



# BCCA

## CONSUMER CODE OF PRACTICE

### 1. Introduction

- 1) BCCA is a trade association that represents businesses who cash third party cheques; offer payday loans and/ or certain other short term unsecured loans including instalment and guarantor loans. In addition, BCCA also represents credit brokers who operate in the unsecured short term lending market.
- 2) BCCA provides representation on behalf of its members to government departments, regulatory bodies, consumer groups and debt charities, amongst others. Through this Consumer Code of Practice (CCP) it establishes rigorous standards of customer care for the industry.
- 3) This CCP applies to the following areas of business conducted by BCCA members as follows:
- 4) **THIRD PARTY CHEQUE CASHING** - This enables a customer to cash cheques which are made payable to them from a third party without the need to have a bank account of their own or to avoid the delay involved in cashing a cheque through their bank. Convenient, immediate payment can be made to the customer subject to provision of adequate identification. Charges apply for this service.
- 5) **PAYDAY LOANS** – This type of loan is for people who require a cash advance to tide them over until their next pay day, and they are typically 30 days in duration.

The purpose of payday loans is to act as a short term solution to temporary cash flow problems experienced by consumers. It is not intended for sustained borrowing over long periods.

This product is currently regulated by the Consumer Credit Act.

- 6) **OTHER SHORT TERM UNSECURED LOANS** – This excludes home credit but could, for example include instalment credit and guarantor loans.

- 7) **CREDIT BROKERS** - credit brokers link individuals looking for consumer credit, with lenders who are willing to provide such, for a commission.
- 8) It is a condition of BCCA membership that all members fully comply with the relevant requirements of this CCP.
- 9) In addition to this CCP, members who provide **PAYDAY** and **SHORT TERM LOANS** must comply with the Good Customer Practice Charter and Addendum, which can be found in ANNEX B and C respectively.

## **2. Business Standards**

Members shall:

- 1) Act fairly, reasonably and with care in their dealings with their customers.
- 2) Provide a safe and secure place of business for their staff and customers.
- 3) Comply with all legal requirements which apply to them.
- 4) Correct any mistakes quickly and courteously and compensate the customer for any reasonable losses caused to them.

## **3. Training**

- 1) Members shall ensure that their operational procedures embody the requirements of this CCP and relevant staff are fully trained in those procedures.
- 2) Members shall keep adequate records of staff training.

## **4. Advertising**

- 1) All advertising and promotional material must comply with the law and be reasonable, truthful and not misleading. All such material shall, where relevant, conform to the provisions of the Non-broadcast British Code of Advertising, Sales Promotion and Direct Marketing and the UK Code of Broadcast Advertising.

## **5. Internet**

- 1) All websites must comply with relevant legislation.
- 2) Member's websites should contain reference to BCCA membership, including a reference to their BCCA membership number.

## **6. Customer Confidentiality**

Members shall:

- 1) Observe a strict rule of confidentiality about their customers' and former customers' business and not disclose details of customer transactions or their names and addresses to any third party other than (a) where a member is legally compelled to do so, (b) where there is a public duty to do so, (c) where disclosure is made at the request, or with the consent of the customer.
- 2) Not use customers' data for marketing purposes unless they have given specific permission for the member to do so.

## **7. Information for Third Party Cheque Cashing**

Members shall, before a contract is made:

- 1) Advise the customer of the charges for cashing a third party cheque to allow an informed decision to be made.
- 2) Display in the premises a printed scale of standard charges.
- 3) Provide the customer with the details of the information that shall be required by the member business to enable the transaction to proceed.
- 4) Explain to the customer in clear language, and in writing if requested, the terms and conditions of the service and offer help if there is anything which the customer does not understand.

