



HM Treasury

# Policy statement on reform of the Consumer Credit Act 1974

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May 2026



HM Treasury



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# Chapter 1

## Introduction

- 1.1 Consumer credit is a vital part of the financial services landscape. When provided responsibly, it can help consumers manage their finances with flexibility, allow them to spread the cost of purchases, provide access to funds (including in an emergency) and contribute to broader economic participation. Consumer credit is a key contributor to innovation and growth of the UK economy. Ready access to credit can enhance consumer confidence, encouraging spending, support financial inclusion and investment in the economy, which in turn boosts businesses and can lead to expansion and job creation. This makes it imperative that regulation is fit for purpose in this ever-changing, modern world.
- 1.2 The Consumer Credit Act 1974 (CCA) was a landmark piece of legislation for the consumer credit market<sup>1</sup>, providing consumers with new protections that were needed at that time and replaced a confused and disparate regime. The Office of Fair Trading (OFT), tasked with overseeing the market, had limited supervisory and enforcement powers.
- 1.3 Consumer credit regulation was transferred in 2014 into the wider financial services regime under the Financial Services and Markets Act 2000 (FSMA), overseen by the Financial Conduct Authority (FCA) as regulator. Over 80 provisions of the CCA were repealed and 167 provisions were retained, resulting in a regime currently governed both by FCA rules and the CCA and associated secondary legislation. The Government's CCA reform policy work has considered the remaining CCA provisions, continuing the work commenced in 2014.
- 1.4 The CCA is out of date with new developments in the market, technology and consumer behaviour. The UK needs a more agile and proportionate regulatory regime for consumer credit that can enable innovation and drive economic growth, while ensuring robust protection for consumers.
- 1.5 The Government set out its vision, strategic plan and core objectives for CCA reform in its initial consultation in 2022 to support growth, innovation and competition, while providing robust protections.<sup>2</sup> The key principles set out for reform were to

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<sup>1</sup> <https://www.legislation.gov.uk/ukpga/1974/39/contents>

<sup>2</sup> [https://assets.publishing.service.gov.uk/media/63907e6b8fa8f569fcaefd6c/CCA\\_CP\\_211122\\_Final\\_Review.pdf](https://assets.publishing.service.gov.uk/media/63907e6b8fa8f569fcaefd6c/CCA_CP_211122_Final_Review.pdf)

ensure the regime was proportionate, aligned, forward-looking, deliverable and simplified.

- 1.6 Overall, the aim is to support a strong and healthy consumer credit market in the UK, which works well for both consumers and firms.
- 1.7 In May 2025, the Government published its Phase 1 consultation on CCA reform which set out its approach to the overall reform of the CCA and detailed proposals in relation to information requirements, sanctions and criminal offences. The Government received responses from 65 stakeholders, including from consumer groups, debt charities, trade bodies, firms and professionals. This feedback has been crucial in helping understand stakeholder views and consider the approach for CCA reform.
- 1.8 This Policy Statement sets out the Government's response to the Phase 1 consultation, its approach for the remaining CCA provisions and the changes it will take forward including rights and protections, scope and key definitions, any consequential changes and transitional provisions.
- 1.9 The Government is proposing to repeal many of the remaining CCA provisions and much of the associated secondary legislation. It considers that these CCA provisions are no longer necessary and appropriate within legislation in today's credit market, in light of rapid technological changes and wider regulatory developments since the CCA was brought in. This will support innovation and economic growth across the consumer credit sector, with proportionate regulation whilst ensuring robust consumer protection. Some of these provisions may fall away where they are no longer needed and others will be recast where appropriate into FCA rules subject to any FCA consultations.
- 1.10 The Government does not expect that CCA provisions which are repealed and recast into FCA rules to be replicated exactly. Indeed, that is not the objective. Instead, the FCA will consider what appropriate requirements should be put in place, considering its statutory objectives, powers under FSMA and its existing rules including principles like the Consumer Duty. Some CCA provisions will be retained within legislation. The Government is proposing to retain certain CCA provisions (with any necessary amendments) where:
  - no changes are being made at this time;
  - the provisions are complex requiring further policy work;
  - they cannot be recast into FCA rules because of the nature of how those rights operate (such provisions may create third party rights and obligations) but are nevertheless important rights to be retained in legislation to ensure robust consumer protection.

- 1.11 The FCA is publishing a statement alongside this Policy Statement which sets out its approach to CCA reform (guided by its statutory objectives and wider strategy) and highlighting some of the existing rights and protections it will consider as part of its policy work.
- 1.12 Overall, these CCA reform changes will support a modernised and flexible consumer credit regime with more outcomes-based principles and less prescription in FCA rules, while ensuring consumers have robust protections. This will enable firms to better tailor products and consumer journeys to achieve good consumer outcomes in line with the broader FCA Consumer Duty principle. It also brings consumer credit in line with modern UK model of financial services regulation, whereby the scope of regulation is determined by parliament, with the detailed conduct rules set by the independent and expert regulators. This continues the CCA reform work that began in 2014.
- 1.13 The remainder of this Policy Statement is structured as follows:
- **Chapter Two: Executive Summary** – This gives a summary of this Policy Statement covering the Government’s response to the Phase 1 Consultation and its key CCA reform proposals, as well as its approach and changes for the remaining CCA Provisions, equalities impact and next steps;
  - **Chapter Three: Phase 1 Consultation Response** – This sets out a summary of the consultation responses received and the Government’s response, as well as the changes in relation to information requirements, sanctions and criminal offences;
  - **Chapter Four: Remaining CCA Provisions** – This summarises the Government’s approach to the remaining CCA Provisions and the changes in relation to rights and protections, scope and key definitions;
  - **Chapter Five: Transitional Provisions** – This sets out the Government’s approach to transition from the current CCA provisions to the new reformed regime;
  - **Chapter Six: Equalities impact and Impact Assessment** – This covers the Public Sector Equality Duty considerations as well as the wider impact assessment of the changes set out in this Policy Statement; and
  - **Chapter Seven: Next Steps** – This sets out the key next steps and any further updates expected on CCA reform.
  - **Annexes:**
    - **Annex A – Detailed provisions table** – This summarises each of the CCA Provisions and sets out the changes to repeal or retain each of the provisions;

- **Annex B – List of Respondents** – This lists the respondents to the Phase 1 Consultation on CCA reform.

# Chapter 2

## Executive Summary

2.1 This chapter summarises the Government's approach to CCA reform and the key changes set out in this Policy Statement that it will take forward as part of the Financial Services and Markets Bill announced in the King's Speech on 13 May.

### Phase 1 Consultation – Information requirements, criminal offences and sanctions

2.2 HM Treasury's Phase 1 Consultation on CCA reform was published in May 2025, closing for responses in July 2025. It consulted on the following detailed proposals:

- **Information requirements** – To repeal the majority of the information disclosure requirements from the CCA and for these to be recast into FCA rules (where appropriate and subject to any FCA consultation);
- **Sanctions** – To repeal the sanctions of unenforceability and disentitlement to interest from the CCA and for these provisions to fall away, relying on the FCA regulatory regime and the existing FCA supervisory and enforcement toolkit.
- **Criminal offences** – The options of repealing all criminal offences in the CCA, retaining all or repealing all except those that relate to minors and canvassing off trade premises; and

2.3 HM Treasury received 65 responses to its Phase 1 Consultation from a range of stakeholders including consumer groups, firms, trade associations and professionals. It has reviewed and considered all of the feedback in addition to the feedback already received from the various bilateral meetings and roundtables held prior to the consultation.

2.4 Consumer groups and representatives were supportive of the objectives of CCA reform but raised some concerns about the fast pace of reform and stressed the need for further Government engagement. They were worried that there is a risk reform focuses too much on growth and business interests, not consumer protection. They were generally supportive of the information requirement proposals but noted that some prescription in the information requirements can aid the ability of consumers to compare products which supports understanding.

- 2.5 They were strongly supportive of sanctions and consider these important consumer protections, as well as being automatic, self-policing and providing a court-based statutory protection which act as a deterrent for firms against non-compliance.
- 2.6 Consumer groups were supportive of the option to retain the criminal offences, arguing that the lack of prosecutions demonstrates the deterrent effect against particularly harmful practice, especially offences against minors and canvassing off trade premises.
- 2.7 Industry respondents were supportive of the CCA reform proposals and consider that they would improve the proportionality of regulation whilst ensuring redress is focused on the harm suffered. They believe that CCA reform is a great opportunity to simplify and improve the regime for both consumers and firms. They were supportive of the proposals to repeal information requirements, agreeing that requirements were too complex, prescriptive, legalistic and duplicative, limiting the ability of firms to tailor information for different consumers and utilise developing technology.
- 2.8 They agreed sanctions were no longer necessary and strongly supportive of the proposal to repeal, arguing they were costly and disproportionate to the breach with redress not relating to the harm suffered by consumers. In addition, they also argued sanctions create poor consumer outcomes with many unnecessary negative practical consequences, as well as creating significant barriers to innovation in both product and consumer journey developments.
- 2.9 The complexity and ambiguity of sanctions also create a lot of legal uncertainty for firms which results in increased litigation costs and operational challenges for firms to ensure compliance.
- 2.10 Industry stakeholders were supportive of the option to repeal the criminal offences, considering them obsolete and unnecessary, with criminal liability under FSMA focused only on regulated activities undertaken by unauthorised persons. The extensive supervisory and enforcement toolkit of the FCA including the Senior Managers' Regime was considered more appropriate where enforcement action is needed.
- 2.11 Following the Phase 1 Consultation, the Government has decided to take forward the following changes:
- **To repeal the majority of the information requirements** - The majority of information disclosure requirements in the CCA and accompanying regulations will be repealed and recast into FCA rules (where appropriate and subject to consultation). Information disclosure requirements cover the information provided to consumers as part of the pre-contract (e.g. Pre-Contract Credit Information, Agreement, etc.), post-contract (e.g. statements, copies, etc.) and arrears,

default and forbearance (e.g. arrears and default notices, etc.) phases of the consumer journey. This will allow for less prescription and greater flexibility in the innovation and tailoring of products, consumer journeys and information, as well as the use of technology as it continues to develop. It will also support proportionate regulation, as well as good consumer outcomes and alignment with the Consumer Duty. Future regulatory changes will be simpler and quicker to bring in, allowing the FCA to be able to respond more effectively to developments and changes in the market.

- **To repeal the sanctions** – The sanctions of unenforceability without a court order, unenforceability until the breach is remediated, and disentitlement to interest and default sums will be repealed and fall away when the relevant information requirements these attach to are also repealed. Sanctions were designed for a very different regime under the OFT with limited regulatory powers to ensure consumer protection. The FSMA and FCA regime, as well as other statutory schemes, provide a range of consumer protections (the Financial Ombudsman Service (FOS), breathing space, the Consumer Credit Sourcebook (CONC) and FCA principles including the Consumer Duty), in addition to the FCA being equipped with a wide range of supervisory and enforcement powers to regulate the industry. The Government considers sanctions are disproportionate and not needed, with the existing FCA regime and court process providing robust consumer protection. The FCA's expansive supervision and enforcement powers provide a significant deterrent for firms. Sanctions are not compatible with the prevailing direction of the FCA's proportionate regulatory approach and outcomes-based principles. Sanctions by their automatic nature would generally need to attach to rules that are highly prescriptive and without any assessment of the consumer harm suffered. The repeal of sanctions will ensure consumer credit is aligned with other financial services and that firms' liability for redress in the event of any wrongdoing is commensurate with the level of consumer harm as part of compliance with the FCA regime, supported by the consumer's ability to complain to the FOS.
- **To retain criminal offences** – The criminal offences will be retained. These apply in relation to canvassing off trade premises, circulars to minors, credit reference agencies, pawnbroking and the debtor or hirer providing information about goods. The Government considers that there is value in retaining these criminal offences to continue to serve as a strong deterrent against these harmful business practices.

## Remaining CCA Provisions

- 2.12 The Government had originally intended to publish a Phase 2 consultation on the remaining provisions of the CCA not covered in Phase 1. However, after careful consideration of the responses to Phase 1 and further engagement with key consumer groups and industry stakeholders the Government considers that it has sufficient evidence to take forward changes in some areas without the need for further consultation.
- 2.13 Specifically, the Government is proposing that the following provisions should be repealed and either fall away or be recast into FCA rules (as appropriate and subject to consultation):
- Withdrawal rights (noting some parts will be retained);
  - Cancellation rights (noting some parts will be retained);
  - Early settlement and rebate rights;
  - Termination of agreements (including voluntary termination) (noting some parts will be retained);
  - Securities and sureties (noting some parts will be retained);
  - Credit-token agreements, acceptance and liability for misuse of credit tokens;
  - Agreement to enter future agreement void;
  - Liability for misuse of credit facilities;
  - Interest not to be increased on default; and
  - Statements by creditor or owner to be binding.
- 2.14 Meanwhile, the Government is proposing that the following provisions should be retained in legislation (subject to any necessary amendments):
- Consumer credit agreements, meaning of credit, running account credit, fixed sum credit, restricted use and unrestricted use credit, debtor-creditor-supplier agreements, and debtor-credit agreements;
  - Consumer hire agreements;
  - Linked transactions;
  - Cancellation: recovery of money paid by debtor or hirer, return of goods and goods given in part exchange;
  - Withdrawal from prospective agreement
  - Death of debtor or hirer;
  - Protected goods, recovery of possession of goods or land, summary diligence not competent in Scotland;
  - Ineffective securities;
  - Pawnbroking;
  - Negotiable instruments;

- Land mortgages; and
  - Majority of the remaining provisions under Judicial Control (including Time Orders, interest, etc.), Ancillary Credit Businesses (including credit reference agencies), Enforcement of Act and Supplemental (including interpretation, definitions, etc.)
- 2.15 The Government will repeal most of the provisions relating to securities and sureties and these will be recast into FCA rules (as appropriate and subject to consultation). Under FSMA, the FCA currently has rulemaking powers in relation to sureties only where the security takes the form of a guarantee or an indemnity. It does not have equivalent powers in relation to other forms of security within Section 189 CCA (for example, charges or pledges). In view of this, the Government is proposing to extend the FCA's powers in FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the RAO) for the purpose of making any rules in relation to consumer credit and hire agreements to cover the full range of "security" under the CCA definition, so that they encompass persons providing security other than under a guarantee or indemnity.
- 2.16 For certain more complex CCA provisions, the Government does not intend to make changes at this stage. This includes Section 56 (antecedent negotiations), and Sections 75 and 75A (connected lender liability), and Sections 140A-C (unfair relationships). While the Government may bring forward proposals in relation to these in future, it considers that the complexity of these provisions and wide-reaching implications of any changes mean it is important for further policy work, data analysis and stakeholder engagement to be carried out before any proposals are brought forward.

## **Transitional Provisions**

- 2.17 The Government is keen to ensure a smooth transition to a new consumer credit regime with minimal disruption given the key role of the CCA in the market. The Government and the FCA will work closely to ensure this smooth transition.
- 2.18 The Government will take a power in legislation to commence the provisions, to ensure that firms have enough time to prepare for the new provisions, once the FCA has designed its rules. Details are included in Chapter 5.

## **Equalities Impact and Impact Assessment**

- 2.19 The Government will publish a full Impact Assessment alongside any future legislative changes. In developing these changes it has complied with the Public Sector Equality Duty, assessing impacts across protected characteristics and cross-cutting issues such as financial inclusion, capability and Islamic finance.
- 2.20 The Government has drawn on feedback from consumer groups, debt advisers, industry and law firms, provided both in response to

the 2022 consultation and the Phase 1 consultation, and through roundtables and other engagement. It has also drawn on evidence from public reports and analysis including the FCA Financial Lives Survey and reports and research conducted by organisations such as StepChange and the Money and Mental Health Policy Institute.<sup>3</sup>

## **Next Steps**

- 2.21 The Government will bring forward the changes for CCA reform set out in this Policy Statement in legislation as part of the Financial Services and Markets Bill announced in the King's Speech on 13 May.

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<sup>3</sup> <https://www.fca.org.uk/publication/financial-lives/fls-2024-credit-loans.pdf>

# Chapter 3

## Phase 1 Consultation Response

- 3.1 This chapter summarises responses submitted to the Government’s consultation on CCA reform, which was published in May 2025.<sup>4</sup> The Government is grateful to those who took the time to respond to the consultation and acknowledges the feedback submitted in responses.
- 3.2 As explained in the consultation, the Government has considered three options for reform of each provision: retain in legislation; retain in legislation with amendment; or repeal (with the intention that some provisions be recast in the FCA Handbook where appropriate, subject to the usual FCA rulemaking process, and others falling away where robust consumer protections are already in place).
- 3.3 Feedback from stakeholder engagement has consistently been clear that there is broad support for the consumer protection the CCA provides; and that reform should deliver high standards of protection. At the same time, stakeholders also acknowledge that the existing CCA regime has become outdated, meaning that it is not working as well as it could for consumers or firms.
- 3.4 The Government reviewed all responses through a combination of manual analysis and artificial intelligence (AI). The use of AI complemented the manual analysis by highlighting common themes and issues across responses. This methodology enabled the Government to ensure a thorough and balanced consideration of all feedback.
- 3.5 65 responses were received, a list of respondents is in Annex B.
- 3.6 Each section summarises the proposal set out in the consultation and the feedback received through consultation responses.

### Question 1: Vision for a reformed regime

- 3.7 Question 1 asked respondents if they agreed with the Government’s vision for a reformed regime.
- 3.8 In the consultation, the Government summarised some of the key issues with the current CCA. For example, because information requirements are prescriptive and inflexible, firms struggle to

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<sup>4</sup> <https://www.gov.uk/government/consultations/consultation-on-consumer-credit-act-1974-cca-reform>

communicate effectively with consumers. This can cause confusion or worry for individuals when firms cannot tailor communications to suit their customers' needs.

- 3.9 To bring the CCA up to date, the Government set out that it intends to repeal many CCA provisions and for these to fall away or be recast into FCA rules where appropriate, recognising that certain provisions need to be retained in legislation.

## Responses to question 1

*Question 1: Do you agree with our vision for a reformed regime?*

- 3.10 Some consumer groups expressed concerns about the Government's proposed consumer credit reforms, and felt that moving core protections from the CCA to FCA rules could risk weakening statutory rights and add complexity.
- 3.11 Most consumer groups supported retaining key protections in legislation, especially those with deterrent effects, which operate automatically or where rights cannot be replicated in FCA rules. Some felt the pace of reform was too fast and that the Government had undertaken limited engagement with consumer groups. They felt that industry growth was being prioritised to the detriment of consumer protections.
- 3.12 However, some of their responses also recognised the value in regulatory flexibility and clearer, modernised communications — particularly for those in financial difficulty — provided overall protection is not reduced and sanctions remain effective.
- 3.13 Other consumer-focused respondents (mainly trading standards professionals, debt advisers, and individual consumer advocates) were sceptical or opposed, and felt that reform could weaken statutory rights. They felt that sanctions are a vital safeguard for redress and deterrence, and that reform should strengthen protections.
- 3.14 Legal professionals were broadly in favour of modernising and aligning with the wider financial services regime, provided new rules are clear, accessible, and do not replicate legislative complexity in regulation. They highlighted the importance of legal certainty and enforceable rights, with some expressing concern that a principles-based approach could weaken consumer protections if key safeguards and automatic sanctions are removed from legislation.
- 3.15 Some of these respondents preferred targeted amendments to primary or secondary legislation rather than repeal and recast in the FCA Handbook, warning that excessive delegation to the FCA could erode established rights.
- 3.16 Industry respondents (including firms and trade associations) were broadly supportive of the vision for a reformed consumer credit regime, describing the current framework as overly prescriptive,

outdated, and a barrier to innovation and growth. These respondents welcomed a shift to a more outcomes-focused regulatory model regulated by the FCA. Some advocated for a holistic approach to consumer protection rather than focusing on specific provisions.

- 3.17 Respondents from industry called for dedicated resources and careful scrutiny of individual provisions to ensure new legislation or FCA rules genuinely improve certainty and proportionality. Some also called for a review of existing FCA rules as part of the reform process.
- 3.18 These respondents generally supported a modern, simplified, and consistent regime in FCA rules, citing benefits such as reduced compliance complexity for smaller firms and clearer communications. Many called for an evidence-based approach, including consumer testing and close industry involvement in rule design, suggesting that FCA draft rules are published alongside any proposals to repeal.
- 3.19 Some also warned of the risks of ambiguity and inconsistency, stressing the need for legal certainty. A few made their support conditional on removing statutory sanctions and cautioned against regulatory expansion lacking demonstrable benefits.
- 3.20 Islamic Finance providers supported reform, arguing that the current prescriptive approach to information requirements, including references to interest, is incompatible with Sharia compliant products, and that a flexible, proportionate framework would promote inclusion and competition without undermining consumer protection.

## Government response

- 3.21 When considering whether CCA provisions currently deliver against its objectives, the Government has assessed whether provisions can fall away or be recast into FCA rules (as appropriate and subject to any FCA consultation).
- 3.22 As set out in the consultation, the Government has generally looked to adopt an approach consistent with FSMA, where HMT sets the perimeter in legislation, while allowing the FCA to set conduct requirements in rules as appropriate. The Government considers that this is an effective way to deliver a regulatory framework that provides robust protection and can respond flexibly to new developments in the market. While this provides a broad framework, the Government has considered provisions in detail on a case-by-case basis.
- 3.23 In 2014, consumer credit regulation was moved into the wider financial services regime under the FSMA, to be regulated by the FCA rather than the OFT. The objective of this was to bring conduct of business regulation under a single financial services regulator, ending confusion for consumers and duplication for

many firms, while ensuring a single strategic regulatory view across retail financial services. As part of this transfer, 82 sections of the CCA were repealed, though 167 sections were retained.

- 3.24 Consequently, the consumer credit regime is currently partly regulated in FCA rules under FSMA, and partly in the CCA and associated secondary legislation. This work therefore brings consumer credit in line with modern financial services regulation and continuing the process of reform that began in 2014.
- 3.25 This is intended to ensure that CCA reform meets the five principles for reform outlined in the consultation (proportionate, aligned, forward-looking, deliverable, and simplified), so that the regime works well for consumers and industry.<sup>5</sup>
- 3.26 The Government acknowledges the concerns raised by consumer groups, and agrees it is important to ensure that reforming the CCA ensures consumers are provided with robust protections. As set out above, recognising concerns about the pace of reform and certain complex provisions (such as Section 75), it intends to take more time in relation to these to undertake further policy work and engagement to consider whether changes should be made.

## Question 2: Approach to legislation

- 3.27 The consultation stated repealing or amending any CCA provisions will require primary legislation. It added that further secondary legislation may also be needed once the primary legislation is enacted.
- 3.28 The consultation also outlined that the Government had assessed whether to implement CCA reform in stages or through a single legislative vehicle. Ultimately, in the consultation the Government stated that the most effective approach would be to use one piece of primary legislation, reflecting the complex interdependencies within the CCA and the difficulties inherent in its plan for phased reform.
- 3.29 It is worth noting that the consultation was published before the decision was taken not to proceed with changes to certain complex provisions as discussed in this paper.
- 3.30 In Question 2, the Government asked for views on this legislative strategy.

## Responses to question 2

*Question 2: Do you agree with our preferred approach to legislation?*

- 3.31 Consumer group respondents' views were split on the approach to legislation. Some favoured a single legislative vehicle, citing the

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<sup>5</sup> Further information on these principles is available on page 10 of the consultation:

[https://assets.publishing.service.gov.uk/media/682b2e838999f671f3c24418/CCA\\_Reform\\_Phase\\_1\\_Consultation.pdf](https://assets.publishing.service.gov.uk/media/682b2e838999f671f3c24418/CCA_Reform_Phase_1_Consultation.pdf)

interconnected framework and potential efficiencies, but only with robust safeguards and clear evidence that protections would not be reduced.

