

# **Unpacking the future: navigating the reform of the Consumer Credit Act**

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# Agenda

1. The consumer credit regime and its history
2. The case for reform and the government approach
3. A typical scenario
4. The proposed reforms
5. Issues to consider
6. Questions

# Consumer Credit Regime – as it stands



## Consumer Credit Act 1974 (CCA)

- Consumer Credit (Entry and Inspection) Regulations 1977
- Consumer Credit (Credit Reference Agency) Regulations 1977
- Consumer Credit (Notice of Variation of Agreements) Regulations 1977
- Consumer Credit (Agreements) Regulations 1983 and 2010
- Consumer Credit (Cancellation Notices and Copies of Documents) Regulation 1983
- Consumer Credit (Increase of Monetary Limits) Order 1983
- Consumer Credit (Pawn-Receipts) Regulations 1983
- Consumer Credit (Linked Transactions) (Exemptions) Regulations 1983
- Consumer Credit (Credit Token Agreements) Regulations 1983
- Consumer Credit (Running-Account Credit Information) Regulations 1983
- Consumer Credit (Repayment of Credit on Cancellation) Regulations 1983
- Consumer Credit (Enforcement, Default and Termination Notices) Regulations 1983
- Consumer Credit (Prescribed Periods for Giving Information) Regulations 1983
- Consumer Credit (Guarantees and Indemnities) Regulations 1983
- Consumer Credit (Settlement Information) Regulations 1983
- Consumer Credit (Agreements to Enter Prospective Agreements) (Exemptions) Regulations 1983
- Consumer Credit (Negotiable Instruments) (Exemption) Order 1984
- Consumer Credit (Further Increase of Monetary Amounts) Order 1998
- Consumer Credit (Disclosure of Information) Regulations 2004 and 2010
- Consumer Credit (Early Settlement) Regulations 2004
- Consumer Credit (Information Requirements and Duration of Licences and Charges) Regulations 2007
- Consumer Credit (EU Directive) Regulations 2010



## Financial Services and Markets Act 2000 (FSMA)

- Financial Services and Markets Act 2000 (Regulated Activities) Order 2001
- Financial Services and Markets Act 2000 (Financial Promotion) Order 2005



## The FCA Handbook

- Consumer Credit Sourcebook CONC
- Principles for Businesses (PRIN)
- Senior Management Arrangements, Systems and Controls (SYSC)
- Supervision manual (SUP)
- Dispute Resolution: Complaints (DISP)
- COCON; FIT; COND; GEN; FEES; DEPP; PERG; ENFG; UNFCOG

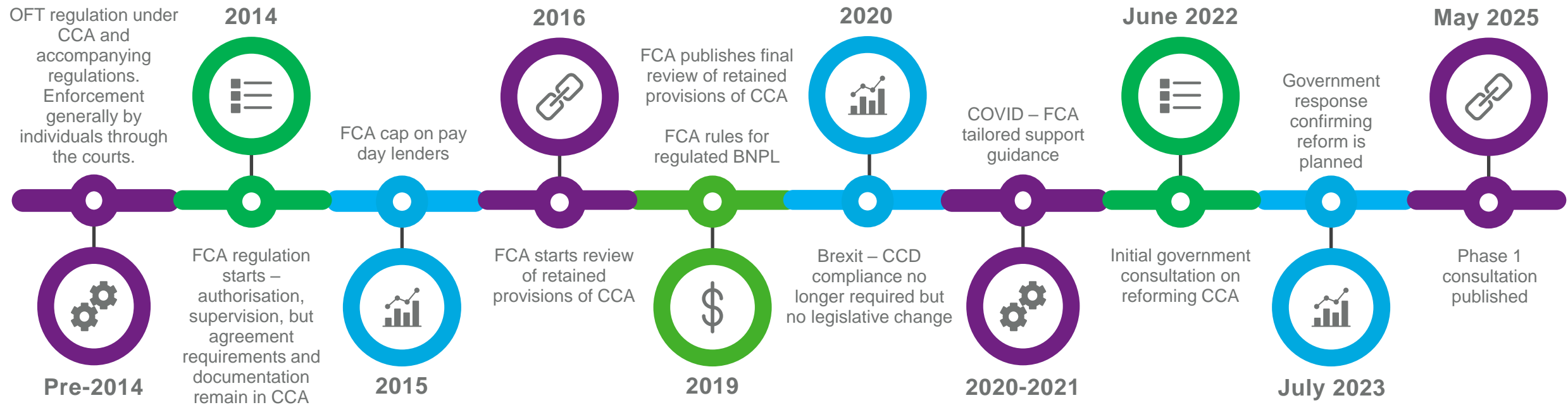


## Other Legislation

- Consumer Rights Act 2015
- Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013
- Digital Markets, Competition and Consumers Act 2024



# History of Consumer Credit Regulation



# The Case for Reform

The UK needs a consumer credit regime fit for a modern digital age. Problems identified with the current regime include:

## **Prescriptive and Confusing:**

The CCA's requirements can be confusing and overly rigid, hindering firms from adapting to consumer needs and stifling innovation.

