**Consumer Credit Permissions (a summary)**

The following document is aimed at giving clarity to some of the credit broking permissions that Members may be considering. Please contact a member of the COBRA Compliance team if you feel we have omitted information on an activity that may apply to your firm.

Ultimately firms will need to decide for themselves what permissions they need, taking legal advice as necessary. However, individual queries can be addressed to firm.queries@fca.org.uk or queries can be talked through with a member of the COBRA Compliance team.

## Exercising or having the right to exercise the lender’s rights and duties under a regulated credit agreement.

This permission is required if your firm offers your own finance arrangements for premium payments.

Members should note that it is not a credit related activity if you allow a customer to pay in up to four instalments, the payments are made within a 12 month period and no charge is made for the credit.

## Debt Collecting:-

This activity includes taking steps to procure payment of a debt under a credit agreement. This is irrespective of whether the agreement is a regulated or an exempt credit agreement.

The permission Debt Collecting is not required for debts under agreements which are not credit agreements (or consumer hire agreements or regulated peer to peer loans). This includes:

* Debts owed by companies
* Debts owed by the firm
* Debts owed to the firm (the firm’s own debts) – an example of this is Premium finance arranged on a recourse basis. If there is a default by the customer the debt becomes the insurance intermediaries own debt and collecting your firms own debts is not a regulated activity.

However, the Debt Collecting permission may be required for premium finance arranged on a Non Recourse basis as the firm may be undertaking activities to recover money owed to the premium finance provider. If your firm does not want to apply for the permission of Debt Collecting, you must ensure that your firm does not become involved in the debt collecting process under a credit agreement. Any dealings should be direct with the finance provider and the borrower. If you have concerns it may be wise to speak with the finance provider.

## Credit Broking

There are six activities that fall within credit broking - These are:

1. Effecting an introduction of an individual who wishes to enter into a credit agreement to another person, with a view to that person entering as lender into a credit agreement by way of business.
2. Effecting an introduction of an individual who wishes to enter into a consumer hire agreement to another person with a view to that person entering as owner into a consumer hire agreement by way of business.
3. Effecting an introduction of an individual who wishes to enter into a credit agreement or a consumer hire agreement to a person who carries on an activity in (1) or (2) above by way of business. (i.e. introducing an individual, who wishes to enter into a credit agreement), to a credit broker)
4. Presenting or offering an agreement which would (if entered into) be a credit agreement.
5. Assisting an individual by undertaking preparatory work with a view to that person entering into a credit agreement.
6. Entering into a credit agreement on behalf of a lender.

## Debt Adjusting

This activity includes:-

1. Negotiating with the lender on behalf of the borrower (or owner on behalf of the hirer) in terms for the discharge of a debt.
2. Taking over, in return for payments by the borrower or hirer, that person’s obligation to discharge the debt or
3. Any similar activity concerned with the liquidation of a debt.

When this activity is carried on in relation to debts due under a credit agreement or consumer hire agreement.

Debt adjusting is not required if your firm is merely giving generic advice on repaying debts.

## Debt Counselling

This activity comprises of giving advice to a borrower about the liquidation of a debt due under a credit agreement and giving advice to a hirer about the liquidation of a debt due under a consumer hire agreement.

Debt counselling is not required if your firm is merely giving generic advice on repaying debts.

## Debt Administration

This activity includes

1. Taking steps to perform duties or to exercise or to enforce rights under a credit agreement or a consumer hire agreement on behalf of the lender or owner.
2. Not applicable to credit broking – applicable to peer to peer lending.

Administering your firm’s own debts does not require the permission Debt Administration as it is not a regulated activity. However, this permission may be required if your firm becomes involved in the debt administration process. For example, this may apply to an insurance broker (credit broker) if, following a default, the credit broker is asked by the finance provider to cancel the insurance policy.

**Please note; Debt Administration** includes taking steps to perform duties under a credit agreement on the lenders behalf. **Debt Collecting** is taking steps to procure payment of the debt. An activity cannot be both but some firms may be engaged in both types of activity.

## Entering into a Regulated Credit Agreement as lender

## Providing Credit Information Services

This activity includes:-

1. Finding out whether a credit information agency holds information relevant to the financial standing of an individual
2. Finding out the contents of such information.
3. Making any kind of modification or correction to the information held.
4. Ensuring that a credit information agency which holds such information stops holding the information or does not provide it to any other person.

Giving advice to an individual in relation to taking any of the steps above is also a regulated activity.

## Providing Credit References

This permission is required if a business is primarily involved in providing information about the financial standing of individuals if the information has been collected for that purpose.

This permission does not apply to using credit references.

## Operating an Electronic System in Relation to Lending.

This permission relates to peer to peer lending and does not apply to entering a customer’s information onto a premium finance providers system / website.

<https://www.fca.org.uk/static/fca/documents/consumer%20credit%20-%20understanding%20cc%20-%20permissions-web.pdf>