- 3.32 Many expressed concerns about pace of reform and urged the Government to provide a clear timetable and engage thoroughly with consumer groups before legislating. Some preferred a staged approach: start with changes to the regime's information requirements, evaluate their impact, and only then consider reforms to rights and protections.
- 3.33 Other consumer-focused respondents expressed concerns such as the removal of a statutory 'self-policing' mechanism; the risk that removing protections from primary legislation could normalise non-compliance; and potential erosion of individuals' rights to redress from the court for conduct breaches. These respondents supported modernisation only if key protections remain in legislation, warning that relying on FCA rules instead of automatic sanctions could undermine the importance of compliance.
- 3.34 Responses from industry supported using a single legislative vehicle for reform rather than a phased approach, arguing that phased legislation would create complexity and cost if firms were required to manage multiple stages and parallel regimes.
- 3.35 They felt it was important to maintain momentum to avoid delays, with calls for early clarity on information requirements and sanctions to prevent issues later. These respondents noted the importance of allowing sufficient time for firms to embed any new rules. They also encouraged further stakeholder engagement during rule development, to ensure the regime reflects the diversity of credit providers and products.
- 3.36 To prevent confusion, these respondents called for a clear timetable; coordination between HMT and the FCA; and alignment with related reforms (notably Buy-Now, Pay-Later (BNPL) regulation) to avoid overlapping rules and ensure a level playing field. Several encouraged avoiding a simple transfer of existing requirements into the FCA Handbook, and recommended a review of existing CONC provisions in parallel.
- 3.37 Some legal professionals cautioned that FCA rules can be changed without parliamentary scrutiny, risking erosion of established rights, and argued that core safeguards for consumers and court remedies should remain in legislation. Many of these respondents preferred targeted amendments to primary or secondary legislation over extensive delegation to the FCA and stressed that reform should not be rushed. Responses called for clear guidance, simultaneous industry-wide implementation, and alignment with BNPL regulation to ensure consistent protections and avoid duplicative compliance.
- 3.38 Some respondents supported a single primary legislative vehicle with requirements being moved into FCA rules, arguing this

would create a clearer framework and allow for a holistic approach to interacting provisions. Several favoured a single legislative process with phased commencement. Some also argued FCA rules should remain sufficiently specific to maintain consumer protection.

## Government response

- 3.39 The Government acknowledges concerns raised in responses about the pace of reform, and it has since taken the decision not to progress any changes regarding the more complex rights and protections encompassed in Sections 56, 75, 75A and 140A-C at this stage.
- 3.40 The Government considers that it is most effective to use a single piece of primary legislation to progress the majority of the reform, reflecting the interdependencies within the CCA and the difficulties inherent in a phased reform because this requires primary legislation.
- 3.41 It will continue policy work on the complex rights and protections separately, to ensure that they are fully thought through and that any unintended consequences are carefully considered.

## Question 3: Transitional provisions

- 3.42 Question 3 asked whether respondents thought that the challenges in relation to transitional provisions had been captured and whether they had any further thoughts on possible appropriate transitional provisions.
- 3.43 The consultation noted the importance of ensuring a smooth transition to a new regime and that any move to a new regime could be disruptive. As such, it recognised the importance of considering transitional provisions carefully and that it needed to provide clarity on timelines and deadlines for compliance.
- 3.44 The Government intends to explore the implementation of transitional provisions in more detail in later policy work. This will focus on whether repealing any CCA provisions would substantively affect consumer and firm rights under pre-existing agreements, whether such removal will be acceptable without undermining the robust consumer protection reasonably expected at origination, and whether any provisions should be retained to address historic non-compliance or can be adequately covered by other legislation or FCA rules.

## Responses to question 3

*Question 3: Do you think the challenges in relation to the transitional provisions have been captured and what further thoughts do you have on possible appropriate transitional provisions?*

- 3.45 In general, consumer groups were focused on ensuring an orderly transition to the new regime, where consumers were properly

informed of the rights and protections that were available to them in a way that minimised the potential for confusion. Many felt that the Government should consider preserving existing rights and protections for pre-existing agreements.

- 3.46 Industry also emphasised the need for sufficient lead time, clear legislative timetable and guidance from the Government and the FCA to support effective implementation and ensure good consumer outcomes. They broadly agreed that the main challenges of transitional provisions had been identified, expressing a strong preference for a 'clean break' approach.
- 3.47 These respondents generally agreed that key transitional challenges have been identified, but there were also calls for generous implementation periods, phased deadlines, and practical FCA support such as guidance, workshops, and webinars to minimise disruption. Several noted that transition will be complicated by other concurrent changes (e.g. redress reviews, market studies) and urged a coordinated, forward-looking approach from the Government and the FCA, with proportionate design.
- 3.48 Several suggested that the repeal of sanctions should be retrospective and universal, ensuring consistency across all agreements.
- 3.49 Legal professionals were more divided. Those supporting the proposals emphasised the need for careful planning, clear FCA guidance, and strong communications to consumers, noting firms will require substantial time to update documentation and systems. Critics of the proposals warned of increased consumer risk during transition and argued that rights attached to pre-existing agreements must not be weakened.
- 3.50 They agreed on key requirements for a workable transition: extended implementation periods; continued use of existing documentation during migration; clear guidance on back-books (including potential waivers of legacy CCA requirements); safe harbour or regulatory forbearance for minor inconsistencies as changes bed in; and a clear cut-off date to reduce confusion. Respondents also highlighted risks of divergent interpretations between the FCA and FOS decisions.
- 3.51 Other respondents agreed that the consultation had identified the key challenges of the transitional period but called for stronger safeguards. They emphasised the risk of consumer detriment during transitional period and requested clear public timelines, grandfathering/back-book protections, and prominent communication campaigns. Trading standards contributors stressed that statutory rights must remain enforceable throughout the transitional period to ensure legal certainty and access to redress.

3.52 The need for clarity on reporting arrears, defaults, and other events during the transition period was also highlighted. Individuals with legal and court experience urged explicit consideration of impacts on existing case law and court processes to minimise litigation risk.

## Government response

3.53 From the responses to this question, the Government fully understands that clarity is vital in considering transitional provisions both to ensure consumer understanding and so that any changes are straightforward for firms to embed. There is not a clear consensus on the best way to achieve this and the Government has therefore sought to achieve a balance in transitional provisions that aligns with the five principles for reform and ensures the CCA works for consumers and firms.

3.54 The approach to transitional provisions is outlined further in Chapter 5.

## Question 4: Information provisions

3.55 Question 4 asked respondents whether they agreed with the proposal to repeal the information provisions from the legislation and for these to be recast into FCA rules (as appropriate and subject to consultation).

3.56 The proposal was driven by three core considerations:

- First, statutory disclosures under the CCA are often overly prescriptive and can be difficult for consumers to understand, particularly for vulnerable groups. The FCA's rules and the Consumer Duty principle offer a more flexible and outcomes-focused approach, better suited to supporting informed consumer decisions.
- Second, the existing regime created barriers to innovation, with rigid formats and outdated requirements limiting firms' ability to utilise digital technology in consumer journeys. Transitioning to FCA rules is expected to enable more tailored and technologically advanced communications.
- Third, the dual regulatory framework is complex, increasing compliance burdens and legal uncertainty. Consolidating requirements into FCA rules aims to simplify the regime while ensuring robust consumer protections.

## Responses to question 4

*Question 4: Do you agree with our proposal to repeal the information provisions from the legislation and for these to be recast as appropriate into FCA rules?*

3.57 Some consumer groups supported, in principle, repealing CCA information requirements and recasting them into the FCA

Handbook to enable clearer, more accessible communications designed around consumer understanding.

- 3.58 Some respondents felt any move of CCA information provisions into the FCA Handbook should retain a degree of prescription to help consumers compare products and to provide firms with certainty of expectations. Some asserted that repealing information requirements should not remove consumers' ability to exercise statutory rights, noting the role that sanctions play in this.
- 3.59 These respondents also raised concerns that repeal would remove the deterrent effect of sanctions, and therefore favoured retaining the CCA's sanctions, with prescribed wording, core content and timing to preserve recognisability and legal certainty (for example, some debt advisers prefer common terminology to aid in giving guidance).
- 3.60 Many trading standards professionals, debt advisers, community money advice organisations and individual consumer advocates generally expressed a preference that key information disclosures (such as those explaining consumers' rights) remain in legislation.
- 3.61 Industry generally supported repealing information provisions from legislation and recasting them into the FCA Handbook. They argued this would improve consumer understanding by allowing firms to present information in clearer, more concise, and tailored formats, better suited to digital channels and current consumer behaviours.
- 3.62 Many noted that existing legislative requirements result in excessive, repetitive documentation that can confuse or disengage customers, especially during the onboarding journey and pre-contractual disclosures. Respondents said moving away from prescriptive formats would allow firms to better support vulnerable customers, avoid unnecessary distress (such as intimidating default notices), and tailor communications to individual needs.
- 3.63 Responses also noted the interdependence of prescriptive requirements with the automatic nature of sanctions. They urged the FCA to conduct thorough consumer testing and data-led research when developing policy to implement the reformed regime. There were calls for the FCA to review existing CONC rules to ensure a consistent, proportionate, and clear regime for firms and consumers.
- 3.64 Many industry respondents also called for thorough consumer research and testing before the FCA sets any new or updated FCA rules, and advocated reviewing the consumer credit rulebook to remove duplication and improve consistency.
- 3.65 Responses from legal professionals were generally supportive. However, a small number cautioned that removing prescribed wording could complicate legal advice and lead to inconsistent practices. There was strong support for detailed and clear FCA

rules, consumer testing, and clear guidance, rather than reliance on high-level principles.

- 3.66 Responses from outside these categories were mixed. The most consistent themes of these were broad support for moving prescriptive information provisions into FCA rules. Respondents argued this would enable clearer, more tailored and digitally-friendly disclosures aligned with the Consumer Duty, reduce confusion created by rigid templates, and better accommodate different products, including Islamic finance products.

## Government response

- 3.67 The Government recognises the concerns raised regarding the prescription in information requirements, and that prescription may make information requirements easier for small firms to implement.
- 3.68 It also recognises that certain exempt persons, for example members of certain professional bodies, do not require FCA authorisation, but must comply with any applicable CCA requirements such as information requirements. Where provisions are repealed, these will fall away for exempt persons who are not covered by FCA rules.
- 3.69 The Government's expectation is that these exempt persons will continue to adhere to the standards of behaviour relevant to those exempt persons (e.g. solicitors will comply with Solicitors Regulatory Authority rules and guidance). The Government will continue to closely monitor exempt persons and will respond if significant change or potential consumer harm is detected. Given their exempt persons status and the limited risk profile of the activities involved, we consider these firms to be low risk.
- 3.70 The Government also understands that employers sometimes directly offer consumer hire agreements through Cycle to Work schemes. At present, employers offering these agreements are also exempt persons and do not require FCA authorisation to carry out this activity but are required to comply with relevant provisions in the CCA, such as information requirements. Following the repeal of certain CCA provisions, these requirements would fall away and such employers would not be covered by FCA rules. The Government's view is that these should remain exempt persons, as they allow employees, particularly lower-income employees, to access a useful product. Other relevant consumer protection legislation would continue to apply. Where the Cycle to Work scheme is operated by a third-party supplier, they would need to be authorised.
- 3.71 A consistent theme in these responses and broader engagement has been that the current information requirements generally result in confusion and concern which risks poor consumer

outcomes. In particular, the Government has heard that consumers either might not fully understand what is expected of them, or might feel intimidated and subsequently disengage, which further increases the risk of consumer harm.

- 3.72 The Literacy Trust has found that one in seven adults has literacy skills at or below those expected of a 9-11 year-old, and the FCA's Financial Lives Survey found that 34% of adults have poor or low levels of numeracy involving financial concepts<sup>6</sup>. In that context, it is worth noting that Fairer Finance has found that the reading age required for credit card providers' materials ranged from 11 to over 20 years<sup>7</sup>.
- 3.73 For example, requirements in the Pre-Contract Credit Information document (PCCI) are prescriptive and many consider that it contains excessive information that is not presented in a clear and understandable way. This is particularly important given low levels of financial capability among many consumers.
- 3.74 The Government therefore considers that it would be more effective for information requirements to be given effect via the FCA Handbook. This would ensure that the focus is on achieving good consumer outcomes and in turn maximising consumer understanding of their product key features and how these operate.
- 3.75 In view of above, HMT's will repeal the majority of the information provisions in the CCA and associated secondary legislation, and these will be recast into FCA rules (where appropriate and subject to consultation). The Government would not expect this to be a simple copy and paste of requirements from legislation into the FCA Handbook. Instead, the FCA will consider how best to deliver an information regime which maximises consumer understanding in accordance with its statutory objectives and rulemaking process.
- 3.76 The FCA will publish a statement on its broad approach to CCA reform shortly.

## Question 5: Sanctions

- 3.77 Question 5 asked respondents whether they agreed with the conclusion that the FCA regime without sanctions provides robust consumer protection.
- 3.78 The Government proposed removing the sanctions attached to certain breaches of statutory information requirements under the CCA. These sanctions cover unenforceability of agreements and disentitlement to interest and fees, and were considered

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<sup>6</sup> <https://www.fca.org.uk/publication/finalised-guidance/fg22-5.pdf>

<sup>7</sup> <https://www.fairerfinance.com/insights/press-releases/complexity-of-terms-conditions-sees-little-improvement-despite-one-year-of-consumer-duty>

disproportionate and no longer appropriate in the context of a modern regulatory framework.

- 3.79 Instead, the Government proposed that the existing FCA regime and supervisory and enforcement toolkit would provide robust consumer protection and proportionate regulation without the need for sanctions.

## Responses to question 5

*Question 5: Do you agree with our conclusion that the FCA regime without sanctions provides a robust consumer protection?*

- 3.80 Consumer group respondents were concerned that an FCA regime for consumer credit without the existing CCA sanctions would remove a protection. They felt that CCA sanctions are a crucial, self-policing deterrent; by contrast, they considered that FCA supervision and enforcement are retrospective, and were worried that agreements could not be rendered unenforceable without the CCA.
- 3.81 These respondents questioned whether the FCA regime including the Consumer Duty would consistently deliver robust outcomes, and felt there was a risk that vulnerable customers could be disproportionately harmed if automatic legal consequences for firms' non-compliance are withdrawn.
- 3.82 Several questioned the evidence base behind removing sanctions. They reflected that, in theory, advisers could use CCA provisions to prevent court action. Some recognised that sanctions are infrequently invoked directly by consumers themselves, but that they may still provide a deterrent effect.
- 3.83 Those with experience in trading standards argued that removing statutory sanctions would weaken deterrence. They stressed that unenforceability has served as an important backstop, noting that even when statutory sanctions and offences are used rarely, they exert a significant deterrent effect.
- 3.84 Legal professionals submitted mixed, but largely supportive responses. Some respondents wanted enforcement to prioritise actual consumer harm over technical breaches, a clear route for firms to challenge regulatory interpretations, and confidence that the regime will prevent large-scale remediation driven by prescriptive rules. Many saw the FCA regime and ability to complain to the FOS as sufficient. Some considered this would need to be accompanied by clear guidance and strong oversight, stressing the need to safeguard vulnerable consumers and ensure effective action against unauthorised actors.
- 3.85 A small number of these respondents felt that FCA enforcement can be slow and that statutory sanctions deter misconduct and protect vulnerable consumers. Some called for retaining certain legislative protections or empowering the FCA to provide equivalent remedies. Others urged a cautious transition, including

time-limited retention of specified sanctions with a planned transfer to FCA oversight, and reform of the FOS to reduce conflicting interpretations with FCA rules.

- 3.86 Industry respondents largely agreed that the FCA regime without statutory CCA sanctions would still provide robust consumer protection, citing the FCA's expansive supervisory and enforcement toolkit, as well as the Consumer Duty principle, consumer's ability to complain to the FOS, and ability to bring a court claim for breach of statutory duty for non-compliance with FCA rules (where that right applies to an FCA rule).
- 3.87 A clear theme in these responses was that these respondents felt CCA sanctions are often disproportionate, triggered by technical non-compliance without evidence of harm, in turn encouraging tick-box compliance. Firms said this stifles innovation and distorts markets without achieving good consumer outcomes. They viewed the FCA's supervisory and enforcement powers as a more targeted and appropriate deterrent, with consumers also having the ability to complain to the FOS.
- 3.88 Some industry respondents suggested applying any repeal of sanctions to agreements existing before implementation of any CCA reform changes, including credit agreements of indeterminate duration, to avoid uneven treatment within firms' back books.
- 3.89 Several industry respondents called for clear and proportionate handling of minor breaches and pointed to firms' self-reporting obligations as an important part of the accountability framework. A minority of trade associations disagreed with this approach and felt that statutory sanctions remain an important deterrent against poor practice.
- 3.90 In responding to this question, Islamic Finance providers highlighted how prescriptive information requirements and the associated sanctions have created additional friction for these firms.

## Government response

- 3.91 The Government's proposed approach was based on several key considerations:
- First, CCA sanctions do not allow for proportionality or discretion and can result in significant consequences for firms even where consumer harm is minimal or absent.
  - Second, the complexity and ambiguity of sanctions can create uncertainty and compliance risks (as outlined below), which are likely to discourage innovation and investment in improved consumer communications.
  - Third, the FCA already has a robust regulatory regime in place to ensure firms meet regulatory requirements,

including requiring redress, issuing fines, and consumers have the ability to complain to the FOS.

- 3.92 The meaning of unenforceability under the different types of sanctions and what constitutes enforcement action by a firm is complex and often unclear as it is not defined in the legislation. There are differing views and interpretations over the steps firms can take if credit agreements are unenforceable (e.g. whether firms can continue to chase for payment). In addition, consumers are often confused over the terminology and what it means for them in practice including their obligation to repay, the amount to be repaid and the impact on their credit file.
- 3.93 The CCA does not generally define actions a firm may or may not undertake during a period when an agreement is unenforceable. In the case of *McGuffick*<sup>8</sup>, the court held that passing details of a debt to a credit reference agency did not constitute enforcement under the CCA. In addition, the court set out that steps taken with a view to enforcement, including demanding payment, issuing a default notice, threatening legal action and the actual bringing of proceedings, were not themselves enforcement. There are differing views as to how widely applicable this case is to all cases of unenforceability under the CCA or whether it applies in a narrow way only to information requests about personal loans in Section 77(4), which the court specifically opined on in the case.
- 3.94 Although firms are prevented by the sanctions from taking enforcement action in certain cases (i.e. obtaining a court judgment to recover the debt such as an attachment of earnings order), HMT understands it is standard market practice that firms continue to chase late payments, report to credit reference agencies, issue default notices and instruct debt collectors. Based on our discussions with some firms, HMT understands that many often do not take steps to enforce an agreement in the courts against consumers in relation to unsecured debts, as often it is too costly, or consumers do not have the means to be able to pay any judgment amount due. In addition, where there is any non-compliance which results in consumer harm, firms provide consumers with redress under the FCA regime. This means that in the event cases do go to court (which HMT understands tends to be in motor finances cases where a vehicle needs to be repossessed), court orders are routinely granted without conditions attached as compensation for any losses has already been paid out to consumers.
- 3.95 The approach to sanctions set out in the CCA is notably different from the modern approach to regulating financial services in FSMA and FCA rules. The landscape has changed considerably since they were introduced (and since the Consumer Credit Act

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<sup>8</sup> *McGuffick v Royal Bank of Scotland* [2009] EWHC 2386 (Comm)

2006 changes which extended unenforceability sanctions and introduced disentanglement sanctions). The OFT was the regulator at the time and its supervisory and enforcement powers were much more limited than the FCA. Consumers also lacked access to the FOS until 2007, meaning complaints were dealt with via firms' internal processes or through the court process. Strong and punitive sanctions were therefore necessary to provide an incentive for firms to comply and provide a degree of recourse when things went wrong.

- 3.96 Moreover, the financial cost of sanctions is often disproportionate to the breach and any consumer harm caused. They apply in an 'all or nothing' way, often with amounts of redress covering all the interest and fees charged during the period of non-compliance (disentanglement sanctions), as opposed to an amount relating to any harm suffered by consumers. Many examples have been highlighted to HMT where minor administrative or technical errors, lead to significant financial losses even when the consumer has not suffered any real harm. Industry stakeholders tell us this can create wider negative economic impacts for firms including additional administrative costs, as well as negatively impacting securitisations and debt sales, which adds to the cost of credit provided to consumers.
- 3.97 While the approach to sanctions made sense in an era with little regulatory oversight and few other consumer protections, firms argue they are now disproportionate given strong protections are in place, including the ability for individuals to complain to the FOS and the redress for harm suffered under the FCA regime.
- 3.98 While consumer groups (and the FCA in its Retained Provisions Report 2019) have suggested that sanctions provide important court-based protections and act as a deterrent to non-compliance, the Government considers that the evidence is insufficient to support the view that sanctions provide protections beyond that offered by the FOS, FCA regime or usual court process. In addition, the sanctions only work in practice because they attach to prescriptive requirements within the CCA and accompanying secondary legislation, with the aim of it being clearer whether requirements have been complied with or not. Given the move towards modernising the CCA within the FCA Handbook, with the intention of there being a more outcomes-based approach with fewer prescriptive requirements, the sanctions would not be appropriate.
- 3.99 The Government therefore will repeal the provisions on sanctions. As sanctions attach to certain information disclosure requirements, they will therefore fall away with the repeal of those requirements. As detailed above, the Government considers that repealing the majority of information disclosure requirements and the recasting of these into FCA rules (as appropriate and subject to consultation) will allow the flexibility to support the tailoring information to suit consumer needs (for example, noting the

average UK reading age) and better utilise developments in technology, as well as creating a more agile regime that can respond to market developments.

## Question 6: Criminal offences

3.100 Question 6 consulted openly on different approaches for reforming criminal offences, noting that the Government would need to review options in the context of wider reform proposals.

3.101 The Government proposed 3 specific options:

- Repealing all the criminal offences in the CCA, allowing the FCA to take enforcement action where possible;
- Keeping all the criminal offences in the CCA; and
- Repealing all criminal offences (allowing the FCA to take enforcement action where possible) except those that relate to minors and canvassing off trade premises where criminal offences would remain.

## Responses to question 6

*Question 6: What are your views on the following approaches for criminal offences? Officials would need to review these options in the context of the wider CCA Reform proposals?*

*(a) Repealing all the criminal offences in the CCA, allowing the FCA to take enforcement action where possible;*

*(b) Keeping all the criminal offences in the CCA;*

*(c) Repealing all criminal offences (allowing the FCA to take enforcement action where possible) except those that relate to minors and canvassing off trade premises where criminal offences would remain.*

3.102 Consumer group respondents largely favoured retaining criminal offences (Option B), viewing them as clear legal boundaries and an essential deterrent even if prosecutions are rare. They argued offences reinforce the seriousness of obligations and help prevent harmful practices such as canvassing off trade premises and sending circulars to minors. Several warned that abolishing offences could signal a downgrading of consumer protection and risked normalising behaviours that the current regime explicitly prohibits.

3.103 These respondents linked decriminalisation to increased risks at the margins of the market, including illegal lending, and pressed for stronger enforcement to restore confidence and maintain compliance incentives.

3.104 There was support from some of these respondents for a more targeted or hybrid approach relying on existing FSMA criminal

provisions for unauthorised activity. There were also calls to increase penalties for illegal lending alongside stronger protections for victims and several asked for more stringent deterrents for conduct affecting vulnerable individuals and for enforcement capacity to be visibly strengthened.

- 3.105 Most industry respondents favoured removing all CCA-specific criminal offences (Option A) and relying on the FCA's supervisory powers and enforcement toolkit where available, including the Senior Managers Regime (SMR), arguing that criminal provisions are disproportionate, rarely used, and add complexity.
- 3.106 These respondents noted the FCA can act more quickly than the courts, and is better placed to distinguish harmful conduct from legitimate innovation. Several noted that unauthorised activity would remain a criminal matter under FSMA.
- 3.107 Others preferred a selective approach (Option C). A minority supported Option B to maintain consumer trust and accountability.
- 3.108 Responses from members of the legal profession were more divided. Supporters of repeal pointed to limited evidence of prosecutions; lack of capacity in criminal courts; the criminal burden of proof; and adequate deterrence within the FCA regime (noting the FCA can act more quickly than primary legislation allows), with the option to consult on changes to FCA rules as needed.
- 3.109 Some proposed preserving a small number of statutory provisions to support market integrity and vulnerable consumer protection while relying on FSMA Section 19 to prosecute unauthorised activity, alongside using the FCA's enforcement toolkit for authorised firms. A few asked the FCA to assess how changes to the SMR could affect accountability when conduct is moved from statute into regulation.
- 3.110 Trading standards professionals and other consumer representatives preferred Option B, arguing that removing criminal offences would embolden bad actors and increase detriment, especially for vulnerable customers. They stressed that low prosecution numbers under the old regime do not prove redundancy: the credible threat of prosecution has acted as a deterrent even when unused.

## Government response

- 3.111 The Government acknowledges the range of feedback received on this question and is committed to ensuring that reform of the CCA regime will ensure robust consumer protection. It understands the argument that criminal offences are seen as an important deterrent.
- 3.112 As set out in the consultation, the Ministry of Justice's policy is that unnecessary offences should be repealed if they are no longer

needed. However, in considering options relating to criminal offences, the Government recognises the value of criminal offences in deterring against harmful business practices such as promoting credit to minors and unsolicited door-to-door selling of credit.

3.113 Because of this, the Government therefore will retain criminal offences.

## **Question 7: Cross-cutting themes and other areas to consider**

3.114 Question 7 asked if the consultation paper had captured the key issues and barriers for the cross-cutting themes of green finance; Islamic Finance; and technology. It also invited feedback on any other areas respondents suggest should be considered in further CCA policy work.

