Issue 57 - Spring 2011

Newsletter

THE QUARTERLY NEWSLETTER OF THE BCCA

IN THIS EDITION

CPMA / FCA UPDATE

As reported in the winter edition of the newsletter, the Government is consulting on a possible transfer of consumer credit responsibility to a new organisation that had a working title of 'Consumer Protection and Markets Authority' (CPMA). This would involve FSA style regulation for consumer credit businesses, instead of the Consumer Credit Act. It is a joint consultation by HM Treasury and the Department for Business, Innovation and Skills (BIS) and since its publication the name of the organisation has been changed from CPMA to 'Financial Conduct Authority' (FCA).

A choice between two options is presented in the consultation paper. They are:

'***Option 1***: *a regulatory regime for consumer credit under the CPMA within a legal framework based on the model set out in the Financial Services and Markets Act 2000 (FSMA) and therefore consistent with the regulation of other retail financial services; or*

Option 2: *a specific consumer credit regime based on the Consumer Credit Act 1974 (CCA).'*

It is worth noting that there is no guarantee that if Option 2 was progressed, the CCA regime would remain the responsibility of the OFT. The consultation document states;

'If a decision is made to retain the CCA regime, the Government would consider the most appropriate regulatory authority for this regime following the conclusion of wider work on the future of the competition and general consumer functions of the OFT, and would issue a further consultation on this if necessary.'

BCCA Response

The BCCA has submitted a response to the consultation in advance of the deadline, supporting Option 2. The main basis for favouring this option is detailed below and is extracted directly from our response.

'The BCCA's preferred option is OPTION 2. We are strongly opposed to Option 1 due to the likely impact this would have on the consumer credit industry. Our key reasons for favouring Option 2 are listed below:

- ***Market Exit*** *– Given that the regulatory burden will significantly increase, SME's in particular are likely to leave the market - the very sector of the economy that could produce growth in the future. We are concerned that an FSMA-style would bring with it a* ***'one size fits all approach'*** *to regulation. For a significant number of credit businesses this would result in a disproportionate level of regulation in relation to the product(s) they offer.*

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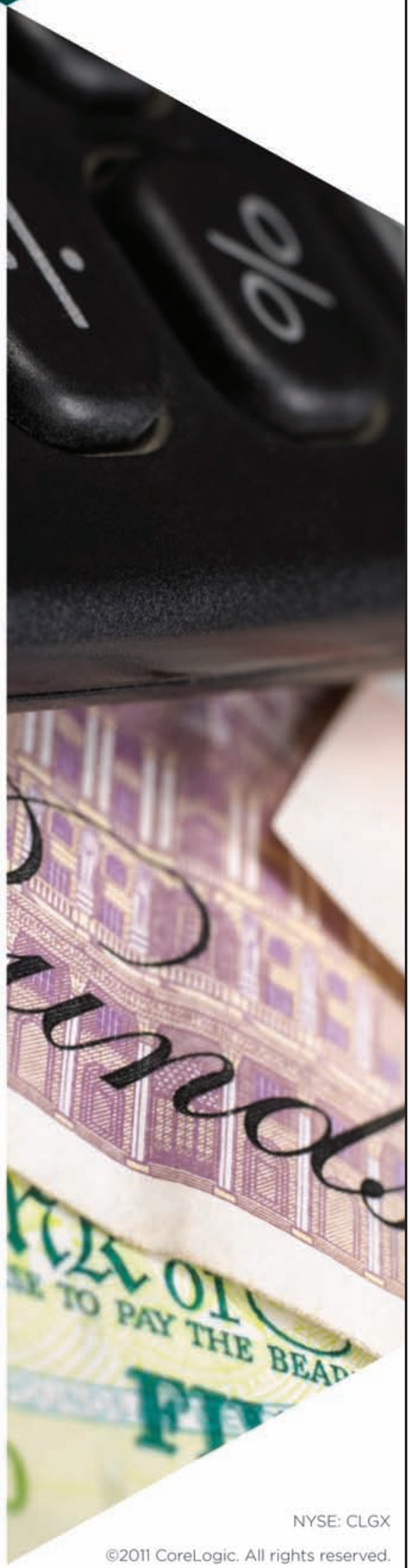

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- The result of SME's exiting the market is less competition. This will have a detrimental impact on consumers in terms of the charges they pay and their ability to access credit.

- **CCA regime** – We believe that the CCA regime is fit for purpose. It is well established and has witnessed significant change in the last 36 years, primarily since the Consumer Credit Act 2006. More recently there have been changes as a result of the European Consumer Credit Directive. This has increased consumer protection measures within the existing regime. Further regulatory change of the magnitude described in the consultation would result in yet another period of uncertainty and overwhelming change for consumer credit businesses. In the current economic climate this is undesirable.