## **8. Pre-Contractual Information for Regulated Credit Products**

Members shall always comply with all relevant requirements of the current Consumer Credit Act and shall also do the following:

- 1) Seek to establish the customer's ability to repay the loan.
- 2) Where a running account agreement is entered into, set an appropriate credit limit for the customer. This must be periodically reviewed based on account history.
- 3) Where repayment is by cheque, offer and agree a presentation date.
- 4) Explain to the customer, whenever possible, and if requested to do so, the reason for any refusal of credit.

- 5) Provide the customer with the details of the information that shall be required by the member business to enable the transaction to proceed.

## **9. Contracts**

Contracts used by members shall:

- 1) Comply with current legislation.
- 2) Be written in plain English and be intelligible.
- 3) Indicate on the contract or elsewhere that BCCA offers a dispute resolution service.

## **10. Information for Credit Brokers**

Members shall:

- 1) Comply with current legislation.
- 2) Make the customer aware that they are dealing with a Credit Broker in a fair and transparent way.
- 3) Obtain consent from the customer, before passing their details to a lender.
- 4) Undertake regular compliance checks of any affiliates, to ensure that they are complying with current legislation and guidance.
- 5) Only make reference to BCCA membership on websites that have obtained this approval and are maintained under annual review.

## **11. Information for BCCA Members using Credit Brokers**

Members shall:

- 1) Ensure that the Credit Broker and/or affiliate has obtained consent from the relevant customer before accepting any leads.
- 2) Undertake regular compliance checks of any Credit Brokers and affiliates used to ensure that they are complying with current legislation and guidance.

## **12. Information for providers of Guarantor Loans**

Members shall:

- 1) Comply with current legislation.

- 2) Verify that the Guarantor has agreed to guarantee a customer's loan.
- 3) Ensure that the Guarantor is aware of the consequences of non-payment.

### **13. Handling Complaints and Disputes**

- 1) Members must have their own written complaints procedure, which must be no less rigorous than the BCCA template procedure provided in Annex A which members may adopt.
- 2) Members shall keep a written record of all complaints received from customers which cannot be resolved by the end of the next working day. This record shall be sufficiently detailed so that it is clear what action the member has taken to resolve the issue.

### **14. Monitoring**

- 1) Members shall declare their compliance with this CCP by completing and returning a Code Compliance Statement when required to by BCCA. This will normally be on an annual basis.
- 2) Independent compliance audits may be carried out to member businesses to ensure compliance with the requirements of this Code of Practice. Audits shall be scored against a set of key performance indicators.
- 3) BCCA shall give members reasonable notice of proposed audit visits. To facilitate the audit process, members are expected to do their utmost to comply with such arrangements unless there are compelling reasons why they are unable to do so. In such cases, members are expected to inform BCCA of the situation as soon as possible.

### **15. Compliance**

- 1) BCCA recognises that it is important that any breach of this CCP is dealt with quickly and effectively.
- 2) The Board of Directors shall appoint a Disciplinary Committee. As and when necessary, the Disciplinary Committee shall act in accordance with the procedures contained in the byelaws of BCCA. The BCCA recognises that it is important that any breach of this CCP is dealt with quickly and effectively.

### **16. Publicity**

- 1) Members shall display a window sticker bearing BCCA logo and a point of sale notice, provided by BCCA, drawing the customer's attention to this CCP and to BCCA's dispute resolution procedure.

- 2) BCCA shall display this CCP on its website and, on request, shall provide a written copy free of charge.

### **17. Annual Report**

- 1) An annual report shall be produced covering all aspects of the operation of this CCP and be considered by BCCA Board of Directors.
- 2) The report shall be produced by an independent person who will also include, in the light of experience, any suggestions to improve the Code.

### **18. Code Development**

- 1) BCCA is committed to ensuring that this CCP shall remain relevant to real consumer needs.
- 2) This Code shall be updated as may be deemed necessary by BCCA Board of Directors to reflect changing circumstances and the expectations of both members and customers.