3.115 The Phase 1 consultation summarised these cross-cutting themes:

- **Islamic Finance** – Islamic Finance products must adhere to Sharia law principles, which prohibit interest (riba) and require an underlying asset for the agreement to attach to. HMT understands from stakeholders that some of the prescription and terminology required in information disclosure documents relating to interest, settlements and rebates is not easily reconciled with the principles of Islamic Finance.
- **Green Finance** – Green finance products are designed to support environmentally sustainable projects and initiatives. Stakeholders have previously raised a number of barriers that the CCA presents. These include prescriptive requirements in information disclosure documents and some rights and obligations which can restrict the scope and availability of green finance products, as well as those with installation costs, registration or qualification schemes. Consumer groups have raised the importance of many consumer protections, like Section 75 (connected lender liability), as helping to give consumers confidence in purchasing green finance products where firms are less established or products involve new technology. In addition, issues like the devaluation of underlying assets and the recovery of goods where consumers miss payments and default on their agreements can be problematic.
- **Technology** – CCA reform should support and enable developments in technology to facilitate innovation. This allows for new and diverse products and a consumer journey that achieves good consumer outcomes throughout the lifecycle of the products. The key areas to review raised by stakeholders included: complexity in digital and electronic communications; electronic signatures and digital contracts; and, more flexible, less prescriptive

consumer journeys and communications. The Government is keen to build flexibility into the consumer credit regime to help support future technological advancements.

## Responses to question 7

*Question 7a: Has this paper captured the key issues and barriers for each of the cross-cutting themes of:*

- *Green Finance: [Yes/No]*
- *Islamic Finance: [Yes/No]*
- *Technology: [Yes/No]*

*b: Is there anything else you think needs to be considered in our Phase 2 policy work? [free text]*

### **Islamic Finance**

- 3.116 Some consumer group respondents felt Islamic Finance barriers and consumer issues were insufficiently explored, calling for clearer, non-misleading language and consistent consumer protection standards.
- 3.117 Industry respondents urged that any future rules should accommodate various Islamic product types and terminology.
- 3.118 Legal professionals were divided. Some noted that the CCA's focus on interest, APR, default sums, and early settlement rebates is incompatible with Sharia-compliant products.
- 3.119 Islamic Finance providers agreed the consultation identified core barriers and supported its direction. They called for: product-specific definitions, rate-of-return terminology, Sharia compliant requirements, and tailored guidance on consumer rights and dispute resolution.

### **Green finance**

- 3.120 Consumer groups felt there could be a potential risk that support for green finance could potentially weaken consumer protection, stressing that statutory protections such as Sections 56, 75, 75A and Section 140A-C are essential to consumer confidence and must be retained, especially for lower-income households. They warned that weakening safeguards like Sections 56, 75, 75A and 140A-C would discourage adoption and reduce incentives for firms to prevent fraud. These respondents called for further engagement between the Government and consumer groups on important of these consumer protections.
- 3.121 Industry respondents noted statutory provisions like Sections 56, 75, 75A and 140A-C can cause issues. They called for broader review of these provisions including the legal uncertainty around the scope of such provisions and the liability. Some also raised whether exemptions and exclusions should align to actual risk to

support green initiatives and a level playing field across point-of-sale credit and BNPL. They also flagged that current credit broking requirements place disproportionate burdens on non-financial providers involved in green projects.

- 3.122 Some responses from legal professionals raised concerns on insufficient sustainability disclosure and greenwashing risk, while others felt green credit is not fundamentally different and may not need bespoke requirements

### **Technology**

- 3.123 Consumer groups raised concerns about the digital exclusion and low digital literacy of consumers.
- 3.124 Most industry respondents to this question felt the consultation captured key issues, especially around technology, arguing that the current framework hinders innovation and digital delivery. They called for outcomes-based rules that apply to all products and formats that enable concise, targeted information disclosures across multiple devices; can be future proof against rapid technological change (including AI); and ensure digital accessibility and inclusion for vulnerable and time-poor consumers.
- 3.125 Responses from some legal professionals called for deeper analysis of automated decision-making, stronger focus on digital exclusion and vulnerable consumers, and early engagement to avoid unintended consequences.

### **Other themes**

- 3.126 Consumer respondents suggested additional cross-cutting themes of digital inclusion and access to credit.
- 3.127 Industry respondents also suggested Phase 2 should consider some broader changes to Section 75 (such as liability); credit broking activities; whether to amend definitions such as running account and fixed-sum lending; removing business lending from the scope of the CCA; and for the Government to clarify its thinking on Unfair Relationships (Section 140A-C).
- 3.128 One trade association response to this question reported their members' mixed views on the £25,000 threshold in relation to business lending.

### **Government response**

- 3.129 It was helpful to see the range of views shared both in relation to cross-cutting themes and other areas to consider.
- 3.130 The Government acknowledges the feedback shared regarding Islamic finance and agrees that it is important to ensure CCA reform is flexible to support these products to further financial inclusion and growth.

- 3.131 It acknowledges the different views expressed in relation to green finance, where it is important to strike a balance that supports consumer protection and firms' ability to provide competitive and innovative green finance products.
- 3.132 Similarly, it is clear that reform needs to support the development of technology more broadly, particularly use of AI and the risk that some consumers might be digitally excluded.
- 3.133 The Government will consider the complex provisions (Sections 56, 75, 75A and 140A-C) in further detail rather than progress any changes at this time. The feedback shared in responses will inform this work.

## Questions 8 and 9: Equalities impacts

- 3.134 Question 8 asked whether respondents agreed that the Government's proposed approach mitigates negative impacts on people sharing particular protected characteristics and retains the positive equalities impacts of products.
- 3.135 Question 9 asked respondents if they had any further data to provide on potential impacts on those sharing any protected characteristics. The consultation included information from the FCA's Financial Lives Survey on how vulnerability interacted with protected characteristics.<sup>9</sup> The survey found that many consumers find financial documentation difficult to understand, which is helpful to consider in the context of the Government's proposals for CCA reform.
- 3.136 The consultation summarised how the information disclosure requirements currently impact consumer understanding and how the Government expected its proposals to improve consumer understanding for those sharing protected characteristics.
- 3.137 The consultation reflected that the Government has seen little evidence that the current approach to sanctions provides tangible consumer protection in practice, concluding that there is a low risk that those sharing protected characteristics could face increased detriment as a result of the changes proposed.
- 3.138 The consultation also noted the upcoming Financial Inclusion Strategy, which the Government has since published on 5 November 2025 and includes a focus on improving access to credit.<sup>10</sup>

## Responses to questions 8 and 9

*Question 8: Do you agree with the provisional assessment that, on balance, the Government's proposed proportionate approach to reform mitigates the negative impacts on those sharing particular*

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<sup>9</sup> <https://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2024-key-findings.pdf>

<sup>10</sup> <https://www.gov.uk/government/publications/financial-inclusion-strategy>

*protected characteristics and retain the positive equalities impacts of the products?*

*Question 9: Do you have any further data you can provide on the potential impacts on persons sharing any of the protected characteristics?*

- 3.139 Some consumer groups saw potential equalities benefits from modernising information disclosure requirements, as it could improve consumer understanding. Respondents called for inclusive design from the outset, a deeper equalities assessment and direct engagement with those with lived experience. The need for ongoing monitoring of the new regime's impact was also emphasised.
- 3.140 However, others felt that the proposed approach would not mitigate negative impacts for people with protected characteristics, arguing that they could disproportionately impact vulnerable consumers. They highlighted risks like digital exclusion, the complexity of the transition, and the reality that people with mental health conditions or other vulnerabilities are less able to navigate complaints and redress, so protections must operate automatically rather than rely on consumers to self-advocate.
- 3.141 For Question 9, consumer group respondents cited quantitative and qualitative data. One qualitative response reported that those for whom English is not a first language and that are digitally excluded struggle when information is not in accessible formats. Another response explained specific groups facing barriers when opening a bank account include victim-survivors of domestic abuse, prisoners and ex-offenders, bankrupt people, people experiencing homelessness and refugees.
- 3.142 Other evidence shared in these responses shows that many of those seeking help with debt have a health-based vulnerability; and that areas with more CCJs have a higher ethnic diversity. Consumer-focused respondents also noted potential impacts on those with protected characteristics, highlighting older consumers; disability; neurodiversity; and ethnic minority consumers; and highlighted the need to consider intersectionality. These respondents advised that statutory protections are a vital safety net, and deterrent.
- 3.143 Industry respondents broadly agreed with the Government's provisional assessment for Question 8. They reflected that moving away from prescriptive CCA formats and simplifying disclosures would help them support diverse consumer needs, noting the roles of the Consumer Duty and the ability of consumers to be able to complain to the FOS.
- 3.144 These responses highlighted that clearer communications would help consumers in financial difficulty and could encourage them to seek debt advice earlier. Most support was contingent on the

FCA delivering genuine flexibility rather than replicating prescriptive provisions.

- 3.145 Industry respondents emphasised the benefits of being able to adapt content, timing, and channels to reflect consumer characteristics, product complexity, and digital journeys. These respondents also noted a more flexible regime should improve accessibility and understanding, including for Muslim consumers and Islamic finance products. For Question 9, limited additional data was provided.
- 3.146 Legal respondents were mixed: some noted that the ability to tailor wording and formats would improve experience for all consumers, while others warned that removing statutory sanctions would weaken protections for low-resilience groups. Some responses argued the Government's assessment underestimates risks to vulnerable individuals and called for retaining court-facing remedies; and publishing data.
- 3.147 Other respondents generally agreed the approach could mitigate negative impacts when combined with the Consumer Duty and existing rules around vulnerability. They called for tailored, accessible communications and distinguished between protected characteristic groups and others vulnerable due to low income or financial literacy. Islamic finance providers strongly supported reform, with one estimating around 55% of Sharia-compliant consumers could benefit immediately, and felt there could be wider effects for ethical finance.

## Government response

- 3.148 The Government acknowledges the concerns raised by consumer groups relating to the Consumer Duty and recognises the concerns in particular relating to digital exclusion and inclusive design. It agrees that modernising information requirements should improve consumer understanding, noting feedback from trade associations that prescriptive language can be confusing or distressing, and that it could also improve understanding for Islamic finance products.
- 3.149 Repealing the majority of information disclosure requirements and for these to be recast into FCA rules (where appropriate and subject to any consultation), aligns with the Consumer Duty, and repealing sanctions is expected to improve consumer understanding and engagement, simplify compliance, and future proof the regime, with some statutory rights retained in legislation and appropriate transitional provisions to ensure robust consumer protection.
- 3.150 In the UK, 49% of adults exhibit one or more characteristics of vulnerability and 36% report low levels of knowledge about

financial matters<sup>11</sup>. This highlights the need for clear, effective communications that support understanding and enable consumers to make informed financial decisions, with consumer protections that are easily accessed.

- 3.151** Stakeholders report that rigid formats of the information provided to consumers (e.g. Pre-Contract Credit Information, Notices of Sums in Arrears (NOSIAs), and Default Notices) can confuse consumers and contribute to stress and anxiety. StepChange's 2022 Mixed Messages Report noted that nearly 90% of survey respondents said communications triggered negative emotions including fear, helplessness and being overwhelmed and that people experiencing these feelings were less likely to seek debt advice earlier.<sup>12</sup>
- 3.152** The current information disclosure requirements are prescriptive, meaning that firms struggle to tailor information to meet the needs of consumers to ensure consumer understanding (and thereby reduces their ability to ensure good consumer outcomes in line with the Consumer Duty). The Government considers that having the flexibility to tailor communications will help firms better support the needs of consumers with protected characteristics or vulnerable consumers.
- 3.153** Furthermore, HMT considers that the automatic nature of CCA sanctions – which generally operate without an assessment of consumer harm – is not compatible with an outcomes-based, proportionate regulatory approach. Repealing automatic sanctions that are often not tied to harm, while ensuring robust protections through the FCA regime, the FOS and the courts, will focus remediation on actual consumer harm rather than administrative errors. Firms will focus on genuine consumer understanding and outcomes – noting that the Financial Lives Survey found a third of respondents reported low levels of financial knowledge – rather than having to comply with prescriptive requirements.
- 3.154** The Government considers that where consumers suffer harm, they will continue to receive appropriate redress under the FCA regime, and via the courts and the FOS. The FCA has extensive powers to ensure firms identify and remediate consumer harm. Taken together, these mechanisms are designed to operate proportionality while ensuring the appropriate redress of any consumer harm.
- 3.155** Since the publication of the consultation in May, the Government has published its Financial Inclusion Strategy. This outlines initiatives to support consumers accessing credit and other financial services products and is therefore expected to support

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<sup>11</sup><https://www.fca.org.uk/publication/financial-lives/fls-2024-vulnerability-financial-resilience.pdf>

<sup>12</sup> <https://www.stepchange.org/Portals/0/assets/pdf/2022/policy/mixed-messages-report-2022.pdf>

positive outcomes more broadly for consumers with protected characteristics when they interact with financial services products.

3.156 The Strategy includes a key focus on digital inclusion and access to banking, in recognition of the strong link between digital and financial exclusion. As part of this, an industry-led Inclusive Design Working Group will be established to examine where financial products and services can be made more accessible for consumers with diverse needs.

3.157 In the consultation, the Government explained that it is committed to ensuring that people, regardless of their background or income, have access to useful and affordable financial products and services, while having robust consumer protections. It expects that the proposals set out in the consultation will contribute positively to this.

# Chapter 4

## Remaining CCA provisions

- 4.1 This section outlines the Government's approach to the remaining CCA provisions which were not covered in the Phase 1 Consultation Paper. A full list of the provisions the Government proposes repealing, retaining and/or amending are in Annex A.
- 4.2 The Government's aim is to ensure robust protections for consumers while modernising the regime to support innovation, reduce unnecessary complexity and allow regulation to respond more effectively to changes in the market. The Government will retain those important rights and protections that need to remain in legislation, while repealing and, where appropriate, recasting into FCA rules those rights and protections that can be delivered more clearly, proportionately and flexibly through FCA rules. This approach will ensure robust and effective consumer protection alongside a clearer, more coherent and proportionate regime for firms. Certain complex CCA provisions which require further policy work will not be changed at this time.
- 4.3 The Government had previously intended to publish a further consultation on the remaining provisions of the CCA not covered in Phase 1. However, following further engagement with consumer groups and industry stakeholders through roundtables and bilateral meetings, it has decided not to undertake a further consultation.
- 4.4 The Government considers it has sufficient evidence to repeal or amend certain provisions without the need for a further consultation, while certain complex provisions will remain unchanged at this time.
- 4.5 The changes set out in this chapter are consistent with the Government's general approach in relation to the regulation of financial services and CCA reform, which has moved conduct rules out of legislation and into FCA rules where possible. The FCA will follow its usual processes in determining changes to its rule book, including cost benefit analysis, having appropriate regard to its statutory objectives. FCA rules would be subject to the limitations of the FSMA framework – in particular they would only be able to apply to authorised persons, and would need to advance the FCA's statutory objective.

4.6 Where provisions are being repealed and recast in FCA rules, the government will only commence the repeal once the relevant FCA rules are in place, with implementation dates being aligned. This will ensure there is no gaps arise in the transition from the old regime to the new regime.

4.7 This chapter is split into three sections:

- **CCA provisions to be repealed**
- **CCA provisions to be retained**
- **Complex CCA provisions**

### **CCA provisions to be repealed**

4.8 This section details areas where the Government will repeal CCA provisions (although there are certain elements within some of these provisions which will be retained in legislation where this is deemed necessary). These provisions being repealed will either fall away where they are no longer required, or be recast into FCA rules (as appropriate and subject to consultation).

### **Rights of withdrawal (Sections 58 and 66A) and cancellation rights (Sections 67-69)**

4.9 Under the CCA, consumers are afforded rights of withdrawal and cancellation in relation to certain consumer credit and hire agreements. These provisions enable individuals to withdraw from or cancel such agreements within specified timeframes, without incurring penalties. The rights are designed to protect consumers by allowing them to reconsider their financial commitments and make informed decisions, ensuring transparency and fairness in the market.

4.10 Consumers can withdraw from consumer credit agreements, subject to specified exceptions, if they change their mind. Section 66A is designed to give them a cooling off period so they can reconsider without a penalty. They can often withdraw without giving a reason within 14 days of the day after the agreement is made by notifying lenders. Importantly, the credit agreement is treated as if it has never been entered into, including any related ancillary service contracts (e.g. insurance). Within 30 days of the day after the notice is given to the lender, consumers must repay any credit provided including any interest accrued but they do not have to pay any further compensation, fees or charges. Some agreements are excluded from the right such as those secured on land.

4.11 Consumers have rights of cancellation for certain consumer credit or hire agreements where there have been antecedent negotiations in person with the consumer who signs the agreement off trade premises (e.g. at home). The consumer has either 5 days or 14 days (depending on which requirement applies)

to cancel the agreement. They must notify firms in writing. Where they do or a consumer withdraws from a prospective regulated agreement, the agreement is treated as cancelled. Certain consequences follow, for example consumers must repay any money already received but do not have to pay interest on any amount repaid within a month of notifying the lender of cancellation or, for an instalment loan, before the first repayment date. If the main agreement is cancelled, any linked transactions (e.g. insurance or sale of goods contract) will also automatically cancel. These rights do not apply where a right of withdrawal applies.

- 4.12 Consumers must take reasonable care of any goods received under the agreement and return them to the lender or make them available for collection. Once returned, consumers have no further liability except for any losses or damage resulting from the consumer's failure to take reasonable care.
- 4.13 Consumer groups and industry stakeholders have raised issues with these rights. Some consumer groups would like simpler, clearer and more consistent requirements so consumers can easily understand and access their rights with confidence and minimal confusion. Some industry stakeholders described the difficulty of navigating a patchwork of requirements under the CCA, FCA rules and other consumer protection laws, which increases compliance costs and makes disclosure of information to consumers more complicated.
- 4.14 The Government acknowledges the importance of a consumer's right to be able to change their mind within a reasonable period when they take out a product. However, the current regime is overly complex and the Government considers these rights would be better set within conduct rules in the FCA Handbook, which commonly deals with such protections for other financial services, rather than in legislation.
- 4.15 The Government will therefore repeal the majority of these provisions relating to rights of withdrawal and cancellation so that they can be recast into FCA rules (as appropriate and subject to consultation).
- 4.16 The Government's objective is to enable the FCA to review the different rights to produce clearer, more flexible and up-to-date requirements. The aim is to ensure that consumers can easily understand and exercise their rights, while reducing unnecessary complexity and compliance costs for firms.
- 4.17 There are some elements of these provisions which cannot be recast into FCA rules. These include certain provisions which cover linked transactions and ancillary services. The FCA cannot make rules where these apply to unauthorised persons. In addition, some provisions cover the passing of title to goods which would need to remain in legislation. Sections 70-73 although cover cancellation will remain in legislation (subject to minor

consequential amendments) as these cover the recovery of money paid by the debtor or hirer, repayment of credit, return of goods and goods given in part-exchange which are all required to remain in legislation as the Government considers they cannot be recast into FCA rules.

## Termination rights (including voluntary termination) (Sections 98A, 99, 100 and 101)

4.18 There are various termination rights in the CCA which allow termination by debtor or hirer in certain situations and regulate the exercise of contractual termination rights by the creditor or owner. These cover the following:

- Termination etc of open-end consumer credit agreements (Section 98A)
- Right to terminate hire-purchase etc. agreements (voluntary termination) (Sections 99 and 100)
- Right to terminate hire agreement (Section 101)

### **Termination of open-end consumer credit agreements (Section 98A)**

4.19 Section 98A of the CCA provides that the debtor may by notice terminate the open-end consumer credit agreement free of charge, at any time, subject to providing notice not exceeding one month.

4.20 Where the creditor terminates, they must serve notice on the debtor and the termination may not take effect until after two months or such longer period as the agreement provides.

4.21 Where agreement provides for termination or suspension by the creditor of the debtor's right to draw on credit, the creditor must serve notice before or if not practicable, immediately afterwards, setting out the reasons which must be objectively justified.

4.22 The Government considers these important rights and protections but that they better sit within FCA rules rather than legislation. Therefore, it will repeal this provision and fall away where covered by other requirements or be recast into FCA rules (as appropriate and subject to consultation).

### **Voluntary termination (Sections 99 and 100)**

4.23 Sections 99 (Right to terminate hire-purchase etc. agreement) and 100 (Liability of debtor on termination of hire-purchase etc. Agreement) of the CCA give consumers the right to end a hire-purchase or conditional sale agreement early. This right is widely known as voluntary termination.

4.24 Hire-purchase and conditional sale agreements are widely used in motor finance but also by some businesses to supply goods such as appliances, televisions and furniture, as well as some business assets and machinery.

- 4.25 A consumer can exercise voluntary termination at any time before the final payment is due in a hire-purchase or conditional sale agreement by giving written notice to their lender. Consumers can exercise Voluntary termination for any reason and it can be used by those experiencing financial difficulty as a way of handing the goods back without any continuing liability to pay any ongoing payments. Under hire-purchase and conditional sale agreements, consumers do not typically own the goods until they have made all payments (and exercised their option to purchase under hire-purchase), so they cannot simply sell the goods to settle the debt without the agreement of the lender.
- 4.26 Once voluntary termination is exercised, the consumer must return the goods acquired under the agreement. They remain liable to pay half of the total amount payable under the agreement (including any deposit, part-exchange value, all monthly repayments and any fees). Separate charges are payable for late payment, excess mileage or damages, if the consumer has not taken reasonable care of the goods beyond normal wear and tear. Any arrears accrued prior to termination are also in addition. If the consumer has already paid more than half, no further payments are required, apart from the separate charges for damages and any arrears accrued before voluntary termination was exercised. No refund is given for any amount paid above half.
- 4.27 Because consumers lose any equity in the vehicle when it is handed back, it can be better for a consumer to agree early settlement with the lender rather than a voluntary termination, especially where this is towards the end of the agreement term. This would allow, for example, the car to be sold and the proceeds used to pay the finance, allowing them to realise the equity. The consumer may not know that they can settle early, or how much the vehicle will be sold for (this might be based on estimates of the value prior to the actual sale). Where the sale price is insufficient to enable the consumer to settle early, the consumer would need to pay the balance from their own funds. This may introduce uncertainty for the consumer when considering this option.
- 4.28 In their engagement with HMT, consumer groups shared that:
- Voluntary termination rights can protect consumers against excessive debt by allowing them to end hire-purchase or conditional sale agreements (e.g. car finance), limiting their liability and protecting against unsustainable debt.
  - However, many consumers misunderstand how and when they can exercise their voluntary termination rights, often due to poor communication from lenders or complex contract language.
  - Consumers sometimes face unexpected charges (e.g. for excess mileage or damage beyond "reasonable wear and

tear") when exercising voluntary termination, which can feel unfair, be poorly explained or result in disputes.

- Some lenders impose procedural obstacles or delays, making it difficult for consumers to exercise their voluntary termination rights efficiently.

4.29 In engagement with HMT, industry stakeholders shared that:

- Processing voluntary termination requests and assessing vehicle condition incurs additional administrative costs. Disputes over "fair wear and tear" can be time-consuming to resolve. Voluntary termination can lead to financial losses for lenders, especially if the vehicle's value is less than the outstanding finance when voluntary termination is exercised. This risk is heightened in volatile used vehicle markets.
- Lenders argue that some consumers may use voluntary termination strategically (e.g. to exit agreements early without full repayment), undermining the commercial basis of the finance agreement.
- The risk of voluntary termination is factored into pricing, potentially increasing costs for all consumers. It can also influence the design of finance products, sometimes making them less flexible or attractive.
- The 50% repayment threshold was introduced in part to make voluntary termination requirements simpler for consumers to understand. However, industry stakeholders now argue that this figure is outdated and causes confusion among consumers, particularly for those with Personal Contract Purchase (PCP) agreements for vehicles because it includes the final 'balloon' payment (which consumers can choose not to pay at the end of the PCP agreement).

4.30 Overall, the Government considers that the FCA has adequate powers to establish a coherent termination regime that provides robust protection for consumers. The Government therefore will repeal the voluntary termination provisions, so they can be recast into FCA rules (where appropriate and subject to consultation).

4.31 There are certain provisions which cannot be recast into FCA rules. These relate to a creditor's right to go to court where a debtor refuses to return goods, and scenarios where property of goods provided under a conditional sale agreement pass from the debtor to the previous owner of the goods. These will therefore be retained in legislation (subject to minor consequential amendments).

