack of need) for protection, demonstrating that it does not understand true need, by saying protection products are inherently unsuitable for those with savings at their disposal. It doesn't seem to occur to them that the customer may actually want to protect those savings.

The key point here is that subjectivity leads to confusion and disagreement, particularly when poorly informed by inexperienced sources. Take GAP insurance as a further and perhaps more topical example. Both FSA and FOS have been expressing concerns about the product of late, and as a result it promises to be a 'mini' PPI episode with FOS already upholding complaints.

But what is GAP, how does it work and why are the regulators worried about it?

GAP insurance makes up the shortfall between what a motor insurer pays out on a comprehensive motor policy and a value the customer wishes to protect if his car is written off or stolen. There are several such values, such as the original invoice value, the current market value, and most commonly the outstanding balance on the motor finance agreement.

This last one is where the idea for GAP originated, people were finding that the amount paid by the motor insurer was not enough to settle the associated finance.

The FSA has been concerned about certain aspects of GAP insurance for some time:

- they see it as an "easy sell"
- it has a high penetration rate
- it is a secondary sale so receives less attention from the customer.

They note that there do not appear to be any other single premium products where a refund is not offered as a matter of course. They were also extremely positive about the ABI Guidance recently published. These two features do ring 'PPI' alarm bells.

Finally FSA highlights the fact that future financial regulation by the FCA is likely to be much more product focused and will include new product intervention powers. However, they admit they have not as yet undertaken any specific work in this area to support these 'concerns.'

FOS has announced their concerns relating to GAP policies in April 2010:

- policy wordings often confusing to customers, & Key Facts "very opaque"
- not all exclusions were explained at point of sale. e.g:
  - a GAP Policy cannot be transferred to a different car or owner (but how could it if it is protecting the finance agreement)?
  - Dealer Fitted Accessories (DFA) are not usually included
  - whether or not the policy can be transferred to a replacement vehicle (provided by the motor insurer after total loss of a car in first 12 months)
  - negative equity exclusion not always well explained
  - some dealers roll negative equity into the price of the new car rather than disclosing it on the invoice as Negative Equity.

They also provided examples of mis-selling:

- customer claimed but his car had never been eligible for the policy (e.g. taxis and driving school vehicles)
- finance agreement was in the name of a different family member from the one that owned the car
- where a car (and related finance) is sold at a higher price than market value, but GAP is attached to the market value.

FOS believes that a high proportion of Finance GAP policies offer no value to customers as:

- there is a conflict of interest for some intermediaries in selling a car for more than its market value with a loan based on that amount and then recommending GAP insurance based on market price
- where customers who have comprehensive cover are sold Finance GAP insurance (particularly with a deposit over 10%), they do not need it as they are already covered through their motor insurer (given that the success rate of GAP claims is over 90% this is questionable).

The weaknesses in the FOS analysis are:

- they assume that ALL manufacturers will replace a write off in the first 12 months when they do not
- they don't seem to be aware that many GAP policies are sold on second hand cars
- they underestimate the impact of competition on the selling price (particularly with second hand cars)?
- the transfer problem seems overstated (has FOS examined the actual incidence of this?)
- they have actually missed out one of the real issues with finance GAP, where the policy may only cover the car finance and nothing else financed by the loan.

In summary both FSA and FOS have come to potentially flawed conclusions upon which complaint decisions and future product intervention will be based. This is the inevitable consequence of product intervention by inexperienced bodies.

The truth is that they see similarities with PPI, high commissions, funded single premium and in their eyes poor value.

So where do they go from here?

Well the FSA has already given some clues in this respect. The FSA, and significantly the OFT, in their joint 'Guidance Consultation' for PPI products published in November said their key messages included:

- poor product design and distribution strategy can lead to unfair consumer outcomes
- when designing new products, or reviewing the design and distribution of existing products, firms should ensure they have given due consideration to
  - identifying the target market
  - ensuring that the cover offered meets the needs of that target market
  - ensuring that the product does not create barriers to comparing, exiting or switching cover.
- firms should be able to demonstrate that they have sound product governance arrangements in place.

The paper at least proves that debt waiver products will definitely not be considered to be insurance, but by involving the OFT they are able to use the threat of 'inappropriate use of a credit licence' to make firms think about adopting them. The lengths they go to in discouraging the provision of protection products are unending.

Other products that could be in the firing line are add on products, such as legal expenses cover, which the regulator may wish to be sold separately. Also products they believe do not provide value for money, such as GAP, and 'free' packaged products such as those given as incentives to open a bank account (see FSA's Consultation Paper CP 11/20 on packaged bank accounts published in October). All of this is going on in spite of their admitted need to recruit and retain people with the right experience to deal with such issues.

So there we have it. Industry regulators, regardless of the name they go by, will have product governance in their sights. This means meeting their expectations of products regardless of how well or ill informed they may be.

The question is, are you up for the challenge or will you avoid non-core products rather than face the increasing risk of non-compliance with subjective product regulation?

The choice is yours.

Rod Revell

Rod became heavily involved in PPI in the early 90s.

At London & Edinburgh/Norwich Union and London General Insurance he fulfilled several roles, including underwriting, account management and market support.

He served 8 years on the ABI Creditor Committee and chaired the Regulatory Sub-Group for 3 years.

Since September 2003 he has consulted independently on various aspects of PPI, and on general insurance regulation. This has involved him advising lenders as well as insurers on PPI matters, and indeed he chaired the FLA's General Insurance Group for 5 years.

This combination of insurance and lending experience gives him a wider perspective on market developments and positions him well to comment on the state of play in this subject.

Consumer Rights Directive adopted

The new Consumer Rights Directive has been adopted by the European Union. Member states will have to incorporate the new rules into their domestic legislation within a period of two years following the publication of the Directive in the EU's Official Journal.

The Directive is heralded as strengthening consumer rights, particularly in relation to purchases online. In fact the adopted Directive is a much watered down version of the original proposal as the changes to the law around unfair contract terms have been dropped almost entirely, and the proposed changes to sale of goods legislation have been scaled back significantly. The Directive does give consumers an extended right to withdraw from a contract concluded at a distance or off premises (14 days), there are new requirements around the disclosure of information, traders are required to deliver goods within a specified time frame and, in relation to additional payments, traders must obtain their customers' express consent before they are bound.

Source: Europa, 10 October 2011

EC to launch market study on consumer credit

The European Commission has launched a market study on consumer credit. This is outlined within the draft sixth edition of its consumer markets scoreboard. The study will rank 51 consumer markets in terms of consumer confidence and market competition. Retail Lending readers will note in particular the Market Performance Indicator data relating to loans & credit cards, mortgages and current bank accounts. It points out that the forthcoming Consumer Credit Directive comes up for review in 2013, and the findings of such a market study would provide a rich evidence base for assessing the impact of the current rules.

Source: Europa, October 2011

A trembling economy... UK business confidence in need of a lifeline!

Research released in October by insolvency trade body R3, found businesses have been experiencing increased distress in the third quarter of 2011, compared to the previous quarter, with 22% of firms now making frequent use of their maximum overdraft.

The metric that measures corporate profitability also found that 43% of firms witnessed decreased profitability in the third quarter of the year, compared to the previous period.

Distress signs associated with cash flow are higher than they were in September 2010

- **17% of businesses are experiencing difficulty paying invoices - an increase of 3 points**
- **8% are taking on new borrowing to pay existing debt - an increase of 2 points**
- **businesses seeing decreased profit is down six points**
- **those experiencing a loss of regular customers is down eight points to 18%**

The latest figures from ICAEW/Grant Thornton UK also indicate cause for concern, as fears rise that the economy is set to contract in the final quarter this year. The Business Confidence Monitor (BCM) Index collapsed from +8.1 in the third quarter to -9.7.

The index, a close indicator of Gross Domestic Product (GDP) growth, is now at its lowest level since the nadir of the 2009 recession, fuelling concerns the economy will shrink by some 0.2% in the final quarter. Growth for 2011 would therefore be 0.9%, a sharp drop on the 1.7% projected earlier this year. The index revealed confidence across all business sectors has fallen, with just energy, water and mining remaining in positive territory at +2.3.

The property sector is in the weakest position with confidence tumbling to -18.7, followed by banking, finance and insurance with -14.6.

Michael Izza, Chief Executive of ICAEW, said: "In the first nine months of the year, businesses have played their part in supporting economic growth. Many are proud of their success against a backdrop of a very slow and protracted recovery. Yet they are becoming increasingly worried about the immediate outlook and the risk of a double dip recession. They are looking to the Government, which now needs to take urgent steps to restore business confidence and to show that it understands the need to rapidly change the mood that the business community clearly feels."

Turnover and profit growth expectations have now declined for two successive quarters, which has been compounded by a steep drop in capital investment growth expectations. One ray of light was the BCM predicting, in line with the Bank of England, that the inflation rate will fall in 2012.

New Consumer Bill of Rights announced

Edward Davey MP announced a new Consumer Bill of Rights which will streamline confusing and overlapping legislation and regulation, and provide stronger consumer protection. According to the government's press release the Bill will update the law for goods and services and for digital content, clarify the law on unfair contract terms and consolidate consumer powers for Trading Standards and provide much stronger protection for vulnerable customers targeted by misleading aggressive sales practices.

Some of the new proposals include extending the default time that victims of aggressive practices have to unwind the contract should they wish to cancel. It is envisaged that this Bill will consolidate current UK regulation in relation to consumer rights and adopt the new consumer protections which will have to be implemented in the UK following the adoption of the European Consumer Rights Directive, the final text of which was approved by the European Parliament in July.

OFT an FSA in tandem...

Publish draft guidance on payment protection products

The Financial Services Authority (FSA) and the Office of Fair Trading (OFT) have joined forces to help prevent the problems associated with Payment Protection Insurance (PPI) recurring in a new generation of products. They are consulting on proposed guidance for firms, in relation to payment protection products, which can fall within either regulator's remit.

This is a key time as the market shifts away from PPI and companies begin to develop new products or product features, such as short term income protection, or debt freeze/waiver as elements of a credit agreement or mortgage.

David Fisher, the OFT's Director of Consumer Credit, said:

"It is important that the problems encountered with mis-selling of PPI do not arise in relation to new payment protection products. Firms need to ensure that they comply with relevant legislation and do not engage in unfair or improper business practices. In particular, they should make clear to consumers what they are signing up to, and how much it costs, so that they can make properly informed decisions."

The consultation will be open for 10 weeks, closing on 13 January 2012. The guidance consultation paper can be found on the FSA website.

Irresponsible Lending Guidance shows its teeth

OFT to review compliance with Irresponsible Lending Guidance

According to Mark Hoban MP, the OFT will shortly commence a review into levels of compliance by credit businesses with its Irresponsible Lending Guidance. This comes following the recent requirements imposed by the OFT upon Swift Advances plc in August, the first time the OFT has used its enforcement powers in relation to a case of alleged non-compliance with its Irresponsible Lending Guidance and a clear indication that the Guidance does now have teeth and that this is an area of focus for the OFT.

OFT launches revised debt collection guidance

The OFT has published its updated Debt Collection Guidance which illustrates the standards expected of all businesses involved in the recovery of consumer credit debts. This applies to banks, law firms and tracing agents as well as traditional debt collectors.

The guidance sets out specific business practices that the OFT considers to be unfair or improper, such as using Facebook and Twitter and other social networking sites to contact debtors. This also includes contacting debtors at unreasonable times, or at inappropriate locations, for example, when they are a patient in hospital.

In addition, the guidance highlights the responsibilities of all parties involved in the debt recovery process, for the quality and level of information they maintain and exchange with others.

David Fisher, the OFT's director of consumer credit, said: "In the present economic climate, with many people, including those who may be particularly vulnerable, in financial difficulties, it is crucial they are treated fairly by companies recovering their debts. This updated guidance makes clear the standards the OFT expects of all businesses involved in debt recovery, including debt collectors, banks and law firms."

Full details can be found at www.oft.gov.uk

Draft OFT Annual Plan for 2012-13...

have your say!

The OFT is seeking comments on its draft Annual Plan for 2012-13, which sets out the organisation's proposed objectives and priorities for the next financial year. Making markets work well for consumers, especially the vulnerable and those affected by the tough economic climate, whilst helping to drive economic growth, are proposed as central priorities.

During 2012/13 the OFT plans to focus on its work on:

- market problems affecting vulnerable consumers, working closely with local authority Trading Standards Services and consumer groups
- tackling businesses that are creating unnecessarily complex pricing structures or reducing the clarity of their product offering
- improving trust in online markets, including action that promotes awareness of consumers' rights, shapes emerging online business models, or reinforces the integrity of online tools aimed at helping consumers evaluate choices
- high innovation markets and business models, and the intersection of consumer and competition policy with intellectual property rights
- public services markets, providing constructive advice to the Government where these are opened up, to help frame and deliver markets that work well for users and taxpayers.

The consultation also takes place against a backdrop of proposed changes to the competition, consumer and credit regimes. As clarity increases over the shape of the proposals the OFT will work to develop effective transition plans where necessary.

The consultation on the Annual Plan will be open until 3 February 2012. Full details can be found at www.oft.gov.uk

Euro MP Sharon Bowles' radical plan to make lending to SMEs more attractive

Both the UK, and now the EU, are fretting that SMEs are getting squeezed by bank deleveraging. Sharon Bowles MEP is proposing a radical plan to make lending to SMEs more attractive.

"A way of stopping deleveraging would be some kind of flat capital charge, instead of a risk weighting approach to the banks' portfolio of SME lending. That might be better than reducing risk at a time when risk is actually increasing, and easier to measure. A fixed charge would apply whether there was SME lending or not. This would make it better to lend and make money, with banks having to determine relative risks like it used to be. However, there might need to be an upper limit to stop stupid lending. When it comes to risk weighting for hedging, we could look for rule changes that at least balance the preferential treatment that is given to synthetic hedging through derivatives. We need to channel money, including in banks, into the real economy."

Rising demand for County Court Judgements (CCJ)

The latest statistics on debt judgments in England & Wales from Registry Trust show that more people are checking judgment information before doing business. Last quarter 23,774 searches were made on judgment information, 25.7% more than during the third quarter of 2010. Judgment information is used as a key indicator of creditworthiness. Anyone can search the registers online at www.trustonline.org.uk.

In September the cost of checking CCJs was more than halved thanks to efficiency savings coming from a £1m investment in the website by the Trust in 2010.

The statistics for the third quarter of 2011 show that the total value of CCJs against businesses rose by £27m to 163m, a 19.9% increase. Comparing the figures for Q3 this year with the same period of 2010, the value of CCJs against businesses shows a 6.4% increase of £9.8m from £153.2m to £163m.

Announcing the statistics Malcolm Hurlston, Registry Trust chairman, said:

"With credit becoming ever tighter, businesses should arm themselves with as much data on the creditworthiness of their supply lines as possible. As a non-profit we were happy to be able to pass our efficiency savings on to our customers, we have made vital judgment information even more affordable."

HR NEWS

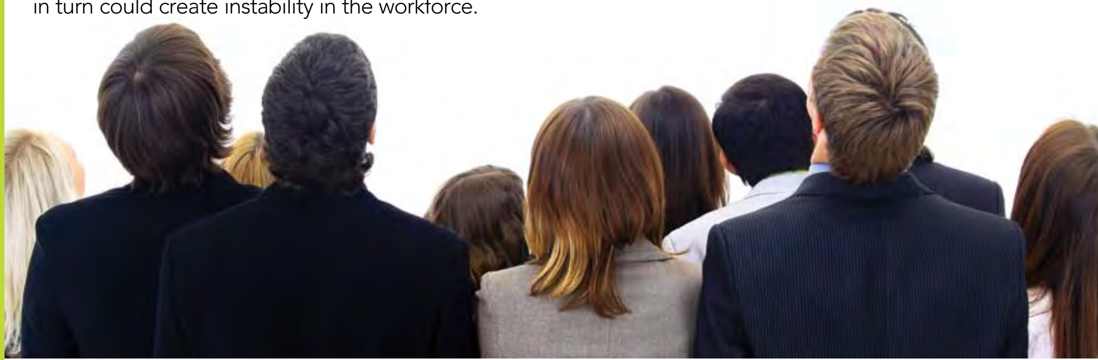
Counting the cost...

Changes to UK employment law

At the conservative party conference George Osborne announced new changes for UK employment law to be introduced from as early as April 2012. These changes include fees for lodging a tribunal claim of £250 and a further £1000 for a claim being taken to a full tribunal hearing. Fees have never before been charged to any applicant bringing a case against their employer.

Other dramatic changes include increasing the qualifying employment period to bring a claim of unfair dismissal from one year to two. The reasons behind the changes have been published as; assisting young people to get into the workforce; removing the cumbersome process for employers to get rid of non productive staff.