- **Expertise and experience of the CCA regime** – This has been developed over a period of time at the Office of Fair Trading (OFT) and Trading Standards.

  We do not believe that the OFT has failed in its duty to licence and enforce under the CCA regime. Given the changes to the licensing regime as a result of the Consumer Credit Act 2006 the OFT is able to scrutinise applicants who apply for a licence, particularly those under 'high-risk' categories. To achieve this, applicants may be asked to complete credit risk profiles (CRP) or credit competence plans (CCP). In addition, they may also be subject to an on-site visit from their Local Authority Trading Standards Service (LATSS).

  The OFT can, at any time, impose requirements on licensed businesses as well as having the power to refuse, vary or revoke a licence. The OFT has proven that they are willing to exercise these powers. In recent months alone, there have been a number of cases where, for example, requirements have been imposed on small and large credit businesses. Breach of any requirement can result in a fine of up to £50,000 which we believe is a deterrent to potential future non-compliance.

- Given the market failures in terms of mis-selling that have occurred under the FSMA regime, for example, with pensions, PPI and endowment mortgages we are surprised that this model of regulation is being held up as being better than the CCA regime.

- Should Government be intent on a single regulator for retail financial services, then we would suggest that the CCA regime is retained with the OFT *continuing to licence and enforce consumer credit businesses sitting within the CPMA.*

- *It is unclear what the Government's vision of consumer credit is for the future. For a healthy, competitive market without unnecessary regulatory burdens then we believe that Option 2 should be the preferred option. Option 1 is likely to result in a small number of larger credit businesses which will result in less consumer choice in terms of price and supply and ultimately reduced access to credit.*

- *We do not believe that there are enough sound, objectively justified reasons for the magnitude of change proposed. It is our understanding that there has been no research undertaken with businesses or indeed consumers prior to this consultation to assess how those most affected by the proposed changes view the current CCA regime and the OFT.*

- *Government should not underestimate the magnitude of change that is being proposed in the consultation document under Option 1. For example, it would involve re-educating those businesses that could afford to stay in the market; there would be costs involved in system changes, training staff etc. In addition, consumers and their advisors would have to become familiar with a new regime. This would take time and for Government funded advice agencies, would also result in costs to the taxpayer.*

- *If Option 1 were adopted and failed, it would have a catastrophic effect on businesses, consumers and the wider economy. Therefore we do not feel that this decision should be rushed. As Andrew Tyrie, Chairman of the Treasury Select Committee commenting on their report published on 3 February 2011, 'House of Commons Treasury Select Committee Financial Regulation: a preliminary consideration of the Government's proposals' (Seventh Report of Session 2010-11) has stated;*

  'In light of the banking crisis, the government is rightly proposing radical changes to the way in which financial services are regulated. However, having examined the initial proposals, the Committee's overriding concern is about the proposed speed of implementation.'

  He also commented that 'it is vital to maintain the momentum for reform, but there is no point in flawed change.'

  (Source Citywire 3.2.11)

- *The timescales that were suggested in the consultation document should Option 1 be adopted (mid 2014) seem highly unrealistic for the reasons mentioned above. Government should reflect on recent examples such as the challenges and pressure that businesses faced during the implementation of the European Consumer Credit Directive and the impact this had when very restrictive timescales were imposed.*

- *The consultation does not appear to work in tandem with the Government's announcement in July last year of a review of consumer credit and personal insolvency.*

- *The consultation seeks views on how, if Option 1 were adopted, consumer credit licences and existing agreements should be treated. We believe that decisions surrounding these matters should only be consulted on once a decision has been made on whether consumer credit responsibility should be transferred.'*

A full version of our consultation response can be found in the 'Members Only' section of our website. It is likely that numerous consultations on this issue will follow and we will keep members informed at all times.

SAR'S EXPLAINED

'Between October 2009 and September 2010 cheque cashers were responsible for submitting 8,849[1] Suspicious Activity Reports (SARs) to the Serious Organised Crime Agency (SOCA) - the second highest industry sector after banking[2]. But after you've submitted it what happens next? David Maguire from the UK Financial Intelligence Unit (UKFIU) sheds some light.

Where do they go?

Once you've submitted your SAR - ideally via SAR Online, the free secure web-based system favoured by

SOCA (available via www.soca.gov.uk) - it goes straight to the UKFIU (which sits within SOCA) who log it onto an internal database (the UK SARs database, also known as Elmer) where all SARs are managed and stored.

Who gets access?

The UKFIU makes SARs available (with strictly limited access) to end users i.e. law enforcement agencies (LEAs) and relevant government departments through money.web, an online portal through which the SARs database is accessed. This includes every UK police force, who have dedicated resources for the receipt, assessment and dissemination of SARs. Access to SARs is very carefully controlled and everyone with access is properly trained and accredited; all information is always held in the strictest confidence. Not all SARs appear on money.web though e.g. those of a sensitive nature - terrorist financing, corruption of officials etc.