### **Right to terminate hire agreement (Section 101)**

4.32 Termination rights for consumers under consumer hire agreements in Section 101 of the CCA are more limited than credit agreements (including hire-purchase). Consumers have the statutory right to terminate a credit agreement early, whereas the

CCA does not provide statutory termination rights for consumer hire agreements within the first 18 months. There is also no statutory right to terminate at all if the contract is worth more than £1,500 in total payments per year, so only low value hires would have a termination right. This can often leave consumers locked into agreements for longer durations irrespective of whether their circumstances change and they start to struggle to afford the payments. In cases where consumers are using a contractual right to terminate (rather than the statutory one), the legislation does not provide any basis to determine the amount to repay or a rebate of future rentals and so this is governed by the contractual terms and the general legal and regulatory framework.

- 4.33 The Government considers that termination rights for consumers in relation to consumer hire agreements are important. However, it considers these requirements would be better set out in FCA rules rather than legislation so it will repeal Section 101 from legislation and it will be recast into FCA rules (as appropriate subject to consultation).

### Early settlement and rebates (Sections 94-97A)

- 4.34 Early settlement and rebates provide consumers with the right to repay their credit agreement early at any time, either in full or in part, by giving notice to the lender. They also set out the requirements in relation to the amount to settle the credit agreement, in addition to any amount the lender may claim in compensation, less any rebate due to the consumer.
- 4.35 Many industry and consumer groups broadly agree that the principle of allowing early settlement is an important consumer right to ensure flexibility and fairness. However, stakeholders on all sides have raised concerns about the complexity of the current process, in particular the notice requirements and rebate calculation. The notice requirements often create delays and confusion over amounts due when consumers tend to want a real time figure and the ability to pay there and then if they choose to.
- 4.36 In addition, industry stakeholders consider that the rebate formula is difficult to understand and explain, often leading to confusion, errors and disputes about the amount due. They consider it is difficult for consumers to verify if they are receiving the correct rebate. The additional rules for larger repayments add further complexity, making it challenging to explain entitlements clearly and consistently to consumers. Firms often require multiple processes and systems with different calculations which is resource-intensive and increases costs.
- 4.37 The Government considers that, to achieve the objective of creating a more modern and flexible regime, it would be preferable for requirements in relation to early settlement, rebates

and compensatory amounts to be in FCA rules rather than legislation. The Government therefore will repeal Sections 94 to 95B and 97 to 97A and these will be recast into FCA rules (as appropriate and subject to any consultation).

- 4.38 The Government is satisfied that the FCA can deliver robust consumer protection if these provisions are recast in FCA rules.
- 4.39 The FCA's rulemaking powers in respect of linked transactions are limited; in particular, HM Treasury notes that a linked transaction may involve unauthorised firms. Therefore, the Government will retain Section 96 in legislation consistent with the broader approach to linked transactions.

### Agreement to enter future agreement void (Section 59)

- 4.40 Section 59 states an agreement is void if it purports to bind a person to enter as debtor or hirer into a prospective regulated agreement. This reduces the risk of consumers being locked into products they have not seen or properly considered, including the risk of pressure selling.
- 4.41 The Government will repeal Section 59 and considers this can be recast into FCA rules (as appropriate and subject to consultation). This is consistent with the overall policy objective of repealing conduct requirements from legislation and for these to be recast into FCA rules.
- 4.42 The Government considers that although a breach of FCA rules cannot render agreements void, they can instead recast requirements into rules which apply to authorised firms (as appropriate and subject to consultation), which provide robust consumer protection.
- 4.43 For example, the FCA could prohibit pre-binding arrangements by requiring authorised firms to ensure that consumers are not contractually bound by unauthorised firms to enter into future regulated agreements, or by expanding withdrawal and cancellation rights to ensure consumers can come out of these whenever the agreement was preceded by an agreement requiring them to enter into a regulated agreement. This will be for the FCA to determine as part of any changes it considers necessary to FCA rules.

### Securities and sureties (Sections 105, 107-111, 113)

- 4.44 "Surety" is defined in Section 189 of the CCA as meaning the person by whom any security is provided, or the person to whom that person's rights and duties in relation to the security have passed by assignment or operation of law.
- 4.45 "Security" is defined in Section 189 of the CCA, in relation to an actual or prospective consumer credit agreement, consumer hire agreement or any linked transaction, as meaning a mortgage, charge, pledge, bond, debenture, indemnity, guarantee, bill, note

or other right provided by the debtor or hirer, or at the debtor's or hirer's request (express or implied), to secure the carrying out of the debtor's or hirer's obligations under the agreement.

- 4.46 In practice, sureties are often individuals or entities who act as guarantors of another person's debt, while securities are assets or rights that provide collateral which the lender may call upon in the event of non-payment. These mechanisms are intended to provide additional comfort to lenders, by reducing the risk of loss, and so may facilitate lending or more favourable lending terms.
- 4.47 Stakeholders have noted that while protections for sureties are important, the current legislative framework is complex and can be difficult for both firms and consumers to understand and interpret, leading to confusion and uncertainty.
- 4.48 The Government has considered the security provisions in light of the changes on information requirements and sanctions, much of which also applies to these provisions, specifically where security is also taken by lenders or owners. It has also considered securities and sureties in the context of its overall objectives and principles for CCA reform (outlined in the Executive Summary above).
- 4.49 In view of this, the Government will repeal the majority of the securities and sureties requirements (Sections 105, 107 to 111). For Section 113, the Government will repeal the elements of this provision which apply to authorised persons in relation to regulated agreements which will be recast into FCA rules (as appropriate and subject to consultation). Section 113 will continue to apply (subject to minor consequential amendments) to unauthorised persons and any linked transactions (whether those persons are authorised or unauthorised). FCA rules do not extend to unauthorised persons.
- 4.50 For the provisions being repealed and recast, the Government considers that the policy objectives underlying these provisions can be achieved more effectively through FCA rules, which will allow for a more flexible, proportionate and up-to-date regime. Where the Government considers provisions cannot be recast into FCA rules and need to remain in legislation, these have been retained (subject to minor consequential changes).
- 4.51 In addition, the Government notes that, under FSMA, the FCA currently has rulemaking powers in relation to sureties only where the security takes the form of a guarantee or an indemnity. To enable the FCA to recast the relevant provisions for securities and sureties into FCA rules (as appropriate and subject to consultation), the FCA's powers under FSMA and the RAO need to be extended.
- 4.52 The Government therefore will amend FSMA and the RAO so that the definition of "borrower" (and, where appropriate, "hirer") includes persons providing all forms of security and is not confined to those only providing guarantees or indemnities. This would

allow the FCA to make rules dealing with all “securities” as defined in Section 189 of the CCA.

### Interest not to be increased on default (Section 93)

- 4.53 Section 93 of the CCA limits the rate of interest that a debtor may be required to pay on arrears. Where the total charge for credit includes an item in respect of interest, the debtor cannot be required to pay interest on defaulted sums at a rate exceeding the rate of that interest. Where the total charge for credit does not include such an item, the provision provides that interest on unpaid sums must not exceed what would be the rate of the total charge for credit if certain items were disregarded under Section 20(2).
- 4.54 The Government will repeal this provision and it considers it can be recast into FCA rules (as appropriate and subject to consultation), which will provide consumers with robust protections. This is consistent with the overall policy objective of repealing conduct requirements from legislation and for these to be recast into FCA rules.

### Credit tokens and liability (Sections 14, 66, 83, 84 and 171(4))

- 4.55 Credit-tokens are defined in Section 14 of the CCA and are also referenced in Sections 66 and 83-85. They are defined as a card, check, voucher, coupon, stamp, form, booklet or other document or thing given to a consumer by a lender, where on production of it, the lender will supply cash, goods or services on credit. They also cover where these are produced to a third party, the third-party supplies cash, goods and services, the lender then pays the third party in return for payment to the lender by the consumer.
- 4.56 The Government considers the provisions on credit-tokens are now outdated, and many of the associated information disclosure requirements will be repealed. They were originally intended to regulate instruments like credit cards, store cards and similar devices which enabled consumers to obtain goods or services on credit. The original concept was designed around physical cards, but with the rise of digital payments, contactless cards, mobile wallets and virtual cards, the regulatory landscape has evolved. There is some uncertainty over whether the definition of credit-token covers electronic tokens such as mobile wallets.
- 4.57 There is now significant overlap with requirements relating to payment instruments under the Payment Services Regulations 2017 (PSRs), resulting in either duplication or similar but slightly different requirements applying which can create confusion and inconsistency. It is important to note that there are some types of credit-tokens, which the PSRs do not apply to (e.g. certain store cards). The concept of credit-tokens is largely redundant in light of

the protection offered by the PSRs, much of which is currently disappplied for consumer credit agreements.

- 4.58 The Government will repeal the provisions relating to credit-tokens and liability from the CCA and these will fall away where they are covered by other requirements such as the PSRs, or be recast into FCA rules (as appropriate and subject to any consultation).
- 4.59 Regulation 41 and 64 of the PSRs cover certain information to be provided and some liability requirements in the case of consumer credit agreements. The Government announced that it will consult on integrating the regulatory framework for payment services with the core regulatory approach for financial services in Q2 of this year. The Government will continue to consider interactions between this workstream and CCA reform as they progress.

## **CCA provisions to be retained**

### **CCA Framework and definitions**

- 4.60 The CCA is the key legislative framework regulating certain agreements for credit and hire. Much of its regulatory scope is determined by the RAO.
- 4.61 The consumer credit framework for the different types of credit agreements is covered in Sections 8 to 13 of the CCA. Section 189 sets out the definitions which apply throughout the CCA. All definitions that are relevant to, and required for, the interpretation of the provisions remaining in legislation will be retained (though there may be minor consequential amendments if needed following changes to other provisions).

### **Consumer credit agreements and the meaning of credit (Sections 8 and 9)**

- 4.62 Section 8 defines a consumer credit agreement as an agreement between an individual (the debtor) and any other person (the creditor) by which the creditor provides the debtor with credit of any amount. Section 9 defines the meaning of credit as including a cash loan and any other form of financial accommodation.
- 4.63 No material concerns have been raised so far and as these are central to the operation of the CCA, the Government therefore will retain them with a minor technical amendment to Section 8.

### **Running-account credit and fixed-sum credit (Section 10)**

- 4.64 Running-account credit is set out in Section 10 of the CCA and is a consumer credit agreement where the consumer receives cash, goods or services from a lender or third party up to a credit limit. The consumer can repay and then borrow again up to that credit limit. Products include credit cards and overdrafts. There is an ongoing agreement between the consumer and lender which

covers any amounts borrowed up to the credit limit and details the obligations and protections which apply under the CCA.

4.65 Fixed-sum credit is also set out in Section 10 of the CCA and is any other consumer credit agreement where the consumer receives credit in one amount or by instalments. This is usually repayable over a defined period and amounts paid back cannot be redrawn. Products include personal loans, hire-purchase and conditional sale. There is an agreement for each fixed-sum credit facility provided by a lender to a consumer which sets out the obligations and protections which apply under the CCA.

4.66 The Government will retain these provisions in legislation (subject to any minor consequential amendments) for the following reasons:

- The concepts of running-account credit and fixed-sum credit are integral to the overall framework of the CCA and different types of agreements do need to be identifiable in some way due to the different rights and protections which attach to those agreements, rather than a one size fits all approach.
- These terms and distinctions for consumer credit and hire, as well as exemptions which refer to these terms, apply in the RAO which determines the regulatory perimeter (see, for example, Article 60L RAO). Therefore, it is important that these terms are used consistently across the CCA and the RAO.
- As set out above, the Government will repeal the majority of the information disclosure requirements and associated sanctions. Information disclosure requirements will be recast into FCA rules (where appropriate and subject to consultation). This enables the FCA to provide an outcomes-based regime which is intended to allow firms more flexibility in how they communicate with consumers, to improve understanding.

### Restricted-use and unrestricted-use credit (Section 11)

4.67 Restricted-use credit is set out in Section 11 of the CCA and is where:

- a consumer credit agreement finances a specific transaction between a consumer and lender (e.g. a consumer buys a sofa from a retailer using finance also provided by the retailer);
- a consumer credit agreement finances a specific transaction between a consumer, lender and supplier (e.g. a consumer buys a sofa from a retailer using finance provided by a bank which is promoted by the retailer for the purchase of the sofa); or
- the consumer refinances an existing debt (e.g. they pay off an existing loan).

- 4.68 Unrestricted-use credit covers everything else where the consumer is free to spend the money on whatever they choose. There are no conditions set by the lender about how they use the funds (e.g. a credit card).
- 4.69 The credit market has evolved since Section 11 was originally developed, evidenced by the emergence of new products and payment methods (for example, app-based Buy-Now, Pay-Later products offered by firms such as Klarna and PayPal, and other innovative payment models).
- 4.70 The consultation did not reveal any substantive concerns with these provisions or their operation in practice. The Government will therefore retain Section 11 in legislation.

### Debtor-creditor-supplier agreements (Section 12)

- 4.71 Section 12 establishes three types of debtor-creditor-supplier agreements which usually involve three parties: the consumer (debtor), the lender (creditor, such as a bank) and the merchant (supplier of goods or services, such as a sofa retailer).
- 4.72 They fall into one of the categories below:
- Restricted-use credit used to finance a transaction between a consumer and lender (e.g. a consumer buys a sofa from a retailer (the supplier) with credit provided by that retailer (as lender) only for that purpose).
  - Restricted-use credit used to finance a transaction between a consumer and a third-party supplier and made by the lender under pre-existing arrangements or in contemplation of future arrangements between the lender and supplier (e.g. a consumer buys a sofa from a retailer using finance provided by a bank which is promoted by the retailer for the purchase of the sofa).
  - Unrestricted-use credit is one which is made by the lender to finance a transaction between a consumer and supplier where there are pre-existing arrangements in place between the lender and supplier (e.g. a credit card).
- 4.73 This provision refers to “pre-existing arrangements or in contemplation of future arrangements” which are defined in Section 187 of the CCA. A consumer credit agreement is made “under pre-existing arrangements between a lender and a supplier”, if it follows arrangements previously made between a creditor and a supplier”. It shall be treated as “entered into in contemplation of future arrangements between a creditor and supplier” if it is entered into expecting that arrangements will later be made between the creditor and supplier, or their associates, for the supply of cash, goods, or services to be financed by the consumer credit agreement.
- 4.74 Section 12 is central to the functioning of the complex CCA provisions detailed below, especially Section 56 (antecedent

negotiations) and Section 75 (connected lender liability) which the Government is not amending at this time. This provision will also not be amended at this time and will be considered as part of any future work looking at the complex CCA provisions.

## Debtor-creditor agreements (Section 13)

4.75 Debtor-creditor agreements are set out in Section 13 of the CCA and are consumer credit agreements which fall into one of the following categories:

- Restricted-use credit agreement which finances a transaction between the consumer and the supplier but is not made by the lender under pre-existing arrangements or in contemplation of future arrangements with the supplier (e.g. a consumer obtains a loan from their bank for the specific purchase of a kitchen appliance from a retailer, but does not use finance provided by the retailer or a lender it regularly works with).
- Restricted-use credit agreement which refinance any existing debt of the consumer, whether to the lender or another person (e.g. debt consolidation loans offered by the lender to the consumer where the funds are paid directly to the other lender to settle the consumer's existing debt).
- Unrestricted-use credit agreement is one which is made by the lender to finance a transaction between consumer and supplier where there are no pre-existing arrangements in place between the lender and supplier (e.g. lender provides consumer with a personal loan for home improvements. The lender has no arrangement with the supplier and the loan can be used for any purpose).

4.76 This provision along with Section 12 above is central to the functioning of the complex CCA provisions detailed below, especially Section 56 (antecedent negotiations) and Section 75 (connected lender liability) which the Government is not amending at this time. Section 12 will also not be amended at this time and will be considered as part of any future work looking at the complex CCA provisions.

## Linked transactions (Section 19)

4.77 Linked transactions in Section 19 of the CCA are agreements that are entered into separately by the consumer and which are connected to the consumer credit or hire agreement, in such a way that the transaction would not have occurred without the consumer credit or hire agreement. Examples include:

- A car insurance policy required by a dealership alongside a hire-purchase agreement. The insurance contract is not part of the hire-purchase agreement, but it is entered into because the hire-purchase agreement requires it. The insurance contract is a linked transaction.

- A consumer takes out finance to purchase furniture from a retailer and they purchase an extended warranty which is not financed by the credit agreement, but it is suggested by a party involved in the credit agreement negotiations and is related to the credit agreement. The extended warranty is a linked transaction.

4.78 HM Treasury has not received any material concerns in relations to linked transactions from consumer groups or industry stakeholders. The Government will retain Section 19 within legislation. Due to the nature of how this provision works by extending CCA protections to linked transactions which sit outside of the CCA as well as applying to unauthorised persons outside of the FCA's regulatory jurisdiction, it is considered that the FCA would not be able to recast this into its rules and so it needs to remain a statutory right within legislation.

4.79 The Government will also repeal the majority of the rights of withdrawal and cancellation provisions (see below for details), and these will be recast into FCA rules (where appropriate and subject to consultation). However, it is important the elements of these rights which relate to ancillary service contracts and linked transactions remain within legislation as they apply to some contracts which are outside of the FCA's jurisdiction.

## Consumer hire (Section 15)

4.80 Hire and credit are different products, serving different purposes and both require a regulatory regime which is appropriate and flexible, while ensuring robust protection for consumers.

4.81 A "consumer hire agreement"<sup>37</sup> under Section 15 of the CCA is an agreement with an individual for the hire of goods for more than three months. There is no obligation or right to buy the goods at the end of the agreement and so title in the goods would never pass to the consumer. Consumers make payments for the right to use the goods during the hire period with no intention to purchase the goods. These are distinct from credit agreements and do not include hire-purchase agreements, which are classified as credit agreements under the CCA. Hire for three months or less falls outside the regulatory perimeter in the RAO so is unregulated hire.

4.82 Consumer hire agreements are most commonly used in connection with the hire or leasing of vehicles, sometimes known as Personal Contract Hire (PCH) but also less commonly used in connection with the hire of domestic goods. An emerging concern is the use of consumer hire agreements for products that may not be suitable (such as fitted carpets or anything requiring a complex installation, the removal of which could cause consumer harm including damage to property). This includes situations where there is no intention to return the goods on termination or ending of the agreement, or where there is no value remaining in

the goods so removal is not cost effective or otherwise appropriate.

- 4.83 Firms may favour unregulated hire where it falls outside the regulatory perimeter. Where they are within the regulatory perimeter, consumer hire agreements may be preferred over consumer credit agreements under the CCA (the latter including hire-purchase agreements) due to the different rights and protections applying for credit vs. hire. Consumers may be tied to long hire periods and there is sometimes very little to differentiate between consumers who hire compared to those who make monthly payments on a consumer credit fixed-sum loan.
- 4.84 It is important to note that the definition of consumer hire is the same in both the RAO and the CCA. The RAO sets the regulatory perimeter for consumer hire agreements. These need to be consistent. The Government will retain Section 15 of the CCA with an amendment to remove the duplicated definition of consumer hire agreement and instead reference the definition for consumer hire in the RAO.
- 4.85 This would avoid inconsistencies between the CCA and RAO and improve the flexibility of the statutory framework. The Government is not making any changes to the regulatory perimeter for consumer hire as part of this consultation.

### Definition of “individual” - business lending and hire (Section 189)

- 4.86 The regulatory perimeter for consumer credit lending, and hire, including small business lending, and hire, is set out in secondary legislation, under the RAO, to which the CCA refers.
- 4.87 Specifically, the definition of “relevant recipient of credit” in the RAO (Article 60L) is mirrored in the definition of “individual” in the CCA (Section 189). They both define this as follows:
- “a partnership consisting of two or three persons not all of whom are bodies corporate, or an unincorporated body of persons which does not consist entirely of bodies corporate and is not a partnership”
- 4.88 This means the CCA, with respect to business lending, applies to small partnerships and unincorporated associations, subject to any exemptions. It also applies to sole traders in that these are consumers.
- 4.89 The Government will amend the CCA so that it cross refers to the definition within the RAO. This has no practical effect, except to streamline the legislation in this area.

### Withdrawal from a prospective agreement (Section 57)

- 4.90 Section 57 covers the withdrawal of a party from a prospective regulated agreement. Part 5 of the CCA applies to the agreement, any linked transaction and any other thing done in anticipation of

the making of the agreement as it would apply if the agreement were made and cancelled under Section 69.

- 4.91 The Government will retain this provision as it considers it cannot be recast into FCA rules and so must remain in legislation subject to minor consequential amendments.

### Pawnbroking (Sections 114 and 116-122)

- 4.92 The provisions in Sections 114 and 116-122 of the CCA establish a statutory framework in relation to pawnbroking where goods are left with a pawnbroker as security for a loan. If the loan is not repaid, the pawnbroker may sell the goods to recover the debt.
- 4.93 The CCA applies to most consumer pawnbroking agreements, setting out the rights and obligations of both the consumer and the lender regarding the pawned goods. Key requirements include:
- The lender gains a security interest in the goods but does not become the owner unless the goods are lawfully sold according to statutory procedures. This means the lender must often sell the goods on behalf of the consumer and only then does the lender acquire ownership of the sale proceeds.
  - If the redemption period is six months and the goods are of low value (not more than £75), ownership passes directly to the lender at the end of the redemption period and it can sell the goods. The consumer has the right to redeem their goods at any point before they are sold except where title to the goods passes to the lender.
  - The lender may sell the pawned goods once they become realisable but must first notify the consumer of the intention to sell and the asking price. After the sale, the lender must provide details of the sale, the process and any expenses. If the net proceeds from the sale are less than the amount owed, the debt is discharged and the lender cannot pursue the consumer for the shortfall. If there is a surplus after the sale, the lender must pay this to the consumer, unless ownership has already passed to the lender for low value goods (not exceeding £75), in which case the consumer loses the right to any surplus.
  - The lender must prove that they took reasonable care to achieve the true market value of the goods and that any expenses were reasonable.
- 4.94 These statutory provisions modify normal property and contract law by granting a statutory right of redemption, which ensures the consumer receives any surplus from the sale (Section 121 of the CCA – Realisation of Pawn). They also make it a criminal offence to enter into a pawnbroking agreement with a minor or where the lender refuses to return the pawned item without reasonable cause.

4.95 The Government will retain these provisions in legislation without amendment. This is due to the need for statutory rights in relation to the transfer of title to the goods at various points during the term of a pawnbroking agreement.

### Negotiable instruments (Sections 123-125)

4.96 Section 123 prohibits a creditor or owner from taking a negotiable instrument, other than a bank note or cheque, in discharge of sums payable by the debtor/hirer or a surety under a regulated agreement. It also prevents a creditor/owner from taking a negotiable instrument as security for such sums.

4.97 Section 124 sets out the consequences where a creditor or owner contravenes Section 123. The agreement under which the sum is payable is only enforceable against the debtor/hirer on order of the court. In addition, in relation to any sum payable by a surety, the security is enforceable only on order of the court. Where an order is dismissed by the court, Section 106 of the CCA applies which covers ineffective securities.

4.98 Section 125 provides that a person who takes a negotiable instrument in contravention of Section 123(1) or (3) is not a holder in due course and is therefore not entitled to enforce the instrument. Where a cheque is negotiated in breach of Section 123(2), that breach constitutes a defect in title within the meaning of the Bills of Exchange Act 1882.

4.99 The Government will retain these provisions in legislation as it considers the FCA would not be able to recast these provisions into FCA rules.

### Time Orders (Section 129-130)

4.100 The court may make a Time Order where it appears just to do so on application of an enforcement order; an application made by a debtor or hirer after they receive a default notice, arrears notice or notice required before certain action is taken; or in an action brought by a creditor or owner to enforce a regulated agreement or any security or recover possession of any goods or land to which a regulated agreement relates.

4.101 The court can, as it considers just, order the payment by the debtor or hirer or any surety of any sum owed under the regulated agreement or a security by such instalments, payable at such times as the court considers reasonable. It can also order the remedying the debtor or hirer of any breach of a regulated agreement within such period as they specify.

4.102 Some consumer groups have stated they consider Time Orders are a vital but underutilised safeguard, hindered by lack of awareness and accessibility. Meanwhile some industry stakeholders have stated that Time Orders can introduce delays, costs and uncertainty into debt recovery processes.

4.103 The Government will retain Section 129 and 130 any with necessary consequential amendments. They are considered important consumer rights. Although they are relatively rarely used, some stakeholders emphasised that Time Orders play a valuable role by allowing courts to give consumers time to pay and to set the terms of repayment. The Government will repeal Section 129A as this covers situations where arrears notices under the CCA are provided. However, as these information disclosure requirements are being repealed and recast, Section 129A is no longer applicable. Amendments have been made to Section 129 to cover situations where consumers need to apply for a time order when they are in arrears.

