



House of Commons
Treasury Committee

Responses to the Committee's First Report: Transparency of Credit Card Charges (HC 125)

**Second Special Report
of Session 2003–04**

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The Treasury Committee

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Contacts

All correspondence for the Treasury Committee should be addressed to the Clerk of the Treasury Committee, 7 Millbank, House of Commons, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5769. The Committee's email address is: treascom@parliament.uk.

Second Special Report

On 17 December 2003, we published our First Report, *Transparency of Credit Card Charges*, as House of Commons Paper No. 125. We have now received responses from the Department of Trade and Industry for the Government (dated 27 February 2004, appended below as Appendix 1) and the Office of Fair Trading (dated 20 February 2004, appended below¹ as Appendix 2).

APPENDIX 1

GOVERNMENT RESPONSE TO THE FIRST REPORT OF THE TREASURY COMMITTEE, SESSION 2003–04 (HC 125)

Letter to the Clerk of the Committee

I enclose the Government's Response to the above Report. This addresses only those recommendations that are directed to the Government.

Recommendations 7 and 9 to 13 concern the design and use of the Summary Box—an industry initiative. Recommendations 22 and 25 on the order of payments and penalty fees are also addressed to the credit industry.

Recommendation 45 on competition and pricing in the store card market is a matter for the Office of Fair Trading.

Recommendations 46 to 48 deal with the role of retailers in respect of store cards.

Recommendation 50 concerns the role of the credit industry in promoting financial literacy.

The issues set out in the conclusion to the Report (Recommendations 53 to 55) have been addressed in the introduction to the Government's Response.

I understand that the Office of Fair Trading has submitted a separate response addressing the aspects of the Report that are directed at its areas of responsibility.

Stephen Childerstone
Consumer Credit Review Team
Consumer and Competition Policy Directorate
Department of Trade and Industry
27 February 2004

¹ See page 17

*Government Response***1. INTRODUCTION:**

1.1 The Government welcomes the Committee's Report, which is particularly timely given the plans for the reform of consumer credit legislation announced by the Government in its White Paper "Fair, Clear and Competitive: The Consumer Credit Market in the 21st Century". The Government shares the Committee's view that there is much to do in this market to ensure that consumers are empowered, and that both business and consumers get a fair deal. It will continue to work with business, consumer groups, regulators and others to achieve this.

1.2 The White Paper was published on 8th December 2003, and sets out the Government's findings and proposals for reform across the range of issues covered by its Review of the Consumer Credit Act 1974. We intend to strengthen the licensing regime to enable more effective enforcement of standards of conduct; to enable borrowers to challenge unfair credit transactions rather than only those that are extortionate; and to provide for a system of alternative dispute resolution. These reforms will require primary legislation, which we will bring forward as soon as Parliamentary time is available. In addition, detailed proposals for amendments to secondary legislation to simplify the rules governing the advertising of consumer credit; standardise the calculation of the APR; make the form and content of credit agreements clearer; introduce a fairer method of calculation of the costs of early settlement of loans; and for the facilitation of online credit agreements have been set out in a consultation paper published alongside the White Paper. The White Paper also sets out an ambitious implementation programme. We are committed to bringing the first changes into effect in October 2004.

1.3 The White Paper package is currently out for consultation – the consultation period closes on 15th March 2004. The Government will finalise its proposals in the light of both responses to the White Paper and the Committee's own recommendations. We will therefore submit a further paper in May 2004 once the consultation on the White Paper package of reforms has been completed and the results analysed.

1.4 The Government strongly rejects the suggestion by the Committee that the DTI has displayed a lack of awareness in its efforts to reform consumer credit legislation and is only now treating the issue of reform as urgent. We have always been determined to achieve a significant overhaul of the credit regime, but have been equally determined to do so in a responsible way. The exhaustive testing of proposals with stakeholders has been an essential pre-requisite to producing a regulatory regime that will remain relevant for many years to come in a fast-moving market.

1.5 We would also point out that it is important that any changes to the domestic regime in this area are compatible with the existing EU regime, and changes planned to it. As the White Paper explains, this has been and will continue to be a feature of the Government's approach.

The level of interest rates charged

Recommendation 1: The high interest rates charged by some credit and store cards are excessive ... they result in part from a lack of transparency in pricing which obstructs effective competition. It is for Government to ensure that competitive forces can work.

1.6 The Government welcomes the attention that the Committee's hearings have given to the issue of transparency, and the impetus that has been given to industry initiatives – such as the Summary Box – designed to improve the awareness of consumers as a result of its hearings. We share the opinion of the Committee that greater transparency is a vital pre-requisite for a credit market where fair competition can flourish. The package of measures promoting transparency described in the White Paper is designed specifically to remove informational distortions before consumers have committed to a credit agreement. Our proposals are designed to give consumers both the quality and the quantity of information that they need to choose the best product for them. This should enable consumers to compare products with confidence, make informed decisions and therefore drive competition between lenders. The reforms will ensure that all credit advertisements are clear, fair and not misleading, and will require a single set of assumptions to be used in determining the APR. They will also address the transparency and fairness of pre-contractual information; the key terms of the contract; the costs of early settlement; and other costs.

Regulatory environment

Overall responsibility for consumer credit

Recommendation 2: The Government should consider (perhaps within the current review of the Financial Services and Markets Act 2000) examining the boundary between the respective responsibilities of the DTI/OFT and the FSA for consumer credit regulation.

1.7 The Financial Services Authority (FSA) regulates first charge mortgages where at least 40% of the property is used as, or in connection with, a dwelling by the borrower or a member of their immediate family. The boundary of the FSA mortgage regime was defined following extensive public consultation. Industry and consumers are expecting the FSA mortgage regime to commence on 31st October and it would not be appropriate to review the boundary before this regulation has even started.

1.8 Close co-operation between regulatory bodies is, of course, essential. The Government believes in the principles of good enforcement, as set out in the Enforcement Concordat. To that end, DTI has worked closely with both the Office of Fair Trading (OFT) and the FSA during the course of its Consumer Credit Review to ensure a co-ordinated approach. The proposals on credit advertising have been drawn up in close collaboration with the FSA to ensure consistency across the two regimes, and both will come into force at the same time in October 2004.

Recommendation 3: The consumer credit regime is from a previous age in terms of the developments which have taken place in the market. It is essential that a regulatory regime is in place that keeps pace with developments and protects consumers. We expect improvements to be brought forward with urgency. We hope the White Paper is

the start of a period of action by the DTI, rather than just the start of a new round of consultations, and that consumers will soon see real benefits alongside increased protection.