### **ANNEX A: CUSTOMER COMPLAINTS PROCEDURE FOR BCCA MEMBERS**

**When you use our services, we will tell you about our complaints handling procedure. We will do this:**

- **In writing – at or immediately after the point of sale;**
- **By giving you a copy of it, if asked to do so; and**
- **By giving you a copy of it, if you send us a complaint.**

**This procedure is also available on our website or at our business premises, where appropriate.**

If you are not satisfied with any aspect of our service, we would like you to tell us your concerns.

You may contact us in any way which is convenient to you, including in person, by telephone in writing or by email.

**If your complaint involves **THIRD PARTY CHEQUE CASHING**, you should follow the procedure detailed below:**

- Upon receipt of your complaint, we will do our best to resolve it by the end of the next business day.
- If we can't do this, we will send you a prompt written acknowledgement of your complaint within 5 working days and tell you who is dealing with

it. In addition, we will provide you with a copy of our complaints handling procedure.

- If we need to investigate your complaint further to respond fully, we will tell you and keep you regularly updated.
- If you want to make a complaint to our trade association, their contact details can be found at the end of this procedure. As a first step, our trade association will refer your complaint to our Chief Executive (or a nominate representative) who will make sure we investigate it and send a response to you.
- We will send you our final response as soon as possible but within eight weeks of receiving your complaint.

**If your complaint involves SHORT TERM LOANS FOR EXAMPLE A PAYDAY LOAN, or CREDIT BROKERAGE you should follow the procedure detailed below:**

- Upon receipt of your complaint, we will do our best to resolve it by the end of the next business day.
- If we can't do this, we will send you a prompt written acknowledgement of your complaint within 5 working days and tell you who is dealing with it. In addition, we will provide you with a copy of our complaints handling procedure.
- If we need to investigate your complaint further to respond fully, we will tell you and keep you regularly updated.
- If you want to make a complaint to our trade association, their contact details can be found at the end of this procedure. As a first step, our trade association will refer your complaint to our Chief Executive (or a nominate representative) who will make sure we investigate it and send a response to you.
- We will send you our final response as soon as possible but within eight weeks of receiving your complaint.
- Our letter will explain that you will have **ultimate recourse to the Financial Ombudsman Service** if you remain dissatisfied after the eight weeks or the final response letter. We will enclose a leaflet from the Financial Ombudsman Service with our final response letter to assist you if you decide to pursue this further course of action. You should contact the Financial Ombudsman Service within **six months** of receiving our final response.
- Please be advised that you can turn to the Financial Ombudsman Service without first referring the complaint to our trade association.

## CONTACTS

<b>Chief Executive</b>	<b>Financial Ombudsman Service (FOS)</b>
<b>BCCA</b>	<b>South Quay Plaza</b>
<b>Portal Business Centre</b>	<b>183 Marsh Wall</b>
<b>Dallam Court</b>	<b>London</b>
<b>Dallam Lane</b>	<b>E14 9SR</b>
<b>Warrington</b>	
<b>WA2 7LT</b>	
<b>Tel: 01925 426 090</b>	<b>Tel: 0845 080 1800</b>

### ANNEX B

## **Good Practice Customer Charter**

### **Payday and Short-term Loans**

This Charter is for customers who have or who are considering applying for a payday or short-term loan with a lender who is a member of the Consumer Finance Association, the Consumer Credit Trade Association, the BCCA, or the Finance & Leasing Association. It will be implemented by 26 November 2012.

This Charter gives customers enhanced protections when taking out a payday or short-term loan. Copies of this Charter are available on our website or at our business premises (where appropriate).

A payday or other short-term loan is an agreement allowing you to borrow a small amount of money (usually between £50 and £1,000) and then repay it over a short period (typically one or two months).

### **Key Commitments by Lenders**

#### **When providing payday or short-term loans, we will:**

- Act fairly, reasonably and responsibly in all our dealings with you.
- Not pressurise you to enter into any loan agreement or to extend ('roll over') the term of your existing loan agreement.
- Tell you that a payday or short-term loan should be used for short-term financial needs and is not appropriate for long-term borrowing or if you are in financial difficulty.