### Protected goods (Sections 90-92)

4.104 Sections 90–91 of the CCA apply where the debtor is in breach of a regulated hire-purchase or regulated conditional sale agreement relating to goods and they have paid to the creditor one-third or more of the total price of the goods, and the property in the goods remains with the creditor. The creditor is not entitled to recover possession of the goods from the debtor except on an order of the court. These goods are referred to as “protected goods”. The intention was to ensure that consumers were not unfairly deprived of goods where they have paid a substantial amount towards the cost of the goods. If goods are recovered by the creditor in contravention, the regulated agreement shall terminate and the debtor shall be released from liability under the agreement and able to recover all sums paid to the creditor.

4.105 This right does not apply where the consumer has terminated the agreement but does continue to apply on death of a consumer until the grant of probate or administration.

4.106 Section 92 states creditors or owners are not entitled to enter any premises to take possession of goods subject to a regulated hire-purchase agreement, regulated conditional sale agreement or regulated consumer hire agreement without an order of the court.

4.107 Many industry and consumer groups recognise the importance of protecting consumers in relation to the repossession of goods (particularly in relation to motor vehicles) and land.

4.108 Industry stakeholders have suggested that the current regulatory framework (including FCA consumer protection rules and access to the FOS) provides sufficient protection, with regulatory enforcement being more efficient and less costly than litigation. Meanwhile, consumer groups generally want to retain these protections, noting that statutory provisions provide clear, enforceable rights for consumers and that this certainty is valued especially where consumers have characteristics of vulnerability.

4.109 The Government will retain Sections 90–92 of the CCA, making any necessary consequential amendments. It considers these

requirements cannot be replicated in FCA rules so need to remain within legislation.

### Death of debtor or hirer (Section 86 and 128)

- 4.110 Section 86 of the CCA prevents a creditor or owner under a regulated agreement taking one of the following actions: terminate the agreement; demand earlier payment; recover possession of goods or land; and enforce security, by reason of death of the debtor or hirer where the agreement is fully secured at the date of death. If the regulated agreement is only partly secured, or unsecured, the creditor or owner can only take these actions on an order of the court.
- 4.111 Section 128 states a court shall make an order under Section 86 if the creditor or owner proves that he has been unable to satisfy himself that the present and future obligations of the debtor or hirer under the agreement are likely to be discharged.
- 4.112 The Government will retain Sections 86 and 128 as it considers these cannot be recast into FCA rules. Minor consequential amendments will be necessary in relation to cross-references to provisions being repealed.

### Credit Reference Agencies (CRAs) (Sections 157-160)

- 4.113 Many parts of these provisions need to remain within legislation because rights cannot be recast into FCA rules as they apply beyond the FCA's jurisdiction to unauthorised persons. These provisions also link to other key legislation such as the UK General Data Protection Regulation and the Data Protection Act 2018. In view of this, the Government will retain these provisions within legislation.

### Other CCA provisions to be retained

- 4.114 The Government will retain the following provisions within legislation (with any necessary minor consequential amendments) as it considers they are not able to be recast into FCA rules:
- Cancellation: recovery of money paid by debtor or hirer, return of goods and goods given in part exchange (Sections 70-73);
  - Summary diligence not competent in Scotland (Section 93A);
  - Agency for receiving notice of rescission (Section 102);
  - Goods not to be treated as subject to landlord's hypothec in Scotland (Section 104);
  - Land mortgages (Section 126); and
  - Majority of the remaining provisions under Judicial Control (including interest, etc.), Ancillary Credit Businesses, Enforcement of Act and Supplemental (including interpretation, definitions, etc.) (Parts 9 to 12).

## **Complex CCA provisions**

4.115 There are certain complex CCA provisions which are highly technical and are underpinned by a considerable body of case law as well as established market practice. For all the complex CCA provisions, more detailed policy work is required. In view of this, the Government is not making any changes to these provisions or accompanying definitions at this time.

4.116 This includes:

- Antecedent negotiations (Section 56)
- Connected lender liability (Section 75 and 75A)
- Unfair relationships (Sections 140A-C)

# Chapter 5

## Transitional provisions

- 5.1 Transitional provisions are a key part of the CCA reform process, ensuring a fair and orderly move from the current CCA provisions to any new requirements which will apply under the future regime whether within FCA rules or legislation.
- 5.2 The transitional period is to be determined by HM Treasury but will reflect the significant scale of change needed by firms and consumer groups across a broad range of consumer credit and hire products. During this period, firms and consumer groups will be required to continue applying the current CCA and FCA rules, while they prepare to transition to the new requirements.
- 5.3 The FCA will also need time to develop its policy and consult on its rules.
- 5.4 Transitional provisions aim to avoid legal uncertainty, minimise operational cost and complexity as much as possible. This ensures consumers and industry benefit from the modernised framework with robust consumer protections, which is proportionate and compatible with the European Convention on Human Rights (ECHR).
- 5.5 The Government recognises that, for transitional provisions to work in practice, stakeholders need to be able to share feedback on its proposals with knowledge of the broader CCA reform changes. Without this, there is a risk that transitional provisions are set in primary legislation that do not achieve the aims of avoiding cost or complexity. HM Treasury will engage with stakeholders in relation to the proposals for these provisions.
- 5.6 In view of the above, the Government therefore will include an enabling power which would allow it to make secondary legislation on the transitional provisions.

# Chapter 6

## Equalities impact and Impact Assessment

The Government will implement these reforms as part of the Financial Services and Markets Bill announced in the King's Speech on 13 May, and an Impact Assessment will be published alongside this Bill.

### Public Sector Equality Duty (PSED) and protected characteristics

- 6.1 When developing a policy, the Government must comply with the PSED in Section 149 of the Equality Act 2010. The PSED requires the Government to have due regard to the need to:
- eliminate unlawful discrimination;
  - advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
  - foster good relations between people who share a protected characteristic and people who do not share it when carrying out their activities.
- 6.2 The PSED protected characteristics are age, disability, race, gender reassignment, marriage and civil partnership, pregnancy and maternity, religion or belief, sex and sexual orientation. This chapter sets out the Government's assessment of how its changes following the Phase 1 consultation paper would impact on those sharing protected characteristics.
- 6.3 Section 19(1) of the Environment Act 2021 requires Ministers to have due regard to the Environmental Principles Policy Statement EPPS when developing policies.
- 6.4 As part of its assessment, the Government has considered wider cross-cutting themes, such as financial inclusion, literacy and numeracy and financial vulnerability. It has also considered the cross-cutting theme of Islamic finance.
- 6.5 This section sets out some factors that the Government is considering as part of its obligations under the PSED. It will set out further detail in its Impact Assessment.

### FCA Financial Lives Survey and Consumer Duty

- 6.6 The FCA's Financial Lives Survey (FLS) is a comprehensive and nationally representative survey of UK consumers. It provides insight into consumers' attitudes towards managing their money,

the financial products they have and their experience of engaging with financial services firms. The last FLS took place between 5 February and 16 June 2024 and was published in May 2025<sup>13</sup>.

6.7 The FCA identified a number of factors that can contribute to a consumer being vulnerable (and hence at greater risk of harm). These include:

- **Poor health:** i.e. health conditions or illnesses that greatly reduces one's ability to carry out day-to-day activities e.g. cancer, multiple sclerosis or HIV infection.
- **Negative Life events:** such as bereavement, job loss, relationship breakdown and suffering economic control or financial abuse.
- **Low resilience:** including those with low ability to withstand financial or emotional shocks.
- **Low capability:** low knowledge of financial matters or low confidence in managing money (financial capability), low English language skills and low capability in other relevant areas such as digital skill or having a learning difficulty (e.g. dyslexia, dyscalculia or dyspraxia).

6.8 Financial resilience is a key factor in demand for consumer credit and the FCA's definition of resilience takes into account that those with low financial resilience find keeping up with credit commitments to be a heavy burden.

- 40% of adults who are over-indebted or hold any credit or loan product reported that this caused anxiety and stress; 14% said it caused them loneliness or a feeling of having nowhere to turn; and 7% felt it resulted in them being less productive or having to take time off work.
- 14% of adults could only cover their living expenses for between 1 week to one month and 9% could only cover these expenses for less than a week.

6.9 In May 2024, 26.4 million adults showed one or more characteristics of vulnerability – nearly half (49%) of all UK adults. Certain demographic groups are more likely to display vulnerability than others.

6.10 The survey also highlighted the impact of some vulnerabilities on how people were able to manage their finances:

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<sup>13</sup> <https://www.fca.org.uk/financial-lives/financial-lives-2024>

- 91% of adults with social or behavioural difficulties said their condition creates difficulties when interacting with financial services organisations or dealing with their finances.
- 58% of the adults who reported being in poor health said they had experienced issues interacting with providers or managing their finances specifically due to their condition or illness.
- 12% of adults had low financial capability. This could include limited English skills or learning difficulties. 22% of all UK adults reported low confidence in managing their money, while 40% of younger individuals reported low confidence which affects their ability to manage and access credit effectively.

- 6.11 It is important that CCA reform ensures a regime that is straightforward for vulnerable consumers to navigate – many of whom may also have a protected characteristic.
- 6.12 Consultation and engagement with consumer groups, debt advice bodies and industry stakeholders informed the assessment of impacts on vulnerable and protected groups. Moving to an agile, FCA rules-led regime should enable faster updates to address any new product, consumer journey and technology developments where any consumer harms may arise. In addition, the FCA, as a public body, will also be required to meet the Public Sector Equality Duty.
- 6.13 The information disclosure requirement changes facilitate a tailored approach to further ensure that lenders communicate information in a way that maximises consumer understanding and focus on achieving good consumer outcomes. This would mean that consumers receive information that is clear and tailored to the product and could be adapted to their circumstances.
- 6.14 Taking a tailored approach with more flexibility and less prescription will also enable firms to innovate and develop products for specific consumer needs, for example, Islamic finance products where products need to operate in a certain way to be considered Shariah compliant. Fair4All Finance’s 2023 report: “Levelling the playing field”, found that 70% of those surveyed of Muslim faith would find it helpful if lenders provided products and services tailored to religious or cultural needs<sup>14</sup>. A tailored approach will also support firms to continue to improve the consumer journey for those accessing these credit products, including those with different vulnerabilities.

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<sup>14</sup> <https://fair4allfinance.org.uk/wp-content/uploads/2024/10/Levelling-the-playing-field-Building-inclusive-access-to-finance.pdf>

- 6.15 Consumer credit firms are expected to tailor products and consumer journeys in line with the broader FCA Consumer Duty principles. In reviewing the impact of Consumer Duty, the FCA found that many firms have taken positive action to support vulnerable consumers<sup>15</sup>.
- 6.16 Reflecting on good practice, the FCA has highlighted that some firms have used data effectively to identify where consumers in vulnerable circumstances were experiencing worse outcomes than other consumers<sup>16</sup>. The FCA praised firms who had reviewed and improved the clarity of their customer communication, tailoring in a timely manner to ensure customers understood product information.
- 6.17 On the proposal to repeal the sanctions attached to certain information requirements, some respondents feared higher barriers to redress and weaker deterrence, particularly for consumers with lower financial literacy or language barriers, and people who are digitally excluded. The Government considers there will be no disproportionate impact on protected groups because alternative redress routes remain: the FOS provides a free, accessible alternative to the courts; FCA rules require firms to proactively remediate harm; and the FCA retains broad supervisory and enforcement powers.
- 6.18 Criminal offences will be retained to deter harmful practices such as canvassing off trade premises, circulars to minors and abusive pawn broking, thereby protecting consumers who are often vulnerable.
- 6.19 The Government will retain certain provisions within legislation where no changes are proposed, or it is necessary to retain requirements in legislation to ensure robust consumer protection. Where the Government repeals certain rights and protections and these are to be recast into FCA rules (as appropriate and subject to consultation), it is because these provisions do not need to stay in legislation and robust consumer protection can be achieved via FCA rules. The Government considers this will not have a disproportionate adverse impact on protected groups including vulnerable consumers. Where the Government is repealing sanctions, these will fall away. It is considered the existing FCA regime and access to FOS will provide robust consumer protection to protected groups.
- 6.20 Transitional provisions will ensure a fair and orderly move to the new regime, ensuring all consumers will benefit from modernised, clearer information immediately, while not losing key rights that existed when they entered into the agreement.

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<sup>15</sup> <https://www.fca.org.uk/publications/multi-firm-reviews/firms-treatment-vulnerable-customers>

<sup>16</sup> <https://www.fca.org.uk/publications/good-and-poor-practice/delivering-vulnerable-customers>

6.21 The Government is committed to ensuring that people, regardless of their background or income, have access to useful and affordable financial products and services, while having robust protections. It expects that the changes set out in this Policy Statement will contribute positively to this. A full assessment of equalities impact will be considered in the Impact Assessment as part of the Financial Services and Markets Bill announced in the King's Speech on 13 May.

# Chapter 7

## Next steps

- 7.1 The Government will bring forward legislation as part of the Financial Services and Markets Bill announced in the King's Speech on 13 May. It will also continue policy work to further explore the complex CCA provisions not currently being progressed at this stage and will provide a further update in due course.
- 7.2 The Government has confirmed that it is working to modernise and future-proof the legislative framework for the regulation of payment services and e-money, delivering a more agile and responsive regulatory environment that promotes innovation in the UK payments sector. This includes responding to developments like tokenised payments instruments (such as stablecoin). The Government intends to consult on its approach to this in Q2 of this year which will consider whether any additional FCA powers in FSMA are required.
- 7.3 Alongside reform of the CCA, the Government intends to review the regulatory regime for credit broking which sits within the RAO. The review will seek to ensure that the credit broking regime remains proportionate, supports financial inclusion and provides robust consumer protection.
- 7.4 The growth of point-of-sale finance means that increasing numbers of consumers are accessing credit through merchants — for example, when purchasing goods online. In most cases, this activity constitutes credit broking, which is a regulated activity requiring authorisation from the FCA unless an exemption applies.
- 7.5 When designing the new regulatory framework for BNPL products, the Government chose to exempt merchants that offer these products from credit broking regulation. This exemption was intended to preserve the established structure of the BNPL market and to avoid requiring tens of thousands of merchants to seek FCA authorisation so that they could continue offering these products.
- 7.6 Stakeholders have highlighted that, as a result, merchants wishing to offer other regulated credit products at point-of-sale face more regulatory requirements than those offering BNPL products. In response to this feedback, in its response to the October 2024 consultation on regulating BNPL products published in May 2025, the Government committed to reviewing the credit broking

framework within the RAO as it applies to other regulated credit products.<sup>17</sup>

- 7.7 As part of this review, the Government will also consider the merits of extending existing credit broking exemptions beyond registered social landlords to include other organisations that support consumers in managing their finances — delivering on the commitment it set out in the Financial Inclusion Strategy.
- 7.8 The Government will engage with the FCA, industry, and consumer groups as part of this review. The Government will provide a further update on next steps for this review separately from CCA reform.
- 7.9 HM Treasury continues to work closely with the FCA on CCA Reform. The FCA is publishing a statement alongside this Policy Statement which sets out its approach to CCA Reform (guided by its statutory objectives and wider strategy) and highlighting some of the existing rights and protections it will consider as part of its policy work. Stakeholder engagement from the FCA on specific proposals and rules will follow at a later date in due course.

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<sup>17</sup> [https://assets.publishing.service.gov.uk/media/6827536302662c6f8ec243c4/250516\\_-\\_BNPL\\_consultation\\_response\\_.pdf](https://assets.publishing.service.gov.uk/media/6827536302662c6f8ec243c4/250516_-_BNPL_consultation_response_.pdf)

# Annex A

## Detailed provisions table

| Section  | Summary of the provision   | Proposal         |
|--|--|------------------|
| 8 (Consumer credit agreements)                   | Section 8 defines the meaning of a consumer credit agreement for the purposes of the Act. A consumer credit agreement is an agreement between an individual (“the debtor”) and another person (‘the creditor’) by which the creditor provides the debtor with credit of any amount. Section 189 defines “individual” for the purposes of the CCA.  | Retain and amend |
| 9 (Meaning of credit)                            | Section 9 defines the meaning of ‘credit’ for the purposes of the Act. Credit is defined as including a cash loan and any other form of financial accommodation.   | Retain           |
| 10 (Running-account credit and fixed-sum credit) | Section 10 sets out two forms of credit: running-account credit and fixed-sum credit.<br><br>‘Running-account credit’ is a facility under a consumer credit agreement where debtor receives from creditor or third party cash, goods or services to an amount or value such that the credit limit is not exceeded. Examples include credit cards, store cards and overdrafts.<br><br>‘Fixed-sum credit’ is any other facility under a consumer credit agreement where debtor is enabled to receive credit (in one amount or by instalments). | Retain and amend |
| 11 (Restricted-use credit and                    | Section 11 distinguishes between two types of regulated consumer   | Retain           |

|   |   |               |
|---|---|---------------|
| <p>unrestricted-use credit)</p>                 | <p>credit agreements based on how the credit is intended to be used.</p> <p>Restricted-use credit is where:</p> <ul style="list-style-type: none"> <li>• a consumer credit agreement finances a specific transaction between a consumer and lender (e.g. a consumer buys a sofa from a retailer using finance also provided by the retailer);</li> <li>• a consumer credit agreement finances a specific transaction between a consumer, lender and supplier (e.g. a consumer buys a sofa from a retailer using finance provided by a bank which is promoted by the retailer for the purchase of the sofa); or</li> <li>• the consumer refinances an existing debt (e.g. they pay off an existing loan).</li> </ul> <p>Conversely, an unrestricted-use credit agreement is defined as any regulated consumer credit agreement that does not meet the criteria for restricted-use credit. This covers everything else where the consumer is free to spend the money on whatever they choose. There are no conditions set by the lender about how they use the funds (e.g. a personal loan or credit card).</p> |               |
| <p>12 (Debtor-creditor supplier agreements)</p> | <p>Section 12 specifies the conditions under which a credit agreement is classified as a debtor-creditor-supplier (“DCS”) agreement. This is an important definition as it is used by other provisions which provide specific</p>   | <p>Retain</p> |

|                                 |   |        |
|---------------------------------|---|--------|
|                                 | <p>consumer rights and protections such as Section 75 for example.</p> <p>DCS agreements are consumer credit agreements which usually involve three parties: the consumer (debtor), the lender (creditor, such as a bank) and the merchant (supplier of goods or services, such as a sofa retailer).</p>  |        |
| 13 (Debtor-creditor agreements) | <p>Under Section 13 a debtor-creditor agreement is a regulated consumer credit agreement being:</p> <ul style="list-style-type: none"> <li>• Restricted-use credit agreement which finances a transaction between the consumer and the supplier but is not made by the lender under pre-existing arrangements or in contemplation of future arrangements with the supplier (e.g. a consumer obtains a loan from their bank for the specific purchase of a kitchen appliance from a retailer, but does not use finance provided by the retailer or a lender it regularly works with).</li> <li>• Restricted-use credit agreement which refinances any existing debt of the consumer, whether to the lender or another person (e.g. debt consolidation loans offered by the lender to the consumer where the funds are paid directly to the other lender to settle the consumer's existing debt).</li> <li>• Unrestricted-use credit agreement which is not made by the lender under pre-existing arrangements with the supplier in the knowledge that the credit is</li> </ul> | Retain |

|                               |  |                  |
|-------------------------------|--|------------------|
|                               | <p>to be used to finance a transaction between consumer and supplier (e.g. lender provides consumer with a personal loan for home improvements. The lender has no arrangement with the supplier and the loan can be used for any purpose).</p>   |                  |
| 14 (Credit-token agreements)  | <p>Credit-tokens are defined in Section 14 of the CCA and are also referenced in Sections 66, 84-85. They are defined as a card, check, voucher, coupon, stamp, form, booklet or other document or thing given to a consumer by a lender, where on production of it, the lender will supply cash, goods or services on credit. They also cover where these are produced to a third party, the third-party supplies cash, goods and services, the lender then pays the third party in return for payment to the lender by the consumer.</p>   | Repeal           |
| 15 (Consumer hire agreements) | <p>Section 15 defines a consumer hire agreement as an agreement with an individual for the hire of goods for more than three months. There is no obligation or right to buy the goods at the end of the agreement and so title in the goods would never pass to the consumer. Consumers make payments for the right to use the goods during the hire period with no intention to purchase the goods. These are distinct from credit agreements and do not include hire-purchase agreements, which are classified as credit agreements under the CCA. Hire for three months or less falls outside the scope of the CCA and the FCA regulatory</p> | Retain and amend |

|   |  |        |
|---|--|--------|
|   | perimeter so is unregulated (“unregulated hire”).  |        |
| 17 (Small agreements)   | Regulated credit agreements of £50 or less are treated as small agreements.  | Repeal |
| 18 (Multiple agreements)  | This applies where there is more than one category of agreement (e.g. part is running-account and part is fixed sum). Different parts are treated as separate agreements and payments are apportioned.   | Repeal |
| 19 (Linked transactions)  | Section 19 addresses linked transactions, which are defined as separate agreements between the debtor/hirer and a third party that are connected to a regulated agreement but are not part of it. Such a transaction is considered linked if it is: <ul style="list-style-type: none"> <li>• Required under the terms of the principal agreement;</li> <li>• Financed by a debtor–creditor–supplier agreement; or</li> <li>• Initiated by the creditor, their associate, or a broker connected to the principal agreement, to influence its origin or support its objectives — including where restricted-use credit is used.</li> </ul> | Retain |
| 20 (Total charge for credit)  | Section 20 refers to the RAO for the definition of “the total charge for credit”   | Retain |
| 48 (Definition of canvassing off trade premises (regulated agreements)) | Section 48 defines when a regulated consumer credit or hire agreement is “canvassed off trade premises”. It covers situations where an individual canvasser makes oral   | Retain |

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|   | <p>representations to persuade an individual consumer to enter a regulated agreement during a visit to the place where the consumer (or another individual) is.</p> <p>This definition applies to individuals and regulated agreements, and it underpins the specific prohibitions and consumer protections elsewhere in the Act that attach to off-premises canvassing.</p>               |        |
| 49 (Prohibition of canvassing debtor-creditor agreements off trade premises.) | This provision makes it a criminal offence to “canvass” debtor-creditor agreements off trade premises. In plain terms, a person must not make in-person, door-to-door style oral pitches to persuade an individual to take out a regulated loan where the visit is to a place that is not anyone’s business premises) and the visit was undertaken for the purpose of making such pitches. | Retain |
| 50 (Circulars to minors.)   | This provision makes it a criminal offence, when acting for financial gain, to send a document to a minor that invites them to borrow money, obtain goods or services on credit or hire, or to apply for information or advice about borrowing or otherwise obtaining credit or hiring goods.  | Retain |
| 55 (Disclosure of Information)  | States the regulations may require specified information to be disclosed in a prescribed manner to consumer debtor or hirer before regulated agreement is made - This covers the Pre-Contract Credit Information (PCCI), which is a document which must be   | Repeal |

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|   | provided by lenders to consumers in accordance with requirements set out in the Disclosure of Information Regulations – see table below.   |                         |
| 55C (Copy of Draft Consumer Credit Agreement) | States that the creditor must give the debtor a copy of the draft credit agreement without delay, breach of which would be actionable as a breach of statutory duty.   | Repeal                  |
| 56 (Antecedent negotiations)                  | Section 56 introduces the term ‘antecedent negotiations’, covering pre-contract discussions conducted by creditors, brokers, or suppliers with a debtor or hirer about entering into a regulated agreement. It defines who qualifies as a negotiator and clarifies that any negotiations by brokers or suppliers in their capacity as agents are treated as being conducted by the creditor. The section further provides that any contract term attempting to treat a negotiator as the debtor’s agent — or to exempt a person from liability for the negotiator’s actions — is void to the extent of that provision. It also specifies that antecedent negotiations commence upon first communication and include any representations or other dealings between the negotiator and the consumer. | No changes at this time |
| 57 (Withdrawal from prospective agreement)    | Section 57 empowers a party to withdraw from a prospective regulated agreement, by giving any form of notice indicating the intention to withdraw.   | Retain and amend        |
| 58 (Opportunity for withdrawal from           | Section 58 applies specifically to prospective regulated agreements secured on land,   | Repeal                  |

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| prospective land mortgage)                    | such as mortgages. Before sending an unexecuted copy of the agreement to the debtor for signature, the creditor must provide the debtor with a copy containing a prescribed form notice that explains the right to withdraw, including how and when it can be exercised, as well as any referenced documents.   |        |
| 59 (Agreement to enter future agreement void) | <p>Section 59 states that any agreement which binds a person to enter into a future regulated agreement is void, in whole or in part. The section also allows the Secretary of State to make regulations excluding certain types of agreements from this rule. This provision ensures no enforceable obligation arises before the formal execution of a regulated financial agreement.</p> <p>This provision prevents firms from introducing agreements that purport to bind consumers to future credit or hire contracts, reducing the risk of consumers being locked into products they have not seen or properly considered, including the risk of pressure selling.</p> | Repeal |
| 60 (form and content of agreement)            | <p>States regulations may apply as to the form and content of documents embodying regulated agreements with a view to ensuring debtor / hirer is aware of the rights and duties conferred and imposed, the amount and rate of the total charge for credit, the protection and remedies and any other matters desirable to know in connection with the agreement.</p> <p>If the regulations are not complied with the agreement is unenforceable against the</p>   | Repeal |