However, only 12% of tribunal claims come from people who have been employed between one and two years. There may be a danger that the changes will give a false sense of security to employers, indicating that it is fine to dismiss an employee with under two years continuity of employment. Which in turn could create instability in the workforce.



Top ten tips for employment law November 2011

Award winning HR solutions provider, Direct Law & Personnel have released their Top Ten Tips, compiled from their experience with employment law cases, surveys, and tribunal work, to help employers avoid common mistakes and pitfalls when dealing with staff:

1. Have a witness present for all formal hearings no matter how private the issue may appear.
2. Keep contracts of employment up to date, minimum of every 2 years.
3. Always have a detailed company car policy that deals with holidays, ownership, cleanliness, excess mileage, insurance excess.
4. Protect yourself if incoming employees have restrictive covenants from ex-employees.
5. Seek advice if you have a pregnant employee, laws change quickly, instead of looking up regulations yourself, you need a risk assessments and a company maternity plan.
6. Deal with all problems professionally. People problems don't just go away they need to be dealt with.
7. Meetings need a written paper trail.
8. Never shout at employees.
9. Check out legalities of any self employed workers. The laws have changed and so has the way the revenue and employment law judge such relationships.
10. Business comes first. Be honest with employees about their work and the standards you require from them. If someone needs to be dismissed don't dress it up as redundancy, you just create further issues.

Viva Vintage... Default Retirement Age is scrapped

The face of the UK's workforce will change dramatically as a result of the Government calling time on the Default Retirement Age (DRA). From 1st October, employers will not be able to use the DRA to compulsorily retire employees.

Although the Government cited the healthier and longer lives of workers as the reason for scrapping the DRA, according to Liz Field, CEO of the Financial Skills Partnership (FSP), it also addresses age diversity in the UK's workforce that often focuses on the younger end of the spectrum.

She said: "The experience and benefits older employees can bring to business should be harnessed.

In some ways this group actually beats their younger counterparts in areas like soft skills including; attitude, work ethic, teamwork ability, problem solving and commitment by using the total sum of their life skills and work experiences, all of which are highly valued by employers."

Liz concluded, "The financial sector needs to take into account all of the disadvantages of retiring people too soon and the benefits this group can bring to an organisation, for if a company loses its 'corporate memory' it can have a huge impact on its business success."

Cautious optimism...

More than two thirds of SMEs in the UK expect growth in 2012

A poll of 133 small and medium sized enterprises (SMEs) in the UK, conducted by Experian in October 2011, reveals that 70% are expecting sales growth in 2012. Almost one in five SMEs also plan to increase their headcount next year. Of those anticipating improved performance:

- 68% see increased sales to UK customers as the biggest growth driver
- 12% expect growth to originate from international sales
- 26% plan to expand into new areas or markets next year
- 75% stated that they had access to additional cash that they could use within their businesses
- 45% claimed they had access to cash reserves they could use to fund their growth activities
- 19% have money set aside to cover emergencies
- 23% intend taking on new credit over the next year
- 33% are undecided as to whether they would take on new finance
- 22% expect to maintain the same level of business activity
- 2% expect their business to shrink in 2012.

Of the SMEs that intend borrowing next year, the greatest demand will be for flexible forms of finance such as business overdrafts and company credit cards.

A glimmer of hope for UK SMEs

As the Office for National Statistics (ONS) reports a growth in GDP of 0.5% in Q3 2011, in some respects at least, UK businesses seem to be faring better than they were six months ago.

The Business Health Index, produced biannually by Hilton-Baird Financial Solutions, uses a range of factors such as tax arrears, bad debt levels, turnover and profitability to calculate company financial health. The latest SME Trends Index, which questioned 417 business owners and finance directors in October 2011, reached 0.46 in October 2011, up from 0.35 in April. Invoice finance users performed particularly well during this period, as reflected by their Index increasing from 0.62 to 2.24.

Further encouragement is provided by a positive swing in the recruitment habits of UK businesses, as nearly a third of respondents have increased their employee headcount over the past six months. Meanwhile the number of those cutting staff numbers is down by 4% to 27%, which indicates that the market is no longer contracting. Further analysis of the findings revealed that:

- 27% boast a rise in profitability over the six months to October 2011, compared to 32% in the previous six months
- 77% had rising operating costs
- 38% had bad debt levels an increase of 6%.
- 34% cite generating new business as their biggest concern over the next six months
- 17% cite managing cash flow.

Held to account... have your say!

Government proposes new rules to save SMEs £millions in reporting and accountancy fees

More than one hundred thousand UK businesses could save in excess of £600 million in accountancy and administration costs every year under proposals to reduce financial reporting requirements, published by the Department for Business, Innovation and Skills on 6th October.

The consultation on Audit Exemptions and Change of Accounting Framework sets out plans to allow more small companies and subsidiaries to decide whether or not to have an audit.

Current EU rules mean that to classify as 'small' for accounting purposes, a company must comply with two out of three criteria relating to their turnover, balance sheet total and number of employees. However, to obtain an audit exemption in the UK, small companies must fulfil both the balance sheet and turnover criteria. Under the new proposals, UK SMEs would be eligible for audit exemption by meeting any two of the three criteria, saving them an estimated £206m per year.

The Government is also proposing to introduce legislation in 2012 to exempt most subsidiary companies from mandatory audit, provided their parent is prepared to guarantee their debts. Savings are estimated at £406m per year. In total, removing this EU gold plating could save UK businesses £612m per year.

The consultation will close on 29 December 2011, full details at www.bis.gov.uk

Running out of patience...

SMEs owed £33.6bnn in late payments

The latest survey of credit management professionals, conducted jointly by leading business information provider Equifax and the Institute of Credit Management, reveals a huge increase in the use of credit data compared to 2010, as businesses look to reduce their risk of bad debt. In the survey:

- 86% said they use credit and business data checks for new customers and suppliers, compared to just 37% last year
- 85% use data for ongoing monitoring, but only 41% said the same a year ago
- 59% reported an increase in late payments in 2010, this is down slightly to 52% in 2011.

Late payments remain a major issue for businesses, as economic indicators continue to paint a gloomy picture for the UK's recovery. Many companies are reversing their priorities and are putting cash flow before customer relationships to keep afloat. Following recent news that SMEs are owed £33.6bn in late payments, the latest figures from commercial debt recovery law firm, Lovetts, show companies are getting tougher on customers who pay late. In 2010, 72 days was the average time from invoice to Letter Before Action (LBA), in Q3 2011 this had reduced to 68 days.

Positive reaction to Government's housing strategy

The mortgage industry has particularly welcomed one aspect of the Government's housing strategy, the New Build Indemnity Scheme, which should mean that mortgages of up to 95% Loan to Value (LTV) will be more widely available on new build homes.

Council of Mortgage Lenders (CML) director general Paul Smee commented: "This scheme is good news for homebuyers, developers and indeed the UK economy. Lenders will be able to reduce the level of deposit needed by home buyers in the new build sector, enabling more buyers to buy and so supporting the flow of new housing development, with all its positive consequences for jobs and the economy as a whole."

A number of lenders have confirmed they will participate in the New Build Indemnity Scheme including Nationwide, whose **Chief Executive Graham Beale** said: "This scheme seeks to boost the supply of properties available with modest deposits and we are pleased to be part of it, helping to shape its design and development".

However, restricting the scheme to new builds has its limits. **Helen Adams** from first time buyer advice site FirstRungNow.com, commented: "Funding which only supports new build is good for the house builders who are being subsidised but does little to move the whole market as there is no onward chain when a new home is purchased."

Mortgage lending falls for first time this year

Gross mortgage lending was an estimated £13.1 billion in October, a 4% decrease from £13.7 billion in September, according to the Council of Mortgage Lenders.This was the first monthly fall in gross mortgage lending this year but it was 13% higher than October 2010 when gross lending was £11.6 billion.

CML chief economist Bob Pannell said: "The underlying picture in the housing and mortgage markets has not changed dramatically over recent weeks. The immediate direction of house purchase activity is a little unclear, although the story for remortgages, with strong year on year increases in activity this year, is for the time being more straightforward. With the government's housing strategy and autumn statement due shortly, the housing market, with subdued levels of new build and demand, offers a tried and tested means of providing a timely stimulus to the wider economy."

Government outlines its new housing strategy

The Government has recently published its housing strategy for England which includes:

New build

The new build indemnity scheme will help homebuyers to secure loans on newly built homes with only a 5% deposit. The Government and house builders will assist in providing security for the loan, so if the house is then sold for less than the outstanding mortgage total the lender will be able to recover its loss. The scheme is aimed at helping up to 100,000 prospective buyers currently frozen out of the market.

Right-To-Buy

The Government will also consult shortly on proposals to increase discounts under the Right-To-Buy scheme, giving social tenants the opportunity to buy the homes they live in. The discount is being improved and will be up to half the value of the home. For the first time, the receipts from additional Right-To-Buy sales will be used to support the funding of new affordable homes for rent on a 'one for one' basis, which is expected to deliver up to 100,000 new homes and support 200,000 jobs.

Help for House Builders

Affordable housing providers are to share almost £1.8 billion to develop new affordable homes. The first £1 billion worth of contracts under the Affordable Homes Programme has just been confirmed, which could deliver up to 170,000 new homes over the next four years.

The Government will give more support for local areas that want to deliver new, larger scale developments that meet the needs of their growing communities. A new prospectus will be published shortly inviting councils and communities to identify opportunities. The new plots could vary in size, from a small expansion of a few hundred homes through to a new town with up to 10,000 homes. Viable schemes that are sustainable and have strong local support will be given financial assistance to get the work going, and will be prioritised for future infrastructure spending.

Where there are existing building sites that have stalled, a £400 million Get Britain Building funding pot will enable house builders to restart construction. This should help to deliver up to 16,000 new homes on sites that already have planning permission, but have been shut down because of economic conditions.

Self builders will also benefit as the Government is providing £30 million additional funding to support short term project finance on a repayable basis.

All these measures will be supported through the New Homes Bonus, which will ensure that those areas which are growing have the resources to meet the needs of their new residents and existing communities.

Support for the private rented sector

The strategy will also support greater investment in the private rented sector, which accounts for around 16% of all households. Large scale investment will be driven through changes to the tax rules affecting bulk purchases of Buy-To-Let homes, as well as through measures to encourage the growth of Real Estate Investment Trusts (REITs). An independent review will also consider whether there are barriers to greater large scale investment in rented housing.

Action on empty homes

Housing Associations and councils will be able to apply for part of £100 million of Government funding to bring empty homes back into use. Government will also provide £50 million of further funding to tackle some of the worst concentrations of empty homes.

The schemes will be backed by cash rewards through the New Homes Bonus for councils bringing empty homes back into use, and many schemes will also have wider benefits such as providing training opportunities for local people.

The Government is also consulting on plans to allow councils local discretion to introduce a council tax premium on homes in their area that have been empty for more than two years, to provide a stronger incentive for empty home owners to bring them back into use.

Governance at Bank of England must be stronger...

Governance at the Bank of England must be strengthened to reflect its new powers, MPs on the Commons Treasury Committee have demanded in a recently published report.

The Chair of the committee, Andrew Tyrie MP, said: "The Bank of England will play an even more vital role in preventing future crises, yet aspects of its governance appear antiquated. The radical shakeup of financial regulation proposed by the Government provides the opportunity to do something about it. Scrutiny of the Bank should reflect the needs of 21st century democracy. That means clear lines of accountability, and more information made available to Parliament. It should also be crystal clear who is in charge at a time of financial crisis. On all these issues the Government's draft legislation would benefit from improvement."

The Court of the Bank of England should be transformed into a smaller, more expert Supervisory Board with its own staff. It should decide on the allocation of resources among the Bank's different areas of work and its minutes should be published. Of particular note are the FSA proposals giving the Chancellor power to direct the Bank when there is a material risk to public funds.

Source: BIS News Release

Banks get uncompromising message: make a will and make it fudge-free

In August this year, the Financial Services Authority (FSA) spelt out details of the "living will" that banks will be required to make in order to avoid another bailout from the sector. Experts described them as "uncompromising". The banks must formulate comprehensive plans on how they will wind themselves down or perform dramatic survival surgery to avoid having to be rescued with tax payers' money. From next summer, all deposit takers in the UK and investment firms with assets exceeding £15 billion will be required to produce the plans.

John Pain, former FSA Managing Director in charge of supervision and now a partner at KPMG, said the regulator had made it clear that firms will not be able to "fudge" the process, known as "recovery and resolution". They have been told to expect a proactive intervention framework, so if measures are not implemented, authorities will do it for them. It is an uncompromising message."

The initiative is part of a global plan to avoid a repeat of the collapse of Lehman Brothers, which had a chaotic knock on effect on markets worldwide. James Polson, a member of Deloitte's banking and capital markets team, said getting international co-operation, and imposing the change in a proportional way would be key so that smaller firms do not have to comply with as severe requirements as bigger ones. Living wills are intended to show how banks would deal with crises such as the current turmoil in the eurozone and demonstrate how they would continue to fund themselves and maintain a high level of capital strength. Policymakers see living wills as one part of the jigsaw for bolstering confidence in banks at times of stress.

Commercial property… bigger than the banks!

Commercial property is larger than the banking industry, employs close to one million people and represents 5% of the £2.4 trillion invested by insurance and pension funds, a new report from the Property Industry Alliance has revealed.

The Property Data report published this week, sets out key facts about this sector, which provides a platform for virtually all economic activity including the provision of work places, shops and leisure facilities. The data reveals:

- the sector contributes £46 billion to UK GDP, equivalent to 3.5% of the UK's GVA which is a comparable contribution to that of the engineering industry
- commercial property's value in 2010 increased to about £516 billion, equivalent to approximately a quarter of the London Stock Exchange
- commercial property continues to play an integral role in the financing of retirement with £116 billion invested by insurance companies and pensions funds
- the sector employs over 800,000 people, with over half a million employed in the construction, development and repair of buildings alone.

FSA publishes new guidance on retail product development

The Financial Services Authority (FSA) has introduced further guidance for firms when developing new structured products which they want to market to consumers. They have assessed seven major providers of structured products, responsible for approximately 50% of structured products in the UK retail market by volume and value. The review was conducted between November 2010 and May 2011 and found that while there had been some improvements, weaknesses remain in the way firms are designing and approving structured products, increasing the risk to consumers. Firms tended to focus on their own commercial interests rather than consumer needs. Firms should:

- identify the target audience and then design products that meet that audience's needs
- pre-test new products to ensure they are capable of delivering fair outcomes for the target audience
- ensure a robust product approval process is in place for new products
- monitor the progress of a product throughout its life cycle.

Further and more detailed actions for firms are outlined with the publication. The guidance is open for consultation until 11th January 2012.

I.O.U. £1.5 trillion pounds...

are Britons finally looking after the pennies?

The staggering amount that Britons owe right now, according to the latest figures from the Bank of England, is an unimaginable £1,451 billion, that's nearly £1.5 trillion. It is almost impossible to get a handle on such extreme numbers, putting it into perspective, the amount is:

- enough to fund Cancer Research UK for 2,902 years
- enough to build 1,934 Wembley Stadiums, with change
- enough to allow Britain to host the Olympic Games 145 times

Over the last decade, the concept of having to wait for anything has been cast aside, with credit easier to come by as lenders and borrowers were buoyed by the seemingly endless economic boom. The instant gratification that many enjoyed running up debts has been replaced with the hard, tough slog of paying the money off. Britons attitude to debt is changing, for many, credit is no longer about the 'big spend', but a way to make ends meet, at least for the short term.

Source: Forward Thinking Communications

Redundant with debts...

Consumer Credit Counselling Service (CCCS) has raised concerns about the number of redundancies reported by the Office for National Statistics (ONS) and said many of those affected will now struggle to repay their debts. The debt charity made the warning as the ONS published statistics on 'Reasons for Leaving Last Job 2011' which found that 43% (292,000) of those leaving their last job in 2011 did so as a result of redundancy.

CCCS said that redundancy and unemployment are the biggest causes of debt problems among those seeking its help. People on Jobseekers Allowance (JSA) are in the worst financial position of all, with monthly outgoings outstripping household income by £203.

Commenting on the findings, CCCS director of external affairs Delroy Corinaldi said: "Redundancy is a huge financial blow for those affected. While many will find new jobs, large numbers will not, or will have a gap before they do. This will leave them struggling with credit commitments they could easily keep up with before losing their job".

Mortgage matters... the facts and figures September 2011

The number of mortgages for both house purchase and remortgage fell slightly in September but was higher than a year ago, according to data from the Council of Mortgage Lenders (CML).

Loans:

There were 48,200 house purchase loans taken out in September, worth £7.1 billion, down 2% by number and 5% by value compared to August. But on an annual basis, this was up 3% by number and value compared to September 2010.