- Tell you how the loan works and the total cost of the loan (including an example of the price for each £100 borrowed, together with fees and charges) before you apply.
- Check whether the loan is suitable for you taking account of your circumstances.
- Carry out a sound, proper and appropriate affordability assessment and credit vetting for each loan application and before a loan is extended (rolled over), to check you can afford the loan.
- Explain in general terms what types of information we will consider in making a decision, if you ask us to.
- Explain how we will communicate with you during the term of the loan, and how you can contact us by phone, email or online.
- Set out clearly how continuous payment authority works (if we use it), how payments will be deducted from your bank account and your rights to cancel this authority, so you can decide if this type of repayment is acceptable to you. We will remind you that if you cancel, you will still owe any outstanding debt and will need to provide an alternative method of repayment on the due date to avoid going into default.
- Always notify you by email, text, letter or phone at least 3 days<sup>1</sup> before attempting to recover payment using continuous payment authority on the due date. This notice will ask you to contact us if you are in financial difficulty and cannot repay.

**If you are having problems repaying your loan, we will:**

- Deal with cases of financial difficulty sympathetically and positively and do what we can to help you manage what you owe.
- Freeze interest and charges if you make repayments under a reasonable repayment plan or after a maximum of 60 days of non-payment.
- Tell you about free and independent debt-counselling organisations who can also help you. For example:
  - Citizens Advice - [www.adviceguide.org.uk](http://www.adviceguide.org.uk) To find your local office, look in your phone book
  - Consumer Credit Counselling Service - [www.cccs.co.uk](http://www.cccs.co.uk) 0800 138 1111
  - National Debtline - [www.nationaldebtline.co.uk](http://www.nationaldebtline.co.uk) 0808 808 4000

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<sup>1</sup> Where contact is being made by telephone, this timeframe will be influenced by the customer actually receiving the call

- Money Advice Service - [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)  
0300 500 5000

**If you want to make a complaint, we will:**

- Tell you about our complaints-handling procedure when you take out a loan or whenever you ask us to. We will also include details about our complaints procedure on our website or make them available at our business premises (where appropriate).
- You may be able to refer your complaint to the Financial Ombudsman Service at: [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk) 0300 023 4567

**Keeping to this Charter**

We are committed to complying with this Charter and we will be independently monitored to make sure that we do so.

**Further Information**

If you want more information about this Charter and the new rights and protections for customers it contains, you can find this at:

Consumer Finance Association – [www.cfa-uk.co.uk](http://www.cfa-uk.co.uk)

Consumer Credit Trade Association – [www.ccta.co.uk](http://www.ccta.co.uk)

BCCA – [www.bcca.co.uk](http://www.bcca.co.uk)

Finance & Leasing Association – [www.lendingcode.org.uk](http://www.lendingcode.org.uk)

## ANNEX C

### **Payday and Short-Term Loans Delivering new consumer protections Addendum to Industry Codes of Practice**

On 24 May 2012, the Consumer Finance Association, the Consumer Credit Trade Association, the BCCA and the Finance & Leasing Association agreed to a series of new consumer protections for customers taking out a payday or short-term loan.

This Addendum sets out the enhanced consumer protections for payday and short-term loan customers and sits within or alongside the trade associations' existing Codes of Practice. The new standards in this Addendum will be implemented by 26 November 2012.

A payday or other short-term loan is an agreement allowing you to borrow a small amount of money (usually between £50 and £1,000) and then repay it over a short period (typically one or two months).

#### **Key Commitments**

1. **A Good Practice Customer Charter** setting out in a clear, concise and user-friendly format what customers of payday and short-term loans should expect from their lender. This Charter will:
  - highlight lenders' key commitments to customers, including to provide clear information about how the loan works, the price per £100 borrowed as well as the APR, and charges for extending the term of the loan ('rolling over') and default;

- explain how lenders will communicate with customers and how customers can contact them;
- explain how they assess if customers can afford a loan; and
- explain how to complain if there is a problem and signpost customers to sources of free and independent debt advice and relevant helplines.