1.9 The Government strongly agrees with the Committee about the need to ensure that our reforms are flexible enough to adapt to what we anticipate will continue to be a dynamic, innovative market.

1.10 Chapter 3 of the White Paper explains our proposals for reforming the consumer credit licensing regime. We propose to strengthen the test of fitness to hold a consumer credit licence, so that the OFT is able to look forward to assess the competence of a business to provide credit and focus on the particular competencies necessary for that particular type of business. We also intend to strengthen the OFT's powers of investigation, so that it can check that licence holders remain fit during the currency of their licence. OFT will be able to impose intermediate measures to enforce compliance with the regime, rather than the only available tools being revocation, suspension or variation of a licence. In future, we propose licences will be issued for an indefinite period (rather than being subject to 5-yearly renewal) - this will allow the OFT to focus its resources on monitoring licence holders, and particularly those posing a greater risk to consumers, and will reduce the burdens on business. These proposals will be taken forward in primary legislation, as Parliamentary time permits.

Self-regulation

Recommendation 4: Self-regulation through industry codes, if accompanied by monitoring and enforcement, can play an important role in supplementing statutory requirements. We note and welcome the commitment of Capital One and American Express to join the Banking Code in the very near future.

1.11 The Government agrees with the Committee that self-regulatory initiatives by the credit industry have a vital role to play alongside our reforms in giving consumers the information that they need. We would therefore support any project that contributes to a better deal for consumers, and are continuing to work closely with the Association for Payment Clearing Services (APACS) to ensure that self-regulation continues to supplement and enhance statutory protections.

European regulation

Recommendation 5: We welcome the DTI's commitment that delays in European legislation will not be used as an excuse for UK consumers to wait longer than necessary for vital improvements. The EU draft consumer credit directive needs to be redrafted (and the FSA should be involved at an early stage in the discussions).

1.12 The Government confirms its commitment that ongoing negotiations towards a possible new consumer credit Directive will not in any way delay the reform programme set out in the White Paper.

1.13 The proposed Consumer Credit Directive has the potential to reduce barriers in the internal market. However, as it currently stands it would need significant amendment to do so. The current form of the Directive would give no material benefit to UK consumers,

and would potentially cause difficulties for them in a number of areas. DTI has worked closely with the FSA, OFT and other Government Departments in developing and pursuing the UK negotiating line on the Directive.

1.14 We continue to lobby the Presidency, the European Commission and the European Parliament to ensure that the views of the UK Government are heard, understood and taken into account during discussions on the proposed Directive.

2. TRANSPARENCY: INCREASING CLARITY IN CREDIT CARD CHARGES:

Transparency and competition

Recommendation 6: While the UK credit card industry considers itself competitive, we feel that while consumers cannot properly compare products the level of competition is inadequate. We want to make it more competitive, by giving consumers clear information to choose between cards and we hope that providing consumers with clear and transparent information about what are necessarily complex products will become a priority.

2.1 The Government agrees with the Committee that competition is enhanced by the provision of better information to consumers. That is why one of the main drivers behind the package of proposals in the White Paper is improving transparency for consumers. The new regulations on the form and content of credit agreements will ensure that core information is given to consumers before they enter into an agreement, to enable them to compare products and select the one that is most appropriate for them. They will also comply with the requirements of the Distance Marketing of Consumer Financial Services Directive. Following on from this, credit agreements will have to show prominently above the borrower's signature all the main financial details and other key information, including the interest rate and the total charge for credit applicable to the individual consumer. Together, these provisions will ensure that transparency is greatly improved and that consumers will have full information about credit products before agreeing to sign up for them.

Summary Box

The need for a summary of key information

Recommendation 8: DTI's review of the regulations should place the principle of the Summary Box on a statutory footing.

2.2 We welcome the industry initiative to provide consumers with a Summary Box setting out the main features of credit card agreements. It provides a good basis on which to develop the format of our proposals on pre-contract information.

2.3 The Summary Box initiative covers pre-contract information about credit card agreements. The Government's proposals will extend to pre-contractual information for all regulated credit agreements and the content of credit agreements themselves, as detailed in the consultation paper published alongside the White Paper. We will require key information about credit agreements to be provided before the consumer enters into an

agreement as well as upfront in the agreement itself. We intend to test out sample pre-contract information and illustrative agreements on consumers before reaching final decisions on the detailed regulations.

Information on monthly statements

Recommendation 14: We welcome the DTI's intention to explore with industry and consumer groups the scope for using the monthly statement to educate consumers about the implication of the debt they are taking on. This could include examples of how long the debt would take to repay for a given monthly payment.

Recommendation 36: Consumers need to be provided with clear information on statements showing that [only paying the minimum payment] will maximise the length of time needed to clear the debt and the amount of interest paid. Statements should show how long it would take for the debt to be paid off if only the minimum payments are made.

Recommendation 37: The minimum payment should always cover the interest on the outstanding balance (and any payment protection insurance premium) so that by making the minimum payment households should never be increasing the size of their debts.

2.4 The Committee is right to identify the need for consumers to be provided with clear and regular information during the course of their contracts.

2.5 As set out in the White Paper, we will be introducing a requirement to include on statements a warning about the implications of only making minimum payments on credit card debt. This will need primary legislation, which will be brought forward as soon as Parliamentary time is available. We are discussing with the industry what form such a warning might take and what scope there is for providing illustrations of various different repayment scenarios on statements. In the meantime, we are pleased that the industry has agreed voluntarily to add a warning to credit card statements.

2.6 APACS have advised us that there are no credit card lenders who set minimum payments below the amount of interest to be added to the account each month.

Annual Percentage Rates (APRs)

Recommendation 15: We were astonished to discover that the APR figure most commonly used by consumers to compare credit cards is allowed to be calculated in more than one way. This is clearly unacceptable, impedes competition and damages consumers' ability to compare products. The fact that such a situation has been able to persist for several years reflects badly on all participants.

Recommendation 16: The DTI, OFT and the industry should continue dialogue in an attempt to establish a commonly and legally acceptable working interpretation in advance of October 2004. This should be implemented as soon as possible. We welcome the Minister's commitment that the October 2004 deadline will not be missed, and that the work will be seen as a priority.

Recommendation 17: We believe the proposals in the White Paper to calculate the APR using the “go-to” or standard rate for purchases after any introductory period will provide a clearer and more understandable basis for consumers on which to compare cards than any blended rate.

2.7 The Consumer Credit White Paper re-affirmed the Government’s commitment to achieve a single, consistent approach to the calculation of APRs.

2.8 A single set of assumptions for the APR used in advertisements – based on the standard “go-to” rate for purchases – was included in the consultation document published alongside the White Paper. A single calculation method will be brought into effect alongside revised Regulations on the advertising of consumer credit by October 2004.