The third quarter overall saw 144,200 loans (worth £21.6 billion) for house purchase, up 16% by volume and 21% by value from the second quarter. However, this was 6% lower than the activity levels in the same period last year.

Remortgaging:

Remortgage numbers fell by 1% in September to 34,200 loans advanced, worth £4.3 billion, with no change in value; but this was 25% higher (26% by value) on a year ago. In contrast, remortgaging from July to September saw both quarterly and annual growth, with the 100,300 remortgage loans (worth £12.6 billion) taken out representing a 23% rise in volume compared to the third quarter of 2010 (24% by value).

First Time Buyers:

First time buyer numbers rose in September. The 18,200 loans (worth £2.2 billion) taken out by first time buyers represented an increase from 18,000 (no change by value) on August.

Alongside the increase in activity, affordability continued to ease for first time buyers. In September, interest on a new first time buyer loan typically consumed 12.7% of the borrower's income, down from 13% in August. This reflects the mortgage price easing, particularly in the 80% to 90% loan to value bracket, that has accompanied greater loan availability at these levels. Since June, nearly all loans to first time buyers (96%) have been taken out on a repayment basis.

Home Movers:

Home movers on average paid the lowest proportion of their income since monthly records began in 2002 (9.4%) on mortgage interest payments for the second month running. The proportion of home mover and remortgage loans taken out on a repayment basis continues to increase. In September, 82% of home movers and 78% of remortgage loans were on a repayment basis, up from 81% and 76% respectively in August. The decline in house purchase lending in September was driven entirely by a drop in home mover activity. There were 30,100 loans to home movers in September (worth £4.9 billion), down from 31,400 (worth £5.3 billion) from August.

The CML expects this trend to continue as yesterday's first time buyers, virtually all of whom have repayment mortgages, become tomorrow's home movers and re-mortgagors.

Home-A-Loan 2

FSA Mortgage Lending Data
Key statistics for Q2 2011 are detailed below:

- the total value of outstanding loans in Q2 increased by 0.2% from last quarter to £1,214bn
- new advances in the quarter totalled £37bn, 11% higher than in Q1 and very similar to the amount advanced in Q2 2010
- new commitments totalled £40bn, 13% up on last quarter but 3% lower than Q2 last year
- lending for house purchase accounted for over 59% of new advances and 61% of new commitments, both up on last quarter due to a reduction in remortgage business
- the proportion of new lending done at an LTV of more than 90% rose slightly, but is still below 2%
- new lending with a combination of high LTV and high income multiple remained unchanged from last quarter at under 1% of new lending
- the proportion of loans to borrowers with an impaired credit history was little changed at 0.4%, it has been below 1% since the end of 2008
- the number of new arrears cases in Q2 was 35,700, which was little changed from last quarter and 4% below Q2 2010
- the total number of accounts in arrears at the end of the quarter was 1% down on Q1 and 6% down on last year at 332,700
- the proportion of the residential loan book that is in arrears, and hence not fully performing, continued to fall and at 2.81% was the lowest proportion for 3 years
- the number of new possessions in the quarter fell by 1% in the quarter to 9,494
- arrears totalling £37m on 12,857 accounts were capitalised in Q2

Consumers to reclaim personal information

Consumers will soon be able to reclaim their personal information from banks, telecoms providers, utilities and other companies, to help them learn about their consumption habits and switch for better deals.

Under the Midata scheme put forward by the government, dozens of businesses are expected to make customer data available in a standardised, reusable digital format by early next year. They include banks such as RBS and Lloyds, utilities such as British Gas, EDF and Scottish Power, credit firms such as Callcredit, MasterCard and Visa, and internet companies Three, Google and Moneysupermarket.com. Ed Davey, employment minister said: "There are many service providers across business sectors who increasingly have personal data on individual citizens, but it's not a data relationship that's balanced. The ability of citizens to access that data is limited." he commented further that he hoped greater transparency would foster trust between businesses and consumers, which is "not as great as it may have been a few years ago".

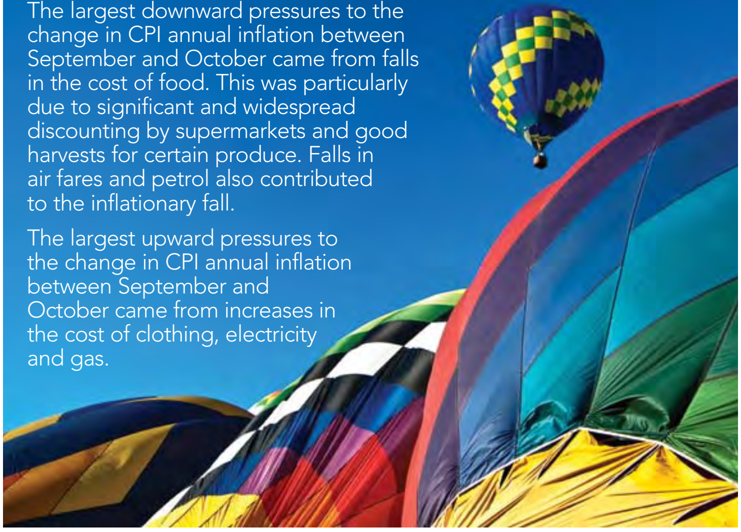
Jim Killock, executive director of the Open Rights Group, an internet freedom campaign group, warned against potential abuses of the newly freed personal information. "Getting your data back is good," he said. "But Midata must be accompanied by a stronger Data Protection Act, with a right to delete your data, or consumers could be victims of parasitic data or finance companies tempting people to share more than is good for them".

Inflation falls to 5%

Consumer Price Index (CPI) annual inflation fell to 5% in October from 5.2% in September, the Office for National Statistics has said. Retail Price Index (RPI) annual inflation, which includes mortgages and housing costs, also dropped to 5.4% in October from 5.6% in September.

The largest downward pressures to the change in CPI annual inflation between September and October came from falls in the cost of food. This was particularly due to significant and widespread discounting by supermarkets and good harvests for certain produce. Falls in air fares and petrol also contributed to the inflationary fall.

The largest upward pressures to the change in CPI annual inflation between September and October came from increases in the cost of clothing, electricity and gas.



Detail dilemma... is your data safe?

Research commissioned by Fellowes, for National Identity Fraud Prevention Week has shown that consumer confidence is at an all time low, with 96% of people concerned that the organisations they deal with aren't treating their data responsibly. There is some evidence that supports these concerns, the study finds that complacency is high across businesses, most of which do not have clear policies and are not doing enough to combat identity fraud:

- only 52% of companies have a policy in place to help protect people's identities, a drop of 4% from 2010
- 79% of employees admit the identities of employees or customers could be at risk of being acquired by fraudsters
- 50% believe that sensitive information could be obtained from company computers
- 42% of British workers believe employee or customer identities could be obtained from company bins
- 57% of employees believe that personal information may not be safe in the hands of fellow employees, and that they might abuse the information they hold
- 47% of consumers report that they would not use an organisation again if they found out they had suffered a breach.

Andrea Davis, president of Fellowes Europe said: 'Companies cannot afford to be complacent about identity fraud. Clearly, if almost half of people would avoid a company that has suffered an information breach, it is really in a business' commercial interests to be vigilant about fraud.

Old fashioned fraud...

Card fraud and online banking fraud losses fall, but cheque and phone banking fraud losses rise.

New figures released today show that fraud losses on UK cards decreased in the first half of 2011 compared with the same time last year, as did fraud on online bank accounts. However, cheque fraud and fraud on phone banking accounts increased over the same period:

- total fraud losses on UK cards fell to £169.8 million between January and June 2011, a 9% reduction compared with losses in the first half of 2010. This half year total is the lowest for eleven years and also the third consecutive decrease
- lost and stolen card fraud losses rose slightly, increasing by £4.4 million
- online banking fraud losses totalled £16.9 million during January to June 2011, a 32% fall on the 2010 half year figure
- phone banking fraud losses rose to £8.6 million (a 48% increase) during January to June 2011
- cheque fraud losses increased from £14.0 million in the first half of 2010 to £16.4 million during the same period in 2011. Although this is a 17% increase, the overwhelming majority of this type of fraud is stopped before the cheque is paid.

Initiatives such as chip and PIN have made it harder to commit 'high-tech' frauds, and criminals are instead reverting to more basic frauds centred around stealing people's cards and PINs.

Members Only

Arum
Making systems work for you

Emotional Quotient
The latest addition to the Collections Tool Kit

Peter Maguire, Principal Consultant at Arum has lead this EQ R&D over the years, mainly as a result of his continued disappointment at witnessing poor communication skills within the customer facing sector/call centre. He and his team are now busy rolling out delivery of their EQ in collections training, development, mentoring and accreditation within the 'customer facing' sector.

Peter Maguire
Principal Consultant, Arum

Emotional Quotient (EQ) or Emotional Intelligence Quotient (EIQ) has been identified as the next big thing in the collections and recoveries space.

CCTA member Arum Systems Limited, has researched and developed this interesting area of psychology and emotional intelligence over the past year, and fully believes that in today's collections world, a collection and recoveries operation without EQ is an operation that will be left behind.

As compliance and governance from the FSA, OFT, OFCOM, OFWAT, OFGEM and pressures from the money advice sectors increase, it will be crucial for creditor and Debt Collection Agency (DCA) leaders to be ahead of the game and position themselves around the 'people' and 'communication' element of their operations.

They must do this because it is the right thing to do rather than because they have to!

Arum believes that the focus from the above bodies will move increasingly to customer interaction, to ensure the customer experience is in line with modern ethical standards of communication, and that for any 'collection communication' to take place, there must be employees who are fully conversant with EQ/EIQ methodologies and practices.

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Arum
Making systems work for you

EQ Explained

Emotional Quotient is similar to Emotional Intelligence Quotient, the first a measure of our emotional intelligence and the second of our logical intelligence. As collections and recoveries communication channels become wider, with more choices based on a segmented and targeted approach as opposed to a generic 'one fits all' approach (dunning), it is crucial that the communication strategies are sending out the right messages and signals to our customers.

The key objective is 'emotional balance'. If the customer and agent are not roughly 'in balance' emotionally, there is little chance of a successful outcome.

Let's be clear on the definition of 'successful outcome'. In early collections, you may indeed get paid by the customer when applying poor EQ techniques, but losing that customer is not a successful outcome. Conversely, in 'late stage' or 'recoveries' situations, you may apply the dated linear progression tactic of, 'getting more aggressive' due to the delinquency being higher. This rarely works and a successful outcome could be lost by not achieving the appropriate 'emotional balance'.

EQ in Collections & Recoveries

Arum takes a clear stance that you cannot negotiate successfully unless you first of all apply EQ learnings to achieve emotional balance and maximise real successful outcomes. In this exciting phase of our foray into 'EQ within Collection and Recoveries' we look at emotions and behaviours, communication styles and behaviours, personalities, self awareness, social skills.

Robert Burns perhaps sums it up best with his famous phrase (converted into English); 'If we could only see ourselves as others see us'. In other words, when customers are in debt and by default emotionally affected, it is crucial that we communicate using EQ Techniques as a pre-requisite to negotiation and win win outcomes. We must 'put ourselves in their shoes'. How would we feel? How would we react? What behaviours would we show? What emotions would we display?

Legal Eagles

Facts

The facts of this case are all too familiar. Mr & Mrs Harrison ("the Borrowers") borrowed £60,000 over 23 years from Black Horse Limited ("Black Horse"). Along with the cash loan, the Borrowers also took out a single premium payment protection policy ("the PPI") at a cost of £10,200. The PPI was to provide cover for the first 5 years only. Both the loan and PPI were discharged in March 2009 and by that time, the total cost to the Harrisons of the PPI was £10,529.70.

In the High Court, the Borrowers had alleged that Black Horse was in breach of various Insurance Conduct of Business ("ICOB") Rules and this in turn created a relationship of unfairness under the Consumer Credit Act 1974 ("the Act"). It was said that Black Horse failed to properly ascertain their demands and needs and therefore sold a product that was unsuitable. The Borrowers also pointed to the length of the PPI, its cost, and the fact Black Horse received a substantial commission from the insurer as evidence of unfairness. These arguments were rejected by HHJ Waksman QC.

The Appeal

The Borrowers sought to appeal the decision on the basis that HHJ Waksman failed to deal with non-disclosure of commission, and this was relevant to a finding of Unfair Relationship within the Act. In fact, no less than 87% of the PPI premium was retained by Black Horse as commission (some £8,874). This was not disclosed to the Borrowers by Black Horse and they alleged that the relationship between them was consequentially unfair because the level of commission was disproportionate to the actual cost of the insurance.

The Borrowers further alleged that the size of the commission Black Horse received from the insurer gave rise to a conflict of interest. That in turn imposed on Black Horse a duty to disclose to allow the Borrowers to decide whether they wished to proceed with the purchase of the PPI given the amount of commission retained.

This view was emphatically rejected. Although the Court accepted that the level of commission was "quite startling" and that it would be viewed by many as "unacceptable conduct" on the part of a lender, the mere size of the undisclosed commission did not render the relationship unfair within the meaning of the Act.

The Court recognised that under ICOB rules, which came into force following lengthy consultation and consideration, there was no requirement for commission disclosure. There was no reason why a lender should be obliged to disclose receipt of a commission in order to avoid a finding of unfairness under the Act but not at the same time be obliged to disclose the same under the statutorily imposed regulatory framework.

Secondary Matters

Although the main thrust of the Appeal was the non-disclosure of commission and its relevance to Unfair Relationship, various other matters were also considered by the Court of Appeal. The majority of these related to allegations by the Borrowers that Black Horse had failed to comply with the ICOB rules.

The cost of the PPI was one such matter. The Borrowers referred to ICOB rule 4.3.6(2) which requires any intermediary to assess the suitability of the policy in terms of cost where this is relevant to the customer's demands and needs. The Borrowers claimed that Black Horse was in breach as it failed to carry out a proper assessment. This view was rejected by the Court, who made clear that the rule only applied where the customer expressly indicates that cost is a relevant concern as this may not always be relevant. Black Horse was therefore not under an obligation to consider/advise as to the cost of the PPI when making a recommendation.

Furthermore, the Court reaffirmed that "single product" lenders are not obliged to carry out a comparative exercise and advise the borrower of alternative cheaper products. If, as was the case here, the lender was only able to advise on a single product then no such comparison is required. Provided that ICOB had been complied with there would be no finding of Unfair Relationship.

Comment

The long wait for the Court of Appeal decision has certainly been worthwhile. The argument that receipt of large amounts of commission by lenders should be disclosed to borrowers during the sale of PPI and failure to do so amounts to an Unfair Relationship has been emphatically rejected. In doing so, the Court has provided some useful guidance on what does not amount to Unfair Relationship.

We now know that non-disclosure of large amounts of commission retained by lenders in the sale of PPI does not in itself create an Unfair Relationship. Neither does the fact there may have been some misrepresentation by the lender. We know that an insurance intermediary is only required to carry out an assessment of the cost of PPI when the borrower expressly indicates that cost is a relevant concern. In any event, the lender is not required to advise on similar products in the wider market even if the alternative products available are far cheaper, where they are otherwise under no obligation to do so. We also know that compliance with the ICOB rules will also avoid an allegation of unfairness.

The decision therefore has the potential to dispose of many arguments often pleaded on behalf of borrowers in Unfair Relationship claims. The decision also raises new "million dollar" questions: what actually amounts to an Unfair Relationship under the Act; and to what extent can this realistically be used by borrowers against lenders?

The impact of the decision in the PPI arena should not be under estimated. In one of the first post Harrison decisions, Langley v Paragon Personal Finance Limited & Central Capital Limited, the County Court followed the precedent set by the Court of Appeal in Harrison despite the claim involving a pre-ICOB loan with a broker intermediary (and therefore a case which the borrowers' solicitors had sought to argue could be clearly distinguished from Harrison).

In fact, the impact has been so great that Mr & Mrs Harrison have now sought permission to appeal from the Supreme Court. Those involved in PPI litigation eagerly await hearing whether the Supreme Court will allow permission to be granted, and if so, the appeal decision in due course. However, given how busy the Supreme Court is, its decision is unlikely to come quickly. PPI claims are therefore likely to continue for some time yet.

shoosmiths

Harrison v Black Horse: The end of volume PPI claims?

The eagerly awaited Court of Appeal judgment in Harrison v Black Horse has finally arrived. In short, this is another decision in favour of lenders in the context of PPI mis-selling claims.

Fiona Hayles
Associate, Shoosmiths

OFT Guidance for Credit Brokers and Intermediaries – what does it mean for you?

