

**FINANCE & LEASING ASSOCIATION (FLA)**

**DEBT COLLECTION GUIDANCE - FORMAL COMPLIANCE REVIEW**

**QUESTIONNAIRE FOR CONSUMER CREDIT LICENCE HOLDERS**

Thank you for taking the time to complete this questionnaire. The questions are intended to assist us in monitoring the effect the Guidance has had since it was issued in July 2003. If you run out of space for any questions please attach extra sheets as necessary. As this form will be photocopied, please use black ink or black typeface.

Please return to the freepost address below or email to [debtcollectionguidance@oft.gsi.gov.uk](mailto:debtcollectionguidance@oft.gsi.gov.uk) by 12 September 2005

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YOUR DETAILS	
Your full name	Karen Bennell
Company name and address	FLA Imperial House 15-19 Kingsway London
Postcode	WC2B 6UN
website address:	<a href="http://www.fla.org.uk">www.fla.org.uk</a>
Telephone number	020 7 420 9611
Position in company	Policy analyst
Consumer Credit Licence number	N/A

<b>1. Do you operate solely as a debt collection company?</b> (Please indicate your answer with a 'x')	Y		N
	<input style="width: 40px; height: 30px;" type="checkbox"/>		<input checked="" style="width: 40px; height: 30px;" type="checkbox"/>
<b>1a. If not what is your primary activity? (Please indicate by a 'x').</b>			

## **About the FLA**

FLA is the biggest UK representative organisation for the UK consumer credit and asset finance sectors, and the largest organisation of its type in Europe. Our members comprise banks, subsidiaries of banks and building societies, the finance sections of leading retailers and manufacturing companies, and a range of independent firms. They provide a wide range of facilities, including finance leasing, operating leasing, hire purchase, conditional sale, personal contract purchase plans, personal lease plans, secured and unsecured personal loans, credit cards and store card facilities.

FLA members achieved £89.7 billion of new business in 2003. Of this £25 billion was provided to the business sector and UK public services, and represented 27.5% of all fixed capital investment in the UK in 2003 (excluding real property). The remaining £64.7 billion was provided to the consumer sector and FLA members represented 29.7% of all unsecured lending in the UK. Included in the above total is £19.0 billion of finance provided to the motor sector. FLA members financed at least 50% of all new car registrations in the UK in 2003.

FLA's mission is to advance the interests of its members and their customers by promoting an open, competitive and fairly regulated market place.

In aiming to fulfil our mission, we campaign for best practice in lending and leasing. 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 organisations.

## **About the Guidelines**

We support the OFT's intention to state what practices it considers to be unacceptable and the Guidance, if carefully drafted, will be of help to lenders and borrowers. It will be of help to our members not only in having a clear reference point in relation to their own activities

but also in establishing controls applicable to the whole industry.

### **About the review**

We do hope, however, that there is a recognition by the OFT and consumer groups that unless creditors and others are able to take proper and reasonable steps in order to recover amounts owing to them and identify those who 'can't pay' from those who 'won't pay' it will be detrimental to the proper functioning of the market as a whole. If lenders cannot do this then they will fail to collect significant amounts which would otherwise be recoverable. In that event it would be inevitable that the extra cost would have to be recouped from the charges to customers who do pay.

Similarly, we hope that there is recognition that there are some debtors who deliberately seek to avoid or postpone payment of amounts owing. It is important, therefore, that a proper and balanced approach is taken to this subject and we hope that the OFT is mindful of this balance in completing the compliance review. We are concerned, however that given the approach of the OFT to the compliance review it will be difficult for this balance to be struck as the questionnaires issued to lenders, money advisers and trading standards only seek to draw out elements of bad practice and not good.

We are also unclear how the responses to the questionnaire will be put into perspective. Advice agencies and trading standards officers are not asked to quantify the number of cases they deal with involving debt collection problems, or of those, how many are local authority or public sector issues. As a trade association we often find that general comments or issues raised about debt collection practices are taken out of context and can often relate to public sector collection.

In your press release you state that "The compliance review seeks to probe in more depth compliance levels across the industry" we are unclear of how this will be achieved or how the comments will be placed in their wider context or how their severity can be assessed.

