New FCA Consumer Credit regulatory returns: Policy Statement PS25/3

The FCA has published its Policy Statement PS25/3 setting out its replacement consumer credit reporting requirements for firms with certain consumer credit Permissions – the new CCR009 return.

The FCA's aim was to create a return that better aligns with existing industry practice. This inevitably means more detailed reporting, although 28% of the questions initially proposed in the Consultation have been removed following feedback received.

The FCA has started, and will continue, to provide regular updates on its consumer credit reporting web page, and the amended rules and guidance are located in Chapter 16 of the Supervision Manual (SUP 16).

Background

Last year the FCA consulted on proposals to introduce CCR009 as part of its multi-year plan to review and replace its regulatory returns for consumer credit regulated activities. This follows the publication of PS24/3, which introduced three new Product Sales Data (PSD) returns into SUP 16 for firms engaged in credit lending.

The FCA intends to replace further returns for firms undertaking other consumer credit activities in due course, which will gradually replace all existing consumer credit reporting (CCR) returns. Until then, there will be some overlap between existing CCR returns (which are being retained in the short term) and the proposed new CCR009 return.

Who needs to complete the return

The new rules introduce a new defined term of '<u>relevant ancillary credit firm</u>', to collectively refer to firms which carry on:

- **credit broking;**
- **debt adjusting;**
- **debt counselling; and/or**
- **providing credit information services.**

The CCR009 return will therefore need to be completed by any firm which is a 'relevant ancillary credit firm'.

Impact of the Consultation Process

The original proposals were to significantly increase the number of questions an average firm would need to answer, but in a more insightful way, mainly by asking for granular breakdowns of data. Firms were to be asked to break down data relating to successful credit agreements (rather than introductions) by purpose, value, term, APR etc. and by gathering increased data in relation to lender relationships, sales channels, marketing spend, staff and remuneration arrangements. Some respondents to the Consultation felt that the type of business they operated did not work well with the proposed changes.

Following feedback from the Consultation the FCA has confirmed that it will continue with proposals to introduce the CCR009 return, but it has simplified the return and reduced the number of questions required; for example, not requiring a detailed breakdown of number, value, APR and duration of agreements. Instead, firms will just need to submit data relating to <u>total introductions,</u> broken down into relevant purpose of agreements depending on whether finance relates to:

- Credit broking – not related to specific goods and services
- Credit broking – relating to specific goods and services
- Credit broking – motor vehicle finance

The FCA has also changed the data required from credit brokers from 'successful applications' to 'total introductions'. This makes it easier for brokers to provide the data without referral to the lender (as some brokers may not receive confirmation from the lender as to whether an introduction has resulted in a successful application). For the same reason, the FCA has also removed the proposal to ask for the totals of successful and declined introductions, and non -successful introductions.

In addition, firms will not now be asked to confirm marketing spend on the channels or the number of referrals/ agreements accepted per channel, and there has also been some simplification/removal in relation to data required around staff levels and compliance functions.

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Branching logic

Not every question within the return will apply to every firm. Depending on a firm's responses to certain questions, the return will then present a range of tailored questions (which the FCA refers to as 'branching logic') which are more readily aligned to the Permissions a firm holds and the purpose for which activities are carried out.

To assist firms in understanding how the new report will operate, and to minimise incorrect data being submitted, the FCA has updated its Consumer Credit reporting web page and has included eight different flow diagrams indicating how the various sections of the new CCR009 return will work. The published details include an infographic of the phases of the implementation of the new reporting and the replacement of existing CCR returns.

These data flow diagrams will need to be viewed alongside the details of the whole of the new CCR009 return to allow a realistic view of how the answers to certain questions will determine which subsequent questions a firm will be asked to complete (see page 45 of 136 in the Policy Statement PS25/3, numbered page 15 of 105 of the draft rules section).