In response to growing consumer complaint levels and the 'super-complaint' issued by the Citizens Advice Bureau, in June this year the OFT issued draft guidance for credit brokers and intermediaries. The guidance also has a very clear message to lenders who use their services, you have a duty to make sure any broker or intermediary with whom you do business is compliant, and if they are found not to be, the OFT can take action against both of you.

Jeanette Harwood
Partner, Walker Morris

Credit Broker or Intermediary?

The first thing to consider is: what is the difference between a broker and an intermediary?

They are intertwining concepts and each has a statutory definition. Credit Brokerage, defined under section 145(2) of the Consumer Credit Act 1974 (CCA) is a form of ancillary credit business. A broker effects the introduction of individuals desiring to obtain credit to consumer credit businesses.There does not need to be any arrangement or direct connection between the person effecting the introduction and the creditor. A simple recommendation to use a particular lender, made by a broker in the course of business in response to a customer request, is sufficient. Bringing about or being the cause of an application to a creditor for credit is sufficient to constitute credit brokerage.

The guidance is also unable to provide any clear demarcation between the mere advertising of other people's credit and going beyond that to effect an introduction. A pragmatic approach will have to be taken to identify just what service a third party is offering. If they are doing no more than passively providing information, or access to information about prospective regulated credit agreements (for example via the display of leaflets on a shop counter), then they will probably not be engaged in credit brokerage and will therefore not require a Category C credit licence. Whether they go beyond this is a matter of careful judgment taking into account the nature, content and presentation of any advertisements, and the way in which its business operates.

It is accepted that most businesses currently engaged in 'credit brokerage' will also be credit intermediaries under section 160A CCA which defines a credit intermediary as any person who is not acting as a creditor, and who, in the course of a trade, business or profession, for a fee, (which may take a pecuniary form or any other form of financial consideration):

- recommends or makes available prospective credit agreements to consumers
- assists consumers by undertaking preparatory work in respect of such credit agreements
- concludes credit agreements with consumers on behalf of the creditor.

So, unlike the definition of a broker, there must be a fee for a credit intermediary, whether paid by lender or borrower. Another key difference is that no introduction need be effected for there to be an intermediary, someone who assists prospective borrowers to fill in application forms for creditors would be a credit intermediary but not a credit broker if there was no introduction of the borrower to a creditor.

In most cases, if leads to new business are purchased by a lender or potential borrowers otherwise acquired via a third party, that party will probably be acting as a broker and as an intermediary.

Responsibilities of Creditors dealing with Credit Brokers/Intermediaries

The OFT has stated in its guidance that it expects creditors to take appropriate responsibility for the activities of their credit brokers/intermediaries to ensure that they are not engaging in unfair business practices or acting unlawfully. This means that businesses must be pro-active at ensuring the third parties they are dealing with are appropriately licensed. Any agreement entered into following an introduction by an unlicensed credit broker will be unenforceable without a court order.

When selecting and monitoring the activities of third party credit brokers/intermediaries, lenders must take reasonable steps to satisfy themselves that those parties are not engaging in unfair business practices under section 25 CCA. Failure to do this will result in the creditors' fitness to hold a consumer credit licence being brought into consideration.

What to look out for:

- transparency is key. Credit Brokers and intermediaries must clearly disclose: their status in relation to the creditor; the extent of the service they are providing; the purpose of any fees payable and any matter that may affect the independence of the credit broker/intermediary. The OFT have expressed that this includes the commissions that are payable by the lender as well as by the borrower
- it is no secret that the OFT do not like those who charge up front fees to customers for the promise of a loan. This arrangement has a greater risk of consumer detriment and there have been enforcement cases against those who charge high up front fee and deliver nothing. Consider very carefully whether it is appropriate for you to deal with such brokers
- if you do decide to do business with an up-front fee charger, or if you are operating such a business, check that fees are disclosed to the customer at the outset, as the borrower must be able to give informed consent to pay the fee. This must be agreed with the borrower in writing prior to the fee being paid
- review relevant websites and advertisement materials: are they compliant with the guidance? Are they transparent as to the service offered? Do they disclose the fees payable and the connections to the creditor?
- refunds of brokerage fees paid by a potential borrower (less £5) are mandatory where the borrower does not enter into a relevant agreement within 6 months of an introduction to a source of credit.

The message is clear, if you are a lender dealing with third parties who may be engaging in credit brokering or acting as a credit intermediary, you must undertake due diligence at the outset of the relationship to identify who you are dealing with, ensure that they are appropriately licensed, and monitor their activities to satisfy yourselves that they will not bring into question your fitness to practice. To document all this we would advise all parties, lenders and brokers alike, to ensure that a detailed contract is put in place at the start of the relationship.

The Bribery Act 2010 – friend or foe?

Six steps to protect your business... The new Bribery Act 2010 came into force on 1 July 2011, amidst a blaze of publicity and confusion. So what exactly is a 'bribe' and how can you protect yourself and your business?

Michael Morris
Partner, Gorvins Solicitors

Under the Act a bribe can be anything that gives "benefit" to another. The press were quick to jump on this wide definition and question corporate hospitality. However, the Ministry of Justice has acknowledged that normal corporate hospitality is legitimate, provided it is reasonable and proportionate for the organisations' business.

Importantly, the bribe does not actually have to be paid. Simply offering or requesting an inducement in order to gain any commercial, contractual or regulatory advantage is an offence, and it is not just the individuals involved that may be held liable.

The Act makes it an offence for organisations to fail to prevent bribery, placing a new burden on businesses to ensure that the activities of their employees and other associated people (such as agents and subsidiaries) are compliant.

If an employee offers or makes a bribe your business may be held liable as well, unless you can prove that you had adequate procedures in place to prevent them from committing an offence.

With that in mind the government has identified six principles that all organisations should incorporate into their culture to prevent bribery:

- **Risk Assessment** – consider what bribery risks exist in your particular sector and market and continue this assessment regularly. Keep records of these assessments
- **Top Level Commitment** – implement a clear "anti bribery policy". Educate your employees that bribery is unacceptable and will result in disciplinary action
- **Due Diligence** – who are you doing business with? Do they have similar anti-bribery policies in place? Can they provide you with copies of these policies? Have they been sent a copy of your anti-bribery policy? Contracts with third parties should also be amended to incorporate anti-bribery clauses and warranties from associates
- **Clear Practical and Accessible Policies and Procedures** – provide guidance to employees about the new laws and how they relate to specific situations such as political and charitable donations, gifts, hospitality or promotional expenses
- **Effective Implementation** – ensure your policies are applied
- **Monitoring and Review** – review your policies and update them when necessary. Consider obtaining legal advice.

So, provided good practice is followed by the organisation and its employees, the Act should not cause undue difficulties but if you have any concerns about present business relationships, or want to ensure your organisation is properly protected, the best thing to do is seek early advice from a solicitor.

Michael Morris, Gorvins Solicitors
www.gorvins.com 0845 539 5151

Complying With Legislation: A Case to Watch

Recent developments in the consumer credit case of American Express Service Europe ('the Lender') v Brandon ('the Customer') have served to highlight to lenders the importance of their documentation complying with legislation.

Stephanie Sandford-Smith
Senior Legal Advisor, DWF

The Story So Far

A credit card agreement ('the Agreement') was entered into between the Lender and the Customer. The Lender issued a Default Notice (DFN), dated 19th June 2007, to the Customer under Section 87(1) of the Consumer Credit Act 1974 ('CCA'). The DFN required the Customer to make a minimum payment within 14 calendar days. However, the DFN did not take into account the two days that the law usually allows after the date of posting (for 1st class post), for the Customer to receive the notice.

The Customer failed to make the payment, however the Lender did not actually terminate the Agreement until 11th July 2007, 22 days after the DFN was sent. At this point, the Lender applied to the court for summary judgement for the full balance outstanding under the Agreement, on the basis the Customer had no real prospect of defending the claim. The Customer argued that, in not giving the necessary period for service, the DFN was in breach of the CCA and the Civil Procedure Rules (CPR) and was therefore not enforceable.

The court granted summary judgement in favour of the Lender, reasoning that, although the DFN was defective, it could be over looked as the Agreement was not terminated until some time after and that the Customer had made no attempt to repay in full.

The Customer appealed the decision to the High Court. The court noted that whilst the Lender had committed a technical breach in relation to the DFN, the Customer had not suffered any prejudice. On this basis, it was held that the defect in the DFN was not a bar to enforceability. At the appeal, the Lender also raised a new argument that it had a right to terminate the Agreement, regardless of the potentially defective DFN.

The Customer then chose to take the case to The Court of Appeal, which considered proceedings and dealt with each matter in turn. In relation to the validity of the DFN, the court held that the Customer did have a real prospect of success on the issue of the unenforceable DFN and the error with the DFN could not be overlooked as minor technical detail.

In regard to the termination of contract argument proposed by the Lender, the court found that a claim for summary judgment should be clearly set out in order that a defendant knows the case that he must respond to. By raising a new argument at the first appeal, the Lender prevented the Customer from responding properly and its introduction was not fair or justified.

The Potential Impact for Lenders

This is most definitely a case for Lenders to keep their eyes on. Although not yet a settled issue, it is nevertheless an important reminder for lenders. They must ensure that all of their documentation complies with the legislation, regardless of whether there is any detriment to the customer, and always allow a customer sufficient time to rectify a default notice. If the decision is approved, the approach could be used in relation to other breaches and have a far reaching effect.

If you have any questions, please contact Stephanie Sandford-Smith at DWF on 0121 572 8512.

Your CCTA

A call to arms
5 minute manager

Lobbying – A Ten Point Plan of Attack

As an Industry we need to persuade MP's and legislators alike to look carefully at any proposal that will detract from the consumer credit regime, a regime that has just gone through 10 years of rigorous and complex investigation, and legal changes. To meddle unnecessarily with the industry at this stage, could cause consumer detriment, as accessibility to certain sectors and products, will distort the market and create competition.

We implore CCTA members become involved in the lobbying process over the next months. Have your say. Approach your elected representative on these crucial issues that could severely impact on your business and customers.

Following on from the CCTA National Conference, the lobbying of MP's and legislators becomes paramount, as the passage of the Bill to bring about the new regulatory architecture of the Financial Conduct Authority (FCA) takes place. The government currently envisages that this will happen by the end of 2012, although we are still awaiting confirmation of that date.

The lobbying of MP's, and legislators, is important to avoid unintended consequences happening through, inappropriate, or disproportionate regulation on the current consumer credit regime enforced by the OFT. As you are aware it is proposed that one regulator is chosen, rather than the current two, the FSA and the OFT. It has been much publicised that the OFT will potentially morph into the Competition Markets Authority (CMA).

TOP TEN POINT - PLAN OF ATTACK

1. **Be specific about what you want from the MP, or legislator.** CCTA will provide a template letter for you to customise, in order to make clear why you are writing to them. We have to ask them to do specified things, or support specific campaigns. Our lobbying has to be succinct, and impactful.
2. **Timing, timing, timing.** We will advise members when to activate the campaign, to link with the public awareness, and general climate of public opinion.
3. **Constituency focus should be more readily exploited.** We will ensure that we have different template letters for different constituents. We will also focus on marginal constituencies as those MP's will be more aware of consumer opinions, linked to populists topics. For example, an MP with a poorer consumer bias in his constituency, could be more interested in a potential scarcity of loan availability to hard pressed families. We will also be focusing on constituencies where MP's sit, if they are cabinet ministers, shadow cabinet, close to Government through committees, or special interest groups. We will advise you who these MP's are, and the appropriate letter template letter to use.
4. **Encourage, and empower your customers to lobby.** Whilst political commentators would usually state that government in the United Kingdom is 'power of the people, by the people, for the people', it is in fact 'through Parliament, and not by Parliament' that changes for the electorate take place. Use local people as an entry route, to change the course of new proposed legislation.
5. **Keep up the pressure.** Create a memorable and powerful campaign, and continually refresh it. We should not expect that legislators and MP's read everything, about every subject. UK GDP, and their constituents are important to them. Consumers are used to having accessibility to consumer credit. When consumer credit is used appropriately, and responsibly, it is vitally important for the financial wellbeing of our country's growth. Over 30% of consumer credit loans are granted outside the banks, and small to medium sized enterprises (SMEs) make up a goodly portion of those credit grantors.
6. **Direct/personal contact with MP's is essential.** Find out when your MP has a surgery/clinic, make an appointment to explain why they should be concerned about the real threat of more, and disproportionate regulation to consumer credit. Why is this a preferred route? If MP's think that the same mail has been sent to many MP's, they won't necessarily feel ownership of that correspondence or issue. Therefore they will be less likely to feel induced into responding, or taking action.
7. **Send MP's targeted, concise letters.** MP's regularly state that an A4 sheet with 2 to 3 strong points, gets their attention. You can also include a longer synopsis to the background of the perceived problem.
8. **Ensure both long term, and short term commitment from MP's.** As the Bill goes through Parliament there will be other potential issues that come to the fore, ensure that you advise the MP that you will keep them abreast of any changes, good or bad that take place on the proposed regulatory changes. Make sure that you thank them, if you see that they are fighting for the cause.
9. **Use the media, and other public arenas if you feel comfortable.** The more widely our campaign for proportionate and appropriate regulation, to ensure that consumer credit accessibility for the informed and responsible consumer is maintained, the better. The use of social network sites to mobilise public support, and petition legislators is widely used, and does have positive outcomes.
10. **Join forces where necessary.** We will be joining forces with other like minded trade associations to challenge unnecessary changes. We will be reminding legislators and MP's of their commitment for less bureaucracy and a 'one in... one out' approach to regulation.

If you have any queries, or would like to discuss lobbying in more depth please email **Greg Stevens** on **greg.stevens@ccta.co.uk** , or ring on **07530 324796**.

ECONOMY, ENTERPRISE AND GROWTH POST CONFERENCE REVIEW

Keep Calm and Carry On was the backbone theme to our 2011 conference, Economy, Enterprise and Growth, held at the Nottingham Belfry on Thursday 10th November. In true bulldog spirit, our delegates did precisely that.

An impressive 129 individuals from around 90 different companies involved in the credit industry, joined us for a day of wide ranging, current and informed presentations, inciting open and lively debate in a three tier format.

Aimed at encouraging those difficult questions that can often be avoided, we had an 'Elephant in the Room' whereby delegates could anonymously raise the issues troubling their businesses on a day to day basis. Admittedly, it was a baby elephant, but as the proposed 'lift and shift' of the Office of Fair Trading (OFT) into the Financial Conduct Authority (FCA) looms large on the horizon, as the 'loudest' lobbying trade association for credit grantors large and small, we felt the need to illustrate, the 'herd' that is heading the way of consumer credit in 2012. Feedback would indicate no small measure of success...

KEEP CALM AND CARRY ON ccta

Our sincere thanks to...

...all the sponsors, exhibitors and supporters, without them the day would not have been possible. Their friendly professionalism created a relaxed atmosphere and added greatly to the overall success. The ipad 2 exhibitor raffle prize went to Joseph Birkby of PDB UK Limited.

SPONSORS/ EXHIBITORS:	EXHIBITORS:	SUPPORTERS:
Oyster Bay Systems	Welcom Software	Yuill & Kyle Solicitors
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The Nostrum Group	CoreLogic Teletrack	Credit Action
DWF LLP	PacNet Services Limited	Butterworths Webinars

...the impressive line up of speakers, whose individual expert knowledge struck a balance between 'realism' and 'optimism' with regard to the economy, enterprise and growth, and highlighted perfectly our keep calm and carry on manifesto.

Our biggest thanks however, goes to the delegates, members and non-members alike, whose enthusiastic involvement in the event illustrated the determination of a much beleaguered industry, to roll up its sleeves, keep calm and carry on.

"varied, informative and though provoking"

"of tremendous benefit, interesting speakers and civilised networking"

"wide ranging and of genuine interest"

Main Conference - Economy Enterprise and Growth

Greg Stevens

Chief Executive
CCTA, Conference Chairman

Certainty in an Uncertain World

Greg, our own CEO, set the ball rolling with an introduction to the uncertainty our industry is currently facing, as we move inexorably towards the Governments' chosen regulator for financial services, the FCA.

During 2011 CCTA introduced a number of Face-2-Face open discussion groups for our members, located around the UK, offering them an opportunity to air their problems and grievances. The two main recurring issues fed neatly into his presentation:

1. over regulation and the never ending regulatory changes
2. on-going funding problems, despite Government protestations that Project Merlin, their funding solution, was reaching SMEs.

