

## our role in settling consumer-credit disputes

This is a quick guide to the Financial Ombudsman Service's role – from 6 April 2007 – in settling consumer-credit disputes. It will be of interest primarily to businesses with a standard consumer-credit licence issued by the Office of Fair Trading (OFT).

### what's the background to the ombudsman's role in dealing with consumer-credit complaints?

The Financial Ombudsman Service is an independent organisation, given powers by law in 2001 to help resolve disputes between consumers and financial businesses regulated by the Financial Services Authority (FSA).

Following an extensive government review of the 30-year-old consumer-credit law, new legislation – the Consumer Credit Act 2006 – was passed in March 2006, to update the framework under which consumer-credit activities are carried out and regulated in the UK.

This new legislation extended the remit of the Financial Ombudsman Service – from 6 April 2007 – to cover unresolved disputes about the consumer-credit activities of all businesses with a standard consumer-credit licence issued by the OFT.

The Financial Ombudsman Service already had considerable knowledge and experience in this area, as we had been dealing for some twenty years with complaints about the consumer-credit activities of banks and building societies authorised by the FSA.

### what changes came into force on 6 April 2007?

Under the new Consumer Credit Act, the ombudsman service set detailed rules for complaints handling by businesses with a standard consumer-credit licence.

These rules – which, so far as possible, mirrored the existing rules for FSA-authorized businesses – were published in December 2006 following public consultation (see [www.financial-ombudsman.org.uk/publications/technical\\_notes/consumer\\_credit\\_resource.html](http://www.financial-ombudsman.org.uk/publications/technical_notes/consumer_credit_resource.html) for more details).

The rules set in-house complaints-handling procedures that all businesses with a standard consumer-credit licence have to follow, by law.

The businesses affected by the new rules include:

- businesses whose main activity is lending or hiring;
- businesses licensed for ancillary consumer-credit activities, such as debt collectors and credit brokerages; *and*
- many businesses – for example, motor dealers and furniture retailers – where the provision of consumer-credit is secondary to their main activities.

From October 2008 the ombudsman service has also covered consumer-credit activities involving debt administration and the provision of credit-information services.

## in practical terms, what do consumer-credit businesses have to do to comply with the rules?

The rules largely reflect common sense and good business practice. In simple terms, they require consumer-credit licence holders to have effective and clear procedures for dealing with any complaints fairly and reasonably.

Businesses must publish a summary of their complaints procedure and the procedure must take into account, amongst other things:

- the time limits for dealing with complaints; *and*
- the consumer's ultimate right to refer any unresolved dispute to the Financial Ombudsman Service

## where are the rules that apply to consumer-credit complaints?

This quick guide is not intended as detailed legal guidance. It only outlines in general terms what a business has to do.

The full rules are published on the FSA's website – in the "DISP" section of the FSA's Handbook of rules and guidance (at <http://fsahandbook.info/FSA/html/handbook/DISP>).

## what does this mean for FSA- authorised businesses with a consumer-credit licence?

Our remit over businesses authorised by the FSA – known officially as our "compulsory jurisdiction" – was widened from 6 April 2007 to cover their consumer-credit activities as well. This means these businesses must ensure that their in-house complaints procedures also cover any disputes about their consumer-credit activities.

These businesses do *not* have to pay two ombudsman funding levies, one for their FSA-authorized activities and one for their consumer-credit activities.

## where can a business with a consumer-credit licence find out more about the ombudsman?

There is a special section of our website ([www.financial-ombudsman.org.uk/faq/businesses](http://www.financial-ombudsman.org.uk/faq/businesses)) giving quick and easy access to the more commonly-asked questions that businesses ask about the Financial Ombudsman Service, including:

- how we handle case
- how we decide cases
- our rules and powers
- our funding
- support for businesses.

Our section on the website for businesses includes links to web versions of our publications, including:

- our regular newsletter, *ombudsman news*
- our publication, *smaller businesses and the Financial Ombudsman Service*.

You can also contact our technical advice desk – on 020 7964 1400 (or email [technical.advice@financial-ombudsman.org.uk](mailto:technical.advice@financial-ombudsman.org.uk)) with any questions you may have. This is a free service specially for businesses and people working in complaints handling.

### [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

visit our website for:

- news and frequently-asked questions
- information and updates
- technical information for businesses and help for consumers
- *ombudsman news* – our regular newsletter with case studies, features and commentary.
- [our online resource for consumer-credit](#)

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