How are consent requests dealt with?

Regarding consent requests, the decision to refuse or grant is made by the UKFIU in consultation with the appropriate LEA. Reporters are notified within seven working days as to whether consent has been granted (the average turnaround time for responding to requests is 2.8 days).

What is their purpose?

A single SAR may be used several times by different users for different purposes e.g. information in it may inform Her Majesty's Revenue & Customs about taxation; it may inform local police about fraud or theft, or it may inform a government department about another issue or a weakness in a financial product.

Case study

SARS are a vital weapon in the UK's armoury to prevent and detect crime - not just in combating money laundering and terrorist financing, but also dismantling organised crime groups, thwarting boiler room fraud, or even identifying the criminality, assets or methods of a burglar and car thief. For example: a Money Service Business's (MSB) suspicion of unusual transfers overseas helped police identify and protect the victim of an internet dating fraud. Following receipt of the SAR, police discovered the subject had met an individual on a dating site and, although located in different countries, had struck up a personal relationship online and by telephone.

The individual on the dating website claimed to be abroad and urgently needed money for medical bills. The victim duly sent thousands of pounds in multiple instalments via the MSB to a third party overseas as instructed. Police advised the victim to cut all contact, change bank accounts and Victim Support were informed. Without the SAR it's likely the victim would have continued being exploited.

The success of law enforcement outcomes where SARs have played a key role is a testament not just to the hard work of end users, but also the key role reporters play.'

UKFIA can be contacted at ukfiusars@soca.x.gsi.gov.uk

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1 SOCA neither desires higher nor lower volumes of SARs, only that reporters report suspicion or request consent when appropriate to do so.

2 Figures taken from the SARs Annual Report 2010, available from www.soca.gov.uk.

For the 2009-2010 reporting year, 97% of SARs were submitted electronically.

PROJECT MERLIN BANK AGREEMENT – A BONUS FOR SME'S?

A new deal, called Project Merlin, has been made between the Government and four of Britain's biggest banks in order to see lending to SME's **increase**. Part of the deal includes;

- Banks making £190bn of credit available to businesses this year (2011) including £76bn to small firms (£10bn or 15% more credit than 2010);
- Banks providing an extra £1bn of equity capital over three years to the Business Growth Fund, which aims to help small businesses in hard-pressed parts of the UK.

The Bank of England will monitor whether these loan targets are being met. The deal, which will appear overdue to many, also means that banks are expected to curb bonuses and reveal the salary details of the top earners.

A report by www.efinancialnews.com recently revealed that one bank, which was bailed out by the UK Government in 2008, awarded its Chief Executive a base salary of £1.8m in 2010. That is 12.5 times more than Prime Minister David Cameron and six times more than the country's highest paid civil servant.

Criticism of banks' lending, or lack of, to small businesses emerged out of the recession and Project Merlin is the Government's attempt at addressing this issue.

However, the deal itself has received its fair share of criticism. Liberal Democrat Lord Oakeshott stepped down as Treasury Spokesman after saying that its provisions were *'weak and waffly'* and that the Treasury *'couldn't negotiate their way out of a paper bag.'* A report by www.simplybusiness.co.uk has also suggested that the deal may not result in a marked increase in bank lending as decisions will still be made on conventional, commercial criteria. Unfortunately, this could mean that banks will still be able to pick and choose who they lend to. Time will tell!

BUDGET REPORT 2011

Cast your minds back to June 2010 when the coalition government set out its emergency budget. At the time, George Osborne's talks of business deregulation and red tape cuts gave a glimmer of hope. As the emergency budget report correctly pointed out, *'the volume and complexity of regulation can damage UK competitiveness.'*

It was with surprise then that what followed was a barrage of new regulatory proposals, most recently in the form of the CPMA / FCA consultation, launched jointly by HM Treasury and the Department for Business, Innovation and Skills (see pages 1-4 for more details on the BCCA's response to this.)

As a consequence, when the new cuts to regulation were set out in March's Budget report they already felt like empty promises. Following the announcements, Phil Orford, Chief Executive of the Forum for Private Businesses, said,

"While we broadly welcome many of the Chancellor's announcements, British business owners will be looking for much more in the way of real actions in the weeks, months and years that lie ahead."

Key points

Budget 2011 vows to drop proposed regulations that would have cost businesses £350m although, at the time of going to print, what these proposed regulations are was not as clear.

Further boosts to businesses include a 2% reduction in corporation tax from April 2011 and the introduction of a moratorium exempting micro and start-up businesses from new regulation for three years, which also comes in from April 2011. The small business rate relief holiday will be extended by one year to October 2012 and the small companies Research and Development tax deduction will rise to 200% in April, and to 225% next year. The proposal to consult on merging income tax and the national insurance regime will also be of benefit to business owners, although Osborne said that this would take a number of years to complete, suggesting it is not high priority.