Addressing the first issue in full, the following are among the points he made:

- legislators, and regulators should be cautious about bolting the stable door on consumer credit, as that particular horse did not create our current economic concerns
- consumer credit firms in the main do not take deposits, and the risk of default sits with them not the Government, or taxpayer
- second tier personal lending outside the main banks represents over 30% of the market, so regulators should beware regulating in haste, with a potential dramatic impact on future GDP
- of the maxim "if it ain't broke, don't fix it" he suggested that regulators should consider "if it ain't broke, don't break it," referring to the possible dilution of the consumer credit regime if it is moved from the OFT to the FCA
- he viewed the 'Elephant in the Room', as the potential damage to consumer credit if the transfer to a new regulator is not given adequate time, or appropriate consultation
- he also referred to a lack of consumer credit expertise in the FSA/HM Treasury as worrying
- he reminded the audience of the movement of General Insurance from the GISC to the FSA, where the majority of firms providing the product in 2004, are no longer in existence
- he pointed out that consumer credit SMEs in particular would find it difficult under an onerous and expensive regulator, operating a principles and rules based approach.

2011 was CCTA's 120th year at the forefront of the credit industry. As an association we have well established, excellent relationships with MP's, legislators, regulators, and non-government organisations alike. At a time when many are cutting costs, we have taken on over 60 new members in the last 11 months, in his final point Greg underlined the fact that now is the time to stand with us and be counted, 2012 will be another year of lobbying, our increasing numbers shows plainly that CCTA is the main sentinel at the gate for consumer credit.

David Fisher

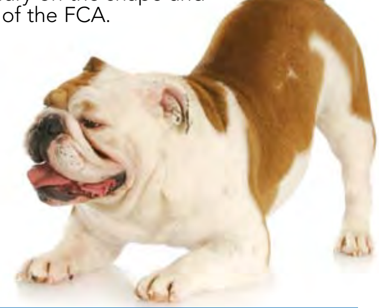
Director of Consumer Credit
Office of Fair Trading

The OFT's Approach to the Consumer Credit Market

David provided an eloquent speech on the current role of the OFT, and the certainty that it will ensure over the next few years, until the proposed change in regulation is finalised.

- he could not provide an exact finalisation date
- he stated the OFT in its' current duties would change, with part of the organisation potentially moving to the Competition and Markets Authority (CMA)
- he confirmed that they would continue to enforce high profile cases where firms show that they are flouting regulation, and genuine consumer detriment exists.

At this stage he could not provide a timescale, or model of regulation for consumer credit going forward, as discussions are still taking place between the OFT, FSA and HM Treasury on the shape and direction of the FCA.



Professor Nigel Waite

Chief Executive
The Canford Centre for Customer Development, UK

Seeking Certainty

Nigel provided an energetic and thought provoking presentation, covering a wide range of issues effecting consumer credit and the consumer. He outlined an overview of the economy, and the three phases of a debt crisis, covered the issues surrounding sovereign debt, prudence versus profligacy, and touched on the subject of bank losses and capital raised.

Nigel then looked at the relationship between the consumer and financial service companies. He posited the view that:

- customer's financial circumstances were becoming stretched but overall not to any great degree
- trust and fairness are vital in the relationship between the consumer and the financial companies
- he proved that there was a direct correlation between fairness and loyalty, and stated that there are two kinds of trust that the consumer desires, a trust in competence, and a trust in intentions.

In his summary, he maintained that the financial services sector had a mammoth task to repair the loss of trust with the consumer over the last few years.

Joanne Davis

Partner, Banking and Finance
DWF LLP

Horizon Scanning

Joanne took us through the implementation of the Consumer Credit Directive (CCD), and looked at the horizon of consumer credit regulation in the future. She reviewed the objectives of the new regime, which included:

- delivering clarity, coherence and improved market oversight
- effective and appropriate consumer protection
- a more responsive and flexible framework
- ensuring a proportionate and cost effective regime.

Joanne detailed the kind of challenges that we would have with a more rigorous regime:

- the level of information and reporting required
- whether approved persons would be required
- how to preserve the Consumer Credit Act (CCA) protection for existing agreements.

Joanne finalised by asking:

- how will new applications for consumer credit licences be dealt with?
- will there be a grandfathering process for existing Consumer Credit Licences (CCL) holders, or would they have to apply for approval by the new regulator?

John Fellows

Head of Compliance
First Response Finance Limited

The 'People' Side of Compliance

John presented the 'people' side of Compliance, rather than seeing them as Sales Prevention Officers, how should organisations engage with their risk and compliance teams? He introduced the delegates to a 'systems' thinking approach, which looked at addressing the business issues holistically through integration, with systems and processes rather than in isolation.

He expressed the opinion that command and control processes dealt with issues top down, rather than across the organisation. They also relate to budget, activity, targets, outputs and standards, whereas systems thinking, takes the process wider into purpose, variation and capability.

Closing on a positive note, he pointed to the win-win scenario that comes from systems thinking, where company learning and customer retention are both heightened by the process.

KEEP CALM AND ccta CARRY ON

Workshop One - Competency and Compliance
Workshop Two - Emerging Markets/Payday Lending

Mike Bradford
Director
Regulatory Strategies Limited
Data Protection - A real benefit to your business...

Mike gave a detailed presentation on Data Protection as a real benefit to your business. Among the many pertinent points he highlighted were:

- data protection regulation will become more rigorous over the next few years
- the Information Commissioner can fine up to £500k for breach of the data protection principles
- 90% of customers are fairly, or very concerned about the privacy of personal information held about them
- the ICO offer a free audit consultancy to run the rule over companies' compliance. If they were made compulsory financial services would be targeted for audits on the basis of complaints against them.

Having captured the audience attention, at the end of his presentation, Mike asked delegates how they exploited their data opportunities to deliver strategic and operational objectives. He also asked how they were going to balance business versus compliance decisions, bearing in mind the potential impact of being too cavalier, or overly risk averse.

Graham Haxton-Bernard
Head of Legal, Compliance & Regulatory Policy - Consumer Credit Trade Association
Treating Your Customers Fairly

Graham covered Treating Customers Fairly from a regulators view, and put Unfair Relationships Provisions into practical guidance. He also dealt with the FSA's point of view on the subject, Principle 6, part of the high level standards:

"A firm must pay due regard to the interests of its customers and treat them fairly."

At the moment consumer credit does not fall under this high level Principle.

He advised that the OFT, and FSA had issued a joint communiqué on payment protection products, or derivatives, stating that they would be monitoring the market to ensure that new products do not cause consumer detriment.

When summarising Graham expressed the opinion that SME growth is an essential feature of the present economy. The positive outcome of customer retention and profitability of compliant businesses would contribute to this growth, which in turn would provide enterprise and job opportunities.

Helen Ward BSc(Hons) MBA ACA DipFSM
Primary Consultant - Alizarin Associates
Emerging Markets - Opportunities in Non-Traditional Finance

Helen got our second workshop off to a fine start, running through the Payday Lending 'story so far'. She explained how the 'credit crunch' saw mainstream lenders tightening their scoring models, and how the consequent decline in available credit, forced many non standards lenders to re-trench or withdraw from the market completely.

Consumers, still having a legitimate and valid need for credit, were looking for alternative sources, thus opportunities for new types of lending and new products arose. She outlined some of the options:

- online Payday lending, which is expanding rapidly with new entrants from the UK, the USA and Europe
- traditional branch based cheque cashers moving into debit card lending
- cash loan products being offered by traditional pawnbrokers
- online home credit applicants.

At the end of her presentation, Helen stressed the consumer benefits these new markets potentially offer, including increased choice and availability and the avoidance of long term debt.

Tony Leach
Consultant
Teletrack Limited
The UK Payday and Non-Traditional Lending Market

Following Helen's comprehensive overview of emerging markets, Tony covered Payday Lending a little closer to home, starting with its history in the UK. From traditional credit i.e. pawn brokers, cheque cashers and home credit, to the first online service which was established in 1992.

In further depth, he discussed the size of the current UK market:

- five years ago, 50/60 significant players
- now, 100+ significant players, and still growing
- estimated 1.6 individual borrowers (Consumer Focus Report 2010).

To round things off, Tony presented his vision of the future of Payday Lending:

- an increase in UK entrants
- continued US growth, new start-ups and acquisitions
- new money arriving from South Africa and Eastern Europe.

Richard Carter
Director
Icenet/The Nostrum Group
Building a Balanced Portfolio

Consolidating the presentations of the previous two speakers, Richard began by outlining the potential challenges facing emerging markets. His points included:

- lack of wholesale liquidity
- regulatory pressure
- increasing number of new entrants
- escalating acquisition costs
- need for diversified portfolio/income stream.

He went on to discuss where potential opportunities lay and the various forms this type of lending can take. He summarised the advantages of building a balanced portfolio, and the all round positive outcome for a business:

- responsible lender
- strong customer retention
- balanced credit risk
- sustainable business.

Yohan Lobo
New Business Manager
UK Payment Acceptance
Barclaycard Services
Payday Loans and Card Payment Acceptance an Acquiring Bank's Perspective

Yohan, our final speaker, represented Barclaycard Global Payment Acceptance, one of Europe's largest payments acquirers and processors. After running through the Payday Loan market background, his presentation laid out the requirements businesses must meet in order to utilise Barclaycard Services. He illustrated in full the stringent compliance levels and the processes and costs involved, then summarised the benefits Barclaycards Services afford:

Flexible trading

- online or face to face applications
- automated processing and settlement.

Opportunity

- growth area in tough economic conditions
- recession proof
- developing market.

Yohan's alternative perspective on today's emerging markets offered delegates practical information on options available to their business, and left the floor open for the lively debate that followed...

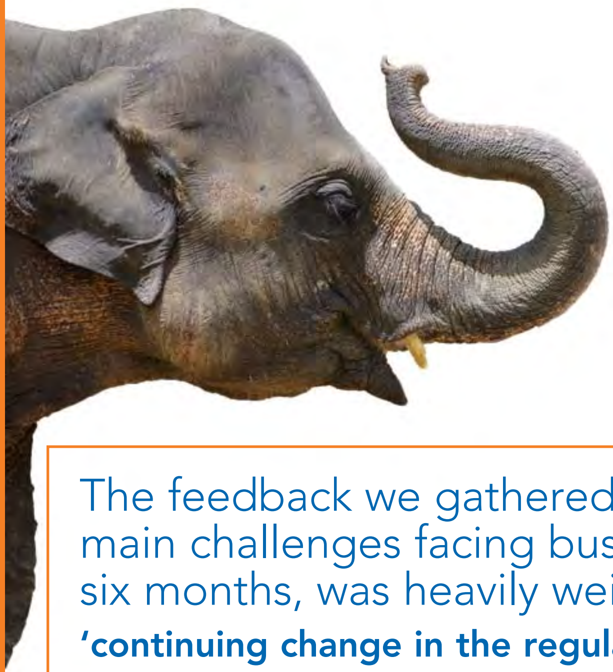




After the success of the conference, many of the delegates joined our 'austerity' themed champagne reception and gala dinner, 50's fun for everyone!

With a 'Best of British' menu, a traditional 10 piece swing band and an evening of entertainment that lasted into the small hours, delegates took the opportunity to catch up with old friends and colleagues, and to introduce themselves to the many new faces at the event.

Even the elephant saw the sun rise!




The feedback we gathered regarding the main challenges facing business in the next six months, was heavily weighted to...

'continuing change in the regulatory framework'

CCTA lobbying efforts are at the top of our 2012 list. We will be taking your fight to the Government, and we need your full support. On page 20 of this magazine, you will find a 10 point lobbying plan. We will be in touch with further information shortly, but if you require any help or advice in the interim, please don't hesitate to get in touch.

A date for your diary...

Our 2012 conference, CCTA FINANCIAL OLYMPICS 2012, will be held on Thursday 8th November at the Nottingham Belfry Hotel - will the elephant still be in the room?

One Minute Interview

Q&A

CCTA Getting to know us...

What is the first thing you notice about other people?
Shoes. Sounds weird but if the shoes haven't been polished I start to judge. Wrong I know.

What is your favourite time of day?
Dawn. There's something about the sun on the horizon.

What would be your dream job?
Years ago it would have been a rock climbing instructor. Now a Mountain Bike tester for mountain bikers of leisure! I know all the pubs and café's on the routes I cycle.

If you were stranded on a beach, what are the five things you would want to survive?
Flint to make fire, water filtration to convert sea water to drinking water, all the music of Paul Weller (including the Jam years), a continuous source of herbs and spices to make the food interesting, a quarry with good climbing.

If you had to change your name, what would you change it to and why?
No idea. I've no imagination I'm afraid and sometimes find any propensity to consider 'if only' as a waste of time when there's so much still to do in life.

What makes you laugh out loud?
Everything. I find humour in all things, be they happy or sad.

Do you have a special talent that not many people know about?
After leaving school I trained as a chef. I worked at the Carlton Hotel in St Moritz Switzerland under a chef who served his apprenticeship alongside Anton Mosimann. He wasn't bad! I was rubbish, hence I left the industry.

Do you believe in astrology?
Sorry. I'll listen to those who do it, but it has no sway with me I'm afraid.

What is your favourite book?
Unfair, there's so many. I do like George Macdonald Fraser & Patrick O'Brian (Master & Commander). Books on climbing are also a favourite and 'Feeding the Rat' by Al Alvarez which tries to explain one climber's innate desire for adventure is in the top ten. Books about human resilience are also favourites. I recently read 'As Far As My Feet Will Carry Me' about a German Prisoner of War who walked over 8,000 miles from Siberia to Iran to escape his enforced labour in a lead mine. Awesome!

Whose advice do you always seek?
My best friend's. He delivers honesty so well.

What makes you angry?
Everything. I'm a typical grumpy old man, but specifically arrogance and a failure to consider others.

Which do you prefer, Strictly Come Dancing or The X Factor?
Strictly Come Dancing. I would love to be able to dance around a ballroom to a Straus waltz without trampling my dance partner to death.

If you could have dinner with any three people, real or fictitious, from any time period, dead or alive, who would you chose and why?
Another unfair question. I would like to understand the makeup of many of the great Political, Military & Social reformists. But in all honesty, an evening in an isolated mountain bothy with those I consider to be my good friends is priceless. Loyalty is everything to me.

Happiness is?
Life! Anything before or after is waiting!

In a Hollywood film of your life, who would play you?
For my ego I would say Steve McQueen or maybe James Garner. The reality, probably Ade Edmondson, we have a similar hair style.

NAME
John Fellows

AGE
52

COMPANY
First Response Finance Ltd

JOB TITLE
Job Title: Company Secretary
CCTA Council Member

TO APPEAR ON THIS PAGE PLEASE CONTACT:
anne.threapleton@ccta.co.uk

OFT - All Change

In September, Nigel Cates Deputy Director of the Consumer Credit Group at the Office of Fair Trading (OFT), took up a new position as a Director in the Markets and Projects Group of the OFT. Having worked closely with Nigel for the past four years, CCTA would like to extend congratulations on his new appointment, and our sincere best wishes for the future.

NEW MEMBERS

CCTA would like to officially welcome the following new members to the association

Hamilton Greig Limited
Liverpool

The Lending Well Limited
Bicester, Oxon

D.P.D.G. Finance Limited
Writtle, Chelmsford

Nimbazz Limited
London

George Wilkinson Associates
Surbiton

Skyline Direct Limited
Belfast

Log Book Loans NI Limited
Belfast

Greenlight Credit
Weybridge

Secret Eye Limited t/a TFF Loans
Tarbock, Merseyside

Prompt Pay UK Limited
London

Azule Finance Limited
Datchet, Berks

Southbank Capital Limited
Redhill, Surrey

BB Marketing Limited
London

Home Routes
Sheffield

Walker Morris Solicitors
Leeds

Cash Finance Direct t/a Horizon Finance
Stockport

Via SMS UK Limited t/a PoundAccess
Slough

Fast Investment Limited
Harlow

Bexhill UK Limited
Luton

The Car Finance Company (2007) Limited
Portsmouth

Callcredit Whitepaper Provides Credit Risk Management Insight for Lenders Tackling Recession

Highly regarded credit experts Callcredit Information Group, have analysed the effect of the recession on lenders and documented their findings in a whitepaper, which reveals how automated data solutions can help lenders deal with the crisis.

The whitepaper titled 'The Increasing Value of Data in Credit Risk Management' is comprehensively written by Will North, Marketing Development Manager at Callcredit in which he assesses the economic conditions, the regulatory environment and other market factors affecting financial services organisations. His clear breakdown of the current UK and world economy sets up the latter sections of the document that looks at a solution for lenders, technology assisted credit risk management.

Legal 500 Guide highly recommends Michael Morris of Gorvins Solicitors

Michael Morris, partner at Gorvins Solicitors has been highly recommended in the latest edition of Legal 500 guide, published at the end of September.

The UK Legal 500, which is produced annually, is one of the leading independent guides to the legal profession, and is regarded as the industry's bible.