The data flow diagrams are split into two sets of four, one set being for firms which are not Principal firms with ARs, and one set for firms which are Principal firms. The two more relevant diagrams for firms which are not Principal firms are:

- CCR009: General data flow diagram
- CCR009: Credit broking data flow diagram

One item of note is that, for insurance distributors which have debt adjusting and debt counselling Permissions, there is no requirement to complete any element of Section 2 of the return other than Section 2.1 if the debt counselling and debt adjusting activities are only in relation to "the whole or partial settlement of credit agreements to finance insurance premiums".

Appointed Representatives

The FCA expects Principal firms to include a consolidated view of the activity carried out by the Principal firm and their ARs (including Introducer ARs) unless specified otherwise. This applies to data elements which ask for qualitative information (i.e. contextual questions) as well as data items (i.e. figures).

The FCA has, however, included questions where firms should provide separate data for both the Principal and their ARs. As such, some questions will be repeated and separated out to be answered on behalf of both parties. Similarly, some questions will need to be answered only for the Principal itself. This includes both contextual questions with multiple choices and numerical questions.

Reporting fields will not however split between each AR and so firms with more than one AR will still need to consolidate information across their ARs for reporting purposes.

In relation to multi-Principal arrangements, a Principal firm must only report information about an AR's activity for which it is responsible. Firms will only be asked to provide data if they have active ARs registered.

The two more relevant data-flow diagrams for firms which are Principal firms are:

- CCR009: General (principal with appointed representatives) data flow diagram
- CCR009: Credit broking (principal with appointed representatives) data flow diagram

The Data Required

The FCA has removed a large number of questions from the original proposed return which can, in part, be derived from the more granular PSD returns completed by lenders. PS25/3 contains a table of the final reporting fields for the CCR009 (see page 15). Those firms which hold **only** Credit Broking Permissions will be required to complete data fields in:

- Section 1 (reporting fields for a firm with Permission to carry on the regulated activity of credit broking); and
- Section 4 (reporting fields for all relevant ancillary credit firms)*.

** (Note: Section 2 is only relevant for firms which carry on the activities of debt adjusting and/or debt counselling. Section 3 is only relevant for firms who carry on the activity of providing credit information services. If your firm carries on any of these activities in addition to its credit broking activity it will need to complete any sections relevant to the regulated activities carried on. Please contact us for details).*

The information required for all relevant ancillary credit firms relates to:

- which channels the firm uses for marketing (a contextual question based on multiple choice);
- total revenue for each Permission held; and
- whether the firm is a member of a trade body or association that has a code of conduct to which the firm is signed-up.

In addition to the above, the new return will include the following information specifically in relation to credit broking:

Question Type

C = Contextual question (requiring a yes/no/multiple choice response)

D = Questions requiring data to be provided, i.e., figures/values/percentages

	Summary of data required ***(Where the firm has ARs it should provide consolidated information – so information in relation to the Principal and the AR collectively – unless the form specifically asks for this to be split between the firm and its AR(s))***	**Question Type**
Permissions	• Activities undertaken vs. Permissions held. • Why and for what purpose activities are carried on.	**C** **C**
Business Model	• Total introductions made, split by purpose of agreement (i.e., not related to goods and services, to fund specific goods and services, or motor vehicle finance).** (Total introductions must also be split across the purpose of the agreement, the goods and services to which it relates or the types of motor vehicle as applicable to the agreement type). • Firms which introduce finance for the purchase of specific goods and services will need to provide a breakdown of what those goods and services are. • Firms who are involved in introducing motor vehicle finance will need to provide a breakdown of the types and condition of the vehicles they sell and the types of finance arrangements available. • What extras or add-ons are sold in relation to the credit agreement and not in relation to the credit agreement.	**D** **C** **C** **C**

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Relationships with lenders	• Whether the broker deals with lenders/brokers/owners which are related or unrelated to the firm. • Total introductions, revenue, commission and fees provided as a total and by top five lenders/brokers/owners. • Whether the firm introduces outside of its panel where credit has been declined.	**C** **D** **C**
Remuneration	• How the firm is remunerated (e.g., flat fee, percentage of transaction, fee). • This information must include values broken down by channel. • Whether the firm notifies customers of the existence of commission, the amount or percentage of that commission and when fees are payable.	**C** **D** **C**
Sales Channels	• What sales channels are used (e.g., on-line, telephone, in store, domestic premises). • Whether the firm offers personalised digital sales comparison tools.	**C** **C**
Staff	• Whether staff are involved in the sale of regulated financial products. • Staff remuneration (e.g., salary/commission/both, and the commission model used where applicable). • Percentage split between salary and commission where applicable. • Whether staff earn commission specifically for finance agreements and/or for the sale of the associated goods and services.	**C** **C** **D** **C**