2.9 While we understand the Committee’s desire to see the credit industry and Government agree a common approach to the APR as soon as possible, changing to a single interpretation ahead of a substantive change in the law could call into question the legality of many thousands of existing agreements.

Interest calculation method

Recommendation 18:We welcome the DTI’s intention to discuss with the industry ways in which interest calculation methods can be standardised and made more transparent without inhibiting competition. The DTI aims to conclude discussions by February 2004 and we will be looking for prompt action after that date has passed. The onus will be on the industry to prove that a measure of standardisation will not be beneficial.

2.10 The Government is concerned about consumers not knowing how interest is applied to their credit card account when this can have a great impact on the amount of interest that they pay. However, we also have concerns that any enforced standardisation of applying interest would stifle competition and product innovation. We are discussing how far the improved transparency for consumers - brought about by the APACS Summary Box and the Government’s Form and Content proposals – deals with this interest application issue. Consideration is being given to setting down in regulations a requirement that the information which currently appears in Summary Boxes concerning how each lender calculates its interest charges must be clearly explained in the pre-contract information and also in agreements.

Risk-based pricing

Recommendation 19: Risk-based pricing is a practice which raises serious transparency issues, as consumers are often unaware of the rate they will be charged until after the card has been received. This is an unacceptable practice. We are also concerned that the very act of shopping around by applying for several different cards can damage a consumer’s credit rating. The OFT should monitor the proportion of customers who obtain the favourable rates advertised and those who end up on the higher rates. It should ensure that a system is put in place to prevent consumers being misled.

Recommendation 20: Where a range of products is offered, consumers should not be offered a more expensive product without clear, written reasons. We believe the issuer

should also be required to obtain a positive acceptance from the consumer before issuing a card. Exclusions that apply to cards, such as minimum ages or annual incomes should be clearly advertised in the marketing literature.

Recommendation 21: Consumers offered less favourable terms than the typical APR should be provided with a free copy of their credit reference by the lender. The regulators and the industry should develop a strategy for promoting awareness and a sense of ownership amongst consumers of credit references and the factors that affect their credit score. Consumers should be actively encouraged to provide the firm with positive information to reduce the rate charged. Firms should also share both positive and negative data with the credit reference agencies.

2.11 The amended Regulations on the form and content of credit agreements will require lenders to include in the credit agreement the precise interest rate the consumer will have to pay. The consumer will have to agree to that specific rate before the contract comes into being. Consumers will, therefore, always know their allocated rate of interest before entering into a credit agreement and will have had to show their acceptance of that specific rate if the account is to go live. In addition, the new Regulations on advertising will require that any advertised typical interest rate must be available to at least 66% of borrowers. All advertisements will have to be clear, fair and not misleading. Where consumers are declined an advertised rate, we consider it good practice for lenders to explain why their lower rate was not given.

2.12 There may be a number of reasons for offering a consumer less favourable terms than the typical APR, which may not necessarily relate to the credit reference agency record. Moreover, the lender does not (and is not entitled to) receive a record in the form that it is held by the credit reference agency. It is therefore likely to be more helpful for consumers to receive an explanation of the decision from the lender than a copy of the information received by the lender from the credit reference agency. Consumers can themselves get full copies of the credit records from the agencies for a fee of £2.

2.13 We are pleased to note that from April 2004 lenders will be able to link their systems into new software that all three credit reference agencies will offer. This will make it possible for lenders to make the checks necessary to offer the customer a quotation for the amount and cost of credit without that appearing as an “application footprint” on the consumer’s credit record. Only when the consumer decides to make an application on the basis of the quotation will a footprint be left. This will mean that consumers can shop around without it damaging their credit rating.

2.14 DTF’s Task Force on Over-indebtedness, which ran from October 2000 to Autumn 2002, recommended that lenders should share positive as well as negative data through credit reference agencies. We will be monitoring progress on this and other recommendations through the new cross-Government machinery outlined in the White Paper.

Transaction / Penalty charges

Transparency

Recommendation 23: Consumers need to be aware of the extent and the exact amount of any possible transaction charge or penalty fee.

2.15 The Government agrees that any charges that may be made should be made clear to the consumer. Lenders will be required to state the level of any charges payable by the consumer under the credit agreement. Where the amount of the charge cannot be stated at the outset, the lender will have to state the precise methodology that will be used in determining them. Consumers already have a degree of protection against unfair charges under the Unfair Terms in Consumer Contracts Regulations. We note that such transaction and default charges are a key feature of the Summary Box

The level of fees charged

Recommendation 24: To reassure us and the general public we call on all lenders to place information on the amounts raised from penalty fees and the costs involved in the public domain. The DTI should investigate this issue.

2.16 OFT is investigating whether the charges made by lenders and how the levels relate to the actual costs to the lenders of the consumer behaviour in question are consistent with the requirements of the Unfair Terms in Consumer Contracts Regulations. We will consider in the light of the outcome of that investigation whether any further action is needed.

Promotional rates

Recommendation 26: Both the OFT and the DTI, in its review, need to address the regulatory aspects governing ... products [which encourage consumers to get into more debt in order to take advantage of special offers] and their promotion.

2.17 The Government notes that OFT took action over the criticised Barclays “0% forever” product offer which it regarded as misleading. While DTI recognises that, on occasions, special offers can be advantageous to consumers, the proposed Regulations on advertising and agreements will require lenders to be more transparent in how these are presented. Lenders will still be able to advertise special offers, but they will have to provide clear information about other aspects of the card. The principal rate quoted in all advertisements will be the APR based on the standard rate for purchases.

3. OVER-INDEBTEDNESS AND RESPONSIBLE LENDING:

3.1 We strongly agree with the Committee the importance of ensuring that undesirable lending and marketing practices in the credit industry should not exacerbate or create significant over-indebtedness. The Task Force on Over-indebtedness considered and made recommendations on a number of relevant issues. The proposals in the Consumer Credit White Paper aim to establish a transparent market, create a fairer framework and minimise over-indebtedness.

3.2 We believe that it is important that this work is co-ordinated with work being carried out across Government and that being undertaken by voluntary sector organizations and credit providers. In order to ensure this a cross-Governmental Ministerial Group has been set up. The Ministerial Group will be supported by an Advisory Group made up of members from Government, consumer bodies, academia and the credit industry and will ensure that this work is joined up and will monitor work against recommendations in the Consumer Credit White Paper on over-indebtedness.

Over-indebtedness

Recommendation 27: There appear to be a small but significant minority for whom servicing debts, particularly large unsecured debts, has become a problem.