The Charter was published on 25 July 2012 and it sits alongside each trade association's individual Codes of Practice and as part of this Addendum. Copies of the Charter must be easily accessible to consumers via lenders' websites or at their business premises (where appropriate).

## **2. Lending to new or existing customers**

In addition to the key commitments set out in the Good Practice Charter, we will:

- Act fairly, reasonably and responsibly in all our dealings with you.
- Comply with all relevant legal requirements and have regard to relevant guidance produced by the Office of Fair Trading, including for example their guidance on irresponsible lending.
- Make sure all advertising and promotional material is clear, fair, not misleading and complies with relevant advertising regulation.
- Tell you the full name and contact details of the company providing the loan.

We will not pressurise you into taking out a payday or short-term loan.

## **3. Extending the term of your loan ('rollovers')**

We will:

- Not pressurise you to extend the amount you owe for another term.
- Only consider extending ('rolling over') the term of your loan if you ask us to and after we have reminded you of the risks of extending a short-term loan. If you are in financial difficulties, you should let us know as soon as possible and we can explore new arrangements with you for paying off your debt.
- Carry out a sound, proper and appropriate affordability assessment before the term of the loan is extended.
- Clearly explain any additional costs of extending the term of your loan and require you to repay any fees, charges and interest before the term of your loan is extended.
- Tell you if we have a limit on the number of times your loan might be extended.

#### **4. Robust Credit Assessments**

As responsible lenders, we will:

- Tell you that a payday or short-term loan should be used for short-term financial needs and is not appropriate for long-term borrowing or if you are in financial difficulties.<sup>2</sup>
- Check whether the loan is suitable for you, taking account of your circumstances.
- Make sure that all loan applications go through a sound, proper and appropriate affordability assessment and credit vetting which includes your ability to repay your loan in a sustainable manner. This assessment may look at a combination of:
  - the amount of credit requested;
  - your income;
  - your age;
  - how you have handled your financial affairs in the past;
  - information from credit reference agencies;
  - your personal circumstances and any changes in the future you have told us about;
  - the results of credit assessment techniques: for example, credit scoring; and
  - information you have supplied, including proof of your identity.

We will explain in general terms what types of information we will consider in making a decision, if you ask us to.

We will not provide you with a payday or short-term loan if you have told us you are in financial difficulties or our credit assessment indicates that you may not be able to repay the loan in a sustainable manner.

#### **5. Increased transparency about loan repayments to help customers make better informed decisions and making sure that continuous payment authority is not used inappropriately for those in financial difficulty.**

We will:

- Explain clearly how continuous payment authority works and how payments (including the possibility of part-payments) will be deducted

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<sup>2</sup> This information will be included in the lender's adequate explanation under section 55A (2) of the Consumer Credit Act 1974

from your bank account. This will help you decide whether this type of repayment is acceptable to you before you take out the loan.<sup>3</sup>

- Make clear to you your rights to cancel a continuous payment authority before you take out a loan. We will remind you that if you cancel, you will still owe any outstanding debt and will need to provide an alternative method of repayment on the due date to avoid going into default. We will give you a contact point should you want to cancel the payment authority directly with us.
- Always notify you by email, text or phone at least 3 days<sup>4</sup> before attempting to recover payment using continuous payment authority on the due date. This notice will ask you to contact us if you are in financial difficulty and cannot repay.
- Send you further regular reminders when a continuous payment authority is being used and where you have not made repayment on the due date. These reminders will give you a contact point so you can tell us if you are experiencing repayment problems or if you want to cancel the payment authority.
- Repay any amounts we have taken via the continuous payment authority where this has caused you to get into financial difficulty, and you have told us about this.