## **Inflexibility:**

Rigidity makes it difficult for firms to develop new products and enhance consumer experiences, particularly in the digital space

## **Complexity:**

Overlapping requirements across multiple sources create confusion for both consumers and firms.

## **Disproportionate Sanctions:**

Some provisions impose sanctions that do not focus on consumer harm, leading to disproportionate consequences.



# CCA Reform – The Plan

There are 2 Stages of Government Consultation:

- **Phase 1:** The overall vision, approach to information requirements, sanctions, and criminal offences.
- **Phase 2:** Scope of consumer credit regulation, consumer rights and protections



## Primary Legislation:

Required to amend or repeal the Consumer Credit Act 1974

## Secondary Legislation:

May be required depending on approach

## FCA Rules:

Will be subject to consultation period

## Transitional Period?

# CCA Reform – The Government Approach

Five principles that Government intends to use to guide its approach to CCA reform:

Proportionate

Aligned

Forward-  
Looking

Deliverable

Simplified





# Scenario

- Lender writes fixed sum loan agreements and has been operating under FCA authorisation since 2015
- Customers include small partnerships and unincorporated associations
- Loans are also made to sole traders for business purposes
- Lender regularly reviews documentation, including template agreements, NOSIAs and default notices and updates annually. Changes are made to improve clarity and customer understanding





## Scenario (cont'd)

- In 2025 a key funder requests assurances on regulatory compliance as part of funding renewal process
- The regulatory review discovers that the annual reviews made changes to the mandatory wording and order of provisions in the statutory notices and certain agreements.
- As a result, a large part of the loan book is either unenforceable, in a period of non-compliance or both. Redress is potentially due to affected customers.



# The Proposed Changes – Information Requirements

## Current Position:

- Pre-contractual information
- Statements, early settlement, modifying agreements
- Arrears and forbearance including NOSIAs, Default notices, termination notices and NODS
- Further expectations set by FCA in CONC

## Changes:

- All CCA provisions on information requirements and accompanying regulations to be repealed
- FCA to make rules in CONC
- Not expected to be a copy and paste of current requirements

# Scope of Information Changes

Customer journey	Legislation – Proposal to repeal	Requirement
Pre-contract	S.17 S.18 S.55-55C S.60-61 S.61A-61B S.62 - 65 S.74	<ul style="list-style-type: none"> <li>• Pre-Contract Credit Information</li> <li>• Credit Agreement</li> <li>• Copy Agreement</li> <li>• Small Agreements</li> <li>• Multiple Agreements</li> </ul>
Post-contract	S.76-77, S.77A-77B S.78, 78A 79-80 S.82 S.85 S.97, 97A, 98, 98A S.103 S.105 S.176 & 176A	<ul style="list-style-type: none"> <li>• Statements</li> <li>• Modifying agreements</li> <li>• Termination</li> <li>• Service and electronic disclosure</li> </ul>
Arrears & default	S.86A-F S.87-89	<ul style="list-style-type: none"> <li>• Notices of Sums in Arrears (NOSIAs)</li> <li>• Default Notices</li> <li>• Notice of Default Sums (NODS)</li> </ul>

# The Proposed Changes - Sanctions

## Current Position

- Automatic sanctions for breaches of CCA
- Sanctions apply for technical infringements and regardless of actual customer harm
- Typical sanction – unenforceability, inability to charge interest

## Changes

- Remove automatic sanctions
- Rely on FCA enforcement, including self-reporting of breaches
- Proportionate regime focussed on consumer harm
- Consumer Duty driving improved standards



# Scope of Sanctions Changes

Type of Sanction	CCA sections	Example scenarios
Unenforceability without a court order	Sections 55, 61, 61A, 62, 63, 64 and 65	Non-compliant PCCI provided Agreement does not comply with form and content provisions, does not contain all the terms or is illegible Agreement is improperly executed Customer does not receive copy agreement or notice of cancellation rights
Unenforceability until breach remedied	Sections 77A, 86B-86E and s87	Errors in NOSIAs and SNOSIAs, notices default sums and annual statements
Disentitlement to interest and default sums	Sections 77A and 86B-86E	Errors in NOSIAs and SNOSIAs, annual statements

# The Proposed Changes – Criminal Offences

The CCA contains a number of criminal offences e.g.

- Canvassing off trade premises
- Sending circulars to minors
- Failing to provide details of credit reference agencies used
- Taking articles in pawn from minors
- Offence for consumer to fail to give information about location of goods



**All offences either have no or only one recorded conviction**

Opinions sought on:

- Repeal of all offences
- Keeping all offences
- Repealing all offences except those relating to minors and canvassing off trade premises sanctions apply for technical infringements and regardless of actual customer harm



# Issues to Consider



- Point in time only to new agreements from that time forward?
- To all existing agreements?

- Balance between prescribed requirements and flexibility
- Extent of prescription around processes and wording.

- Other conduct requirements, for example insurance
- BNPL regime

**Questions?**





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# Thank you