Other measures/ introductions

- Further rise in personal allowance to £8,105 by 6 April 2011;
- Streamlining of the planning applications system;
- Fuel duty cut by 1p a litre;
- Building of an online personal tax calculator by 2012 to allow individuals to estimate how much income tax and National Insurance Contributions (NIC's) they pay.

For more information on the measures outlined in the Budget 2011 report please visit the www.hm-treaury.gov.uk

CHEQUE UPDATE

As we sprint into another year, time seems to be running out for the Payments Council which has the mammoth task of providing acceptable alternatives to the cheque by 2016. The organisation must not only ensure that these alternatives are available and known to consumers but also that people are actually using them.

Last autumn, the Payments Council commissioned independent experts to conduct the first of a number of studies to find out how much customers and businesses knew about alternative payment methods, and how accepting they are of them. Unsurprisingly, not all customers were sold on the proposals – the risks of fraud and security breaches were cited as some of the reasons why.

National Payments Plan

Later in the spring, the Payments Council will be launching a consultation to review its National Payments Plan, which was first published in May 2008. The plan, which sets out a ten-year outline for existing and new payment methods, is to be reviewed by the organisation every three years. Following the consultation, a revised National Payments Plan will be published in the autumn.

The BCCA will continue to monitor and report on the Payments Council's work.

'Save the Cheque' Campaign

A group of MPs presented the 'Save the Cheque' petition at Number 10 Downing Street on 15 March 2011. Amongst them was Liberal Democrat MP, Lorely Burt, who tabled the *'Cheque Payments'* Early Day Motion in July 2010 in support of the cheque. The petition was reported to have *'tens of thousands'* of signatures.

BRIBERY ACT 2010 – THE COUNTDOWN BEGINS

'On 30 March 2011 the Ministry of Justice announced that the Bribery Act 2010, which introduces new and draconian anti-bribery and corruption laws, will come into force on 1 July 2011.

The statement accompanied the publication of guidance that the Act requires the Government to produce to assist companies to comply with the Act. The Government believes that it has listened to the concerns of business and has produced easy to understand common sense guidance. This will be followed by a three-month period for businesses to prepare before the Act comes into force.

What is bribery and what will the Act prohibit?

Bribery is considered to be anything (often but not always money) which is offered to improperly influence someone's decision to the briber's illicit advantage. After a poor track record of few successful prosecutions for bribery, the Government believes that if the UK has strict anti-bribery legislation, its reputation will improve and the UK public and private sectors will attract increased international trade and investment.

From 1 July 2011 there will be four new bribery offences:

- *making (or promising) a bribe*
- *receiving a bribe*
- *bribing a foreign official*
- *failure by a commercial organisation to prevent bribery (the 'corporate offence')*

Adequate procedures

The guidance which the Government has just published relates to the corporate offence, whereby an organisation is automatically guilty of the offence of failing to prevent bribery should anyone 'associated'[1] with the organisation be guilty of bribing another person. The only defence an organisation can have is if it can prove that it had 'adequate procedures' in place that ordinarily would have prevented a bribe from being made. The Act requires the Government to publish guidance to assist organisations to understand and implement procedures that the prosecuting authorities would accept as adequate.

Industry concern

The delay in publication of the guidance arose due to intensive industry lobbying which warned that to enforce the provisions of the Act in their strictest form could stifle British business abroad. For example, the Act has 'extra-territorial' effect meaning that the Act could catch bribes outside the UK and do not involve companies incorporated in the UK. Take a German company with a small branch office in Leeds. A French employee working in their Paris office travels to Nigeria and bribes a Nigerian official. Despite the fact that the company is German and the briber is French and the bribe occurred in Nigeria, because the company has a UK presence (the Leeds branch), the bribe will be caught by the Act, regardless of the fact the Leeds branch did not "benefit" from the offence.

Given the wide scope of the Act and its draconian penalties, businesses demanded further clarification, such as whether corporate hospitality and 'facilitation payments' would be caught by the Act. The new guidance states that genuine hospitality or similar business expenditure that is reasonable and proportionate will not be caught by the Act. However, facilitation payments, 'which induce officials to perform routine functions they are otherwise obligated to perform' are bribes and prohibited by the Act. There remains the concern, therefore, that in certain countries, *where facilitation payments are the norm, the Act could put British organisations at a competitive disadvantage to other foreign companies.*

Organisations now have until 1 July 2011 to ensure their business is compliant with the Act. At Walker Morris we have a specialist team to help businesses with the likely compliance issues they will face, from interpreting the new guidance and drafting compliant anti-bribery policies, to assisting in their effective implementation and advising in investigations.'