Recommendation 28: While it is not in the interests of industry to lend money to those who cannot afford to repay all credit card issuers need to recognise their long-term responsibilities to prevent this from happening.

3.3 As the Committee has stated, "the evidence indicates that the majority of households still deal with debt in a responsible manner and avoid becoming over-committed". They use credit as an enabler allowing them to participate in the marketplace.

3.4 The latest Financial Risk Outlook 2004, issued in January 2004 by the Financial Services Authority, found that the level of over-indebtedness had not changed significantly since the 2002 Household Survey. 6.9 million families with a debt - roughly 22% of the population - subjectively assessed themselves as either struggling or falling behind with at least one of their borrowing commitments. This compares with roughly 20% in 2002.

3.5 1.8million families were spending 50% or more of their gross income on mortgages and consumer credit - roughly 5.8% of the population, compared with roughly 6% in 2002. While this stability is welcome, there remains a significant minority of households for whom servicing debt has become a problem.

3.6 The majority of these consumers find themselves in difficulties due to events outside of their immediate control - e.g. job loss, relationship breakdown, death or illness or other change in familial circumstances. However, we agree with the Committee that it is a matter for concern that often the change in income resulting in difficulties is relatively small.

3.7 We are particularly concerned that the credit industry should recognise its responsibility to ensure its practices do not exacerbate the difficulties for consumers. The report identifies a number of areas where the credit industry is engaged in practices that can facilitate over-commitment. We agree with the Committee that where the credit card issuers are aware that a consumer is particularly vulnerable, all credit card issuers must take special care to ensure that they recognise their long-term responsibilities. They must ensure marketing and lending practices are responsible.

Responsible Lending

Recommendation 29: Responsible lending is more than just meeting the minimum legal requirements. It is also about driving forward best practice and treating

customers fairly. A credit card lender should be providing short-term debt as part of a convenience service rather than pushing a form of debt which sucks borrowers into a long-term cycle of indebtedness.

3.8 We strongly agree that responsible lending is more than just meeting the minimum legal requirements, it is also about driving forward best practice and treating consumers fairly.

3.9 The Consumer Credit White Paper outlines measures that will contribute to responsible lending across the range of lending practices. These include the proposals to strengthen the OFT's powers to sanction licence holders who act unfairly; and work by the Department for Constitutional Affairs to develop pre-action guidance in which responsible lending plays a key role. We also welcome work by credit industry trade associations to ensure their codes of practice and guidance promote responsible lending. The Government will be responding to the review of the Banking Code on this and related issues.

3.10 We agree that the credit industry needs to carefully examine their practices - such as raising credit limits, or the inappropriate selling of products such as Payment Protection Insurance (PPI) to consumers unable to make use of it. Both of these issues were considered by the Task Force on Over-indebtedness, which recommended that credit limits should not be increased without first carrying out further checks on the borrower's ability to repay and that the sale of PPI should be made more transparent. Issues relating to PPI are discussed in more detail in paragraph 3.19 below.

Automatic raising of credit limits

Recommendation 30: Issuers should never raise credit limits without carrying out appropriate internal and external credit checks. Lenders also need to recognise that in many cases, for over-indebted consumers, increases in credit limits are wholly inappropriate. Despite all the sophisticated scoring techniques used, it must be recognised that the borrowers themselves have an important contribution to make in the decision.

Recommendation 31: We recommend that the industry consider establishing a system whereby a limit is placed on unsolicited increases in credit limits.

3.11 We agree that responsible lending requires that the credit industry should never raise credit limits without carrying out appropriate internal and external checks. As the Committee points out, lenders need to recognise that in many cases increases in credit limits may be inappropriate. We will continue to facilitate discussions and monitor developments on this and other recommendations to the credit industry, through the work of the Advisory Group looking at joining up Government policy on over-indebtedness and other initiatives.

Increasing overall credit availability on transfer/conversion of balances

Recommendation 32: Balance transfers at a lower interest rate provide benefits to millions of card-holders, but should not be used as a device to lock consumers into additional debt.

Recommendation 33: If lenders are encouraging consumers to consolidate credit card borrowing into a personal loan, the industry should consider making it their practice to reduce the credit card limit accordingly to take account of the consumer's loan commitments.

3.12 We strongly agree that balance transfers at lower rates should not be used as a device to lock consumers into additional debt. We agree with the Committee about the importance of ensuring the consumer is fully informed about the credit they are taking out. As the Committee notes, although the interest rate on a personal loan may be lower, taking into account the longer repayment period the total cost of the credit to the consumer may work out greater than credit card borrowing, and it might be secured on their property. The new requirements for pre-contract information will enable consumers to shop around for the best deal for them.

Inadequate credit checking

Recommendation 34: It is important that lenders assess a consumer's ability to repay based on as complete as possible a picture of their current income and credit commitments and not just on their payment history. We welcome the Minister's intention to review the information given by lenders to credit reference bodies.

3.13 The Committee is right to note the importance of lenders assessing a consumer's ability to repay based on as complete a picture as possible. We will be reviewing the information given by lenders to credit reference bodies and we will facilitate discussion on this through the work of the Advisory Group.

Credit card cheques

Recommendation 35: Credit card cheques are being issued irresponsibly by some lenders. Regulatory changes are necessary to prevent this behaviour. The sending out of unsolicited credit card cheques should be banned.

3.14 As with all other credit agreements, credit card cheques should be accompanied by clear information. The new Regulations on pre-contractual information will require that any additional charges or variable rates of interest associated with the product be communicated clearly to the consumer before signing.

3.15 The Government believes the key to protecting consumers from the adverse effects of such practices as the unsolicited sending of credit card cheques is ensuring responsible lending – expecting the industry to carry out adequate checks before sending credit card cheques; and ensuring all information is adequate and transparent. Our approach is to empower consumers to make informed decisions. We also look forward to the outcome of other discussions being carried out by the credit industry led by APACS looking at the sending of unsolicited credit card cheques.

Other marketing practices

Recommendation 38: Lenders should take particular care when marketing credit cards to young people, vulnerable consumers and those on low incomes. OFT should develop best practice guidelines and these need to be incorporated into the Banking Code or

directly enforced by the OFT. People should be encouraged to complain to the OFT regarding misleading marketing.

Recommendation 39: We recommend that the OFT should set down clear guidance on credit marketing, laying down the standards of conduct that consumer credit licence-holders need to demonstrate.

Recommendation 40: It is essential that where credit cards are marketed by sales representatives consumers are given sufficient information to make an informed choice in what can be a pressurized environment. A clear version of the Summary Box should help in this respect, but if customers wish they should always be able to take away details of the product along with the application form to make a considered decision.