****Important note – insurance intermediaries**

The FCA, in an early question in the return (105A in Section 1,1) has separated out "Finance for insurance premiums" from a category for reporting finance for specific goods and services. This will likely impact the number and type of reporting sections which insurance intermediaries will be presented with if that is the only credit broking they carry out.

Insurance distributors please be aware that when insurer instalment facilities are used, the insurer <u>is also the lender</u>. Any reporting requirements which involve data relating to lenders (e.g., the total number of introductions made) will need to include the numbers of introductions to insurers for contracts where the premium is to be paid using that insurer's own instalment facilities.

Questions will be tailored (so should only appear) if they are specific to the firm's Permissions and activities carried out. The majority of questions each firm is required to submit (based on the branching logic) will be contextual, which should be much easier for firms to answer.

The FCA has added further guidance to help firms understand what is expected for each question or to further specify what should, or should not, be included. Examples include:

- Additional options where firms suggested existing options did not align with their activities or where multiple options could be selected.
- Additional guidance on what should, or should not, be included for staff or commission.
- More detailed definitions or references to existing handbook terms to support firm understanding.
- Alignment with more common industry language.

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In terms of the Permissions held, the FCA has simplified the question for credit brokers by combining three of the six elements of the regulated activity of credit broking for reporting purposes.

1. The three credit broking activities which cover introducing to a lender, introducing to an owner (for consumer hire), and introducing to another credit broker, will still be treated as three individual elements of the overall activity of credit broking. These are the first three of the six listed elements of the regulated activity.
2. The other three credit broking activities (specified by Article 36A(1) (d), (e) and (f) of the Regulated Activities Order) are to be grouped together for reporting purposes in CCR009, **and for these activities to be 'reportable' a fee must be paid by the customer** (the potential borrower) for the activity. As a reminder, these three activities are:
    a. presenting or offering an agreement which would (if entered into) be a credit agreement;
    b. undertaking preparatory work for a consumer with a view to that consumer entering into a credit agreement; and
    c. entering into a credit agreement on behalf of a lender.

Commission and Fees

Questions have been included not only relating to the amounts of commissions/fees earned but also contextual questions in relation to commission and fee disclosure, which include the extent to which a firm proactively notifies customers that they receive a commission from the lender or owner and whether they proactively disclose the value (or percentage) of the commission received. Firms will also need to specify at what point fees are charged for credit broking (e.g., upon initial contact, following introduction to a lender, provision of terms and conditions, advice or recommendation, or following entry into a credit agreement).

Zero or 'negative' commission

Some firms highlighted that they do not earn a commission from broking credit agreements, and instead pay a commission, subsidy or merchant fee to the lender, which results in negative values for total commission and total revenue. To accommodate this scenario, the FCA has introduced a separate data field for commission or merchant fees paid to the lender. The FCA expects the value to be a positive figure and, if no other income is earned, total commission and revenue would be zero. For the section on the top five relationships if no revenue is received, firms should enter the top five by commissions/merchant fee paid.

Overlap with existing returns

Since the new return will ask more detailed questions specific to firms' business models, some of the current consumer credit returns will be completely or partially replaced by the new return. The infographic published by the FCA indicates how individual returns are to be phased out.

For example, CCR009 has replaced CCR004 (debt management) and CCR005 (client money and assets) and these returns have now been 'switched off' in the RegData system.