Gorvins maintained its position as a tier one firm for Commercial Litigation, the highest ranking possible, with Michael Morris being described as 'exceptional' with "excellent knowledge of the Consumer Credit Act and litigation".

www.gorvins.com

Frank Johnstone appointed Convenor of Accreditation Panel

The Law Society of Scotland has recently announced that it is extending its specialist accreditation scheme to include the new accredited specialism of Debt & Asset Recovery.

The Society recognizes that debt and asset recovery and, in particular, consumer debt recovery, is becoming an increasingly regulated and complex area of practice. It has appointed Frank Johnstone, Consumer Finance and Recoveries partner of McClure Naismith LLP as the Convenor of the Accreditation Panel of the new specialism.

CDL are delighted to announce that Karan Ridgard is joining the CDL VIS team

Karan has worked previously in this area for Experian and more recently Trader Data Systems, where she led the design and implementation of the TDS data solution. She will be assisting in the representation of CDL VIS in discussions with trade associations and data suppliers, as well as providing guidance on the company's approach to vehicle data.

Commenting on her new role with CDL VIS, Karan said, "I am delighted to be working in this field again, particularly with such an innovative and energetic company, and I am looking forward to meeting up with all the finance companies' representatives again soon."

Tieto appointment announced

Ian Wilson has been appointed Business Development Director for financial services with responsibility for new business sales and expansion of its client base in the UK market.

He has 22 years experience in financial services including technology sales & marketing, consultancy and senior management roles within lending organisations.

Mr Wilson said "I am delighted to join Tieto and look forward to raising brand awareness of our proven technology platforms and to grow market share within our chosen product verticals." Elliot Howard, UK Managing Director of Tieto added "Ian's background and expertise will be instrumental to our strategic business growth plans and to help us establish our position as preferred industry supplier".

Leading financial outsourcer has appointed Graham Donald to spearhead the firm's entry into the £220 billion unsecured lending market as an end to end loan administrator

Donald joins HML with 25 years experience in the personal loans industry, including 18 years with Lloyds Banking Group, and will concentrate on establishing HML's position in the market.

The outsourcer, which has managed millions of mortgage customers during its 23 year history, will partner with Harrogate based installment credit specialists and CCTA member the Nostrum Group.

Donald says there is growing consumer demand for unsecured lending and working with Nostrum, HML has the attributes to succeed in the industry:

"We will use Nostrum's award-winning technology and expertise in combination with HML's multi-site resource to provide a very attractive end-to-end outsourcing service for large and small providers of personal loans.

Netsol Technologies and Investec Asset Finance to jointly acquire U.K. based Virtual Lease Services Limited

NetSol Technologies, Inc. (NASDAQ: NTWK), a worldwide provider of global IT and enterprise application solutions, today announced a definitive agreement to jointly acquire United Kingdom based Virtual Lease Services, Ltd. ("VLS"), together with Investec Asset Finance Plc., which provides asset and loan finance services to corporate and professional firms in the U.K. The acquisition will be owned 51% by NetSol Technologies Europe, Ltd., a wholly owned subsidiary of NetSol Technologies Inc., and 49% by Investec Asset Finance.

VLS, with more than 30 customers across the U.K. finance and leasing industry, provides key support to their clients.

"Investec has known the team at VLS for a long time, and, like all of their customers, we trust and respect what they do. We believe that combining VLS's management, reputation and skills with NetSol's system capabilities, along with our expertise will create a business with the potential to change the way the asset finance sector organises its operational activities," said Mike Francis, of Investec Asset Finance Plc.

Cabot Credit Management appointment announced

Roger Davis has been appointed as Non-Executive Chairman Acquirer and Manager of Consumer Debt, with effect from 1 October 2011.

Roger is currently a Non-Executive Director and the Remuneration Committee Chairman of Experian Plc, and spent nearly a decade at Barclays, with responsibility for 45,000 employees and £6 billion revenues. He retired from Barclays in 2005 and is currently Chairman of the Boards of Gem Diamonds Plc and GRC, the private defence company.

Neil Clyne, Group Chief Executive of Cabot Credit Management, comments: "Roger will add valuable experience to the Board of Cabot Credit Management and we are delighted he has chosen to accept this important role".

Payday Lending

The Good, The Bad and... Two sides of the Payday coin!

Staff at leading short term loan provider, The Money Shop have, received a resounding thumbs up in a nationwide customer survey as complaints about high street banks rise.

Consumer research carried out by independent marketing strategy and research company, on behalf of Dollar Financial UK, shows high levels of satisfaction with Payday loan products and services from the UK's leading store based consumer credit provider. Of those asked:

- **90% said The Money Shop staff are friendly and treat customers fairly and honestly, whilst only 55% of bank customers said they felt they received fair and honest treatment from their banks**
- **91% said information about repayments and charges is clear and easy to understand**
- **61% of Money Shop customers agreed that charges and fees are reasonable, whilst only 33% of bank customers felt the same way about their banks**
- **94% of Money Shop customers said they had never felt they were being pressured by staff to extend existing loans.**

The results coincide with findings published recently by The Financial Services Authority (FSA) which revealed that banks are receiving 10,000 complaints from customers every day. Consumer groups were inundated with more than 1.85 million complaints in the first half of 2011, an increase of 6.5% on the previous year.

Caroline Walton, The Money Shop's corporate affairs director said: "we are here to promote responsible lending at appropriate levels. No one benefits if customers find themselves spiralling into debt. Our fees are up front and customers are clear about the amount they will be paying. The annual percentage rates for these loans, if repaid over a year, may be high but they are not designed as long term solutions. We offer relatively small amounts for a short period, typically until the next Payday, for a fixed amount".

Payday Loans – the fact and the fiction!

As the credit crunch continues to bite, more and more people are turning to short term loans as a means to tide them over when unexpected bills arise.

These loans can be a useful way of meeting immediate borrowing needs and avoiding long term debt, as long as they are paid back in full and on time.

The ethics behind many financial institutions have become an emotive topic of late, and the media have all elements of the credit industry under the microscope. It is not surprising that rumours of 'horror stories' abound. Below we unravel some of the common myths associated with Payday Lending.

It is always cheaper to use a credit card or bank overdraft facility. Payday loans compare favourably with many consumer alternatives, even when expressed as annual percentage rates. For example, Payday loans cost around £25 per £100 borrowed, borrow £200 from a Payday lender and on day 30 pay back the loan for, say, £250. On unauthorised bank overdrafts, there is no requirement to show an APR, and borrowing £200 would cost an estimated £350 to pay back after 30 days.

High APR's mean short term loans are an expensive option. In the case of Payday lending an APR is fundamentally misleading, annualising the interest cost of a product that is only offered as a short term facility, confuses the purpose of the loan and misrepresents the true cost. APR is a regulatory requirement and as the title suggests was introduced in relation to long term loans, not small sum lending. The rate of interest does not tell a customer the cost of the loan.

Payday lenders do not have to adhere to the strict regulations that banks, building societies and credit card companies do. In fact, all consumer credit is regulated and there are common standards throughout the EU. The 'lending process' is regulated rather than individual products, which makes sure everything is covered. UK credit legislation has been substantially revised and updated three times in the last 10 years.

The vulnerable, unemployed and those on benefits are easy targets for Payday lenders. Around 70% of people who use Payday lenders are in full time employment, but temporarily out of cash. Credit checks into a potential borrower's financial history, sift out those who are unable to repay a loan. The 20% of UK households that have no full time 'earner' are unlikely targets for any company requiring payment.

Payday lending encourages individual debt. Debt comes in many forms, the figures below put Payday lenders personal debt contribution into perspective. On average, individuals owe:

- £12,911 on personal loans
- £12,418 on credit cards

Unsecured lending is much lower, including those types which have had a lot of attention paid to them over recent years:

- £1,391 home credit
- £1,286 store cards

Payday loan debt seems to be too small an issue to mention as a separate category.

Payday lenders often don't carry out credit checks. Carrying out credit checks is a key part of the responsible lending process, any business not using specialist providers of identity and credit data leaves itself open to fraudulent applications and could quickly suffer the consequences. The fact is that more than 90% of applicants for on line loans are turned down after checks have been carried out.

There are more complaints against Payday lenders than conventional credit suppliers:

Data released by the Financial Ombudsman Service shows the complaints about finance products between July and September 2011 were:

- 19,259 protection insurance
- 5,751 credit cards
- 4,197 current accounts
- 1,718 bank overdrafts and loans

The Financial Services Authority (FSA) revealed that banks are receiving 10,000 complaints from customers every day.

As investigated in Which? magazine (see below) Payday borrowers often rack up multiple loans. Any borrower can easily over stretch themselves with bank overdrafts, and credit cards. All reputable banks, credit card companies or Payday lenders, conduct thorough checks for every loan application, to ensure that those who borrow from them are credit worthy and can afford the loan repayment.

The introduction of rate caps would be good for consumers. Introducing rate caps would not make small sum, short term loans cheaper, it would make them unavailable. Removing this borrowing option in today's financial environment will only force households struggling to manage their personal cash flow, to borrow from more expensive, possibly unregulated alternatives, and in effect, lower standards of living.

Payday Loans... the dark side!

Investigations carried out for Which? Money, meant to focus on high APRs, found that, some loan companies could be encouraging customers to borrow more and more over a longer period, through loans designed for short term borrowing.

Several companies tested encouraged borrowers to extend, or 'roll over', their loan, sometimes for several months. They had to pay off the previous month's interest first, but still incurred an extra monthly interest charge of around £25 per £100 borrowed for each month they rolled over the loan i.e. borrow £100 for four months and pay £100 in interest.

Some of the lenders told the mystery test shoppers that the amount they could borrow next month would be guaranteed to increase, provided they pay the original loan back on time.

The investigation set up a scenario for a hard up consumer, unable to cope with their finances:

- take out a Payday loan with company A
- before loan A is due to be repaid, apply for a second loan with company B. Loan B will need to be a bit higher than loan A to cover the interest. Use that loan to repay loan A
- loan B is now due to be repaid, however, company A is offering a guaranteed loan of double the amount it lent originally. Take out the new, increased loan to repay loan B
- lender B also guarantees to lend more the second time round, so use that to pay off the second loan from company A
- keep doing this until either A or B pulls the plug. At that point the borrower can't afford to repay the final loan and goes into default.

Payday loans can, in theory, offer a short term solution to an immediate cash flow problem. However, the structure that many providers have built into their lending systems, whereby loans can be automatically rolled over and/or increased, could encourage cash strapped consumers to enter a cycle of unmanageable debt that will probably only end in far greater money problems.

Not all Payday loan companies work this way, the few companies with an apparent disregard for the long term finances of their clients is giving a bad name to this expanding credit market.

Two million people are expected to take out a Payday Loan this year…

Europe's largest online microloan lender says the number of people in the UK to have taken out increasingly popular short term loans will have now exceeded two million.

Ferratum, which launched in the UK four months ago and operates in 17 countries, has seen rapid growth since opening for business in July. In 2009/2010, more than 1.2 million people took out microloans in the UK, otherwise known as Payday loans, but Ferratum says that if its growth figures are representative of the entire UK market, more than 2 million people will now be using Payday loans.

Ian Porter, Ferratum UK's Sales and Marketing Manager, said: "Microloans are probably the fastest growth area in the financial services sector. "We find that people like the flexibility of a microloan. They are able to borrow anything from £50 and £300 and repay it within a maximum of 45 days. Consumers are increasingly turning away from taking out a long term loan with a traditional lender.

The average age of our customers is 30 to 32, and 70% are working full time. These people have an income, but need our help because they are temporarily out of cash. They are looking for a short term loan to tide them over and to help them pay for unexpected bills such as car repairs, mobile phone bills, or back to school clothes for their children".

As demand surges in Credit Crunch Britain, Ferratum's top ten reasons for loan requests are:

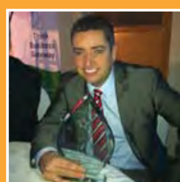
- wages spent and urgent cash needed to last until Payday
- car repairs
- household/utility bills
- clothes/online purchases
- entertainment (Nights out)
- children
- shopping
- tickets to events
- special occasions (Birthdays, Christmas etc.)
- topping up mobile phone

In the Market for Payday Loans Portfolios

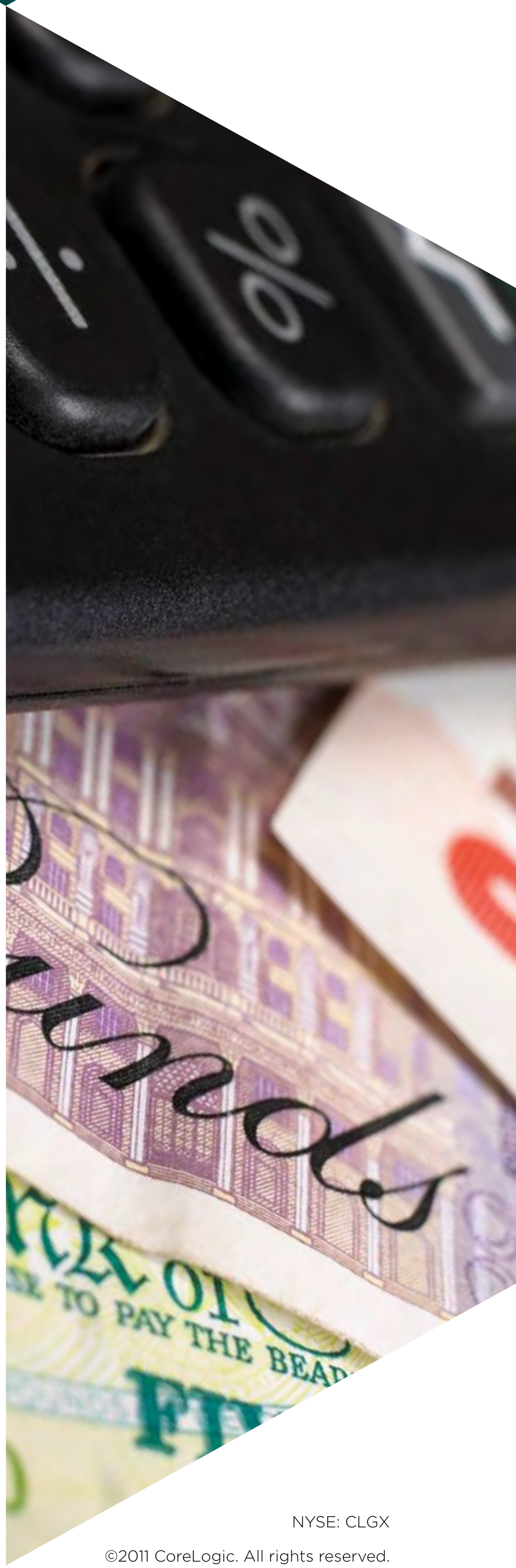
CCTA member, Mackenzie Hall Group is looking to the Payday Loan sector to further expand its already growing debt purchase business. The award winning company is perhaps best known for its contingent collections operation, with a reputation as the market leader in the highly specialised field of consumer late arrears and an enviable clutch of clients including many of the UK's top banks and credit providers.

The Group has also been steadily growing its debt purchase arm, Mackenzie Hall Debt Purchase (MHDP) and with finance now in place for further portfolio acquisitions, Payday Loan companies are very much within their sights.

Paul Mackenzie, Chief Executive of Mackenzie Hall Group explains: "We are proactively looking to purchase portfolios of non-performing, late arrears consumer debt. Mackenzie Hall's particular expertise and skills set is very much within this field, we have the capacity and ability to expertly work each individual account. We are actively working portfolios from two of the big five PDL providers, both of whom are confident in the knowledge that their customers are being treated fairly and compliantly thanks to Mackenzie Hall's unwavering commitment to quality and customer service.



Paul Mackenzie
Chief Executive,
Mackenzie Hall Group



23 Essex St., Flat C. must be quite spacious...

[Because 26 occupants just applied for loans.]

Something isn't right. But with traditional credit sources you won't know that until next month. And then it will be too late. Fraud variables from CoreLogic® Teletrack™ help you detect potential alternative loan fraud at the speed of fraud. So we're a real-time, early-warning system for specialist lenders.

We can help alert you to the telltale signs of suspicious lending long before they're detected by traditional credit sources. Our highly specialized data is compared to data in your applications. Our comparison searches for indicators, like multiple applications from the same address and the frequency that names, phone numbers and bank information crop up on various applications. So you can act, before it's too late.

Fraud schemes rely on velocity. Receive our data first and stay ahead of fraud. **Contact us at 0845 0171052 or Teletrack.UK@corelogic.com.**

CoreLogic® Teletrack™

Members Only

Building Bridges on CCTA blocks

CCTA – a link in your business chain…

When H&H Borderway Finance Limited were looking to drive their business forward it selected Oyster Bay Systems' Vienna as its main operating system.