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|  | debtor or hirer without a court order.   |        |
| 61 (Signing of agreement)  | A regulated agreement needs to be properly executed to be enforceable. It must be a document in the prescribed form and contain all the prescribed terms (legible) and be signed by debtor / hirer and creditor in prescribed manner.  | Repeal |
| 61A (Duty to supply copy of executed agreement)                      | A creditor must give debtor copy of executed agreement and any other document referred to in it. This doesn't apply if a copy of the unexecuted agreement has already been given and is identical to executed agreement.   | Repeal |
| 61B (Duty to supply copy of overdraft agreement)                     | For authorised business and non-business overdrafts, the agreement must be given to the debtor before or at the time it is made unless creditor has provided the information under Reg 10(3) or (4) of the Disclosure of information Regs in which case it can be given after. | Repeal |
| 62 (Duty to supply copy of unexecuted (excluded agreements))         | If the unexecuted agreement is presented personally to the debtor or hirer for signature but on the occasion when they sign it, it doesn't become an executed agreement, a copy of it and any other document referred to in it must be sent to him at the same time.           | Repeal |
| 63 (Duty to supply copy of executed agreement (excluded agreements)) | If the unexecuted agreement is presented personally to the debtor or hirer for signature and they sign it, the document becomes an executed agreement, a copy of it and any other document referred to in it must be there and then  | Repeal |

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|   | delivered to them within 7 days unless it is not required under the provision.   |   |
| 64 (Duty to give notice of cancellation rights) | In the case of a cancellable agreement, a notice in the prescribed form indicating the right of the debtor or hirer to cancel the agreement, how and when that right is exercisable, and the name and address of a person to whom notice of cancellation may be given must be included in every copy given to the debtor or hirer under section 62 or 63.  | Repeal  |
| 65 (consequences of improper execution)         | An improperly executed regulated agreement is enforceable only with a court order. Retaking of goods or land is specifically referred to as enforcement.   | Repeal  |
| 66 (Acceptance of credit-tokens)                | Section 66 addresses when a debtor is legally bound to the obligations under a credit-token agreement. It provides that the debtor is not liable for any use of the token by another person unless the debtor has accepted the credit-token themselves.<br><br>Acceptance occurs in one of three ways: (a) the token is signed; (b) a receipt for the token is signed; or (c) it is first used, whether by the debtor or by someone authorised by them under the agreement. This ensures liability arises only when the debtor has affirmatively accepted or utilised the token. | Repeal  |
| 66A (Withdrawal from consumer credit agreement) | Section 66A introduces a statutory 14-day withdrawal right for debtors under a regulated consumer credit agreement   | Repeal subsections (1) to (6), (9), (10) and (14) |

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|                             | <p>(excluding certain high-value or land-secured agreements).</p> <p>Withdrawal requires giving oral or written notice before the end of the 14-day period, which begins the day after the “relevant day” — usually the date the agreement is made or when certain required information is first disclosed.</p> <p>Upon withdrawal, the agreement is treated as though it never existed, and any ancillary contracts are similarly voided.</p> | Retain and amend subsections (7), (8), (11), (12), and (13) |
| 67 (Cancellable agreements) | Section 67 allows the debtor or hirer to cancel certain regulated agreements, but only where there were antecedent negotiations included oral representations made in the presence of the debtor/hirer by someone acting for the negotiator.   | Repeal  |
| 68 (Cooling-off period)     | Section 68 grants the debtor or hirer a statutory cooling-off period for any cancellable agreement. They can cancel within one of two periods: either within five days after receiving a copy of the unexecuted agreement or the earlier issued notice, or —where no notice under section 64(1)(b) is required — within fourteen days from signing the unexecuted agreement.   | Repeal  |
| 69 (Notice of cancellation) | <p>Section 69 stipulates how a debtor or hirer can serve a valid notice of cancellation within the timeframe outlined in section 68.</p> <p>The notice must be sent to the creditor, the person named in the section 64(1) notice, or an authorised agent (such as a</p>   | Repeal  |

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|   | <p>credit broker or negotiator), and must express the intention to withdraw from the agreement. Once served, the notice automatically cancels the main agreement, any linked transactions, and withdraws any accompanying offers.</p>  |   |
| <p>70 (Cancellation: recovery of money paid by debtor or hirer)</p> | <p>Section 70 outlines the financial consequences of cancelling a regulated agreement under sections 68–69. Once cancelled, all sums paid — whether initial payments, part of the total charge for credit, or any fees paid in anticipation — become repayable by the party who received them. Any sums that would have been payable had the agreement remained in force are extinguished.</p> <p>Section 70(2) provides that if the debtor or hirer retains possession of goods under the cancelled agreement, they hold a lien over those goods for any sums repayable. Subsections (3) to (8) clarify responsibility for repayment.</p> | <p>Retain and amend</p>   |
| <p>71 (Cancellation: repayment of credit)</p>                       | <p>Section 71 provides that even when a regulated consumer credit agreement (excluding restricted-use debtor-creditor-supplier agreements) is cancelled under sections 68–69, the obligation to repay the sums borrowed and any accrued interest continues.</p>  | <p>Repeal subsections (2) to (4)</p> <p>Retain subsection (1)</p> |
| <p>72 (Cancellation: return of goods)</p>                           | <p>Section 72 outlines obligations for returning goods after cancellation of agreements involving restricted-use debtor-creditor-supplier contracts, consumer hire agreements, or linked transactions — either by</p>  | <p>Retain and amend</p>   |

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|  | <p>the debtor or their relatives — when they have taken possession of the goods.</p> <p>From acquisition until cancellation, the possessor is required to retain and take reasonable care of the goods. Upon cancellation, they must restore the goods to the other party, still taking care of them until the return is complete.</p>   |  |
| 73 (Cancellation: goods given in part-exchange)  | <p>Section 73 deals with situations where the debtor or hirer has given goods in part-exchange as part of negotiations for a regulated agreement and those goods have been delivered to the negotiator.</p> <p>If these part-exchange goods are not returned in substantially the same condition within ten days of cancellation, the debtor or hirer can recover from the negotiator a sum equal to the agreed part-exchange allowance. In debtor-creditor-supplier agreements, both the negotiator and the creditor are jointly and severally liable to make this repayment.</p> <p>During the ten-day period, if the debtor or hirer still possesses goods from the agreement, they hold a lien for either delivery of the part-exchange goods or the allowance equivalent.</p> | Retain and amend                                     |
| 74 (Exclusion of certain agreements from Part 5) | <p>This section excludes certain agreements from the information provisions in the previous sections (Pre-Contract Credit Information, agreement, copies, execution, withdrawal, cancellation and overdraft</p>  | <p>Repeal subsection (4)</p> <p>Retain and amend</p> |

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|   | <p>information) including non-commercial agreements, overdrafts on current accounts, debtor-creditor agreements.</p> <p>Parts of this provision relate to Section 56 (antecedent negotiations) (Section 74(1A), (1C)(d), (1E), (1F)(e) and 2(b).</p>  | <p>subsections (1) to (2A)</p> |
| <p>75 (Liability of creditor for breaches by supplier)</p>                        | <p>Under Section 75, where a consumer enters into a debtor-creditor-supplier agreement covered by section 12(b) or (c), and the supplier has committed a breach of contract or misrepresentation in relation to the transaction, the consumer is entitled to pursue an identical claim against the creditor (e.g., the credit card issuer).</p> <p>The creditor and supplier are jointly and severally liable, meaning the creditor must satisfy any claim the consumer makes. The creditor may seek indemnity from the supplier, reimbursing any loss or legal costs incurred in meeting the liability.</p> <p>However, the protection does not apply to: (a) non-commercial agreements; (b) transactions involving a single item priced at £100 or less, or over £30,000; or (c) certain low-value, running-account agreements with specific payment intervals.</p> | <p>No changes at this time</p> |
| <p>75A (Further provision for liability of creditor for breaches by supplier)</p> | <p>Section 75A extends creditor liability into linked credit agreements — those entered solely to finance a specific goods or services contract — when the supplier breaches the contract.</p> <p>In such cases, the consumer may claim directly against the</p>  | <p>No changes at this time</p> |

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|  | <p>creditor if one of the following applies: the supplier cannot be traced, has not responded after contact, is insolvent, or reasonable steps to recover satisfaction from the supplier have failed (e.g., via replacement goods or compensation).</p> <p>It does not apply if the cash price of the goods or service is £30,000 or less, if the credit exceeds £60,260 (unless it's a residential renovation), if the agreement is mainly for business purposes, or if the loan is secured on land.</p>   |        |
| 76 (Duty to give notice before taking certain action)                    | Creditor or owner must give at least 7 days' notice in prescribed form before enforcing a regulated agreement (demanding earlier payment, recovering possession of goods or land, or treating any right conferred on the debtor or hirer by the agreement as terminated, restricted or deferred).   | Repeal |
| 77 (Duty to give information to debtor under fixed-sum credit agreement) | <p>Creditor must within the prescribed period (set out in the Information Regulations) after receiving a written request from the debtor and payment of a £1 fee, give copy of the executed agreement and any other document referred to in it together with a signed statement showing the total paid, arrears (detailing amounts and when became due) and total outstanding (detailing amounts and when each become due).</p> <p>If the provision is not complied with the agreement is unenforceable until the breach is fixed (ending the period of non-compliance by sending a</p> | Repeal |

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|  | correcting document – process not described in legislation).   |        |
| 77A (Statements to be provided in relation to fixed-sum credit agreements)       | <p>For fixed sum agreements (loans) the creditor must give debtor statements (form and content prescribed by Information Regulations).</p> <p>Statements must relate to consecutive periods beginning on the date the agreement was made or the first movement on the debtor's account. They cannot exceed a year but are usually annual.</p> <p>If the provision is not complied with the agreement is unenforceable until the breach is fixed (ending the period of non-compliance by sending a correcting document. They shall have no liability to pay any sum of interest or default sums relating to period of non-compliance.</p> | Repeal |
| 77B (Fixed-sum credit agreement: statement of account to be provided on request) | <p>The provision applies to fixed sum, fixed duration agreements where credit is payable in instalments that aren't excluded agreements.</p> <p>On request from debtor, creditor must, without charge, as soon as reasonably practicable, give a statement in writing with a table showing each instalment including date due, amount, conditions and breakdown.</p> <p>Breach is actionable as breach of statutory duty.</p>  | Repeal |
| 78 (Duty to give information to debtor under                                     | Section 78(1) requires a creditor, on request from debtor in writing and payment of £1 fee, to give a copy of the executed agreement and any other   | Repeal |

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| <p>running-account credit agreement)</p>                                      | <p>document referred to, plus a signed statement detailing state of account, amount outstanding and amounts and dues dates of payments that will become payable.</p> <p>If the provision is not complied with the agreement is unenforceable until the breach is fixed (ending the period of non-compliance by sending a correcting document – process not described in legislation).</p>   |               |
| <p>78A (Duty to give information to debtor on change of rate of interest)</p> | <p>Where the rate of interest is varied, the creditor must inform the debtor in writing before it takes effect subject to certain exceptions.</p>   | <p>Repeal</p> |
| <p>79 (duty to give hirer information)</p>                                    | <p>The owner under a regulated consumer hire agreement, must within the prescribed period after receiving a written request and £1 fee give hirer a copy of the executed agreement and of any other document referred to in it, together with a signed statement.</p> <p>If the provision is not complied with the agreement is unenforceable until the breach is fixed (ending the period of non-compliance by sending a correcting document).</p> | <p>Repeal</p> |
| <p>80 (Debtor or hirer to give information about goods)</p>                   | <p>This provision provides that –</p> <p>(1) Where a regulated agreement, other than a non-commercial agreement, requires the debtor or hirer to keep goods to which the agreement relates in his possession or control, they shall, within seven working days after they have received a request in writing to that effect from the creditor or owner, tell</p>  | <p>Retain</p> |

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|  | <p>the creditor or owner where the goods are.</p> <p>(2) If the debtor or hirer fails to comply with subsection (1), and the default continues for 14 days, they commit an offence.</p>   |        |
| 82 (Variation of agreements)                   | <p>Section 82(1) covers unilateral changes by creditors. A variation cannot take effect before notice is given to the debtor by the creditor in the prescribed manner set out in the Notice of Variation Regulations.</p> <p>Section 82(2) covers modifying agreements where a variation is agreed between the creditor and debtor. Where an agreement varies or supplements an earlier agreement, the modifying agreement revokes the earlier agreement and contains provisions reproducing the effects of both agreements.</p> <p>If the provision is not complied with the agreement is unenforceable until the breach is fixed (ending the period of non-compliance by sending a correcting document – process not described in legislation).</p> | Repeal |
| 83 (Liability for misuse of credit facilities) | <p>Section 83 covers liability for misuse of credit facilities. It provides that under a regulated consumer credit agreement, a debtor is not responsible to the creditor for any loss incurred through misuse of the credit account by a third party, unless that person was acting as the debtor's agent.</p>   | Repeal |

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| 84 (Misuse of credit-tokens)                                   | Section 84 sets out the circumstances in which a debtor under a credit-token agreement may be held liable for losses arising from the misuse of a credit-token by another person.   | Repeal           |
| 85 (Duty on issue of new credit-tokens)                        | <p>Whenever, in connection with a credit-token agreement, a credit-token (other than the first) is given by the creditor to the debtor, the creditor shall give the debtor a copy of the executed agreement (if any) and of any other document referred to in it.</p> <p>If the provision is not complied with the agreement is unenforceable until the breach is fixed (ending the period of non-compliance by sending a correcting document).</p>   | Repeal           |
| 86 (Death of debtor or hirer)                                  | <p>Section 86 regulates the actions a creditor or owner may take following the death of a debtor or hirer under a regulated agreement.</p> <p>Where the agreement is fully secured at the time of death, the creditor is not entitled, solely by reason of the death, to take enforcement actions of the kind listed in section 87(1), such as termination or demanding early payment. Where the agreement is only partly secured or is unsecured at the time of death, the creditor may take such enforcement steps only with an order of the court.</p> | Retain and amend |
| 86A (FCA to prepare information sheets on arrears and default) | This provision allows the FCA to prescribe an arrears information sheet and default information sheet which firms need to include with the relevant arrears and default notices to help   | Repeal           |

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|   | debtors and hirers. It is prescribed in form and content by the FCA.  |        |
| 86B (Notice of sums in arrears under fixed sum credit agreements)       | <p>An arrears notice must be provided (without charge) for fixed sum credit agreement. A first arrears notice is issued after two missed payments, and a subsequent arrears notice is issued every 6 months whilst the debtor remains in arrears. The content and format are highly prescribed in the Information Regulations (different requirements apply for fixed sum compared to running account credit).</p> <p>If the provision is not complied with the agreement is unenforceable until the breach is fixed (ending the period of non-compliance by sending a correcting document).</p>  | Repeal |
| 86C (Notice of sums in arrears under running-account credit agreements) | <p>Creditors must provide an arrears notice (without charge) no later than the end of the period which they are next required to give a statement under Section 78(4). In practice, this likely ends up being included in or with a monthly statement for the account. The Running Account Regulations 1983 cover the timings of statements which then trigger the timings for arrears notice for running account agreements.</p> <p>If the provision is not complied with the agreement is unenforceable until the breach is fixed (ending the period of non-compliance by sending a correcting document).</p> <p>Debtor shall have no liability to pay any sum of interest or</p> | Repeal |

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|   | default sums relating to period of non-compliance.   |        |
| 86D (Failure to give notice of sums in arrears) | <p>This applies where creditors or hirers fail to give arrears notice under Section 86B or 86C within the required period.</p> <p>If the provision is not complied with the agreement is unenforceable until the breach is fixed (ending the period of non-compliance by sending a correcting document).</p> <p>Debtor shall have no liability to pay any sum of interest or default sums relating to period of non-compliance.</p>  | Repeal |
| 86E (Notice of default sums)                    | <p>A notice needs to be given (without charge) within the prescribed period where a default sum becomes payable by debtor or hirer. This can be a separate communication or incorporated into a statement or other notice. Interest cannot be charged for the first 28 days after the debtor or hirer is given the notice.</p> <p>If the provision is not complied with the agreement is unenforceable until the breach is fixed (ending the period of non-compliance by sending a correcting document).</p> <p>The debtor shall have no liability to pay any sum of interest or default sums relating default sums within period of non-compliance.</p> | Repeal |
| 86F (Interest on default sums)                  | The debtor or hirer is only liable to pay interest in connection with the default sum if the   | Repeal |

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|  | interest is simple interest i.e. not compound interest.  |        |
| 87 (Need for default notice)               | <p>Where the debtor or hirer is in breach of the agreement, the creditor or owner must serve them with a default notice before terminating, demanding earlier payment, recovering possession of goods or land, treating any right conferred on debtor or hirer as terminated restricted or deferred, or before they enforce any security (not including fixing a floating charge).</p> <p>If the provision is not complied with the effect is unenforceability until it is complied with as the lender is effectively prevented from taking certain steps including to enforce the agreement. This effectively results in a similar effect to the agreement being unenforceable until the breach is fixed (usually firms would end the period of non-compliance by sending a correcting document).</p> | Repeal |
| 88 (Contents and effect of default notice) | The form and content of the default notice is prescribed in the Default and Termination Regulations. It must detail the nature of the breach, if it is capable of remedy what action is required to remedy it and the date by which it must be done, or if not capable of remedy, the sum required to be paid in compensation for the breach and the date before which it must be paid. It must contain information in the prescribed terms about the consequences of failure to comply with it and include a copy of the FCA Default Information Sheet under S.86A).  | Repeal |

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| 89 (Compliance with default notice)                 | If the debtor or hirer takes the relevant action specified in the default notice to remedy the breach, the breach is treated as having not occurred.   | Repeal   |
| 90 (Retaking of protected hire-purchase etc. goods) | <p>Section 90 restricts a creditor's ability to repossess goods under a regulated hire-purchase or conditional sale agreement once the goods become 'protected'.</p> <p>Goods are protected where the debtor is in breach of the agreement, has paid at least one-third of the total price, and ownership of the goods remains with the creditor. In these circumstances, the creditor is not entitled to recover possession of the goods from the debtor except by obtaining an order of the court.</p>   | <p>Repeal subsection (4)</p> <p>Retain subsections (1) to (3) and (5) to (7)</p> |
| 91 (Consequences of breach of s. 90)                | <p>Section 91 sets out the consequences where a creditor recovers goods in contravention of section 90, which governs the retaking of protected hire-purchase or conditional sale goods.</p> <p>Where such goods are recovered without complying with section 90, the regulated agreement is automatically terminated if it has not already been terminated. This termination occurs by operation of the statute and does not depend on any further act by the creditor or debtor.</p> <p>In addition, the debtor is released from all liability under the agreement and becomes entitled to recover from the creditor all sums already paid under it.</p> | Retain   |

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| <p>92 (Recovery of possession of goods or land)</p>      | <p>Section 92 restricts the circumstances in which a creditor or owner may enter premises to take possession of goods subject to certain regulated agreements.</p> <p>Except under an order of the court, the creditor or owner is not entitled to enter any premises in order to take possession of goods under a regulated hire-purchase agreement, regulated conditional sale agreement, or regulated consumer hire agreement. The restriction applies to entry onto premises, regardless of whether the debtor is in breach of the agreement.</p> <p>The section also provides that where a debtor is in breach of a regulated conditional sale agreement relating to land, the creditor is only entitled to recover possession of the land through a court order. Any entry made in contravention of these provisions is actionable as a breach of statutory duty.</p> | <p>Retain</p> |
| <p>93 (Interest not to be increased on default)</p>      | <p>Section 93 limits the rate of interest that a debtor may be required to pay on sums that remain unpaid in breach of a regulated consumer credit agreement.</p>   | <p>Repeal</p> |
| <p>93A (Summary diligence not competent in Scotland)</p> | <p>Section 93A provides that summary diligence is not competent in Scotland to enforce payment of a debt due under a regulated agreement, or under any security related to such an agreement.</p> <p>Summary diligence is a Scottish enforcement procedure that allows certain debts to be</p>  | <p>Retain</p> |

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|  | <p>enforced without prior court proceedings. The section therefore disapplies that procedure in relation to debts arising under regulated consumer credit and hire agreements.</p> <p>The effect of the section is that creditors seeking to enforce payment of such debts in Scotland must rely on court-based enforcement processes rather than summary diligence. The restriction applies both to the principal obligation under the regulated agreement and to any related security, ensuring that expedited enforcement mechanisms are not available in this context.</p>   |               |
| <p>94 (Right to complete payments ahead of time)</p> | <p>Section 94 confers on the debtor under a regulated consumer credit or hire agreement a statutory right to discharge their indebtedness early.</p> <p>The debtor may do so at any time by giving notice to the creditor and paying the amounts payable under the agreement, subject to the adjustments provided for elsewhere in the Act. The section gives effect to a general right of early completion of payments before the contractual end -date. Where the agreement is a hire-purchase agreement, early completion under section 94 may be accompanied by the exercise of the option to purchase the goods.</p> <p>The section operates subject to section 95, which provides for a rebate of certain charges on early settlement, and therefore establishes the statutory</p> | <p>Repeal</p> |

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|                                 | framework for early repayment as distinct from contractual termination for default.   |        |
| 95 (Rebate on early settlement) | <p>Section 95 provides that, where a regulated agreement is settled early under section 94, the debtor is entitled to a rebate of the charges for credit included in the total charge for credit.</p> <p>The amount of the rebate is to be determined in accordance with regulations made under the Act. The section establishes a statutory entitlement to a reduction in the overall cost of credit where the agreement does not run for its full term.</p>   | Repeal |
| 95A (Compensatory amount)       | <p>Section 95A applies where a debtor settles a regulated consumer credit agreement early under section 94 and the agreement provides for a fixed rate of interest for a period. In those circumstances, the creditor may be entitled to claim a compensatory amount from the debtor. The compensatory amount is intended to reflect costs incurred by the creditor solely as a result of the early settlement during the fixed rate period, subject to conditions specified in the Act and in regulations made under it.</p> <p>The section provides that any compensatory amount claimed must be fair and objectively justified and must be calculated in accordance with provision made in regulations. The amount claimed must not exceed the total interest that would have been payable by the debtor</p> | Repeal |

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|  | during the remainder of the fixed rate period.  |        |
| 95B<br>(Compensatory amount: green deal finance) | Section 95B makes specific provision for compensatory amounts in relation to early settlement of regulated consumer credit agreements that are green deal plans within the meaning of the Energy Act 2011. It applies where the agreement has a fixed rate period, is of a duration specified in regulations, and the debtor discharges all or part of their indebtedness during that fixed rate period. In such cases, the creditor may be entitled to claim a compensatory amount reflecting costs arising from early settlement. | Repeal |
| 96 (Effect on linked transactions)               | Section 96 addresses the effect of early discharge of a regulated consumer credit agreement on linked transactions.<br><br>Where, for any reason, the debtor's indebtedness is discharged before the time fixed by the agreement, the debtor and any relative of the debtor are discharged at the same time from any liability under a linked transaction, except for liabilities in respect of debts that have already become payable. The discharge operates automatically upon early settlement of the principal agreement.      | Retain |
| 97 (Duty to give information)                    | The provision requires the creditor to, within the prescribed period after receiving a request, give the debtor a statement in the prescribed form indicating, according to the information available, the amount   | Repeal |

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|  | <p>outstanding and showing how this was arrived at.</p> <p>If the provision is not complied with the agreement is unenforceable until the breach is fixed (ending the period of non-compliance by sending a correcting document).</p>  |        |
| 97A (Duty to give information on partial repayment)          | Where a debtor makes a partial payment under Section 94 and requests a statement at the same time or subsequently under Section 97, the creditor must give the statement within 7 working days following the request. It must be in writing and contain a prescribed set of information. | Repeal |
| 98 (Duty to give notice of termination – non-default cases)  | The creditor or owner for a fixed duration agreement cannot terminate without giving at least 7 days' notice. Notice must be in the prescribed form. This doesn't prevent the creditor from restricting the right to draw credit.  | Repeal |
| 98A (termination etc of open-end consumer credit agreements) | <p>The debtor may by notice terminate an agreement at any time without charge providing it doesn't exceed one month.</p> <p>The creditor may terminate by notice served on the debtor of at least two months or longer if provided for in the agreement.</p>                             | Repeal |