For more information contact David Williams from Walker Morris at david.williams@walkermorris.co.uk.

1 A person is 'associated' with an organisation if he 'performs services' for it (other than to pay bribes on its behalf). An employee is presumed to be an associated person.

OFT LICENCE FEES INCREASE

The OFT is increasing its consumer credit licence fees. From 11 April 2011, the following fees apply;

Application for or renewal of a standard credit licence for **sole traders** will now cost **£435** for a five year period, **an increase of £21 per year**;
Application for or renewal of a licence for **all other applicants** will now cost **£1075** for a five year period, **an increase of £51 per year**;
Applications for directions under sections 101 and 60 of the Consumer Credit Act will be charged at £1000;
The **cost of amending details** of an existing licence is **unchanged** (£80 for the large majority of variations).

The levy imposed on those licences covered by the Consumer Credit Jurisdiction of the Financial Ombudsman Service remains £150 for a five year period. The specific charges for applying for or renewing a standard consumer credit licence do not include this fee.

For example, under the new fee structure, the total cost for a sole trader applying for or renewing a standard consumer credit licence will be £435 + £150 = £585. The total cost per annum will be £117 (previously £96) thus a £21 increase per year.

As at the date of printing, fees for both application for and renewal of a consumer credit licence are:

sole trader - £480 (includes consumer credit licensing fee of £330 and CCJ levy of £150);

partnership, company or other organisation - £970 (includes consumer credit licensing fee of £820 and CCJ levy of £150).

According to the OFT, the licence fee covers the cost of OFT functions such as scrutinising licence applications, site visits, staff interviews and compliance reviews. It also includes the refusing and revoking of licences and imposing of formal requirements, as well as a range of enforcement actions.

Full details can be found at the following link:

http://www.oft.gov.uk/news-and-updates/press/2011/26-11

(Source: www.oft.gov.uk)

OFT DEBT COLLECTION GUIDANCE CONSULTATION

Despite the potential threats to the OFT's existence (see pages 1-4 for more details), the watchdog has continued to press ahead with a review of its guidance on debt collection. The consultation was published on 10 March 2011 and closes on 2 June 2011. The consultation paper runs to 61 pages and as always the BCCA will be submitting a response. Further details will be given in the summer newsletter.

EMPLOYER-FRIENDLY REFORMS

The Government has launched a consultation on employment tribunal reforms that favour the interest of employers. The proposed measures aim to create a new claims system that, it says, will be less costly and time consuming for small businesses in particular.

As reported in the Guardian, Business Secretary, Vince Cable, said that the current system served as a '*major impediment'* to small businesses hiring people, with businesses having to spend almost £4,000 on average to defend itself against a claim.

The proposed measures include;

- increasing the period of employment required before an employee can make a claim from one year to two;
- requiring all claims to be lodged with ACAS (Advisory, Conciliation and Arbitration Service) in the first instance to allow for early dispute resolution;
- extending the jurisdiction where judges sit alone to include unfair dismissal to speed up the process and;
- tackling weak and vexatious claims in order to lessen the cost for small businesses.

An "Employer's Charter" has been introduced alongside the consultation and is designed to help employers managing staff and covers issues on employment law.

OFT MENTAL CAPACITY GUIDANCE FOR CREDITORS UPDATE

The deadline for responses to the OFT consultation on its 'Mental Capacity Guidance for Creditors' closed on 4 March 2011 and the BCCA submitted its response ahead of the deadline. A copy of the response can be found in the Members Only section of our website under 'Consultation Responses'.

The key focus of our response was that if the OFT has specific concerns about how consumers who might lack mental capacity are dealt with, rather than having a further 66 page guidance document creating further regulatory burdens, a few provisions in the ILG ('Irresponsible Lending - OFT guidance for creditors') would be preferable. Not only that, this is a particularly difficult issue for creditors and, in many cases, mental capacity issues only become apparent after credit has been provided, regardless of how rigorous the adequate explanation and indeed affordability checks are.

The consultation itself attracted much criticism. Journalist, Dan Atkinson, writing for thisismoney.co.uk, said:

"*Lenders face a legal minefield with planned new rules on loans to the mentally ill. There would be penalties if lenders made loans to those without the 'mental capacity' to borrow – and if they refused credit solely because of a person's mental problems."*

BILLS OF SALE LOANS ESCAPE THE CHOP

The 'Bills of Sale' money lending industry has been working to a new Code of Practice since February following the Department for Business Innovation & Skill's (BIS) consultation into banning them.

The new Code of Practice has been introduced to ensure best practice and regulation is adopted by the industry. A bill of sale can be used to secure a loan on a consumer's personal property. For example, some businesses use bills of sales to secure a loan on the borrower's car by keeping the car's log book (V5).