3.16 We strongly agree with the need to ensure that the marketing of credit cards by some companies is not misleading or damaging to the interests of the consumer. The measures set out in the White Paper are designed to ensure greater consistency and transparency in credit advertising, allowing consumers to compare financial products with confidence and make informed purchasing decisions. They also aim to ensure that clear pre-contractual information is provided to allow the consumer to consider and reflect on the information before making a decision.

3.17 The OFT will issue guidance on compliance with the new legislation on licensing and in relation to unfair credit transactions and will work with the trading standards service to address the small proportion of advertisements which fundamentally breach advertising requirements.

3.18 We also believe it is imperative that the credit industry take particular care when sending marketing material to consumers, particularly vulnerable consumers such as those on low incomes.

Payment protection insurance (PPI)

Recommendation 41: The terms and exclusions [of payment protection insurance] need to be clearly explained to customers. Insurance should not be sold to customers who would not benefit from it due to their age or current employment situation. The OFT should investigate the selling practices of payment protection insurance, how it is priced and whether the market may benefit from increased competition.

3.19 The Task Force on Over-indebtedness expressed concerns about the selling of PPI. It made clear that those who sell PPI should ensure that the terms and conditions were transparent to consumers and that the product was not sold to consumers who would be excluded by the terms of the policy from benefiting from it. These views were also passed on to the FSA, who will be responsible in future for the regulation of general insurance. The Task Force also recommended that where a lender is selling PPI alongside a regulated credit agreement, an extra signature should be required from the borrower to signify their consent to purchase that product. As set out in the White Paper, we will be implementing this recommendation as part of the new requirements on the form and content of credit agreements. In addition, information will need to be given separately in the agreement regarding the associated costs and the cash price.

Responsible borrowing

Recommendation 42: While credit cards are a flexible and convenient method of short-term borrowing, there is no doubt that they are an expensive way of borrowing for the long-term. Borrowers must recognize this.

3.20 We strongly agree that consumers must borrow responsibly. While the measures announced in the White Paper will make it easier to understand and compare credit agreements, consumers must recognise that the final decision is ultimately their responsibility. We would refer them to the three questions the Minister for Employment Relations, Consumers and Competition suggested they should ask themselves when deciding whether to borrow: "how much will it cost me, can I afford it and what happens if it goes wrong?" We will work with the FSA's Financial Capability Steering Group to improve consumers' financial capability in order to ensure they are able to make informed, responsible decisions about borrowing.

4. STORE CARDS:

Transparency

Recommendation 43: To date there has been in some cases a cosy arrangement between the store card providers and the stores involved to prevent customers from gaining the full facts about their cards. The fact that this has been legal serves only to underline the urgency of reforming existing consumer credit legislation.

Recommendation 44: Customers need to be aware of the extremely high interest rates charged [on store cards]. Some progress has now been made in improving transparency, but further work remains to be done, in particular concerning the size of the print giving the APR (which should be minimum 18pt in all literature) and the provision of further information on monthly statements, especially the interest rate that applies."

4.1 The proposals for new rules on consumer credit advertising will apply to store card marketing material. They will require that leaflets that describe any one of a number of key financial attributes of a store card will also have to include the APR (or in some cases the typical APR), and that the APR will have to be twice the size and more prominent than any other financial information (except the actual interest rate to be applied).

4.2 The Government is pleased to note that store card providers will adopt the Summary Box approach by 31 March 2004. Store cards will also have to conform to the requirements of the DTI's proposals on the form and content of agreements for both pre-contract information and information on the agreement itself when these come into force.

4.3 The new primary legislation will include a requirement for lenders to provide regular statements. The legislation will also cover what information should be provided on the statement.

5. FINANCIAL LITERACY:

Recommendation 49: We welcome the steps being taken by the Government, the Financial Services Authority and the financial sector towards developing greater financial understanding and awareness among consumers.

5.1 The Government recognizes that more needs to be done to raise the levels of financial literacy and capability. Consumers will only respond to trustworthy information if they are properly equipped to interpret it. Raising levels of financial capability is not just about educating, informing and advising consumers, but giving them the skills and confidence they need to put their finances on a sound footing - to avoid exploitative credit, both legal and illegal.

5.2 It is widely acknowledged that to make a real difference efforts to raise financial literacy must focus on all the key life stages and events, from schools, the workplace and retirement, to tackling debt and exclusion. We want consumers to be able to act with confidence throughout their lives when making financial decisions that are relevant to their circumstances and needs. This is reflected in the emphasis the Government has put into raising awareness of and education in financial matters in its major reforms, for example, the Child Trust Fund and the Department of Work and Pension's Informed Choice programme.

5.3 The Government fully supports the lead taken by the FSA in developing a national Financial Capability Strategy. This is a major piece of work - bringing together those in Government, the financial services industry, employers, not-for-profit organisations, consumer representatives and the media - to develop a national strategy for financial education, information and generic advice.

5.4 The Government recognises the major role it has to play in the creation and implementation of this national strategy to increase financial capability. However, it is universally accepted it will take some time before significant benefits manifest themselves.

5.5 In conjunction with this, the OFT's consumer education team, in close liaison with the FSA, is developing a strategy - backed by evidence being developed by the OFT's research into credit card information - to encourage a responsible and informed approach to credit and borrowing. We agree that the credit industry has a key part to play in this work.

5.6 The Government supports the Committee's recommendation that the credit industry should test their products with groups of consumers to ensure that they are transparent and understandable.

Education in relation to debt

Recommendation 51: Issues relating to consumer debt need to be a specific part of the FSA's strategy of consumer education.

5.7 The Government agrees that it is important to provide support and advice to consumers to prevent them from becoming over-indebted, but also to help them when the

debt becomes unmanageable. To achieve this, it is essential that consumers are able to access timely and appropriate advice to allow them to deal positively with their difficulties.

5.8 We are working with a number of providers of free debt advice (including Citizens Advice, National Debtline, Consumer Credit Counselling Services, Advice UK) and funders (from the credit industry and across Government) to develop a unified free debt advice service.

5.9 As the White Paper explains, the free debt advice sector faces a number of challenges - of under-capacity, lack of co-ordination and coherence in the advice given to consumers. The Government intends to tackle these challenges.

5.10 Free debt advice providers are currently working with funders and the Government to set-up a new telephone gateway. This will refer consumers to appropriate free telephone and face-to-face debt advice services. The gateway will create coherence in advice provision and will be a step towards addressing under-capacity. It will direct those in need of help to the most suitable advice provider, while allowing advice providers to play to their strengths and concentrate on their core clients.