David Carruthers
H&H Borderway Finance Limited

John Harman
Oyster Bay Systems

CCTA member H & H Borderway Finance Limited (HHBF) is the largest independent finance company in Cumbria specialising in motor vehicle finance. It has operations extending into South West Scotland, the Scottish Borders and North Lancashire. In the last few years many of its competitors elected to pull out of the area, HHBF however, confident that it could build on its reputation for personal service and unrivalled local knowledge, made the decision to expand by picking up increased market share within its territory and by forging more links with dealers further afield.

To achieve these objectives HHBF knew that it would need to acquire a new proposal and administration system that could accommodate their requirements. Managing Director David Carruthers said: "We wanted to allow our authorised introducers to make finance applications directly to H&H Borderway Finance via the web based dealer portal. All products are tailored to client's individual needs and we wanted to improve on service and speed of response by allowing the status of proposals to be monitored and once accepted, by delivering the customer's finance documents direct to the dealership ready for printing."

With these aims in mind, HHBF asked fellow CCTA member Oyster Bay Systems, for advice on an appropriate operating system. "It became clear that the Oyster Bay Vienna system would be the right option for us," comments David Carruthers "with an increasing market share, it is an ideal complete end to end system".

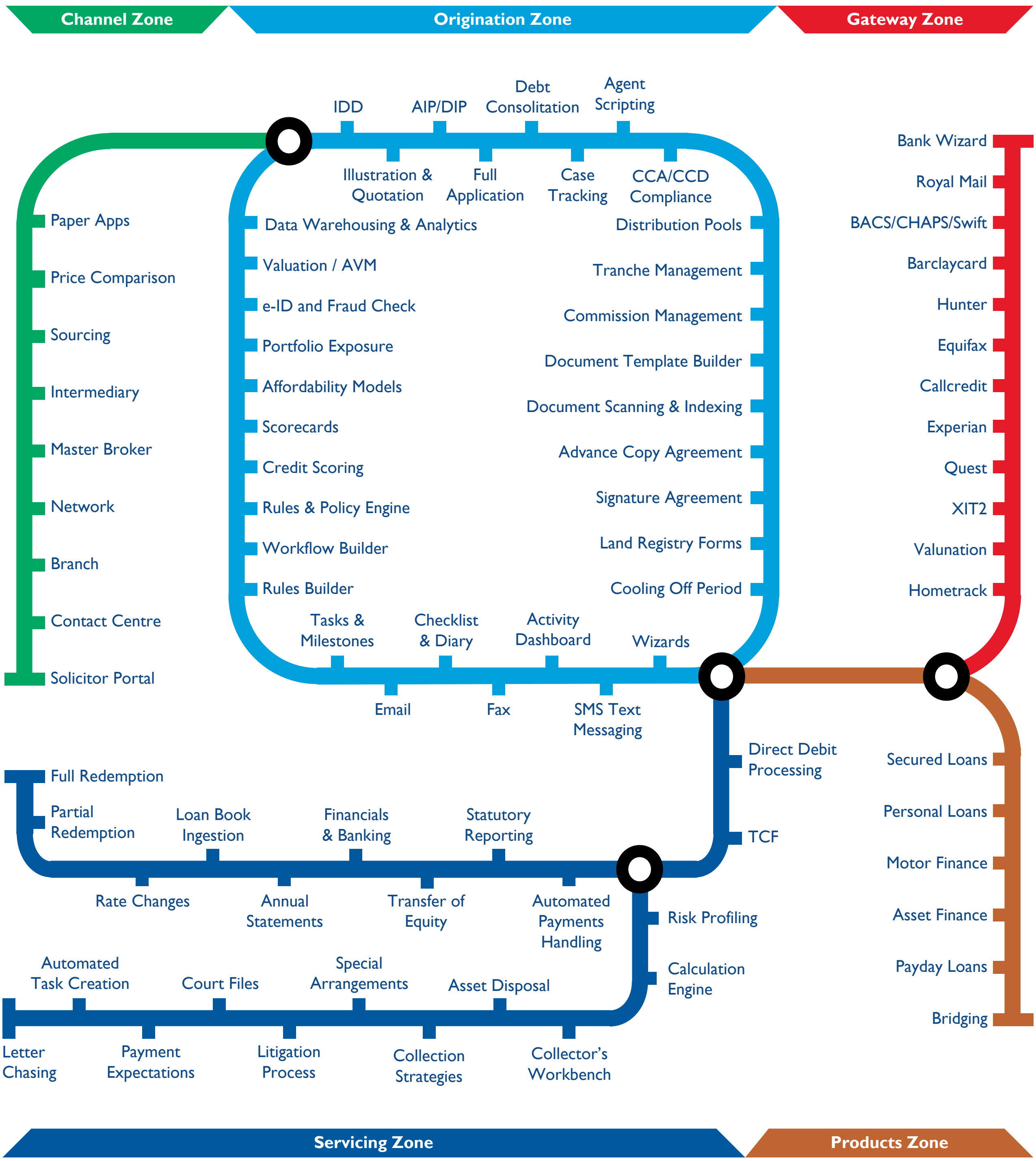
"Applications proceed through the underwriting workflow to the payout stage, where they are automatically promoted to live agreement status within Vienna's back office collections system. This total automation maximises efficiency, eliminates paperwork related delays completely, and means that there is no need to re-key any data."

Oyster Bay Systems ensured that the technology was appropriate, and that it was successfully piloted before it was introduced to all existing motor dealers. HHBF say that it has already seen a significant uptake, with 50% of new proposals coming via the portal.

Having long prided itself on providing a flexible approach to meeting the requirements of all its customers, it is now looking to attract additional business in selected new areas.

"To achieve these objectives HHBF knew that it would need to acquire a new proposal and administration system that could accommodate their requirements."

The New Platform of Choice for Consumer Finance



DPR's award-winning origination and servicing technology is now available to consumer finance providers, delivering unbeatable efficiency, compliance and ease of use for all types of secured and unsecured credit.

From product design, funding and distribution to online applications, process automation and reporting, DPR's modern suite of software components and tools delivers best-of-breed functionality right across the board, helping drive down costs and giving you the competitive edge.

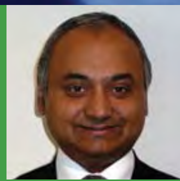
Make sure you're on the right platform. Visit www.dpr.co.uk to find out more.

From Components to Solutions

t: 020 7553 8300 **e:** enquiries@dpr.co.uk **w:** www.dpr.co.uk

Payday Gold Rush?

Take a stroll through any shopping centre or tune into daytime TV and you can't help but be bombarded with invitations to part with 'unwanted' gold and jewellery in return for cash, invariably presented as a fanned out wad of bank notes with a picture of a car or beach holiday in the background and lots of smiling faces.



David Patel
Managing Director

These businesses spring up to fill a niche, and are a sure sign of tough economic times. Of course the truth is, not everyone has a treasure chest of spare loot in the attic waiting to be cashed in, and for many hard working families, Payday lending can be a more realistic solution to dealing with a short term crisis.

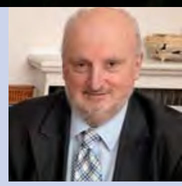
Despite what some may see as eye watering APRs that have given Payday lending something of a toxic reputation, there is no doubt that it is a popular product, and is an area of the industry in which we have seen unprecedented interest in recent months, (with a raft of UK and US based investors lining up to set up Payday operations in the UK).

One message that we hear time and again is that they need the agility to adapt to the changing landscape, as they recognise the current 'gold rush' won't last forever. The consensus seems to be that the Payday lending space will become increasingly overcrowded, driving down margins and inevitably attracting the heat of the regulator's spotlight. Payday lending is seen as a short to medium term proposition, one that provides a stepping stone to other, less 'edgy' types of credit, both for lender and borrower.

As a technology provider, it is in DPR's interests to have products and services that appeal to as wide an audience as possible, and we have designed our loan origination and servicing systems with the flexibility needed to adapt to any lending environment without major re-engineering. Our solution supports guarantor loans, term lending, bridging loans and security based lending. For clients setting out on a new Payday proposition, this flexibility is a valuable feature as it means they are not locked into a single line of business and have the freedom to take the business in whatever direction the market dictates, with the technology there to support rather than obstruct innovation.

An Independent Voice So what can Credit Action do for CCTA Members?

Credit Action is a leading national money education charity that works in partnership with a range of companies and other organisations to help both lenders and borrowers improve their financial situation.


Keith Tondeur OBE
Credit Action President

We have developed a Quality Marking service for lenders in line with the recommendation of the 2005 Griffiths Review on personal debt. We will independently audit the correspondence that is sent out by lenders to debtors, as well as their collection processes. If these meet our standards we can assign a Quality Mark to indicate that they are Credit Action endorsed. In our experience, if correspondence and collection processes are appropriate and clear for the debtor they are much more likely to engage with their creditors, to the benefit of both.

We can also provide training to staff. This might follow on from a Quality Mark review and focus on the outcomes of the audit, or it can be much broader and aim to help staff understand the causes, symptoms and solutions to debt from a consumer's point of view, and how to effectively communicate with their customer base to maximise a fair return.

In addition, Credit Action can offer your staff, money education programmes in order to support them in managing their own finances more effectively. This can often help to relieve stress within the workforce and enhance productivity.

Our Work in Regard to Public Consultations

When responding to public consultations, Credit Action tries to provide a consumer perspective on major policy issues, something that we see as an important part of our work.

Sometimes our responses will be defined by the core advocacy objectives that we pursue as an organisation. There are four of these:

- to increase levels of financial literacy and capability, including pressing for compulsory financial education in schools
- to address issues of consumer detriment
- to remove the fear and confusion that so often surrounds topics of money and finance
- to promote financial inclusion.

On other occasions, issues can come up that are simply so significant to the consumer landscape that we feel it is important to comment in order to add our voice to the debate.

The Credit Action team has a wide range of expertise. Some members are former debt advisers with considerable experience of supporting those in serious debt, while others work on projects aimed at helping university students and therefore have an in-depth understanding of Higher Education policy. Once we decide to respond to a consultation, relevant staff will pool their knowledge and help develop a collective Credit Action position.

This enables us to draw up a response which deals with those aspects of a particular issue which we believe to be especially significant. As consultations are part of a broader process of reform, they can often lead to other opportunities for interaction with Government. We therefore see the development of a response as a key part of engaging with the major issues of the day, and one that only really begins once a response is submitted.

From a CCTA member point of view we believe this is vital. Often comments are made from a political rather than pragmatic viewpoint. Credit Action likes to work closely with lenders, big and small, so we can put a fair case across. By having such a close relationship we can encourage good practice and also help, should issues arrive that would benefit from independent comment.

Credit Action appoints new Chief Executive

The board of national money education charity Credit Action has appointed Michelle Highman as the charity's new Chief Executive.

Michelle worked for 13 years at the Financial Services Authority and the Personal Investment Authority, undertaking many roles including financial capability, communications and regulation. She was then instrumental in setting up the Consumer Financial Education Body (now Money Advice Service) were she was previously manager of the Chief Executive and Chair's Office.

Commenting on her new role, Michelle Highman said: "With living standards falling and debt rising, never has there been a greater need for money education and guidance. I am therefore delighted to be joining Credit Action at such a pivotal time and look forward to building on its impressive reach and reputation."

Credit Action was founded in 1994 by Keith Tondeur OBE, who is now its President. The board includes Chris Pond, head of consumer affairs at the Financial Services Authority, Kamala Panday, publisher of Credit Today and Greg Stevens, director of the Consumer Credit Trade Association.


Michelle Highman
Credit Action CEO

A warning shot...

Debt and claims companies the real blagging culprits says Information Commissioner

Companies involved in financial services, debt collection and claims management are involved in routine 'blagging' activities, where deceit is used to extract personal data from people or organisations, according to Christopher Graham, the Information Commissioner.

He feels that courts should be able to issue jail sentences to culprits. On average offenders are fined just £100 and this is "no deterrent" to the behaviour, Graham said, according to a recent report "It beggars belief that, in an age where our personal information is being stored and accessed by more organisations than ever, the penalties for seriously abusing the system still do not include the possibility of a prison sentence, even in the most serious cases," Graham said in an Information Commissioner's Office (ICO) statement.

"Access to online records is now part and parcel of almost every transaction the citizen makes - with government agencies, local government, the NHS, DVLA, high street banks, insurers, social networks. This only makes the risks to privacy greater and the need for security greater still," Graham said.

Blagging is prohibited under UK data protection laws. Section 55 of the Data Protection Act (DPA) states that is generally unlawful for a person to "knowingly or recklessly without the consent of the data controller obtain or disclose personal data or the information contained in personal data, or procure the disclosure to another person of the information contained in personal data" without the consent of those who control the data.

The ICO is the UK's data protection watchdog and has the power to fine those who are in breach of Section 55 of the DPA. "The current penalty for committing the offence is a maximum £5,000 fine if the case is heard in a Magistrates Court and an unlimited fine in a Crown Court," the ICO said.

Under the Criminal Justice and Immigration Act (Act) the Justice Secretary has the power to introduce new regulations that would allow a custodial sentence penalty to be available for blagging offences under Section 55 of the DPA, but those powers have yet to be used.

In 2008 the Act came into force without those powers being immediately available. The ICO said that a previous Government consultation on "increasing penalties for wilful misuse of personal information" in 2006 had prompted overwhelming support for jail sentences to be handed out as part of the new laws.

The Information Commissioner told MPs on the Justice Select Committee about his concerns that current focus on alleged blagging activities by the media i.e. the phone hacking scandal, risked delaying the introduction of the Act's powers which he said were needed to tackle other areas of business, according to the BBC.

"There is lots and lots of evidence of section 55 being breached on quite a routine basis, but it's really about financial services, about debt collection, about claims management companies and about some worrying interference with the course of justice, perhaps attempted jury nobbling or witness tampering. I'm very concerned the push for new jail sentence powers is now getting caught up in the reeds of the Leveson inquiry. I'm now concerned that everything stops because of Lord Justice Leveson's inquiry and we can't get on with putting in place this very necessary deterrent," Graham said, according to the report.

"Unfounded concerns about press freedom were a distraction in 2008 and they should never have halted the introduction of stronger sanctions. They should not delay any further the commencement of the powers needed to combat this modern scourge," Graham said.

The ICO reported an 18% increase in "reported allegations of Section 55 offences" during 2010 to 2011 compared with the figures during 2008 to 2009.

Source:
Yuill & Kyle

Crunching Car Credit Delinquency

New CCTA member, Prompt Pay UK Ltd, has recently announced the appointment of its 100th business to adopt their payment reminder, starter interrupt and payment enforcement technology.

The Prompt Pay System is an in car device that reminds a borrower when a loan payment is due and prevents a car from starting in the event of non payment. The process allows finance companies or self lending dealers to provide finance, safe in the knowledge that payments can be collected timely, with the use of an in car audio visual keypad immobiliser device. The pre-programmed unit is installed prior to commencement of the contract. When a payment becomes due, the customer is required to enter a six digit security number into the device, which then allows vehicle usage until the next instalment is payable. If the customer fails to make their payment on the required date, then the device will audibly and visibly warn the user that the car will be prevented from starting unless payment is received. A Yorkshire based finance company said: "We have found that utilising this overt technology with select borrowers, filters out rogue and fraudulent applicants from the onset but is welcomed by previously excluded borrowers".

Robert Toon, National Sales Manager for Prompt Pay comments: "Diligent underwriting, responsible lending coupled to the adoption of compliant collections processes and debt management reflect the principal requirements for new users of our technology", we are delighted to have recently become members of CCTA and believe that many of our dealers will also benefit from the services provided by the association."

Many have asked how this process fits in with the usual default and repossession processes currently operated. In the event of a payment breach, the Prompt Pay System provides finance companies with a transitional solution between default and repossession. Most loan providers in the event of a payment breach proceed with a notification letter for non-payment followed by a default notice. Usually the default notice will seek to enforce section 87/1 (a) & (c) of the CCA 1974. These sections largely refer to termination and recovery of the goods. Following the same process, the Prompt Pay System focuses upon remedying the breech by enforcing section 87/1 (d) & (e). "d" treats any right conferred on the debtor as restricted terminated or deferred whilst "e" will enforce security. Whilst maintaining physical possession of the goods, activation of the starter interrupt device will inflict direct and immediate enforcement action upon the debtor until such time as arrears are satisfied or a re-scheduled solution is agreed with the creditor. "The countdown process is a very powerful payment motivator", comments Toon.

Prompt Pay UK Ltd has worked with Stephen Finch at Salans International Law Firm, Frank Johnson at McClure Naismith, Trading Standards, Law Data, Department of Transport, VOSA, as well as obtaining quality standards ISO 2001 – 2008 accreditation and EU Type approval.