In addition to the new Code of Practice, lenders will now issue customers a plain English information sheet explaining how bills of sale work and what the customer can expect from the lender.

The Consumer Credit Trade Association (CCTA), which produced the Code of Practice, has described usage of the new Code as the '*last chance saloon'* for the industry to avoid further regulation or a ban.

Following the consultation, which was launched in December 2009 and entitled '*Consultation on proposal to ban the use of bills of sale for consumer lending',* BIS found that any ban on their use would restrict consumer access to credit, reduce choice and increase prices.

OFT ENFORCEMENT ACTION

In recent months the OFT has taken enforcement action against a number of businesses. Here is a brief summary of three such cases.

Debt management lead generation company

One debt management lead generation company has had numerous requirements imposed upon it. The OFT believed that content on the firm's website was misleading as it was encouraging consumers to believe that it was a not-for-profit organisation providing debt management solutions. The firm actually introduces people, via its website, to debt management plan and Individual Voluntary Arrangement (IVA) providers for a fee.

- The requirements, which must be applied to the firms advertising content across all media, include;
- *Make it very clear to consumers that the company does not provide or administer debt solutions;*
- *Provide consumers with adequate information about the service being offered*
- *Not imply that the service is impartial or independent;*
- *Make its commercial status clear and not give the impression through any of its advertising that it is a charity or a publicly funded body;*
- *Ensure advertising of its debt management services is consistent with the standards set out in the OFT's Debt Management Guidance.*

The company must also ensure its compliance with the requirements is independently audited and that evidence of this is sent to the OFT.

Subject to a final determination by an OFT adjudicator, the firms application to add two trading names to its licence has also been refused.

The OFT said that it '*expects all those who provide debt advice and/ or management services to adhere by the minimum standards, particularly those relating to advertising, outlined in its debt management guidance (the Guidance) published in 2001 (updated September 2008).'*

Postal gold buying companies

A number of postal gold buying companies were the target of an OFT investigation recently after concerns were raised that consumers were being 'locked' into accepting an offer made for their gold. Consumers that did not reject the payment sent to them within a restricted time period had their gold melted down because their 'silence' was taken as agreement of the payment given by the companies.

Following the investigation, three firms have agreed to amend their business practices. This includes now giving consumers the choice of either receiving a quotation for their gold, which will require a positive acceptance, or just a payment, and the risks of each option being displayed. Two other postal gold buying companies ceased trading as a result of the investigation.

Credit brokers

The OFT has also turned its attention to credit brokers, stating they must improve the way they deal with upfront fees or risk losing their licences. The warning comes after the OFT revoked the credit licences of two associated businesses following concerns they had;

- *debited the current debit or credit cards of consumers without their authority;*
- *taken upfront brokerage fees - often after claiming that loan applications had been 'pre-approved' or 'approved in principle' - when no loan was provided or it was later offered at a higher APR/lower amount;*
- *not refunded brokerage fees when requested to do so.*

The OFT said that the decision to revoke the businesses' licences is subject to appeal and does not take effect until the end of any appeal process.

(Source: www.oft.gov.uk)

SURCHARGES SUPER COMPLAINT

Consumer group Which? has launched a super complaint with the OFT regarding surcharges imposed by businesses on consumers who pay by debit or credit cards.

On its own website, Which? said,

"Card surcharges are often sprung on the customer at the point of payment and can be far in excess of what it costs the retailer to process the transaction.

Low-cost airlines are among the worst offenders, with some charging a fee per passenger, per leg of the journey, in spite of the fact that they only have to process one transaction."

A consumer body is able to make a super-complaint when it thinks that *"a feature, or combination of features, of a market is, or appears to be, significantly harming the interests of consumers."* (Source: www.oft.gov.uk)

CAMPAIGN FOR FINANCIAL EDUCATION IN SCHOOLS

Compulsory financial education in schools could soon become a reality after a group of MP's have teamed up to campaign in its favour.

The All Party Parliamentary Group (APPG), which has the support of over 215 MPs, launched an inquiry on 16 March 2011 to canvass written evidence from teachers and other interested parties in support of its campaign. Following the inquiry, recommendations will be produced on financial education for the future.

Research by APPG has found that 93% of teachers and parents think that personal finance and education should be taught in schools.

A press release by Personal Finance Education Group, which is backing the MPs, said,

"The aim is to enable the creation of a model of finance education that truly equips young people with the skills and knowledge they need to become intelligent and responsible consumers."

SETTING UP A PROFITABLE FOREIGN EXCHANGE SERVICE

Ray Stanton, Managing Director of SCL, offers some advice to those looking to set up and run foreign exchange services alongside their cheque cashing business.

