Sub-Committee on Financial Services Regulations
House of Commons, Committee Office, London SW1A 0AA
Tel 020 7219 5769 I Email finservsubcom@parliament.uk

Nikhil Rathi
Chief Executive, Financial Conduct Authority
[via email]

21 March 2023

Dear Nikhil,

CP23/5 - Debt packagers: feedback on CP21/30 and further consultation on new rules and perimeter guidance

The Treasury Sub-Committee on Financial Services Regulations recently met to discuss the FCA's "Debt packagers: feedback on CP21/30 and further consultation on new rules and perimeter guidance" consultation.

In the consultation, the FCA states "If we make the proposed rules as drafted, we expect that the current debt packager business model (based on referral remuneration) would cease to exist. We expect some firms to leave the debt advice market, and some to adopt new business models within this market."

Given that this proposal looks set to significantly damage the business models of firms operating in this market, and could potentially end this practice in its entirety, the Sub-Committee thought that consultation did not make the harms to consumers of the status quo sufficiently clear. This was of specific concern to the Sub-Committee, given that the FCA's proposals could lead to fewer individuals being able to find debt advice free at the point of use.

1. **Could you set out to the Committee in greater detail, the financial and non-financial harms that are being done to consumers as a result of being sold Individual Voluntary Agreements (IVAs) that were not in their best interests, and how the referral fee business model in particular is contributing to those harms caused?**

2. **What will be the impact of debt packagers exiting the market?**

3. **Will the availability of debt advice be reduced for consumers?**

4. **Did the FCA explore alternative interventions in the market, such as requiring debt packagers to perform greater signposting of free debt advice from charities, prior to referring a customer for an IVA?**

In line with the Sub-Committee's usual practice, I will be placing this letter and your response in the public domain. I would be grateful for a reply by 14 April.

With best wishes,

H-tt Baldwin

Harriett Baldwin MP
Chair of the Treasury Sub-Committee on Financial Services Regulations