

A Comprehensive Guide to Adapting to the FCA's BiFD Project and Consumer Duty Evolution in the Financial Sector

Navigating Regulatory Shifts

Unveiling the Regulatory Landscape

In March 2021, the FCA launched the BiFD project to ensure regulated firms continue to support borrowers in financial difficulty. This resulted in CP23/13 that closed in July 2023 with new policy rules expected in early 2024 that will impact the CONC 7 sourcebook. They aim to transition Tailored Support Guidance (TSG) into permanent changes in the FCA Handbook that is closely aligned to the Consumer Duty that took effect for 'open accounts' in July 2023.

Deliver the outcomes you set to achieve

"You need to go back and review your implementation plan, and check you've made the changes you set out to make. Then ask yourself whether these changes go far enough. Make sure you are focused on whether you are delivering the outcomes you set out to achieve for the consumers in your target market, especially for customers with characteristics of vulnerability."

Nisha Arora, Director of Cross Cutting Policy and Strategy – speech 1/11/2023

The FCA has since provided a clear direction of travel around being a data-driven regulator in [CP23/21](#) (Product Sales Data), in moving from aggregated data returns to quarterly data submissions at a credit agreement level, with very granular data for 'Sales' (onboarding data) and 'Performance' data (product lifecycle data). This drills into arrears management and debt remedies, which would cover the affordability and sustainability of time-to-pay arrangements.

IE Hub wants to support creditor firms and their agents (e.g. DCAs) to deliver the following outcomes by:

- Delivering consistency in affordability assessments using the Standard Financial Statement (SFS)
- Providing a unique sharing network to reduce effort and stress Building consumer trust around sharing their personal data
- Maximising the value of alternative data sources (e.g. open banking, CRA, Vulnerability , benefit / social tariff data)
- Identifying customers needing appropriate forbearance that is in their interests and takes account of their individual circumstances

- Identifying tailored support for customers through a period of payment difficulties and uncertainty, including by considering their other debts and essential living costs
- Detecting characteristics of vulnerability and respond to customers' particular needs
- Seamlessly supporting regulated firms with integrated systems & processes as if they were part of the core supply chain
- Supporting customers in managing their finances, including through self-help and income optimisation including integrated referrals to debt advice providers e.g. StepChange
- Allowing customers to establish sustainable time-to-pay arrangements (TTP), considering their other debts and essential living costs
- Protecting customers from escalating debt once they have entered a forbearance arrangement enabled by IE Hub, which includes data sharing of I&E data with other creditors, in line with the recommendations of UKRN in June 2023
- Allowing customers time to consider their options and, if necessary, seek debt advice before deciding on the support they need. This may include use of the Debt Respite Scheme implemented in May 2021 for customers in England & Wales

The FCA is currently considering the feedback to CP23/13 (BiFD) and aims to publish a final Policy Statement, including their response to feedback in 2023. They expect the rules to come into force in H1 2024 and propose to withdraw the TSG at the same time. This doesn't allow a long implementation timescale and the FCA is providing further Consumer Duty guidance in early December.

CP23/13 - Income and expenditure assessments

Our current guidance in CONC on income & expenditure assessments sets out that, where appropriate, firms should have regard to the provisions in the Common Financial Statement or equivalent guidance. We propose a new rule, currently reflected in the TSG, that where a firm assesses income and expenditure it must do so in an objective manner, for example by reference to the spending guidelines in the **Standard Financial Statement** or equivalent guidance.

We are also proposing further guidance which sets out our expectation that firms have clear written policies setting how, and in what circumstances, they conduct income & expenditure assessments. Where a firm carries out an income & expenditure assessment for the purposes of forbearance, it should be to assess whether the proposed arrangements are appropriate and sustainable for the customer.

We propose guidance that firms make available to the customer a record of any income & expenditure assessment that the firm has made to enable the customer to share the record with other lenders and debt advice providers.



A need for consistency

A strong message from the consultation paper was the need for consistency in affordability and vulnerability assessments. Indeed, the Credit Services Association (CSA) has recently issued a [discussion paper](#) around the consistency of vulnerability identification and treatment paths, despite the FCA vulnerability guidance (FG21/1) published in February 2021.

IE Hub's Advocacy and Empowerment

IE Hub is strongly advocating the approach and draft CONC 7 amendments around affordability assessments for the financially vulnerable where the Standard Financial Statement (SFS) is widely used in the FCA regulated sectors. The proposed CONC 7.3.7A covers data sharing, which is fully enabled by the existing IE Hub platform. IE Hub will also enable a smooth transition to a not-for-profit debt advice provider where holistic debt advice is more appropriate than a case staying in collections.

Many firms are now deploying IE Hub at a pre-arrears stage where there is still an opportunity to look at intervention strategies before an account becomes delinquent.

"Where firms are not meeting our expectations, it's often because they are just repackaging existing data and haven't thought seriously about what information they would need to really understand consumer outcomes."

Nisha Arora, Director of Cross Cutting Policy and Strategy – speech 1/11/2023

IE Hub recognises the increased challenges around regulatory compliance and the need for more granular management information (MI) consistent with the 'Performance' data set out in CP23/21 (Product Sales Data). IE Hub's role is to be a strategic partner in complex supply chains enabling regulatory compliance and delivering consistent outcomes to different customer segments.

References

FCA <https://www.fca.org.uk/news/speeches/consumer-duty-not-once-and-done>

The Consumer Duty remains a top priority for the FCA. We will continue our work across all sectors to test firms' implementation and embedding and will share good practice to support the industry.

The work to embed the Duty has only just begun. The Consumer Duty is not a once and done exercise. If we want to continue to see the benefits, we all need to keep a foot on the gas.

Contact the IE Hub team for more info!



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