"With the recession biting and the phasing out of cheques on the horizon, many forward-thinking cheque cashers are actively seeking new revenue streams that fit in with their existing business -without excessive capital expenditure. Designed to attract new customers and add value, over-the-counter travel money services now represent an increasingly viable option. Ideal for driving greater custom, they are particularly popular in inner city areas with large ethnic populations and many frequent travellers.

Offering low risk and high return, today's automated Travel Money or Foreign Exchange (FX) systems are designed to be fast to deploy and easy to implement, with minimal investment from the retailer. But just how easy can it be and what are the key actions involved in setting up a successful and profitable currency business?

Build A Business Case

Before you begin, take a close look at your current business - customer flow, location and potential competitors - to estimate what your likely transaction base is going to be. Don't be afraid to ask for help. Any good currency or system supplier will provide you with information to help you make the right decision.

Examine All Options:

There are two options - get a third party to do it for you; or manage it yourself.

Some foreign exchange companies offer a managed service to retailers including currency, exchange rates, p.o.s software, licensing requirements, rateboards (if required), training, insurance and compliance guidance. In return, however, they charge higher rates for currency. Merchants can also do it themselves - if they do their homework and have a good head for numbers or the right system to assist them. Visit the HM Revenue and Customs website to view regulations and mandatory licensing requirements: http://www.hmrc.gov.uk/mlr/getstarted/register/msb.htm.

Choose Your Currency Supplier

Be prepared to shop around for the best deal and advice and check that competitive prices are backed by a reliable, high quality service. You can also get assistance setting FX margins; this is important as it provides a basis for setting your daily rates. Be wary,

but not dismissive, of 'end to end' packaged service; you could end up paying more for add-ons.
If you do opt for an all-inclusive package, make sure you get the functionality and equipment you need. Remember, if you ever want to change your currency supplier, you may have to change your whole system.
It's worth noting that currency suppliers will usually require background and credit checks to be done prior to commencing their services.

Decide On A Point of Sale System

The best systems, including SCL's UltraPoS Small Business Edition, offer the following:

No Installation *- accessed from your existing Windows-based PC(s), software delivered over the internet eliminates installation costs and reduces time to market.*

Flexibility *to manage exchange rates, charges & users.*

Reliable support *to keep your system live when you need it.*

Real-time reporting *to give an accurate view of your business 24/7, 365 days per year.*

Secure transactions *with access, management and control functions.*

Ease of use *to minimise training and disruption to your existing business. Good suppliers will offer training support.*

Legal and regulatory conformance *to help you to meet your legal and regulatory obligations.*

Select A Rateboard Supplier

Although not a requirement for running the service, visible rateboards are a powerful marketing tool.

There are several rateboard suppliers in the UK offering traditional boards and more modern LCD screens, which can also be used to promote other services.

Physical Set Up

Consider the physical set up of your travel money service, including security. You will want to protect both your employees and your customers. The level of security you need depends on the scale and size of your business and risk factors such as your location.

Contact your insurance company, they may have stipulations for travel money services, for example an enclosed glass screen and a safe with the appropriate fire rating or maximum value for contents. They may also require an additional premium. Plan how you are going to staff the new service. If you are going to need to recruit someone new, it may be worthwhile looking for someone with experience working with FX.

Promote

Don't forget to put together a marketing plan. It's rare for business to just walk in the door. Encourage and incentivise your staff to engage with customers and proactively sell the service.

Visibility is also crucial. SCL's experience has also shown that merchants who use store front service displays and promote competitive exchange rates in their windows are best placed to attract new business and drive footfall into their store. Local advertising and promotion calls also pay dividends."

SCL is the leading supplier of foreign exchange and prepaid card automation systems. Its acclaimed software, UltraPoS is also available in a small business edition (USBE), ideal for use by independent cheque cashers and bureaux de change. Further information is available from www.scluk.com or call 01273 666600

PRODUCT PLACEMENT: COMING SOON TO A SCREEN NEAR YOU

From 28 February 2011, companies are permitted to use product placement on UK TV programmes. Product placement is when a company pays for a product to appear in a programme. OFCOM, the independent telecommunications regulator, has issued rules that companies must comply with in order to use the marketing tool. For more information visit http://consumers.ofcom.org.uk/2011/02/product-placement-on-tv/

EX-DIRECTORY: 'MAJOR IMPACT ON ECONOMY'

The increase in the number of people choosing to be ex-directory could have a major impact on the economy, the identity management company, GB Group, has reported. According to GB Group, 58% of people now withhold their details, making it more difficult for debt collection companies to identify and verify individuals' details, which they say is sending the UK's personal debt soaring.

The company reported that UK personal debt is expected to hit the £10 trillion mark by 2015, leaving companies with a huge problem in tracking down outstanding debtors and securing payment. Companies could also face problems meeting Principle 4 of the Data Protection Act, which states personal data shall be accurate and up to date.

