

Rt Hon Mel Stride MP
Treasury Committee
House of Commons
London
SW1A 0AA

2 February 2021

Dear Mel,

The Financial Conduct Authority has today published the Woolard Review into Change and Innovation in the Unsecured Credit Market.

As you will be aware, in September 2020 the FCA Board asked our former interim Chief Executive, Christopher Woolard CBE, to conduct a review into how regulation can better support a healthy unsecured lending market.

Unaffordable credit can damage the lives of people who are already struggling to manage everyday expenses. While the FCA made considerable progress in reducing unaffordable debt in the years before coronavirus, the pandemic has had an unequal impact on households. Many people have been able to reduce their debts, but some of the poorest in our society have exhausted any savings or run up more debts.

It is in this context that the Board welcomes the Review as a timely and thoughtful examination of this important and rapidly changing market, and supports the recommendations directed to the FCA.

The Review makes a powerful case for Buy Now Pay Later business to be regulated as a matter of urgency, noting its widespread use as an alternative to more expensive credit, but also its considerable potential for consumer harm.

Christopher wrote to the Economic Secretary to the Treasury outlining the Review's conclusions on 19 January and I wrote to him on 28 January to confirm that the FCA stood ready to work closely with the Treasury to bring Buy Now Pay Later business into regulation. In his response to Christopher on 28 January, the EST set out the Government's intention to take "swift action to bring these products into regulation before potential detriment is able to occur", which we welcome.

A copy of each of these letters is enclosed.

The Review makes a number of other recommendations for the FCA and other authorities, including:

- Proposing changes to the way free debt advice is provided to ensure a sustainable provision of this vital service in the years ahead, and changes to the marketing of Individual Voluntary Arrangements (IVAs).
- A sustained regulatory response to Covid-19, including ensuring consistency in forbearance support for consumers.
- Increasing the supply of alternatives to high cost credit, including the FCA working with the Government and Bank of England to reform the regulation of credit unions and Community Development Finance Institutions.
- Steps to help build a better credit information market.
- Finally, ensuring regulation is driven by the outcome being sought and how consumers use products in the real world.

The FCA has identified ensuring consumer credit markets work well as one of its five key priorities. The Board has asked the FCA executive to build the Review's recommendations into its business planning. We will publish our 2021/22 Business Plan in April, when we will give further details of how we are responding to the Review.

We will continue to engage with the Treasury Committee as we work to ensure that the unsecured credit market is fair for all consumers.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Charles Randell'.

Charles Randell
Chair