5.11 Underpinning this, the Government and credit industry sponsors are currently looking at ways of widening and deepening funding contributions, through the development of long-term funding strategies. .

Recommendation 52: We welcome the Government’s decision to put the Task Force on Over-indebtedness on a more permanent footing. Consideration should be given to enhancing the voice of consumer groups on the Task Force.

5.12 As mentioned above, the Government has set up a cross Governmental Ministerial Group. This will ensure Government initiatives are co-ordinated across Government and with work being undertaken by voluntary sector organizations and credit providers. The Ministerial Group will be supported by an Advisory Group. The Advisory Group's membership is based upon the membership of the Task Force on Tackling Over-indebtedness, but with a considerably stronger consumer voice. It will have its first meeting on 26th February and has representatives from the following organisations:

Department for Trade and Industry	Representative from Northern Ireland
Department for Work and Pensions	(tbc)
Office of Fair Trading	Joseph Rowntree Foundation
Financial Service Authority	Personal Finance Research Centre
Citizens Advice	British Bankers Association
National Consumer Council	Finance and Leasing Association
Money Advice Trust	APACS
Money Advice Scotland	Consumer Credit Association
Church Action on Poverty	Council of Mortgage Lenders
Local Government Association	Experian
Bristol City Council	

APPENDIX 2

RESPONSE BY THE OFFICE OF FAIR TRADING

Letter to the Chairman of the Committee

Your Committee's report, published on 17 December, contains a number of recommendations that directly or indirectly concern the OFT. I am writing to let you have our response to these recommendations and to that end enclose a paper which sets out our position on each of them.

I want to say first that we very much welcome the attention which the Committee has focussed on the transparency of costs of credit cards. The OFT is a firm supporter of transparency: for markets to work well consumers must be able to exercise well-informed choice. And it is informed choice that adds impetus to competition.

Transparency has two aspects. The first is to combat bad practice, and on this we have taken action against businesses misleading consumers. The second aspect is to promote good practice, and here we are working with others—notably DTI and the industry—to improve the practical ways that information is presented to consumers.

Of key importance in the credit market is the need to ensure that consumers have the right information at the time that they make key decisions and in a way they can easily understand. To help identify how best this might be achieved, we have undertaken empirical research into the information needs of consumers when they are contemplating, acquiring, and using credit cards. The results of this research will be available soon. We will make them public. These findings will also inform our response to the Consultation Paper published by DTI on 8 December which set out proposed reform of advertising and form and content regulations.

If you or your Committee colleagues would find it helpful to discuss the enclosed paper please let me know. We are also, of course, happy to attend another oral evidence session before the Committee if that would be helpful.

John Vickers
Chairman
Office of Fair Trading
20 February 2004

OFT Response

This paper sets out the response of the OFT to those recommendations in the Treasury Committee's (TC) report published in December 2003 which call for action by OFT or are relevant to OFT.

TC Recommendations for Action by OFT

1. OFT should adopt a far more active approach to safeguarding the rights of consumers, and deliberately attempt to broker a voluntary agreement where statutory powers are considered inadequate.

- The OFT has a very wide remit and limited resources. We concentrate our resources on actions which will have the most effect on markets and on preventing potential or actual consumer detriment. Focus such as that provided by the TC is helpful in identifying such areas of concern.
- The OFT takes a very active approach in the consumer credit market. We use our enforcement powers where they are the best tool to address specific problems causing detriment: examples are the recent actions on Barclaycard's 0% forever promotion, the transfer of a number of store cards to credit cards and earlier actions taken on advertising of introductory credit card interest rates as APR and the advertising of "interest free credit" in cases where consumers were liable to pay interest. We will continue to take the lead in the use of injunctive powers under the Enterprise Act, working with other enforcement partners, notably trading standards services.
- We also use our powers under the credit licensing system and have developed, in conjunction with enforcement action, a policy of providing continuously reviewed guidance to business on standards of behaviour required. This drives up standards in the market generally and in specific areas – such as debt management.
- The OFT also provides information for consumers, carries out studies of markets, provides an important input to DTI's review of legislation, and seeks judgments through the courts.
- The OFT looks for ways to raise standards without statutory intervention and to broker agreements with businesses. This is why OFT has been, and remains, in close contact with APACS on the summary box proposal. It also underlies the OFT's codes scheme which seeks to raise standards across business sectors.

2. DTI, OFT and the industry should work together to establish a "commonly and legally acceptable" working basis for calculating APRs, prior to introduction of new Regulations in October 2004.

- The OFT has worked with DTI and APACS to seek such an agreed basis. We all agree that consumers need more clear information than the APR – or any single cost figure – can convey, that the Schumer/Summary box is a good approach, that the differences of legal view on the interpretation of the Total Charge for Credit

(TCC) Regulations – e.g. on the ‘blended rate’ issue – stem from ambiguities in the Regulations, and that those ambiguities are best addressed through the DTI review, and not, for example, by OFT enforcement action on this point at least while the DTI review is in train.

- Our disagreement with APACS is based on genuine differences of legal interpretation of ambiguous Regulations. It would not appear that adherents to the APACS view are gaining undue commercial advantage; in fact they will typically advertise *higher* APRs than if they adopted the OFT interpretation. However, we consider that our interpretation is the right legal interpretation and the one which provides the more accurate picture of the cost of credit deals for consumers. Thus, we do not think it would be right for us to adopt the APACS approach which, anyway, is not shared by the industry as a whole.
 - The OFT is working closely with DTI and others to ensure that the review of the Regulations tackles all outstanding issues and problems, and produces a clear and unambiguous set of assumptions for calculating the APR.
 - We welcome APACS Summary box approach, but believe that this needs to be developed and extended. It should also be reinforced by changes to the CCA regulations on the form and content of agreements and pre- and post-contract disclosure. DTI proposals are that new regulations in those areas will also come into force in October 2004.
 - The OFT continues to work with APACS on how best to improve transparency and consumer information.
3. **Regulators and industry should commission consumer research to determine how the summary box may be made better and clearer for consumers. Industry should work with consumer groups to develop scenarios for consideration for inclusion in the box. It should appear on monthly statements and minimum font sizes should be adopted: 18pt for APR, 12pt for all other text. It must be fully standardised and consistent, and the placing clear and prominent. It should be implemented by April 2004, and should be enshrined in the Banking Code.**
- As indicated earlier, the OFT has commissioned research into the information needs of consumers when they are contemplating, acquiring, and using credit cards. This research includes how best to use a summary box and what sort of scenarios consumers would find most helpful. The research covers a large sample of consumers and so includes the different types of borrower using cards. The results of this research will be available soon and will inform our response to DTI’s consultation paper on reform of the regulations.
4. **The OFT should be prepared to mandate a standard method for applying interest if credit card providers are unwilling to do so.**
- Besides the fact that the OFT has no power to mandate such a standard, in our view standardising methods of applying interest carries risks in terms of competition, innovation and consumer choice.