## **6. Help for customers in financial difficulty**

If you are in financial difficulty, we will:

- Deal with you sympathetically and positively and do what we can to help you manage what you owe. This may include making new arrangements about how you will pay off your debt. In doing so, we will consider other debts that you owe.
- Freeze interest and charges if you make repayments under a reasonable repayment plan or after a maximum of 60 days of non-payment.
- Not contact you or take any action to recover the money you owe us for 30 days, if you are making a genuine effort to agree a repayment plan using either a debt-counselling organisation or a 'self-help' approach (for example, you are suggesting a repayment plan). If you or your adviser provide us with clear evidence that real progress is being made in reaching a repayment plan, but work has not yet concluded, we will extend this 'breathing space' for an additional 30 days.

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<sup>3</sup> This information will be included in the lender's adequate explanation under section 55A (2) of the Consumer Credit Act 1974

<sup>4</sup> Where contact is being made by telephone, this timeframe will be influenced by the customer actually receiving the call

- Tell you about free and independent debt-counselling organisations. These include: Citizens Advice, the Consumer Credit Counselling Service, National Debtline or the Money Advice Service.
- Not allow you to borrow further from us until all outstanding loans with us have been repaid.
- Deal with people whom you have asked to act on your behalf, with your authority, unless those people behave unreasonably.

Further information on how we can help you if you are in financial difficulty is available in our industry Code of Practice.

## **7. Data Protection and Marketing**

We will:

- Follow all relevant privacy and data protection law.
- Not reveal information we hold about you unless:
  - we have your permission to do so;
  - we have to by law;
  - we have a public duty to do so; or
  - there is a good reason for us to do so (for example, legal reasons such as fraud).
- Not specifically target our marketing on groups of people known to be financially vulnerable or credit-impaired.

## **8. Effective compliance monitoring**

We are committed to complying with the Good Practice Customer Charter for Payday and Short-term Loans and this Addendum.

We will provide an annual statement of compliance to our trade association and we will also be subject to periodic independent compliance visits.

Failure to comply with the Charter and this Addendum could result in us being subject to:

- Written warnings, or
- Recommendations as to future conduct.

The most serious punishment for not keeping to the Charter and Addendum would be expulsion from our trade association.

Quarterly meetings will be held between the Office of Fair Trading and the trade associations to discuss areas of concern in the payday and short-term credit markets and potential solutions.

The trade associations will also meet quarterly with consumer groups to discuss market practice.

### **9. Rigorous complaints procedures**

When you take out a loan, we will tell you about our complaints-handling procedure. We will do this:

- In writing – at or immediately after the point of sale;
- By giving you a copy of it, if asked to do so; and
- By giving you a copy of it, if you send us a complaint.

This information will also be available on our website or at our business premises, where appropriate.

If you want to make a complaint, you should contact us first using our complaints procedure. We will acknowledge your complaint within five days of it being received by our Complaints Department. If we need to investigate your complaint further to respond fully, we will tell you and keep you regularly updated.

If you want to make a complaint to our trade association about our conduct under the Charter or this Addendum, we will give you their contact details. As a first step, our trade association will refer your complaint to our Chief Executive (or a nominated representative) who will make sure we investigate it and send a response to you.

If you are still not satisfied, our trade association will try to help you reach an agreement up to the time the matter is resolved. You may also refer the complaint to the Financial Ombudsman Service and we will give you their details.

Further information on how we deal with complaints is available in the industry Codes of Practice.

### **10. Updates and Twelve Month Review**

A review of the effectiveness of the Charter and this Addendum will be undertaken in Summer 2013.

Before then, the trade associations may amend or add to the Charter and Addendum in order to respond effectively to any recommendations which emerge from the Office of Fair Trading following their review of payday lending compliance and consultation on the misuse of Continuous Payment Authority, as well as industry discussions on continuous payment authority.

25 July 2012