



CONSUMER CREDIT COMPLAINTS

FLA (Finance & Leasing Association) is the major UK industry body for the asset finance, consumer finance and motor finance sectors. Our Lending Code 2004 sets out standards of good practice for the consumer finance industry and is intended to reassure any consumer who applies for finance from full members that they are doing business with reputable organizations. As part of this Code, FLA members currently make use of our complaint conciliation and arbitration schemes to resolve disputes.

ISSUE DESCRIPTION

This issue concerns the provision of Alternative Dispute Resolution (ADR), for disputes arising under the Consumer Credit Act 1974, by the Financial Ombudsman Service (FOS). FLA responded to the DTI's consultation on this subject in March 2004.

CURRENT STATUS

Following their consultation, the DTI announced in August of this year that from April 2006, the FOS will provide ADR for disputes relating to consumer credit transactions. Complaints about high interest rates alone will, however, remain with the courts. The detail of this reform will be taken forward in the DTI's Bill.

FLA ISSUES

FLA is broadly supportive of the FOS taking on the role of dispute resolution, provided that by April 2006, there is sufficient resource to be able to deal with consumer credit disputes fairly, reasonably, effectively and efficiently. However, we, and our members, regard our complaints handling scheme as continuing to play an important role in resolving consumer credit disputes. Consequently, we seek to ensure the continuation of our complaint-handling scheme – taking into account clear and easy access to the consumer. This is based upon the fact that:

- conciliation is an important aspect of the complaint resolution process;
- we can offer added value to the consumer by way of our swift complaint resolution times and personalised service;
- the data we obtain in the course of operating the scheme allows us to monitor how our Code is functioning and helps to ensure it remains relevant to the industry – loss of this intelligence would hamper the development of the Code and would ultimately impact upon the consumer;
- referring every consumer credit complaint to FOS would have a cost impact upon our members – this would inevitably impact the consumer.

We were also surprised to see that despite the aim to achieve a single gateway for consumer credit disputes, there will be a limit to the type of complaints that the FOS will handle under its new consumer credit jurisdiction. FLA's conciliation scheme conciliates on complaints relating to all aspects of consumer credit including extortionate and unfair credit complaints and we would seek to add value to the consumer in respect of this. We will be opening a dialogue with the FOS in respect of these issues.