Protecting consumers

The FCA works to protect consumers from the harm that can be caused by bad conduct or poor competition in the financial services industry. We seek to ensure that a firm has its customers at the heart of how it does business, giving them appropriate products and services, and putting their protection above profits or remuneration.

To make sure consumers are protected and treated fairly, we monitor which firms and individuals are able to enter the financial markets, making sure that they meet our standards before we authorise them. We set standards they have to meet through our rules and principles. We then supervise how they work and can stop those that are not meeting our standards from carrying out the activities that we regulate. Where we find that firms are not following our rules, we intervene. This can mean stepping in to impose penalties, to stop them from trading or to secure redress.

We set out a small number of examples below.

Consumer credit

The FCA took over regulation of consumer credit from the Office of Fair Trading (OFT) in April 2014. Since then, we have **secured £333m of redress for consumers** across the consumer credit sectors in response to poor practice.

Payday lending

We have introduced a **cap on high-cost short-term credit (HCSTC)** which came into effect in January 2015. We estimate that the price cap will result in **consumer savings of £157m per year**. FCA intervention has contributed to a **reduction in the number of issues with HCSTC loans** reported to the Citizens Advice Bureau (CAB). There was a 53% drop from April to June 2015 compared with the same period the year before.

Debt Management

We conducted a Thematic Review (June 2015) looking at the quality of debt management advice which found substantial concerns in the sector. To take one example, a consumer was advised to start a plan that would have taken her 125 years to clear the outstanding debt. Firms in this sector are currently going through the FCA's authorisations process and where they are not meeting the required standards, **they will not be authorised.**

Consumer credit case study: credit broking

We tackled widespread issues in the credit broking market that were causing significant detriment to consumers searching online for high-cost short-term credit, including payday loans. We took action on specific firms (with 25 brokers agreeing to close to new business) and used our emergency powers to introduce new rules for all credit brokers. These new rules included additional requirements that must be met before payment details can be taken from a consumer.

Payment protection insurance (PPI)

The current complaints framework and our supporting supervisory work has resulted in fair redress being paid to large numbers of consumers who were mis-sold PPI in the past. **£22.2 billion in redress** has been paid to over 10m consumers so far.

We launched a consultation at the end of 2015 on a proposed rule setting a 2 year deadline date by which consumers should make PPI complaints, together with a proposed FCA-led communications campaign designed to prompt consumers to complain in advance of that deadline. We believe that the proposals we are consulting on will provide appropriate protection for consumers and reduce uncertainty for industry. A two year deadline would allow us to bring an orderly conclusion to the PPI issue, which has been ongoing since 2005.

Consumer vulnerability Occasional Paper

The FCA published an Occasional Paper (February 2015) on consumer vulnerability to encourage the industry to improve the support it offers for those in vulnerable circumstances.

While there are examples of good practice in some firms, some consumers in vulnerable circumstances find communicating with providers or accessing products difficult. They can often find that they are unable to obtain a flexible, tailored service that meets their needs from firms.

We have asked firms in the UK to improve their approach to dealing with these customers, describing it as a 'key test of conscience for the City'. We are also providing firms with practical help and resources and are making training available to our supervisors to encourage good practice.

ScamSmart
The FCA launched ScamSmart in October 2014, and a second phase of activity took place from April 2015. This was timed to warn consumers to be vigilant ahead of the pension changes, and the "warning list" tool was adapted to capture audience experience of pension related scams specifically. The campaign seeks to communicate three messages to consumers: the importance of rejecting cold calls, checking the FCA warning list before making an investment, and getting impartial advice before committing to an investment.

- Since launching in October 2014, over 130,000 people have visited the ScamSmart website and over 31,000 have visited the Warning List, with over 14,000 checking an investment on the list. Given the average investment into scams is £20,000 this potentially reflects significant savings to consumers who might otherwise have been taken in.
- Our evaluation shows that our targeting approach is working: through our marketing we have reached over half of the 'Retired with Resources' group of approximately 3m people. There has been a 67% increase in visits to our website from the 'Retired with Resources' segment since the campaign started.

Pensions risk warnings
Following the new pension freedoms, we announced (January 2015) that firms need to provide consumers with "risk warnings" based on an individual's circumstances so that they can make an informed decision on their pensions based on the benefits and risks involved. Firms are already required to provide risk warnings, but the changes we introduced require them to personalise those warnings when they contact a firm to access their pension savings. The information supports the guidance by the Government's Pension Wise service.

Mobile phone thematic review
We recently revisited our 2013 Thematic Review to see whether a sample of 14 firms had implemented our recommendations to improve outcomes for customers. We found that most firms who had participated in our Thematic Review had improved their practices, but we found some that had not. Since our intervention, a number of firms have made further improvements to their claims and complaints handling, have put in place action plans to make further improvements and three firms have agreed to compensate customers as part of the work being carried out under these action plans. We will continue to work with the firms included in the review to ensure they complete this work.

Interest Rate Hedging Products (IRHP)
The objective of the IRHP Review was to provide **fair and reasonable redress to consumers** as quickly as possible. The inclusion of an independent review stage is a significant part of this.
We are aware that a small number of consumers are not satisfied with the outcome they have received as a result of the review we believe that on the whole the process has delivered for the majority of consumers. However, if consumers remain dissatisfied they still have the option of recourse to the courts.

Key statistics on IRHP
- **£2.1 billion has been paid in redress.**
- **92% of offers have been accepted – of the 8% yet to be accepted,** 700 of these are either full refunds or near full refunds.
- All basic redress determinations have been completed and communicated to customers, as **have around 90% of consequential loss assessments** (there are 400 outstanding cases).
- The scheme required the banks to appoint independent reviewers. Their work has cost banks around £300 million. The banks have also incurred the costs of having to terminate customers' IRHPs early and the scheme administrative costs. In total, the banks have set aside around £4 billion for these costs.
- Around 300 customers/advisors have raised concerns about a basic redress or consequential loss offer. These 300 customers represent around 1% of cases assessed.

Connaught Fund (Series 1)

The Connaught Series 1 Fund was an Unregulated Collective Investment Scheme, which **does not offer consumers the same level of protection** they can expect from more mainstream investments. Since 2014 we have restricted the promotion of Unregulated Collective Investment Schemes to ordinary retail investors in order to ensure consumers are better protected.

Work in connection with the investigation started immediately after we withdrew from the negotiations between Connaught Income Series 1 Fund (acting by its Liquidators) and its former operators, Capita Financial Managers Limited and Blue Gate Capital Limited on 10 March 2015 and is still ongoing.