- We do think, however, that industry could usefully develop a ‘standard’ for applying interest from which lenders could deviate as they wish, provided that the method used and its implications for any interest-free period are clearly signalled to the consumer, possibly as part of the Summary Box.
 - Industry concerns about the potential Competition Act consequences of any such standard being agreed were covered by the OFT’s evidence to the TC. Mr Vickers said: “I think there are various ways in which an idea along the lines just mentioned could be taken forward. We are always open to give informal advice to parties on competition law questions and if APACS wish to seek that guidance from us we would be happy to give it.” That remains our position.
- 5. OFT should monitor the proportion of customers who obtain advertised favourable rates compared to those ending up on higher rates due to risk-based pricing, and ensure that a system is in place to prevent consumers from being misled.**
- The OFT has no power routinely to monitor the rates offered to customers by a credit card company. We have the power to require the credit card company to provide us with information on its calculation of the typical APR where we have grounds to suspect that it is incorrect.
 - There is limited guidance in law as to what constitutes a typical rate, but we have given guidance that in our view of the current regulations this would be the rate at or below which the majority of loans (by number) arising from the advert are offered or expected to be offered. The DTI reform proposal will raise this level to 66%; we welcome this.
 - In practice it would be hugely resource intensive (and very difficult) to monitor rates applied to individual accounts. The power to require information where we have grounds for suspicion allows us to act in those circumstances.
- 6. Regulators and industry should develop a strategy for promoting awareness and a sense of ownership amongst consumers of credit references and the factors that affect their credit score.**
- We agree. This is best seen as a part of the wider task of improving consumer education in credit and debt issues. We will be considering how best to develop awareness in this way.
- 7. OFT and DTI should address the regulatory aspects governing products amounting to ‘sharp practice’ and ‘misleading promotional material’, e.g. Barclaycard’s “0% forever” offering.**
- The OFT carries out routine monitoring of a variety of credit advertising including advertising of credit and store card offers. Where this identifies breaches of the legislation, those breaches are dealt with in an effective proportionate manner.
 - In the last 4 months we have considered 14 offers from a variety of card providers. Eight were found to comply with the law. Our action has been reported publicly in

three cases (Barclaycard, M&S and GE Capital). A number of other cases are under investigation.

- We approached several large credit card providers, under the Unfair Terms in Consumer Contracts Regulations, in December last year about the clarity of their terms and conditions and default charges. That work is still in progress.
- 8. OFT should set down clear guidance for credit card marketing, laying down the standards of conduct that consumer credit licence-holders need to demonstrate. These should be incorporated into the Banking Code or directly enforced by the OFT. Consumers should be encouraged to complain to OFT regarding misleading marketing.**
- In the light of enforcement action, the introduction of new regulations on advertising in October, and further monitoring of credit card and other credit advertising, we will actively consider whether guidance on compliance with the law or in relation to unfair business practices is needed.
 - Initial work on compliance with advertising requirements for advertisements appearing in national newspapers shows that while most advertisements comply with the law, a significant minority (20%) contained non-technical breaches of the law. In the light of this initial work, we will be launching a wider project later this year, working with the trading standards service, to establish a fuller picture so that we can effectively address this problem.
- 9. OFT should investigate the selling practices of payment protection insurance, how it is priced and whether the market may benefit from increasing competition.**
- We are aware of concerns about payment protection insurance, which we have considered, in the specific context of debt consolidation, in the market study which we are currently conducting. (Report expected to be published in March.) We have so far decided against investigating this market more generally, on the basis that there was an opportunity to address known concerns in the current DTI review of the Consumer Credit Act and the forthcoming adoption by the FSA of responsibility for the regulation of general insurance. We will inform the DTI and FSA of relevant findings of our study, and keep the possibility of an investigation as proposed by the Committee under review.
- 10. Steps should be taken towards developing greater financial understanding and awareness among consumers.**
- The OFT is working with the FSA (whose resources are on quite a different scale from ours) and its financial capability strategy working group to create and implement a national consumer education strategy. In addition, we are developing OFT publicity and campaign work to encourage a responsible and informed approach to credit and borrowing.
 - The OFT's research into credit card information (see above) will increase our evidence base and help to inform the process of improving consumer education and awareness.

- The OFT will run a major awareness campaign in the autumn to equip consumers with information about various forms of credit to enable them to make effective decisions within this market.
- There may be recommendations from OFT market studies in this sector which will recommend specific publicity campaigns. These will be set in train soon after reports are published, an example of this could be store cards.

11. TC believes that the White Paper’s proposals to calculate the APR using the “go to” rate for purchases will provide the clearest basis for consumers to compare cards.

- We remain of the view that the blended rate approach gives consumers a more accurate picture of the true cost. We recognise, however, that consistency of approach is important and will accept the decision in the DTI’s amended regulations.

Additional calls for action by DTI, involving OFT

12. DTI should investigate lenders’ claims that their penalty charges represent a fair recovery of the costs involved on any breach of contract.

- We already have an investigation under way. We have written to several major credit card issuers asking for information about revenue from default charges and costs. We are now analysing the information.

13. The Government should consider examining the boundary between the respective responsibilities of the DTI/OFT and the FSA for consumer credit regulations.

- This is a matter for the Government. Whatever the position it is important that the regulations imposed on business and demands made by regulators are consistent between regimes and do not unnecessarily impose additional cost. Duplication and inconsistency must be avoided. We work closely with FSA to ensure that there is a cohesive approach.

14. DTI should explore with industry and consumer groups the scope for using the monthly statement to educate consumers about the implications of the debt they are taking on.

- Our view is that the summary box should be used for monthly statements. As part of our research into consumer needs we are investigating this.

15. Where a range of products is offered, consumers should not be offered a more expensive product without clear written reasons. Card issuers should be required to obtain a positive acceptance from the consumer before issuing the card. Exclusions that apply to cards, such as minimum ages or annual incomes, should be clearly advertised in the marketing literature.

- The law does not require a lender to give an explanation of its lending decisions. Although, as a matter of good practice and courtesy, lenders might be expected to

explain to consumers why they have offered a more expensive product from a range, it would be disproportionate to require such a statement.