David Green, business development director at GB Group, said:

"The biggest problem currently facing debt collection agencies is recovering bad debt quickly and with the surge in ex-directory numbers, it is now becoming an economic issue.

A further problem is that the majority of people today use mobile phones which are not listed in the telephone directory, making it increasingly difficult for companies to reach their customers."

(Source: www.gb.co.uk)

POST OFFICE LOSE MULTI-MILLION POUND CONTRACT

Post Office has lost its £20 million a year contract to provide the benefit cheque service, commonly known as Green Giros. The contract has instead been given to Paypoint and will be delivered together with Citibank. The move is likely to be highly damaging to Post Office.

Green Giro is used by an estimated 250,000-350,000 and 60,000 of those that use the service are pensioners. The service involves cheques being sent through the post, typically for pensions, Jobseekers' Allowance and disability benefits, which the claimant then needs to take to a Post Office to cash.

The Government said that the switch to Paypoint will save the taxpayer millions of pounds as well as providing a more accessible service. There are 22,000 Paypoint terminals across the country including several big stores as well as thousands of independents which are open early morning to late at night, 7 days a week including bank holidays.

However, consumer groups and unions have condemned the move. As reported by The Telegraph, Andy Burrows, post expert at Consumer Focus, the Government-funded watchdog, said:

"People, particularly those on a low income, value the security and privacy that post offices provide. We are concerned that many convenience stores will not be able to provide the kind of service many consumers need."

The newspaper also reported that the move would force elderly customers out of a decades-long habit of a weekly visit to their local post office, which has been providing the service for the Government for 43 years.

The news is synonymous with the Payments Council's proposal to end the cheque clearing system in 2018, which would also affect the most vulnerable members of society.

It is expected that Paypoint's takeover will take place in 2012-2013.

About Paypoint

Paypoint began trading in 1996 and provides a service primarily for the cash payment of bills and services and prepayments for mobile telephones and energy meters.

It handles over £9.5 billion from over £55 million transactions annually for more than 6,000 clients annually.

Clients include the UK and Ireland's major energy, cable, mobile and fixed line telephone companies, as well as water companies, local authorities, housing associations and a growing transport and travel base.

Retail agents include convenience stores, newsagents, forecourts, off licences and supermarkets.

Based on Paypoint's internal mapping system, over 95 per cent of UK households are situated within one mile in urban areas and five miles in rural areas of a Paypoint Retail Agent.

The service is provided free of charge to the consumer.

(Source: www.paypoint.co.uk)

CASH IS KING

Despite the Payments Council's apparent penchant for all things electronic, the organisation has released statistics revealing how we are still a nation of cash lovers.

Of those surveyed, 77% said they'd choose cash as their preferred payment method for items under £3. The figure rises to 83% for those aged 55 and above.

The statistics also revealed how the nation's love for cash gives charities a boost. One in twelve consumers who favour electronic forms of payment, like contactless cards, saved their coins to give to charity. This figure rises to one in eight of Britain's over-55s.

WHAT VAT INCREASE?

When plans were announced to increase VAT by 2.5% some retailers were understandably concerned that it would affect business – and in economic times such as these, who can blame them? However, comforting new research by Intuit UK has revealed that for 67% of small firms the VAT increase has had no impact on business.

The research, which surveyed 1400 businesses, also found that for 70% of small business owners the VAT increase had cost less than £350. This took into account associated costs including administration, absorbing prices and loss of revenue. Nearly half of the firms surveyed estimated that they spent less than 5 hours managing the VAT increase, whilst 39% chose to absorb the additional cost rather than pass it on to their customers.

Whilst these latest figures are certainly good news for some businesses, the BCCA would not encourage the Government to increase the VAT rate any further and would like to see the recent increase reviewed in the future.

(Source: www.bytestart.co.uk)

LOAN CAPPING BILL DEFEATED

A Private Members' Bill calling for caps on the total cost of 'high cost credit' has been defeated in Parliament. A total of 115 MPs voted in opposition to the introduction of the *Consumer Credit (Regulation and Advice) Bill* which was presented in the House of Commons by Labour MP, Stella Creasy, in February. An amendment substantially 'watering down' the Bill was successfully tabled by Conservative MP Robin Walker. The amendment means that instead of 'introducing' the caps, the Government will just 'consider introducing' the caps. On bbc.co.uk, Walker said that he *'felt uncomfortable'* in supporting new regulations at this time, adding, *"Many of my colleagues on this side of the House are allergic to increasing regulation and all of us would like to see better rather than more regulation accepted as a general principle of government,"* – something the BCCA agrees with.

Creasy first presented her Bill in November 2010 as part of her involvement in the 'End Legal Loan Sharking' campaign. Writing in the Guardian shortly after her defeat, Creasy criticised the Government and its lack of support by stating that the addition of the amendment was '*civil service code for doing nothing.'*

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