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| <p>99 (Right to terminate hire-purchase etc. agreements)</p>                    | <p>Section 99 confers on a debtor under a regulated hire-purchase or regulated conditional sale agreement a statutory right to terminate the agreement at any time before the final payment falls due.</p> <p>Termination is affected by the debtor giving notice to a person entitled or authorised to receive payments under the agreement. The right exists independently of any breach and does not require the creditor's consent. Termination under section 99 does not affect liabilities that have already accrued before termination.</p>  | <p>Repeal subsections (1) to (4)</p> <p>Retain and amend subsection (5)</p> |
| <p>100 (Liability of debtor on termination of hire-purchase etc. agreement)</p> | <p>Section 100 limits the financial liability of a debtor or hirer when a regulated hire-purchase or conditional sale agreement is terminated before completion.</p> <p>Where termination occurs by the debtor under the Act or by the creditor following a default, the debtor's total liability is capped at one half of the total price payable under the agreement, less any sums already paid. If the debtor has already paid at least that amount, no further sum is payable solely by reason of the termination.</p> <p>The section also preserves the creditor's right to claim for arrears or for failure to take reasonable care of the goods. Any liability arising from damage to, or loss of, the goods is</p> | <p>Repeal</p>   |

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|  | <p>separate from the statutory cap and may still be enforced.</p>   |                         |
| <p>101 (Right to terminate hire agreement)</p>         | <p>Section 101 confers on the hirer of goods under a regulated hire agreement a statutory right to terminate the agreement at any time before the final payment falls due.</p> <p>Termination is effected by giving notice in accordance with the agreement or the Act, and the right may be exercised without showing cause. This right applies regardless of whether the hirer is in default at the time notice is given.</p> <p>Upon termination under section 101, the hirer's liability is limited in a similar manner to section 100. The hirer is not required to pay future instalments that would otherwise have become due, but remains liable for sums already accrued and for failure to take reasonable care of the goods.</p> | <p>Repeal</p>           |
| <p>102 (Agency for receiving notice of rescission)</p> | <p>Section 102 specifies who is deemed to be an agent of the creditor or owner for the purpose of receiving a notice rescinding a regulated agreement.</p> <p>Where the debtor or hirer claims a right of rescission, notice may be validly served on a credit broker or supplier who took part in the antecedent negotiations, or on a person who acted on behalf of the debtor or hirer in negotiating the agreement in the course of business. Service on such a person is treated in law as service on the creditor or owner.</p> <p>The section clarifies that 'rescission' for these purposes</p>   | <p>Retain and amend</p> |

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|  | <p>does not include the service of a statutory cancellation notice or termination under sections 99 or 101. It applies only to rescission at common law or under other statutory provisions.</p>  |                         |
| <p>103 (Termination statements)</p>  | <p>An individual may serve a debtor or hirer with a notice stating that the customer has discharged their indebtedness and the agreement has ceased. The debtor or hirer is required to give them notice confirming the statement is correct, the trader must within the prescribed period after receiving the notice comply or serve a counter-notice stating they dispute the notice and that debt is still owed. They must give details of what is wrong with the notice.</p>  | <p>Repeal</p>           |
| <p>104 (Goods not to be treated as subject to landlord's hypothec in Scotland)</p> | <p>Section 104 provides that goods hired or subject to a hire-purchase or conditional sale agreement are not to be treated as subject to a landlord's hypothec under Scots law merely because they are kept on leased premises. The effect is that the landlord cannot exercise a right of hypothec over goods that do not belong to the tenant but are subject to a regulated agreement. The protection applies regardless of whether the landlord had notice of the agreement. Section 104 operates to preserve the ownership or security rights of the creditor or owner under the regulated agreement and prevents those rights from being overridden by the landlord's statutory security in Scotland.</p> | <p>Retain and amend</p> |

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| <p>105 (Form and content of securities)</p>                 | <p>Section 105 provides that any security taken in relation to a regulated agreement must be expressed in writing and must contain prescribed information, as set out in regulations made under the Act. The section applies to securities provided by the debtor or by a third party in support of the regulated agreement.</p> <p>The section also restricts the ability of a creditor to rely on a security that does not comply with the statutory requirements. Where a security does not conform to the prescribed form or content, its enforceability may be affected under subsequent provisions of the Act.</p>                              | <p>Repeal</p> |
| <p>106 (Ineffective securities)</p>                         | <p>Section 106 sets out circumstances in which a security is rendered ineffective under the Act. In particular, it provides that a security is ineffective to the extent that it is taken in breach of certain protective provisions of the Act, including restrictions on taking security over essential household goods. The section applies regardless of whether the security is created by the debtor or by a third party.</p> <p>The effect of the section is that a creditor cannot enforce a security that the Act prohibits or restricts. This operates as a statutory limitation on enforcement rather than merely a procedural defect.</p> | <p>Retain</p> |
| <p>107 (Duty to give information to surety under fixed-</p> | <p>Section 107 imposes a duty on the creditor to provide specified information to a surety where a</p>  | <p>Repeal</p> |

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| <p>sum credit agreement)</p>   | <p>surety is involved in a regulated fixed-sum credit agreement.</p> <p>The information to be provided includes details of the agreement and the obligations undertaken by the debtor, and it must be given within the time limits prescribed by the Act.</p> <p>The section also provides that a failure to comply with this duty has consequences for enforcement. Until the required information is given, the creditor is not entitled to enforce the agreement against the surety.</p>   |               |
| <p>108 (Duty to give information to surety under running-account credit agreement)</p> | <p>Section 108 mirrors section 107 but applies to running-account credit agreements. It requires the creditor to give prescribed information to a surety about the nature of the agreement and the extent of the surety's potential liability. This duty arises where a surety is taken in connection with a regulated running-account credit agreement.</p> <p>As with section 107, non-compliance has enforcement consequences. The creditor may not enforce the agreement against the surety while the duty remains unfulfilled.</p> | <p>Repeal</p> |
| <p>109 (Duty to give information to surety under consumer hire agreement)</p>          | <p>Section 109 applies similar principles as sections 107 and 108 to regulated consumer hire agreements.</p> <p>Where a surety is provided in relation to such an agreement, the creditor or owner must give the surety prescribed information about the agreement and the obligations</p>  | <p>Repeal</p> |

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|   | <p>being guaranteed. The requirement applies regardless of whether the surety is an individual or another person.</p> <p>The section further provides that failure to provide the required information restricts enforcement against the surety. Until the statutory duty is complied with, the creditor or owner is not entitled to enforce the hire agreement against the surety.</p>  |        |
| 110 (Duty to give information to debtor or hirer)     | <p>Section 110 imposes a duty on the creditor or owner to provide information to a debtor or hirer where a surety is involved in a regulated agreement. The section operates where the creditor or owner is required, under other provisions of the Act, to give information to a surety, and requires that corresponding information must also be given to the debtor or hirer.</p> <p>The section provides that the information must be given in the prescribed manner and within the prescribed time, as set out in secondary legislation made under the Act. Failure to comply with the duty can affect the enforceability of the agreement while the default continues.</p> | Repeal |
| 111 (Duty to give surety copy of default etc. notice) | <p>Section 111 requires a creditor or owner to provide a copy of certain notices given to the debtor or hirer to any surety under a regulated agreement. This includes, in particular, default notices and other enforcement-related notices served under the Act. The duty applies where the notice is of a kind that may affect the surety's potential liability, ensuring that</p>  | Repeal |

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|  | <p>the surety receives formal warning of developments that could lead to enforcement action.</p> <p>The section specifies that the copy notice must be given within the same period and in the same form as the notice given to the debtor or hirer. If the creditor or owner fails to comply with this obligation, enforcement of the agreement against the surety may be restricted while the failure continues.</p>   |                         |
| <p>113 (Act not to be evaded by use of security)</p> | <p>Section 113 prevents the avoidance of the protections in the Act through the use of security provided in connection with a regulated agreement.</p> <p>It provides that any security must not be enforced so as to benefit the creditor or owner to a greater extent than would be permitted if no security had been provided and the agreement were enforced strictly in accordance with the Act. The section applies regardless of whether the benefit arises directly or indirectly, and regardless of timing or method of enforcement.</p> <p>The section further provides that where a regulated agreement is only enforceable by order of the court or another authority, any security relating to that agreement is enforceable only where such an order has been made. It also links the effect of cancellation, termination, refusal of enforcement, or dismissal of enforcement applications to the treatment of the security, by applying the consequences set out elsewhere in the Act.</p> | <p>Retain and amend</p> |

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| 114 (Pawn-receipts)     | <p>Section 114 requires a person who takes an article in pawn under a regulated agreement to provide a receipt, known as a pawn-receipt, to the individual from whom the article is received. The pawn-receipt must be given at the time the article is taken and must be in the prescribed form set out in regulations made under the Act. The section applies to pledges under regulated consumer credit agreements and establishes the formal documentation required to evidence the pledging of the article.</p> <p>The section also makes it an offence for a person to take an article in pawn from an individual known, or appearing, to be a minor. In addition, section 114 expressly disappplies itself, and the related provisions on pledges, to pledges of documents of title and to non-commercial agreements. As a result, its requirements apply only to commercial pawn transactions falling within the scope of regulation under the Act.</p> | Retain |
| 116 (Redemption period) | <p>Section 116 sets out the period during which a pawned article may be redeemed by the pawner. It provides that every pawn is redeemable at any time within six months after it is taken. Subject to this minimum period, the redemption period may extend for the duration fixed by the parties for the credit secured by the pledge, or for any</p>  | Retain |

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|                                 | <p>longer period that they may subsequently agree.</p> <p>Where a pawn is not redeemed by the end of the redemption period, section 116 provides that it nevertheless remains redeemable until it is realised by the pawnee under the Act, except where ownership has passed to the pawnee under other statutory provisions.</p>   |        |
| 117 (Redemption procedure)      | <p>Section 117 governs the procedure for redeeming a pawn during the period when redemption is permitted. It provides that a person seeking redemption must pay the amount owed under the regulated agreement, together with any charges properly payable under the Act, in order to recover the pawned article.</p> <p>The section also regulates the handling of the pawn-receipt in the redemption process and makes provision for circumstances in which the receipt cannot be produced. In such cases, the pawnee may require reasonable proof of entitlement before delivering up the article.</p> | Retain |
| 118 (Loss etc. of pawn-receipt) | <p>Section 118 applies where a person who has pledged goods under a regulated consumer credit agreement seeks to redeem the pawn but is unable to produce the pawn-receipt because it has been lost, stolen, destroyed, or cannot otherwise be produced.</p> <p>The provision enables the claimant to rely on a statutory</p>  | Retain |

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|  | <p>declaration or written statement, in the form prescribed by regulations made under the Act, asserting entitlement to the pawn and explaining the absence of the pawn-receipt. Where such a declaration or statement is duly made, the pawnbroker is required to treat the claimant as entitled to redeem or recover the pawn, subject to compliance with the Act and any applicable regulations.</p>   |                  |
| 119 (Unreasonable refusal to deliver pawn) | <p>Section 119 addresses circumstances in which a pawnbroker refuses to deliver a pawn to a person who appears to be entitled to it, including following redemption or a claim under section 118.</p> <p>The section provides that, where a person entitled to delivery of a pawn demands its return and the pawnbroker unreasonably refuses or neglects to deliver it, that refusal may be challenged through statutory means. Where such a refusal occurs, the section confers a right on the entitled person to apply to the court for an order requiring delivery of the pawn. In determining whether a refusal was unreasonable, the court may consider the circumstances of the demand and any grounds relied on by the pawnbroker.</p> | Retain           |
| 120 (Consequence of failure to redeem)     | <p>Section 120 sets out the legal consequences where a pawn is not redeemed by the end of the applicable redemption period. In limited cases specified by the section — where the redemption period is six months, the credit does not exceed the statutory</p>   | Retain and amend |

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|                           | <p>monetary threshold, and certain other conditions are met — ownership of the pawn automatically passes to the pawnbroker at the end of that period.</p> <p>In all other cases, failure to redeem does not immediately transfer ownership but instead renders the pawn 'realisable' by the pawnbroker, meaning it may be disposed of in accordance with the subsequent provisions of the Act. Where the debtor is entitled to apply for a time order, the section postpones these consequences until five days after the end of the redemption period.</p>   |        |
| 121 (Realisation of pawn) | <p>Section 121 governs the manner in which a pawnbroker may dispose of a pawn that has become 'realisable' under section 120.</p> <p>The section provides that, once a pawn is realisable, the pawnbroker may sell it, but only in accordance with requirements laid down by the Act and any regulations made under it. In particular, the pawnbroker must normally give the debtor notice of the intention to sell the pawn, unless an exception prescribed by regulations applies.</p> <p>The section further requires that, following the sale of a realisable pawn, the pawnbroker must account to the debtor for the proceeds of sale, after deducting the amount payable under the agreement and any permitted expenses. The debtor remains entitled to any surplus arising from the sale, and the section does not permit the pawnbroker</p> | Retain |

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|  | to recover any shortfall from the debtor.  |        |
| 122 (Order in Scotland to deliver pawn)                  | <p>Section 122 applies only in relation to Scotland and confers a specific power on the court to order delivery of a pawn in defined circumstances.</p> <p>Where a pawned article has been stolen or obtained by fraud and a person is convicted of an offence relating to that theft or fraud, the court may order that the pawn be delivered to the owner or to the person otherwise entitled to it. The power also applies where a person is convicted of an offence under section 119(1) relating to unreasonable refusal to deliver a pawn.</p>   | Retain |
| 123 (Restrictions on taking and negotiating instruments) | <p>Section 123 imposes restrictions on the use of negotiable instruments in connection with regulated consumer credit and consumer hire agreements. It prohibits a creditor or owner from taking a negotiable instrument, other than a bank note or cheque, in discharge of sums payable by the debtor or a surety under a regulated agreement. It also prevents a creditor from taking a negotiable instrument as security for such sums, where payment is intended to be made by other means.</p> <p>The section further provides that, where a cheque is taken in discharge of a sum payable under a regulated agreement, it may only be negotiated to a banker. Certain exemptions apply, including for non-commercial agreements and where an order made by the</p> | Retain |

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|  | Treasury disapplies the section in relation to agreements with a connection outside the United Kingdom.  |        |
| 124 (Consequences of breach of s. 123) | <p>Section 124 sets out the legal consequences that follow where a creditor or owner acts in breach of the restrictions imposed by section 123 on the taking or negotiating of negotiable instruments. The section operates by invalidating certain rights that would otherwise arise under such instruments, thereby reinforcing the prohibitions contained in section 123 and ensuring that they are not circumvented by reliance on negotiable instrument law.</p> <p>In particular, section 124 provides the link between the prohibited conduct under section 123 and the downstream effects addressed in sections 125 and related provisions. It ensures that instruments taken or negotiated in breach of section 123 do not produce enforceable rights for the creditor or owner, except to the extent expressly preserved by the Act.</p> | Retain |
| 125 (Holders in due course)            | Section 125 qualifies the application of the doctrine of 'holder in due course' in the context of regulated consumer credit and consumer hire agreements. It provides that a person who takes a negotiable instrument in contravention of section 123(1) or (3) is not a holder in due course and is therefore not entitled to enforce the instrument. Where a cheque is negotiated in breach of section 123(2), that breach constitutes a   | Retain |

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|  | defect in title for the purposes of the Bills of Exchange Act 1882.   |  |
| 126 (Enforcement of land mortgages)                  | <p>Section 126 addresses the enforcement of land mortgages securing regulated consumer credit agreements.</p> <p>It provides that a land mortgage securing a regulated agreement is enforceable only on an order of the court. This restriction applies so far as the agreement itself is regulated and displaces any extra-judicial rights of enforcement that might otherwise exist under general land or mortgage law.</p> <p>The effect of the section is to require judicial oversight before a creditor may enforce a land mortgage connected with a regulated agreement, including through possession proceedings or other enforcement mechanisms.</p> | Retain   |
| 127 (Enforcement orders in cases of infringement)    | <p>Where an enforcement order is applied for under S.55(2), S.61B(3), S.65(1), S.107(7)(a) or (b), S.111(2), S.124(1) or (2), the court will dismiss the application if it considers it just to do so having regard to prejudice caused to any person by the breach and the degree of culpability. It may also reduce or discharge any sum payable to compensate for prejudice suffered as a result of breach. The court also has powers under Section 135 and 136 to impose conditions, vary or suspend operation of agreement terms.</p>  | <p>Repeal subsection (1)(za) to (c)</p> <p>Retain subsections (1)(d) and (2)</p> |
| 128 (Enforcement orders on death of debtor or hirer) | Section 128 applies where a debtor or hirer under a regulated agreement has died and the  | Retain   |

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|                   | <p>creditor or owner seeks an enforcement order under section 86(2) of the Act. The provision restricts the circumstances in which such an order may be made, placing the burden on the creditor or owner to justify enforcement following the death of the debtor or hirer. The court is not permitted to make an enforcement order automatically in these circumstances.</p> <p>The section provides that the court shall make an enforcement order only if the creditor or owner proves that they have been unable to satisfy themselves that the present and future obligations under the agreement are likely to be discharged. This test requires the court to consider whether there is sufficient assurance that the estate or other responsible parties will meet the obligations.</p> |                  |
| 129 (Time orders) | <p>Section 129 confers a discretionary power on the court to make a 'time order' in relation to a regulated agreement.</p> <p>A time order may be made where it appears to the court just to do so, including on an application for an enforcement order, on an application by the debtor or hirer following the service of specified statutory notices, or in proceedings brought by a creditor or owner to enforce the agreement or related security.</p> <p>A time order may provide for the payment of sums due under the agreement by revised instalments and at revised times, or for the remedying of breaches of the agreement other than</p>   | Retain and amend |

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|  | <p>non-payment, within a period specified by the court. In exercising this power, the court must have regard to the means of the debtor or hirer and any surety.</p>   |                         |
| <p>129A (Debtor or hirer to give notice of intent etc. to creditor or owner)</p> | <p>Section 129A imposes a procedural requirement on a debtor or hirer who intends to apply for a time order under section 129 in certain circumstances.</p> <p>Where the right to apply for a time order arises following the receipt of a notice of sums in arrears, the debtor or hirer must first give notice to the creditor or owner of their intention to make such an application. This requirement applies unless the application is made following service of a default notice under section 87.</p> <p>The notice given under section 129A must be in writing and must indicate the debtor's or hirer's intention to apply for a time order, as well as providing details of any proposal for payment they wish to make. The section further provides that the application for a time order may only be made after a period of 14 days has elapsed since the notice was given.</p> | <p>Repeal</p>           |
| <p>130 (Supplemental provisions about time orders)</p>                           | <p>Section 130 makes provision for how the court may deal with time orders where an instalment offer has been made by a debtor or hirer and accepted by the creditor or owner. Where such an agreement is reached in accordance with court rules, the court may make a time order under section 129(2)(a) giving effect to that offer, and it may do</p>   | <p>Retain and amend</p> |

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|   | <p>so without hearing evidence about the debtor's or hirer's financial means.</p> <p>The section also extends the scope of time orders for hire-purchase and conditional sale agreements, allowing the order to include sums that are not yet due but would become payable if the agreement continued. However, it restricts the making of time orders where a regulated agreement is secured by a pledge and statutory notices are not required for enforcement. In addition, where a time order relates to a hire-purchase, conditional sale, or consumer hire agreement and the debtor or hirer remains in possession of the goods, they are treated as holding the goods as a bailee (or custodier in Scotland) under the original agreement, even if the agreement has been terminated.</p> |                         |
| <p>130A (Interest payable on judgment debts etc.)</p> | <p>Section 130A addresses the circumstances in which interest may be payable following the making of a court judgment in respect of a regulated consumer credit agreement.</p> <p>It provides that, where a court has given judgment and made an order for payment by instalments or otherwise under the Act, interest on the judgment debt is only payable if the court expressly orders it.</p> <p>The section also limits the rate of any interest ordered by the court, linking it to statutory or prescribed rates rather than allowing unrestricted contractual interest to continue after judgment.</p>   | <p>Retain and amend</p> |

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| <p>131 (Protection orders)</p>          | <p>Section 131 empowers the court to make protection orders in relation to goods or property subject to a regulated consumer credit or hire agreement. A protection order may restrict or regulate the creditor's or owner's ability to enforce rights over the goods, including repossession, while a dispute or application under the Act is ongoing.</p> <p>Protection orders under this section may be made subject to conditions, including conditions relating to payment, the care of goods, or access for inspection. The court may also vary or discharge a protection order if circumstances change.</p>  | <p>Retain</p> |
| <p>132 (Financial relief for hirer)</p> | <p>Section 132 provides a mechanism for financial relief where a regulated consumer hire agreement or hire-purchase-type agreement has been terminated or otherwise brought before the court.</p> <p>The section empowers the court, on an application by the hirer, to make orders adjusting the financial consequences of termination where it considers this just. In particular, it allows the court to take account of sums already paid under the agreement when determining whether further sums remain payable by the hirer.</p> <p>The provision enables the court to reduce or extinguish the hirer's liability for future payments where the circumstances of the case warrant this outcome. In exercising its powers under section 132, the court may</p> | <p>Retain</p> |

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|  | <p>consider the overall balance between the parties, including amounts paid, the period of hire, and the termination of the agreement.</p>   |                         |
| <p>133 (Hire-purchase etc. agreements: special powers of court)</p>    | <p>Section 133 confers special discretionary powers on the court in proceedings relating to hire-purchase, conditional sale, and similar regulated agreements.</p> <p>Where an owner seeks to enforce the agreement, recover possession of goods, or obtain payment, the court may exercise wider powers than would otherwise be available at common law. These powers include making orders that vary the manner or timing of enforcement, or that impose conditions on the exercise of the owner's rights.</p> <p>The section allows the court to consider the conduct of the parties and the fairness of enforcement in the circumstances. This may include making a time order, suspending repossession, or otherwise modifying enforcement to reflect the statutory protections afforded to hirers and debtors under the Act.</p> | <p>Retain</p>           |
| <p>134 (Evidence of adverse detention in hire-purchase etc. cases)</p> | <p>Section 134 concerns evidential matters in cases involving the alleged wrongful or adverse detention of goods under a hire-purchase or similar regulated agreement. It provides that certain facts relating to the taking or retention of goods may be proved by certificate or other prescribed evidence, rather than</p>  | <p>Retain and amend</p> |

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|   | requiring full oral proof in every case.   |                         |
| 135 (Power to impose conditions, or suspend operation of order) | <p>Section 135 provides the court with ancillary powers when making an order under Part IX of the Act, including time orders and related enforcement orders. It allows the court to impose conditions on any such order, or to suspend the operation of the order either wholly or in part. These powers may be exercised at the time the order is made or subsequently.</p> <p>The section also permits the court to attach requirements relating to compliance, payment, or conduct, and to suspend enforcement if those requirements are met or breached.</p> | Retain                  |
| 136 (Power to vary agreements and securities)                   | Section 136 empowers the court, when exercising its jurisdiction under Part IX of the Act, to vary the terms of a regulated agreement or any related security. This includes altering repayment provisions including the interest rate, obligations, or enforcement terms where the court considers such variation appropriate in connection with an order made under the Act.   | Retain                  |
| 140A (Unfair relationships between creditors and debtors)       | <p>Section 140A empowers a court to determine whether the relationship between a creditor and a debtor arising out of a credit agreement is unfair to the debtor.</p> <p>Unfairness may arise because of one or more specified factors: the terms of the credit agreement or any related agreement, the manner in which the creditor has</p>   | No changes at this time |

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|  | <p>exercised or enforced rights under the agreement, or any other act or omission by or on behalf of the creditor. The provision applies regardless of whether the relevant conduct occurred before or after the agreement was made. In deciding whether a relationship is unfair, the court must have regard to all matters it considers relevant, including matters relating to both the creditor and the debtor.</p> <p>The section further provides that a determination of unfairness may be made even where the relationship between creditor and debtor has already ended. For the purposes of assessing unfairness, the court is generally required to treat acts or omissions of an associate or former associate of the creditor as if they were acts or omissions of the creditor.</p> <p>Section 140A also restricts the court's ability to make an order under section 140B in relation to certain exempt credit agreements, including specified regulated mortgage contracts and agreements entered into under the Bounce Back Loan Scheme.</p> |                         |
| 140B (Powers of court in relation to unfair relationships) | <p>Section 140B sets out the range of orders that a court may make where it has determined under section 140A that a creditor-debtor relationship is unfair. These powers include requiring the creditor to repay sums paid by the debtor, to reduce or discharge amounts payable under the agreement, or to return property provided as security. The court may also</p>   | No changes at this time |