## **Evidence of debt collection practices**

The FLA runs a free conciliation and arbitration scheme for our member's customers. We make it a requirement on our members that they make their customers aware of this scheme and we also promote our complaint schemes to any money adviser who has a difficulty with a member. We attend many events / conferences and meetings with money advisers and have received extremely positive feedback from advisers who have used our scheme.

In the period we from July 2003 to July 2004 we resolved 516 complaints. In the same period the following year we handled 729 complaints.

Since July 2003 we had 18 complaints which related to the debt collection activity of our members. This could relate to any aspect of the collection process and not necessarily those which may be in breach of the guidelines. Of those complaints received about debt collection 5 have been referred to us from money advisers since July 2003.

Generally those complaints referred to us by money advisers are more complex and tend to relate to customers who are on lower incomes and may have a variety of different problems. As you may expect these are the groups who would generally seek specialist advice. As above, it is important therefore, that the issue is kept in perspective against the majority of debtors who use credit without difficulty or those who are managed by a debt collection department.

We have answered the questions below which are applicable.

**Consumer Credit**

**Debt Collection**

**Consumer Hire**

**Credit Brokerage**

**Debt Adjusting and Debt Counselling**

**Credit reference Agency**

**Other (Please give details)**


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**2. Does your business collect consumer debt?**

(Please indicate your answer with a 'x')

**Y**

**N**

**If Yes, what proportion?**

**0 – 24%**

**25% - 49%**

**50% +**


**3. Does your business collect business debt?**

(Please indicate your answer with a 'x')

**Y**

**N**

**If Yes, what proportion?**

**0 – 24%**

**25% - 49%**

**50% +**


**4. Do you collect debts on behalf of others?**

(Please indicate your answer with a 'x')

**Y**

**N**

**If Yes, please give details.**



**GUIDANCE**

**8. Have you used the guidance?**  
(Please indicate your answer with a 'x')

Y

N

**If No, please go to question 15.**

**9. Has the guidance been useful to your business in understanding what we would regard as unfair?**  
(Please indicate your answer with a 'x')

Y

N

**10. Which parts of the guidance have had the most impact on your business and the way it operates?**  
(Please indicate your answer with a 'x')

Communication

False representation of authority and/or legal position

Physical/psychological harassment

Deceptive and/or unfair methods

Charging for debt collection

Debt collection visits

Have not used the guidance

Don't know

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

**Please give brief details.**

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**11. Do you give training to employees regarding the debt collection guidance?**  
(Please indicate your answer with a 'x')

Y

N

**12. How do you ensure compliance with the guidance? Please give details.**

Generally we monitor the activities of our members, via our complaints and independent monitoring group to ensure compliance with all requirements on members. We also ask members to complete a compliance return on an annual basis.

In addition our members also carry out their own monitoring of debt collection practices. This monitoring can vary from one company to another it may be a general assessment or to gauge compliance or good practice in a particular area. Many companies will also have detailed contracts with any external agencies and will also monitor feedback from customers.

A good number of our members will also take part in industry discussion groups, forums and conferences including the MALG central and regional discussion groups, other advice led conferences and forums via the CCUA. We use these opportunities to discuss industry issues and ensure we are available for advisers to raise matter of general concern with us and our members.

The FLA and our members have therefore been very active in ensuring good practice in relation to debt collection.

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**13. Which parts of the guidance have posed particular difficulties in compliance terms? (Please indicate your answer with a 'x' in the relevant boxes).**

Communication	<input type="checkbox"/>
False representation of authority and/or legal position	<input type="checkbox"/>
Physical/psychological harassment	<input type="checkbox"/>
Deceptive and/or unfair methods	<input type="checkbox"/>
Charging for debt collection	<input type="checkbox"/>
Debt collection visits	<input type="checkbox"/>
Have not used the guidance	<input type="checkbox"/>
Don't know	<input type="checkbox"/>

**Please give brief details.**

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**14. Within the industry are you aware of any areas of the guidance not being complied with?**  
(Please indicate your answer with a 'x')