As recently appointed members of CCTA, Prompt Pay UK Ltd will continue to work with the associations highly reputable Graham Haxton-Bernard, ensuring that processes and associated documentation remain legal and compliant with consumer credit law.

Safeguard your assets!

We are delighted to say that the number of CCTA members supplying data to us has increased again during the last quarter, so we are able to protect still more finance companies from having their cars sold on without their knowledge and agreement. If you are not already among the companies that are supplying data regularly to us, we hope that you will soon join in. Supplying data to us is free of charge and is easy because we simply need a copy of the data that you are already sending to HPI and Experian.

For further information, please email diane.williams@cdl.co.uk or telephone 07813 799838.

We are looking forward to meeting many of you at the CCTA Conference on 10 November.

Survey results

We recently carried out a survey of some of our customers to find out at what point in the car-buying process they carried out a check with us. Surprisingly, 20% said they did so after they had bought the car, presumably hoping that the check would affirm their purchase decision.

CDL Vehicle Information Services (CDL VIS) is a member of the CDL Group of companies, which began life in 1978 with a deal to write an insurance administration system for a high street insurance broker. It has grown steadily since then and in August 2006, it moved its expanding workforce into new prestigious headquarters, Strata House, in Stockport, which now houses over 360 people. Around the same time, CDL VIS acquired a licence to supply DVLA data as a fully hosted VRM lookup service to allow a variety of organisations, including Tesco, Moneysupermarket, Swintons, Hastings, Go-Compare, and Compare the Market, to improve the speed and quality of the input of vehicle information into their applications. CDL VIS now provides access to a range of UK vehicle data including data from the DVLA, ABI, MIAFTR, PNC, and SMMT. It also has access to vehicle keeper details for mileage checking and to guard against the practice of "clocking". In 2009, CDL VIS purchased VIP Vehicle Valuations and it now supplies vehicle valuation data to consumers and to many large, well-known organisations including WhatCar, Autocar, AA, RAC, Autoexpress and Swiftcover.com. CDL VIS has also been working closely with the police in various forces throughout the UK, to help reduce vehicle crime.

CDL vehicle information services limited

CDL Vehicle Information Services Ltd, Strata House, Kings Reach Road, Stockport, SK4 2HD

HPI Receipts Summary October 2011

CATEGORY		TOTAL MARKET JULY NEW	USED	TOTAL	TOTAL MARKET YEAR TO DATE NEW	USED	TOTAL
PASSENGER CAR	2011	180040	173035	353075	2413553	1828418	4241971
	2010	168074	167644	335718	1723258	1774729	3497987
	% Change	**7.12**	**3.22**	**5.17**	**40.06**	**3.03**	**21.27**
LIGHT COMMERCIAL VEHICLE	2011	9653	8079	17732	152152	80351	232503
	2010	10629	7303	17932	81914	69755	151669
	% Change	**9.18-**	**10.63**	**1.12-**	**85.75**	**15.19**	**53.30**
HEAVY COMMERCIAL VEHICLE +3500	2011	2711	1739	4450	28344	19179	47523
	2010	2179	1553	3732	17340	15814	33154
	% Change	**24.41**	**11.98**	**19.24**	**63.46**	**21.28**	**43.34**
COACH	2011	110	330	440	2078	3350	5428
	2010	215	387	602	3100	3837	6937
	% Change	**48.84-**	**14.73-**	**26.91-**	**32.97-**	**12.69-**	**21.75-**
MOTORCYCLE	2011	3111	1914	5025	38386	20903	59289
	2010	3523	1712	5235	40470	20079	60549
	% Change	**11.69-**	**11.80**	**4.01-**	**5.15-**	**4.10**	**2.08-**
MOTOR CARAVAN	2011	290	126	416	3056	1460	4516
	2010	442	122	564	4218	1944	6162
	% Change	**34.39-**	**3.28**	**26.24-**	**27.55-**	**24.90-**	**26.71-**
TOURING CARAVAN	2011	2002	810	2812	21704	10069	31773
	2010	2509	765	3274	30125	8688	38813
	% Change	**20.21-**	**5.88**	**14.11-**	**27.95-**	**15.90**	**18.14-**
STATIC CARAVAN	2011	130	32	162	1143	265	1408
	2010	129	32	161	1290	432	1722
	% Change	**0.78**	**0.00**	**0.62**	**11.40-**	**38.66-**	**18.23-**
AGRICULTURAL TRACTOR	2011	686	346	1032	9270	3899	13169
	2010	652	374	1026	10020	4227	14247
	% Change	**5.21**	**7.49-**	**0.58**	**7.49-**	**7.76-**	**7.57-**
MISCELLANEOUS	2011	9173	5106	14279	119392	76103	195495
	2010	9420	4124	13544	90931	46996	137927
	% Change	**2.62-**	**23.81**	**5.43**	**31.30**	**61.94**	**41.74**
Grand Total	**2011**	**207906**	**191517**	**399423**	**2789078**	**2043997**	**4833075**
	2010	**197772**	**184016**	**381788**	**2002666**	**1946501**	**3949167**
	% Change	**5.12**	**4.08**	**4.62**	**39.27**	**5.01**	**22.38**

UK Debt Statistics 2011

Total UK personal debt at the end of September 2011 stood at £1,451bn. Individuals owe nearly as much as the entire country produced in the four quarters between Q2 2010 and Q1 2011.

Total secured lending on dwellings at the end of September 2011 stood at £1,242bn.

Total consumer credit lending to individuals at the end of September 2011 was £209bn.

Net lending in September 2011 rose by £1.0bn, net secured lending increased by £0.3bn in the month, net consumer credit lending increased by £0.6bn.

UK banks and building societies wrote off £8.0bn of loans to individuals in the 4 quarters to end Q2 2011. In Q2 2011 they wrote off £2.06bn (£1.15bn of that was credit card debt). This amounts to a write off of £22.54m a day.

Average household debt in the UK is £8,025 (excluding mortgages). This figure increases to £15,432 if the average is based on the number of households who actually have some form of unsecured loan.

Average owed by every UK adult is £29,532 (including mortgages). This is 122% of average earnings.

Today in the UK

334 people every day of the year will be declared insolvent or bankrupt. This is equivalent to 1 person every 59 seconds during a working day.

1,391 Consumer County Court Judgements (CCJs) were issued every day during Q2 2011 and the average judgement amount was £3,345.

The average cost of raising a child from birth to the age of 21 is £27.50 a day.

99 properties were repossessed every day during Q2 2011.

132 new people became unemployed for more than 12 months every day during the 12 months to end August 2011.

£132,050,000 is the interest the Government has to pay each day on the UKs net debt of £2278.6bn (which includes financial interventions). This is estimated to rise to £182m a day in 2015-16.

197 mortgage possession claims will be issued and 154 mortgage possession orders will be made today.

383 landlord possession claims will be issued and 258 landlord possession orders will be made today.

Striking Numbers

Average household debt in the UK is £55,795 (including mortgages).

Personal interest paid in UK daily is £174m.

Citizen Advice Bureaux dealt with 8,910 new debt problems every working day in England and Wales during the year ending June 2011.

1,644 people reported they had become redundant every day during 3 months to end August 2011.

876,000 people have been unemployed for more than 12 months.

Daily write-offs of loans by banks & building societies amounts to £22.54m.

Every 14.6 minutes a property is repossessed.

£130,700,000 is the amount that the Government Public Sector Net Debt (PSDN), including financial interventions, will grow today (equivalent to £1,513 per second).

£1,278,000,000 is the total value of all purchases made using plastic cards today.

Saving Statistics...

Brits are becoming the money saving supremos of Europe as GDP slumps during the second quarter.

As HM Treasury has announces that subscription limits for Individual savings Accounts (ISAs) will increase to £11,280 from April 2012 (up to half of which can be saved in cash), Standard Life has published information to help people understand their different commitments and plan to ahead. Based on a study by YouGov Plc. which identified three core commitment life stages, the figures make interesting reading:

- on average, those making monthly savings will save £67,200 into savings and ISAs over a 40 year time period
- person with credit cards will spend £152,160 repaying them over the same time period
- UK adults with credit cards spend £3,804 on credit card payments each year, or £317 every month
- people making monthly savings put £1,680 each year into savings and ISAs, or only £140 every month
- people reach a peak of financial commitments between age 35 to 44 when they spend on average £1,160 a month on 11 regular financial commitments and think about them for 45 minutes every day
- people with savings and ISAs think about them for 24 minutes a week on average, while those making credit card payments think about these for over an hour a week
- 44% of UK adults make monthly payments into savings and ISAs
- 51% make monthly credit card payments
- 21% are paying off a loan
- People aged 45 to 54 making monthly savings into savings and ISAs save more than any other group, £154 a month
- men who are saving in this age group save £177 a month compared to women who only save £128 a month.

The Core Life Stages of Saving are:

Commitment Sleepwalkers:

18 to 24 year olds, whose regular financial commitments amount to just £458 a month, they spend the least amount of time thinking about their finances, so are at risk of overlooking the long term cumulative effects of these costs.

The Fully Committed:

35 to 44 year olds who are at the peak of their regular financial commitments, spending an average of £1,160 each month and likely to be paying a mortgage, looking after a child and paying off any debt accrued in earlier life.

Commitment Slowdowns:

55 + year olds who are starting to become less financially and emotionally committed, they are spending £818 on their commitments each month, almost £100 less that the average.

Stress statistics... National Stress Awareness Day

Research by AXA showed:

- 87% of people have suffered from financial stress
- 10% are experiencing this all the time.

Research by IVA.co.uk revealed:

- 30% of people undergoing or facing up to an Individual Voluntary Arrangement have considered self harm or suicide
- 25% have turned to alcohol or drugs to cope
- 23% have considered leaving the UK to escape the debt.

To mark National Stress Awareness Day, Steve Rees, the managing director of debt consultant Vincent Bond & Co, has offered his advice on how to stay financially afloat.

- keep track of your balance and to account for everything you spend throughout the month. It's easy to push your balance to the back of your mind, but facing up to your finances by keeping an eye on your balance and spending means you won't be in for a shock when your bills arrive
- avoid the stress in the first place by being sensible in your financial management
- talk with family, friends, a debt advisor or charities such as the Samaritans or Mind.

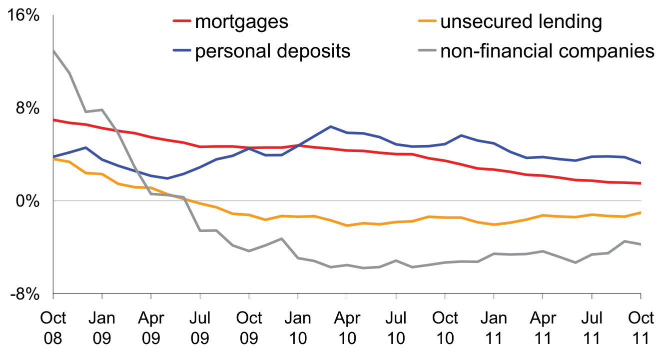
High Street Banking Statistics [BBA] – October 2011

BBA statistics director, David Dooks said:

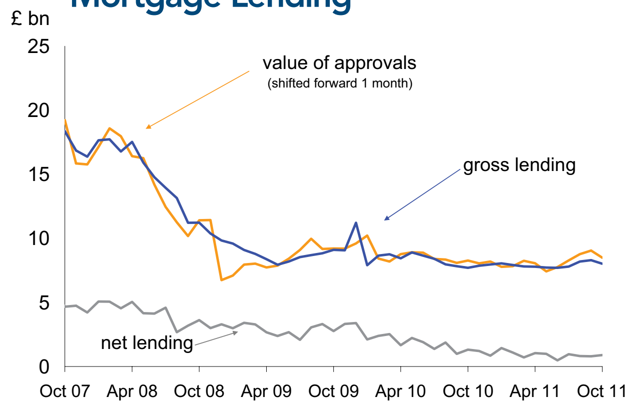
"The mortgage market, where the high street banks provide around 70% of new lending, remains subdued and demand for unsecured borrowing is slow, reflecting householders' caution in the current economic environment."

"Property-related companies and hotels & restaurants were the last industrial sectors to cut back their borrowing throughout 2009 and 2010 and there may be signs of those sectors emerging first. The level of borrowing by hotels & restaurants is now higher than it was a year ago."

Annual Growth Rates



Mortgage Lending



Annual growth of the banks' net mortgage lending was 1.5% in excess of the growth of 0.6% in September for overall mortgage lending.

Unsecured credit contracted by 1.0% over the past year and personal deposits rose by 3.2%. In the first ten months of 2011 deposits and savings have increased by £14.0bn compared with £24.9bn in the same period of 2010.

Gross mortgage lending of £8.0bn in October was only just weaker than September, but it was 4% higher than in October 2010.

The slight upturn in recent months in both house purchase and remortgaging approvals has led to slightly stronger gross mortgage lending, but capital repayment continues at a high level, so net mortgage lending increased by only £0.9bn in October.

Card expenditure statistics [CES] – October 2011

With five week-ends falling in October, it is not surprising to see heavy use of plastic cards with a new record of **815 million purchases during the month**, an increase of 4.5% on the average monthly figure of the preceding six months. Total purchases amounted to **£38.5 billion**, close to the monthly average of the previous six months. The combined effect of a greater number of transactions coupled with only a very slight increase in total spending has forced down the **average transaction value** on debit cards by 60p to £44.12 and on credit cards by 49p to £63.59 (see Chart 3).

There were 277 million plastic card purchases in the **food & drink** sector in October – the highest monthly figure so far recorded, amounting to £7.9 billion. 82% of these purchases were made on debit cards with a total value of £6.2 billion. The debit card share of plastic card spending on food & drink has increased by one percentage point during the year to date to reach 79%, indicating a commensurate decline in **credit card** use in this sector.

Across all sectors, although spending on credit cards was growing at an annual rate of 1.4% in October, the **credit card** share of all plastic card use has been falling over the 12 months to October 2011, with a fall of two percentage points in transactions, down to 23%, and a fall of 1.9 percentage points in total spend, down to 28%. Over the same 12 month period transaction volumes on **debit cards** were growing at an annual rate of 12.2% and debit card spending by 11.9%.

The **plastic card share of total retail sales** (including automotive fuels) [1] was 70.8% in October (see Chart 2). In food & drink plastic cards accounted for 65.7% of all spending, and for automotive fuels the share was 65.3%.

At a glance key figures for October

	Total spending £ billions		Annual growth rates for spending		Number of purchases millions	
	2011	2010	**2011**	2010	**2011**	2010
All plastic cards	**38.5**	34.4	**8.6%**	8.2%	**815**	706
Debit cards	**27.6**	24.0	**11.9%**	10.8%	**641**	543
Credit cards	**10.9**	10.4	**1.4%**	2.7%	**175**	163

Chart 1

Spending on plastic cards
Annual growth rates

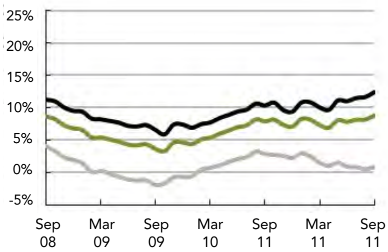


Chart 2

Percent of retail sales made on plastic cards (including automotive fuel)
Three-month moving average

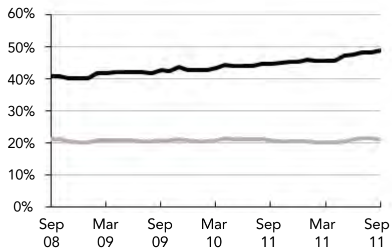


Chart 3

Average transaction values
Three-month moving average

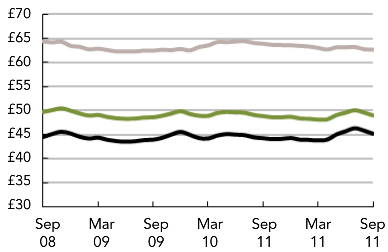
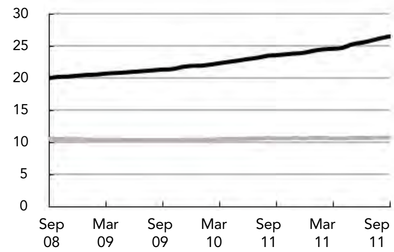


Chart 4

Average monthly expenditure
£ billions



Debit cards Credit cards All plastic cards

[1] CES 3-month moving average spending for October of £20.3 billion expressed as a percentage of a similar 3-month moving average for National Statistics 'All retailing including automotive fuel' (AGG 21) based on the value of Retail Sales at current prices (SA) that gives a figure of £28.7 billion.

OYSTER BAY SYSTEMS

Talk to us about our vision for future systems that will help your company shine through

For over 25 years Oyster Bay Systems has developed bespoke systems for the finance industry. During this time we have developed a reputation for quality, innovation and most importantly customer service.

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