It is also intended that CCR002 will eventually be 'switched off' following the introduction of CCR009, but this will **not happen immediately.** For the avoidance of doubt, firms with consumer credit Permissions will still be required to submit the following returns (where they are currently required to do so):

- CCR001
- CCR002
- CCR003 (Lenders)
- CCR006 (Debt Collection)
- CCR007 (Limited Permission consumer credit firms only)

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In order to reduce the impact on firms from reporting until the existing forms are fully 'switched off', the FCA will allow firms to not report against specific data fields within CCR002 where the subject matter is duplicated in CCR009. However, the remaining fields of this return are still required to be completed.

This means that for CCR002 the revenue data in column B for all relevant activities must be completed but data relating to fee mechanism, total customer and total transactions in rows 9 (credit broking) or 10 (debt management activities) may be left blank.

Important Note:

We recommend that firms continue to report all data fields in CCR002 until such time they have submitted their first CCR009 return, to avoid any gaps in reported data.

Reporting Frequency

The FCA does not propose to change the current reporting frequency, which will remain on an annual basis for most small firms, or six-monthly for firms with an annual revenue from credit-related regulated activities of over £5m.

The FCA has, however, confirmed that the reporting period for the CCR009 will not be the firm's accounting reference date (ARD) as it is with other CCR returns, but will instead be based on the calendar year (so 1st January to 31st December for an annual return and either 1st January to 30th June or 1st July to 31st December for any firm required to submit a six-month return).

The submission deadline will be forty business days from the end of the reporting period for the CCR009 (which is calculated from the last working day of either December of June, depending on when the return is due).

Please note that the submission deadlines for all other CCR returns remains 30 days from the end of the ARD (Accounting Reference Date - i.e. the firm's year-end) reporting period.

This change to calendar year reporting specifically for CCR009 is to align this with the new PSD returns, which should avoid duplication of data gathering and reporting. The FCA does plan to further consult on the potential to amend the existing reporting schedules for some firms in scope of this return in order to align them and reduce the number of times a year a firm will have to submit data. At this time, however, the reporting schedule of all other existing CCR returns remains unchanged.

Timelines for implementation

Any firm which is already a relevant ancillary credit firm as at 7th May 2025 or who becomes a relevant ancillary credit firm before 1st January 2026 will need to submit their first CR009 within forty business days of the last working day of December 2025.

The first return will cover the calendar year 1 January to 31 December 2025, so data to enable the reporting will need to be gathered from 1st January 2025 onwards. **This means that firms with consumer credit Permissions will already need to be collecting this data**.

In order to make sure that firms are able to complete their first CCR009 return, the FCA has amended its rules to enable the first report period to be based on annualised figures (see box below) - but this amendment applies **in the first year only.**

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Any firm which is a relevant ancillary credit firm as of 7th May 2025, and which does not have sufficient data to report for the entire first reporting period, must calculate an annualised figure based on the actual data available where possible.

If the data element is a cumulative measure such as revenue/income, introductions made, or commission received it must apply the formula:

A x (12÷B) where:

A = the value or figure available; and

B = the number of months to which the value or figure relates.

Further Guidance

The FCA recognises that the new reporting requirements will create work for those firms which are impacted. It will, therefore, create Guides to assist them. The Guides will be for the most common business models to aid firms' understanding of the return.

The regulator states that it will not be possible to create these Guides for the full range of business models with Permissions covered within the CCR009 return, but there are some groups with common business models that make up a large proportion of firms. For example, secondary brokers in the retail or motor sector and general insurance or mortgage intermediaries where credit is ancillary to their main activities.

PS25/3 includes a table of the data fields and response options as well as guidance notes on what information should be provided for each data field.

ICS can help

We can assist you in understanding and meeting the FCA's expectations in relation to your regulatory reporting requirements generally, and in relation to this new CCR009 return. If you have any questions about, or need any support in relation to, any aspect of regulatory reporting, we will be happy to discuss how we can assist.

We recommend that any firms which carry on debt adjusting/counselling, and which require further assistance in relation to their reporting requirements, contact us for further information relevant to their specific activities.

If you would like any help or Information in relation to this update or any FCA-related compliance issues or ICS Services, please contact your usual ICS representative or Head Office on 01892 539600 or admin@insurancecompliance.co.uk and we will be happy to discuss further.

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