**Y**

**N**

**14a. If Yes, which areas do you think they are? (Please indicate your answer with a 'x' in the relevant boxes).**

Communication

False representation of authority and/or legal position

Physical/psychological harassment

Deceptive and/or unfair methods

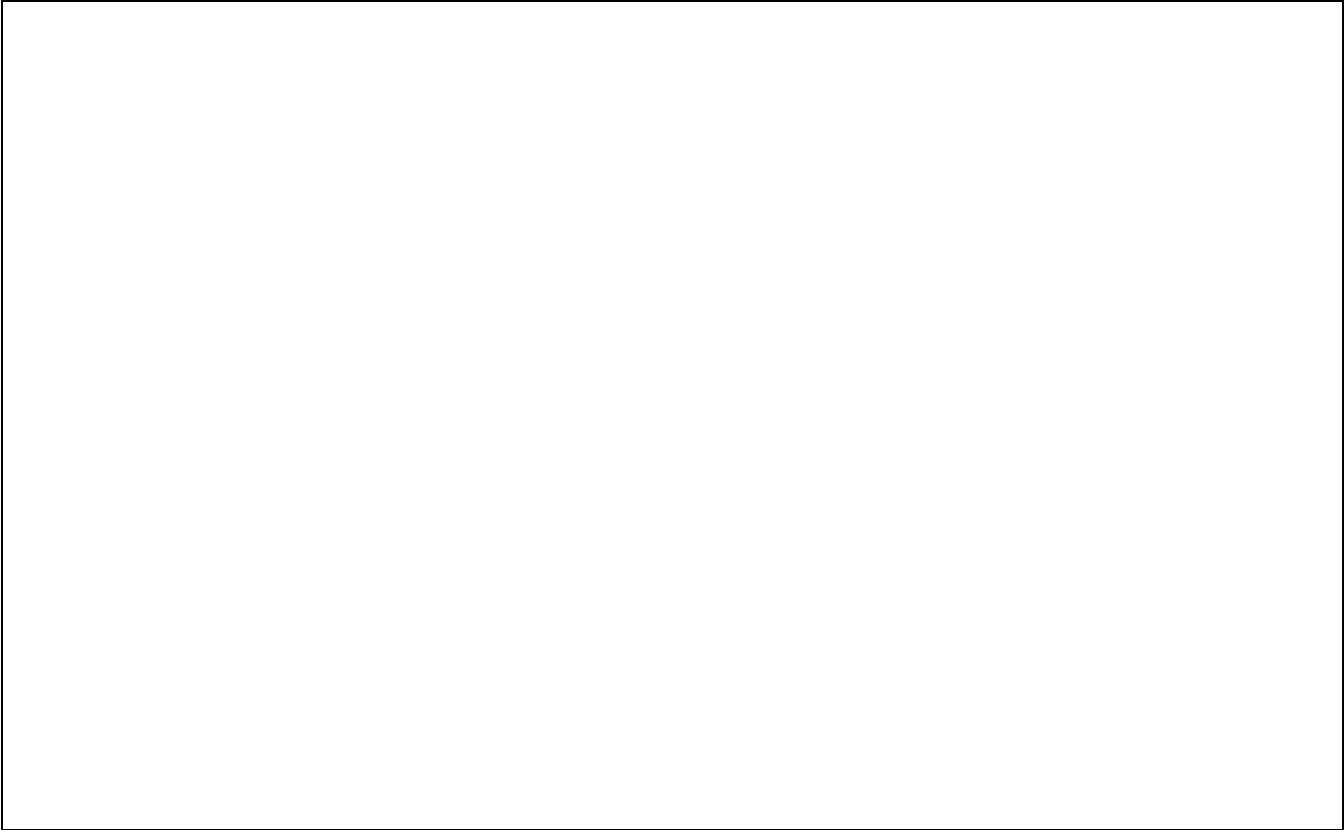
Charging for debt collection

Debt collection visits

Have not used the guidance

Don't know


**15. Please use this space to expand on any of your previous answers or add any further comments you wish to make.**



**SIGNATURE.....**

**NAME OF PERSON SIGNING.....Karen Bennell.....**

**DATE:.....**

**Thank you for taking the time to complete this questionnaire.**

**Please return to: Andy Lowther  
Office of Fair Trading  
FREEPOST  
London  
EC4B 4AH**

or e-mail: [debtcollectionguidance@oft.gsi.gov.uk](mailto:debtcollectionguidance@oft.gsi.gov.uk)

If you have any queries, please phone either Andy Lowther on 020 7211 8765 or Marion Newrick on 020 7211 8951