- The consumer should be in the driving seat in taking out a credit card loan. Credit cards should not be sent to a consumer on an unsolicited basis – this may be a criminal offence – and where a consumer has applied for a card they should not be issued a card until they have signed a credit agreement which sets out all the relevant terms including the APR (not just a range of range of APRs).
- The Consumer Credit (Advertisement) Regulations (Ads Regs) require that where an offer is restricted to a particular class or group the advertiser must state that fact identifying the class or group to which it applies (see Para 10(d) to Schedule 1, Part II, and Para 8 to Schedule 1 Part III). This has not been fully tested in the courts but in our view this would mean that, for example, those earning more than £20,000 or those above 21 are a particular “group” or “class”.

16. Credit card cheques should be accompanied by clear information regarding terms and conditions including the applicable APR and fees in minimum 12pt text. There should be a prominent warning that interest on cheques is charged immediately, and that they offer a lesser degree of protection under the CCA. Appropriate credit checking should be carried out before cheques are sent. Unsolicited credit card cheques should be banned.

- Credit card cheques are an additional facility which some consumers may find useful. We agree that the terms and conditions which apply to them, especially if they differ from those for general credit card use, must be clearly drawn to the attention of the customer. We agree that it should be clear that they are treated as cash withdrawals and not card purchases and in particular that section 75 of the Consumer Credit Act does not apply to them. We do not have the power to impose a specific text size for the T&Cs. They are however required to be clear and legible.
- In our view appropriate credit checking is carried out prior to sending the cheques as this is done at the time the credit card is applied for and the card holder is required to remain within the cards limit when issuing the cheques.
- APACS have produced best practice guidelines for issuing credit card cheques which cover the majority of issues raised by the TC. They come into force in March of this year and we propose to monitor compliance with them.

17. Legislative reform should prevent “cosy” arrangements such as those which exist in some cases between store card providers and stores to prevent customers from gaining the full facts about their cards.

- The OFT will shortly complete its study into the store card market, and we are putting the finishing touches to our report. We will publish the report as quickly as possible.
- The TC’s inquiry has already induced card providers and stores to make some changes in practices to increase transparency. The DTI’s proposed reforms to the

regulatory regime will also help deal with the problems of lack of transparency that our study has confirmed. We intend to launch a consumer awareness campaign in the course of 2004.

Additional calls for action by industry and others possibly involving OFT

18. Industry should continue to develop methods of clear communication on order of payments, including within the summary box.

- Transparency in this area is vital. The key information provided to consumers should include the order in which payments are applied to the account.

19. Industry should adopt the principle that penalty fees should not exceed the cost to the lender of the relevant breach of the contract. All lenders should place information on the amounts raised from penalty fees and the costs involved in the public domain.

- At present costs are averaged across the whole population of defaulters. The legal obligation on suppliers is to charge no more than a 'reasonable pre-estimate' of loss, and averaging is a permissible approach. Tying charges more precisely to the incidental costs in each case would therefore be a significant change. It would produce uncertainty for consumers about the costs of a default (including minor defaults) widen the spectrum of charges and produce some very high charges from some types of default. It would increase the costs of the companies overall (since they would have to calculate the cost in each case). These increases may ultimately be passed to consumers in higher charges overall.
- It is for the industry to respond to the TC on the balance between aggregate costs incurred as a result of default and total revenues received from penalty charges. We plan to issue guidance in 2004/05 on calculating default charges.

20. Issuers should charge lower fees for customers with low credit limits or low outstanding balances when payments are received late.

- The counterpart to this proposal is that charges for customers with 'high' balances would be correspondingly more even if the costs of dealing with the default is the same. This is not, therefore, a proposal which we support.

21. Where consumers are encouraged to consolidate credit card borrowing into a personal loan, industry should make it their practice to reduce the credit card limit accordingly to take account of the customer's loan commitment.

- We agree that credit card limits should be set, and where appropriate adjusted, to reflect all the knowledge available to the lender about the borrower's circumstances.

22. Lenders should assess a consumer's ability to repay based on as complete as possible a picture of their current income and credit commitments, and not just on their payment history.

- We agree, particularly in the area of non-status borrowers who may be borrowing because they are in financial difficulty.

23. Issues relating to consumer debt need to be a specific part of the FSA's strategy of consumer education.

- The OFT, as a member of the FSA financial capability working party, continues to champion debt as an urgent and key issue to be addressed. In addition the OFT will continue to address consumer debt through OFT publicity campaigns and work by the OFT consumer education team.

List of Reports from the Treasury Committee since 2001

Session 2003–04

		Report	Govt Response*
First Report	The Transparency of Credit Card Charges	HC 125	HC 431
Second Report	Child Trust Funds	HC 86	HC 387
Third Report	The 2003 Pre-Budget Report	HC 136	
Fourth Report	Annual Report for 2003	HC 386	
Fifth Report	Restoring confidence in long-term savings: Endowment mortgages	HC 394	

Session 2002–03

First Report	National Statistics: The Classification of Network Rail	HC 154	HC 550
Second Report	The 2002 Pre-Budget Report	HC 159	HC 528
Third Report	Split Capital Investment Trusts	HC 418	HC 651
Fourth Report	The Handling of the Joint Inland Revenue/Customs and Excise PFI Project	HC 184	HC 706
Fifth Report	Annual Report for 2002	HC 491	
Sixth Report	The UK and the Euro	HC 187	HC 1004
Seventh Report	The 2003 Budget	HC 652	HC 1028
Eighth Report	Appointment to the Monetary Policy Committee of the Bank of England of Mr Richard Lambert	HC 811	
Ninth Report	Appointment of Ms Rachel Lomax as a Deputy Governor of the Bank of England and member of the Monetary Policy Committee	HC 1011	
Tenth Report	Inland Revenue Matters	HC 834	HC 1181

Session 2001–02

First Report	The 2001 Census in England and Wales	HC 310	HC 852
Second Report	Budget 2002	HC 780	HC 1075
Third Report	The Office of Government Commerce	HC 851	HC 1217
Fourth Report	Appointment to the Monetary Policy Committee of the Bank of England of Mr Paul Tucker and Ms Marian Bell	HC 880	
Fifth Report	Banking, the Consumer and Small Businesses	HC 818	HC 1218
Sixth Report	The Financial Regulation of Public Limited Companies	HC 758	HC 1219
Seventh Report	Parliamentary Accountability of Departments	HC 340	HC (2002–03) 149
Eighth Report	Inland Revenue: Self Assessment Systems	HC 681	HC 1220
Ninth Report	Appointment of Sir Andrew Large as a Deputy Governor of the Bank of England and member of the Monetary Policy Committee	HC 1189	

* The Government Response was received in the same session as the Report was published and the HC number accordingly refers to that session, unless otherwise indicated.