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|   | <p>direct the creditor to do or refrain from doing anything specified in connection with the agreement or any related agreement, or it may alter the terms of the agreement itself.</p> <p>In addition, the court may set aside any duty imposed on the debtor or a surety by the credit agreement or a related agreement and may direct that accounts between the parties be taken. The section applies to orders made in connection with both current and former credit relationships and may affect rights and obligations arising from related agreements as well as the principal credit agreement. The powers under section 140B are exercisable only where an unfair relationship has first been established under section 140A.</p> |                                |
| <p>140C<br/>(Interpretation of ss. 140A and 140B)</p> | <p>Section 140C provides definitions and interpretative rules for the purposes of sections 140A and 140B. It defines a 'credit agreement' broadly as any agreement between an individual debtor and another person under which credit of any amount is provided. The section also clarifies that references to a 'creditor' include persons acting on the creditor's behalf and that references to rights include rights conferred by the agreement or by statute.</p> <p>The section further explains how related agreements are to be treated when assessing unfair relationships, ensuring that connected transactions are considered together where appropriate. It also confirms that the interpretative provisions</p>                | <p>No changes at this time</p> |

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|  | <p>apply consistently across sections 140A and 140B so that the scope of the court's jurisdiction and powers is determined on a uniform statutory basis.</p>  |                  |
| 141 (Jurisdiction and parties)           | <p>Section 141 allocates jurisdiction for proceedings relating to regulated consumer credit agreements.</p> <p>In England and Wales, the county court has exclusive jurisdiction to hear and determine actions by a creditor or owner to enforce a regulated agreement or any associated security, as well as actions to enforce a linked transaction against a debtor, hirer or their relative. Such proceedings may not be brought in any other court. Where proceedings are wrongly commenced in the High Court, they are not to be treated as improperly brought but must instead be transferred to the county court. Equivalent provision is made for Scotland and Northern Ireland, conferring jurisdiction on the sheriff court and the county court respectively.</p> <p>The section further provides that, subject to rules of court, all parties to a regulated agreement and any surety must be joined as parties to proceedings relating to that agreement.</p> | Retain           |
| 142 (Power to declare rights of parties) | <p>Section 142 confers on the court a power to make declarations concerning the rights of parties under a regulated agreement or a related agreement.</p> <p>In particular, on the application of the debtor, hirer or surety, the</p>  | Retain and amend |

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|   | <p>court may declare whether such an agreement is enforceable against them. Where the court declares that an agreement is unenforceable, it may also make consequential orders, including an order requiring any security provided to be cancelled or discharged.</p> <p>The section further enables applications to be made by a creditor or owner for a declaration as to the enforceability of an agreement. Any declaration made under section 142 is binding on the parties to the proceedings.</p>  |               |
| <p>143 (Jurisdiction of county court in Northern Ireland)</p> | <p>Section 143 supplements section 141 by providing for rules of court to regulate jurisdiction within Northern Ireland for proceedings brought in the county court.</p> <p>It permits rules to specify the county court division in which proceedings against a debtor or hirer may be brought, by reference to where the debtor or hirer resided or carried on business at the date of the last payment made under the regulated agreement. This provision applies to actions or applications falling within section 141(4).</p> <p>The section also allows rules of court to specify the appropriate venue for applications made by a debtor, hirer or surety under certain specified provisions of the Act, including section 142. In addition, it permits rules to be made providing for service of process on persons outside Northern Ireland.</p> | <p>Retain</p> |

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| <p>144 (Appeal from county court in Northern Ireland)</p> | <p>Section 144 provides a statutory right of appeal in relation to decisions made by a county court in Northern Ireland when exercising jurisdiction conferred by the Act.</p> <p>Any person who is dissatisfied with an order made by the county court, whether the order is adverse to them or in their favour, may appeal. The right of appeal also applies where a county court dismisses or refuses an action or application brought under the Act.</p> <p>The section specifies that such an appeal is to be brought as if the decision had been made in the exercise of the county court's general jurisdiction under Northern Ireland county court legislation. The relevant appeal procedures and provisions governing stated cases apply accordingly.</p> | <p>Retain</p> |
| <p>145 (Types of ancillary credit business)</p>           | <p>Section 145 defines what constitutes an 'ancillary credit business' for the purposes of the Act.</p> <p>It identifies six categories of activity: credit brokerage, debt adjusting, debt counselling, debt collecting, debt administration, and the operation of a credit reference agency. A business is treated as carrying on an ancillary credit business if it engages in any of these activities in the course of its business</p> <p>The section provides further detail as to the meaning of each category, including what is meant by effecting introductions for credit, negotiating or arranging the modification or liquidation of debts, giving</p>   | <p>Retain</p> |

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|   | <p>advice to debtors, collecting debts on behalf of creditors, administering debt repayment arrangements, and supplying information relating to individuals' financial standing.</p>  |               |
| <p>153 (Definition of canvassing off trade premises (agreements for ancillary credit services))</p> | <p>Section 153 defines what constitutes 'canvassing off trade premises' in relation to agreements for ancillary credit services.</p> <p>It provides that canvassing occurs where a person solicits the entry into an agreement at a place other than premises where the trader carries on business, including visiting or approaching an individual for that purpose. The definition applies to agreements made as a result of such solicitation away from trade premises.</p> <p>The section also sets out circumstances in which communications are to be treated as canvassing, including approaches made in person or by other means, subject to specified exclusions. These definitions are relevant to the application of statutory restrictions and requirements governing the making of agreements following off-premises solicitation.</p> | <p>Retain</p> |
| <p>154 (Prohibition of canvassing certain ancillary credit services off trade premises)</p>         | <p>Section 154 makes it an offence to canvass, off trade premises, the services of a person carrying on certain types of ancillary credit business. The prohibition applies to the canvassing of services relating to credit brokerage, debt adjusting, debt counselling, and the provision of credit information services. Canvassing for these purposes is</p>  | <p>Retain</p> |

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|  | to be understood by reference to the statutory definition of canvassing off trade premises contained elsewhere in the Act.   |                  |
| 155 (Right to recover brokerage fees)              | <p>Section 155 limits the amount that a credit broker is entitled to recover by way of payment for services where an actual credit agreement does not result.</p> <p>Where a person has agreed to pay a broker for the introduction of a debtor or hirer to a potential creditor or owner, the broker's entitlement to retain or recover payment is restricted if no relevant agreement is entered into within a specified period. In such circumstances, the broker may recover only the statutory maximum amount.</p> <p>The section also confers a corresponding right on the debtor or hirer to recover any sum paid in excess of the permitted amount. This recovery right applies whether the excess was paid before or after the expiry of the relevant period.</p> | Retain and amend |
| 157 (Duty to disclose name etc. of agency)         | Section 157 imposes a duty — with limited exceptions — to disclose to a rejected applicant for credit the identity of any credit reference agency whose information has been relied upon. The person must disclose the name and address of the agency when informing the applicant for credit that they have been declined.  | Retain           |
| 158 (Duty of agency to disclose filed information) | Section 158 requires a credit reference agency, on receipt of a written request, appropriate identifying particulars and the prescribed fee, to provide a  | Retain           |

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|  | <p>consumer with a copy of the file relating to them held by the agency.</p> <p>The copy must include all information about the consumer, regardless of how it is stored, and any information not in plain English must be translated into plain English. If the agency does not hold a file relating to the consumer, it must notify them of that fact.</p> <p>When supplying a copy of the file, the agency must also provide a statement of the consumer's rights under section 159. Failure to comply with the requirements of section 158 constitutes a criminal offence.</p>                         |        |
| 159 (Correction of wrong information)              | <p>Section 159 gives a consumer the right to require the correction of information contained in a credit reference agency's file if the information is wrong.</p> <p>Where a consumer disputes the accuracy of an entry, they may give notice to the agency specifying the nature of the inaccuracy and the correction sought. The agency must take prescribed steps in response to such a notice.</p> <p>If the agency does not agree to amend the file in the manner sought, the consumer has further rights, including the ability to require the agency to add a notice of correction to the file.</p> | Retain |
| 160 (Alternative procedure for business consumers) | <p>Section 160 allows for an alternative procedure to apply in respect of consumers who carry on a business. On application by a credit reference agency, the</p>  | Retain |

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|  | <p>FCA may direct that this section applies where compliance with section 158 for business consumers would adversely affect the agency's service and where business consumers would not be prejudiced.</p> <p>Where the section applies, the agency may elect not to provide a full copy of the file, but instead to give the business consumer prescribed information derived from the file, together with a statement of their rights. The section also provides for escalation to the FCA where the business consumer remains dissatisfied.</p> |        |
| 161 (Enforcement authorities)                          | <p>Section 161 identifies the authorities responsible for enforcing the Act and regulations made under it.</p> <p>The enforcement authorities consist of the FCA, local weights and measures authorities in Great Britain (Trading Standards), and the relevant department in Northern Ireland. These bodies are placed under a statutory duty to enforce compliance within their respective jurisdictions.</p>  | Retain |
| 166 (Notification of convictions and judgments to FCA) | <p>Section 166 requires that the FCA be notified of certain convictions and judgments relating to offences under the Act. Where a person is convicted of, or a judgment is entered against them for, a relevant offence, the court or relevant authority must notify the FCA of that outcome.</p>  | Retain |
| 167 (Penalties)  | <p>Section 167 sets out the penalty framework for offences committed under the Act.</p>  | Retain |

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|                                    | <p>It provides that offences specified in Schedule 1 to the Act are triable in the modes indicated in that Schedule and are punishable by the corresponding maximum terms of imprisonment or fines set out there.</p>  |        |
| 168 (Defences)                     | <p>Section 168 sets out a statutory defence available in proceedings for offences under the Act.</p> <p>A person charged with an offence may rely on this defence by proving both that the act or omission arose from specified causes —such as a mistake, reliance on information supplied by another person, an act or omission of another person, an accident, or another cause beyond the person’s control — and that they took all reasonable precautions and exercised all due diligence to avoid the commission of the offence.</p>                               | Retain |
| 169 (Offences by bodies corporate) | <p>Section 169 deals with offences committed by bodies corporate under the Act.</p> <p>Where a corporate body commits an offence with the consent or connivance of, or due to the neglect of, an individual who holds a specified position within the body, that individual is also guilty of the offence. This applies to directors, managers, secretaries, or similar officers, as well as persons purporting to act in such roles.</p> <p>The section also extends liability to situations where the body corporate is managed by its members, and the individual</p> | Retain |

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|  | concerned is one of those members.  |  |
| 170 (No further sanctions for breach of Act) | <p>Section 170 provides that a breach of a requirement imposed by or under the Act, where that requirement is not imposed by a court, does not of itself attract any civil or criminal sanction unless such a sanction is expressly provided by or under the Act.</p> <p>The section also preserves the availability of certain remedies and supervisory actions. It allows the regulator to take account of breaches in exercising its functions and confirms that injunctive and other public law remedies remain available</p>   | Retain   |
| 171 (Onus of proof in various proceedings)   | <p>Section 171 contains a series of provisions allocating the burden of proof in specified proceedings under the Act.</p> <p>In particular, it establishes presumptions and evidential rules relating to the application of certain statutory provisions, which apply unless the contrary is proved. These presumptions concern matters such as the knowledge of parties in linked transactions and the classification of agreements.</p> <p>The section also places the burden of proof on creditors in specific contexts, including proceedings involving credit-token agreements, where the creditor must prove lawful supply, acceptance and authorised use. Additional allocations of the burden apply in proceedings relating to minors and to the redemption of pawns.</p> | <p>Repeal subsection (4)</p> <p>Retain subsections (1) to (3) and (5) to (6)</p> |

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|  | <p>Section 171(4) refers to credit-tokens stating that in proceedings brought by the creditor under a credit-token agreement, it is for the creditor to prove that the credit-token was lawfully supplied to the debtor and was accepted by them and if they alleged any unauthorised use, it is for the creditor to prove the use was authorised and occurred before any notice was given that it was lost, stolen or liable to misuse.</p>  |               |
| <p>172 (Statements by creditor or owner to be binding)</p> | <p>Section 172 provides that certain statements made by a creditor or owner under specified provisions of the Act are binding on them. These include statements given in response to statutory requests for information, such as those made under sections 77, 78 and 79, as well as statements given in connection with termination, repossession or voluntary surrender under other identified provisions. Notices given by a trader asserting that a customer is not indebted under an agreement are also binding on the trader.</p> <p>The section further provides a limited mechanism for relief where a binding statement or notice is shown to be incorrect. In proceedings before a court, the court may grant such relief from the binding effect of the statement or notice as appears to it to be just.</p> | <p>Repeal</p> |
| <p>173 (Contracting-out forbidden)</p>                     | <p>Section 173 prohibits contracting out of statutory protections provided by the Act.</p> <p>Any term in a regulated agreement, a linked transaction,</p>  | <p>Retain</p> |

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|   | <p>or an agreement relating to an actual or prospective regulated agreement is void to the extent that it is inconsistent with a provision of the Act or regulations made under it that protects the debtor, hirer, a relative or a surety.</p> <p>The section clarifies that a term is inconsistent where it seeks to impose an additional duty or liability in circumstances already governed by the Act. It also preserves the ability for acts that would otherwise require an order of the court or the FCA to be done with the person's consent given at the relevant time, without liability arising from a refusal to consent.</p> |        |
| 174A (Powers to require provision of information or documents etc.) | <p>Section 174A clarifies and extends the scope of powers conferred on relevant authorities under the Act to require the provision or production of information or documents.</p> <p>Any statutory power to require information or documents is taken to include the power to require that information to be produced in a specified form, including in legible form where it is otherwise recorded. The authority may also take copies of, or extracts from, any documents provided or produced pursuant to such a requirement.</p>   | Retain |
| 175 (Duty of persons deemed to be agents)                           | <p>Section 175 applies where a person is deemed under the Act to receive a notice or payment as the agent of a creditor or owner under a regulated agreement. In such circumstances, the person is deemed to be under a contractual duty to the creditor or owner to transmit the notice</p>   | Retain |

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|   | <p>or to remit the payment to them without delay. The section operates by deeming the existence of a contractual obligation as between the agent and the creditor or owner, irrespective of whether an express contract exists.</p>  |                  |
| 176 (Service of documents)                  | <p>This provision covers the service of documents and what is deemed service.</p>  | Retain           |
| 176A (Electronic transmission of documents) | <p>This provision details the requirements which apply for documents sent electronically.</p>  | Retain and amend |
| 177 (Saving for registered charges)         | <p>Section 177 preserves the rights of proprietors of registered charges despite other provisions of the Act.</p> <p>Nothing in the Act affects the rights of a person who becomes the proprietor of a registered charge for valuable consideration and without notice of any defect in title arising by virtue of the Act, or who derives title from such a proprietor. The section also preserves the operation of statutory protections applicable to purchasers where a mortgagee exercises a power of sale.</p> | Retain           |
| 178 (Local Acts)                            | <p>Section 178 provides that the Act does not override or interfere with the operation of certain local or private Acts unless the Act expressly says otherwise. The section further clarifies that where there is overlap between the Act and a local Act, the local Act may continue to operate to the extent that it is not inconsistent with the Act.</p>  | Retain           |

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| <p>179 (Power to prescribe form etc. of secondary documents)</p> | <p>Section 179 confers a regulation-making power allowing the Secretary of State to prescribe the form, content, and manner of use of certain documents required or authorised under the Act, other than the main regulated agreements themselves. These 'secondary documents' include, for example, notices or statements given in connection with consumer credit or hire agreements. The section enables regulations to specify mandatory information, layout, wording, and presentation requirements for such documents, and to determine how and when they are to be provided.</p> | <p>Repeal</p>           |
| <p>180 (Power to prescribe form etc. of copies)</p>              | <p>Section 180 confers a power on the Secretary of State to make regulations governing the form and content of copies of documents that creditors or owners are required to supply under the Act. This includes copies of agreements, notices, or other documents that must be provided to debtors or hirers in compliance with statutory duties.</p>   | <p>Retain</p>           |
| <p>181 (Power to alter monetary limits etc.)</p>                 | <p>Section 181 confers a power on the Treasury to alter monetary limits and other financial thresholds specified in the Act. This includes, for example, amounts that determine whether an agreement is regulated, exempt, or subject to particular statutory requirements. The section allows these limits to be increased, reduced, or otherwise modified by order, rather than requiring amendment of the Act itself.</p>  | <p>Retain and amend</p> |

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| 182 (Regulations and orders)     | <p>Section 182 sets out the general procedural framework governing the making of regulations and orders under the Act.</p> <p>It provides that, with limited exceptions, powers conferred on the Treasury to make regulations or orders under the Act are to be exercised by statutory instrument subject to the negative resolution procedure.</p> <p>The section also clarifies the scope of regulation-making powers, allowing regulations or orders to make different provision for different cases or classes of case, to exclude particular cases, and to include transitional provisions. In addition, it permits regulations to prescribe the meaning of expressions used in specified contexts and confirms that an order-making power includes the power to vary or revoke an earlier order.</p> | Retain |
| 183 (Determinations etc. by FCA) | Section 183 provides that the FCA may vary or revoke any determination it has made, or direction it has given, under the Act.  | Retain |
| 184 (Associates)                 | <p>Section 184 defines the meaning of 'associate' for the purposes of the Act.</p> <p>The term is used throughout the Act in connection with matters such as the classification of agreements and the assessment of persons involved in consumer credit activities. The section sets out a list of relationships and business connections that are treated as associations, including certain corporate relationships,</p>   | Retain |

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|  | <p>partnerships, and familial connections.</p> <p>The section also defines what is meant by a 'relative' for these purposes, extending the definition beyond immediate family to include relationships created by marriage or civil partnership and their equivalents.</p>  |   |
| 185 (Agreement with more than one debtor or hirer)   | <p>Section 185 applies where a regulated agreement has two or more debtors or hirers, other than partnerships or unincorporated bodies. It provides that anything required by or under the Act to be done to or in relation to a debtor or hirer must be done in respect of each debtor or hirer, and that anything done by one of them is treated as having effect for all.</p> <p>The section also contains specific modifications to this general rule, including provision for dispensing with certain periodic statements in cases of joint running-account credit, subject to conditions. It further addresses the effect of death of a debtor or hirer and clarifies how the Act applies where both individuals and bodies corporate are parties to a joint agreement.</p> | <p>Repeal subsections (2) to (3)</p> <p>Retain subsections (1) and (4) to (6)</p> |
| 186 (Agreement with more than one creditor or owner) | <p>Section 186 addresses regulated agreements that have two or more creditors or owners. It provides that anything required by or under the Act to be done to, in relation to, or by a creditor or owner is effective if done by, or in relation to, any one of them.</p>   | Retain  |

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| 187 (Arrangements between creditor and supplier) | <p>Section 187 addresses situations where a person supplies goods or services to a debtor under arrangements made with a creditor.</p> <p>It provides that, where goods are supplied or services are rendered by a supplier under an arrangement with a creditor, the supplier is treated for the purposes of the Act as acting on behalf of the creditor in relation to that supply.</p>  | Retain                        |
| 187A (Definition of 'default sum')               | <p>Section 187A defines the term 'default sum' for the purposes of the Act.</p> <p>A default sum is a sum (other than interest) that becomes payable by the debtor or hirer under a regulated agreement as a result of a breach of the agreement, or as a result of failing to comply with its terms. This includes, for example, fixed charges imposed following late payment or other default, provided they are not interest.</p> | Retain                        |
| 188 (Examples of use of new terminology)         | <p>Section 188 provides for the use of Schedule 2 to the Act as an aid to understanding the statutory terminology introduced by the Act.</p> <p>It states that Schedule 2 has effect for illustrating how the terminology used in the Act operates in practice. The examples are expressly stated to be illustrative only and are not intended to be exhaustive.</p>   | Retain                        |
| 189 (Definitions)                                | Section 189 provides a comprehensive set of definitions that apply throughout the Act,   | Repeal of certain definitions |

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|  | <p>unless the context requires otherwise.</p> <p>It defines a wide range of core terms used across the Act, including, among others, 'advertisement', 'assignment', 'associate', 'credit', 'creditor', 'debtor', 'hire agreement', and 'individual'.</p> <p>The section also incorporates cross-references to other provisions of the Act where terms are defined elsewhere.</p>  | Retain and amend certain definitions |
| 189B (Green deal plans)                      | <p>Section 189B makes specific provision for 'green deal plans' in connection with the Energy Act 2011.</p> <p>It provides that a green deal plan is to be treated as a consumer credit agreement for the purposes of the Consumer Credit Act only if certain conditions are met, including that the property concerned is a domestic property at the time the plan is entered into, or that the owner or occupier who makes the arrangement is an individual. Where these conditions are not satisfied, the plan does not fall within the Act.</p> | Retain and amend                     |
| 189C (Section 189B: supplementary provision) | <p>Section 189C contains supplementary provisions that support the operation of section 189B.</p> <p>It confers power on the Secretary of State to make further provision by regulations for the purposes of, or in connection with, the application of the Act to green deal plans. This includes power to amend or supplement how particular provisions of the Act apply in the context of green</p>  | Retain and amend                     |

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|  | <p>deal consumer credit agreements.</p> <p>The section also allows regulations to make different provision for different cases or descriptions of case, and to include transitional, consequential, or supplementary measures.</p>   |        |
| 189D (Section 189B: temporary provision) | <p>Section 189D makes temporary provision in connection with the application of section 189B to green deal plans. It provides that certain modifications made by section 189B apply only for a limited period, as specified by the legislation.</p> <p>The section further provides that the temporary application of section 189B does not affect the validity or operation of green deal plans entered into during the relevant period.</p>  | Retain |
| 190 (Financial provisions)               | <p>Section 190 contains financial provisions relating to the administration of the Act. It provides for payments into, and out of, money provided by Parliament in connection with the operation of the Act. This includes expenses incurred by the Secretary of State or other public authorities in carrying out functions conferred by the Act.</p> <p>The section also provides that sums received under the Act, where required, are to be paid into the Consolidated Fund. Its purpose is purely administrative and financial, ensuring that public expenditure and receipts arising from the Act are properly authorised and accounted for in</p> | Retain |

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|  | accordance with public finance principles.  |        |
| 191 (Special provisions as to Northern Ireland)                        | <p>Section 191 makes special provision for the application of the Act in relation to Northern Ireland. It addresses the interaction between the Act and the legislative and administrative structures applicable in Northern Ireland, including the exercise of order-making powers by Northern Ireland departments.</p> <p>The section also provides for the interpretation of references to enactments in a way that includes enactments of the Parliament of Northern Ireland or the Northern Ireland Assembly. It also governs the financial consequences of the Act's application in Northern Ireland.</p> | Retain |
| 192 (Transitional and commencement provisions, amendments and repeals) | <p>Section 192 gives effect to Schedule 4 to the Act, which contains transitional provisions, commencement arrangements, and amendments and repeals of other enactments. The section provides that those provisions have effect in accordance with the Schedule, thereby managing the transition from previous consumer credit legislation to the new statutory regime created by the Act.</p>  | Retain |
| 193 (Short title and extent)   | <p>Section 193 provides the short title of the legislation, stating that it may be cited as the Consumer Credit Act 1974. It also specifies the territorial extent of the Act, identifying the parts of the United Kingdom to which it applies.</p>   | Retain |

# Annex B

## List of Respondents

A.1 In addition to the organisations listed, HM Treasury received 8 responses from members of the public (and 2 who asked that their responses were treated in confidence).

Association of British Credit Unions Limited

Addleshaw Goddard

Affirm

AFS Compliance Ltd

AITO – The Specialist Travel Association

Amplified Global

Aviva

Bar Council

Barclays

Building Societies Association

Bumper

British Vehicle and Leasing Association

Capital One

Centre for Responsible Credit

Chartered Trading Standards Institute

Citizens Advice Cornwall

Citizens Advice Scotland

Citizens Advice South Warwickshire

City of London Trading Standards Service

Civil Court Users Association

ClearScore

Community Money Advice

Consumer Council for Northern Ireland

Consumer Credit Trade Association  
Consumer Rights Solicitors  
Credit Services Association  
Debt Managers Standards Association  
Drydens Solicitors  
East Midlands Money Advice  
England Illegal Money Lending Team  
Experian  
Fair4all Finance  
FCA Practitioner Panel  
FCA Smaller Business Practitioner Panel  
Finance and Leasing Association  
Financial Inclusion and Markets Centre  
Federation of Small Businesses  
Halfords  
Ihsan Islamic Finance Solutions LTD  
Innovate Finance  
Institute of Money Advisers  
Islamic Finance/Halal Economy Hybrid Group  
Joanna Connolly Solicitors  
Klarna  
Law Society of Scotland  
Lloyds Banking Group  
Lowell  
Money Advice Scotland  
Money Advice Trust  
Money Wellness  
Monzo

National Trading Standards Scams Team

Nationwide Group (representing Nationwide Building Society and Virgin Money)

NatWest

NewDay

PayPal

Pinsent Masons

QA Scheme Support Services Ltd

Registry Trust

Startup Coalition

StepChange

UK Finance

Vanquis Bank

Which

Yonder Technology Ltd

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