

## RadioCentre response to the Treasury's open consultation: Implementation of the EU Mortgage Credit Directive

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RadioCentre has responded to the FCA's Consultation Paper CP14/20 on Implementation of the Mortgage Credit Directive. The implementation of the detailed requirements for financial promotions falls to the FCA but there is such a major concern about the contents of the EU Mortgage Credit Directive<sup>1</sup>, we feel it is worth highlighting directly to the Treasury.

We naturally support the FCA in their guiding principles of ensuring that any financial promotions are "clear fair and not misleading" and the application of this to mortgage advertising but we are very concerned that the EU Mortgage Credit Directive dictates the mandatory inclusion of an excessive amount of standard information (representative example) where a promotion mentions specific interest rates or other figures relating to cost of credit.

There is a mounting body of evidence to demonstrate that, contrary to protecting consumers, these complex and lengthy terms and conditions serve only to alienate and confuse them and so become counter-productive.<sup>2</sup> We therefore feel that the mandatory inclusion of a representative example is a retrograde step for all parties concerned: the consumer, the financial services industry, and the media industry. Indeed research has already proved that there are much more effective ways of approaching consumer protection in financial promotions.<sup>3</sup>

We acknowledge that the mandate to include a representative example has come directly from the Mortgage Credit Directive itself. However, given the negative impact of this on our industries (see our submission to the FCA for details of cost implications), and the counter-productive effect on consumer-protection, we would urge the FCA and the Treasury to work with the relevant bodies to seek a review of this ahead of the deadline for implementing the new regulations in March 2016 and also as part of the wider review planned on the impact of this legislation.

We would be very grateful for an opportunity to discuss this matter with you further and are happy to support any work in this area to try to achieve a more effective consumer-focused approach to financial promotions.

### Background

RadioCentre is the industry body for commercial radio in the UK. Our role is to support a strong and successful commercial radio industry so that it grows in audience and revenue year on year. RadioCentre

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<sup>1</sup> Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014, Chapter 4, Article 11

<sup>2</sup> "The effect of lengthy terms and conditions on consumer attention and perceptions", RAB 2013 and "Improving the effectiveness of legal caveats and risk warnings in radio advertising", RAB 2013.

<sup>3</sup> "Improving the effectiveness of legal caveats and risk warnings in radio advertising", RAB 2013

includes the RACC team (Radio Advertising Clearance Centre) which ensures radio ads comply with the UK's BCAP code and the RAB (Radio Advertising Bureau) which works closely with advertisers and agencies to increase their understanding and use of radio as an advertising medium.

Commercial radio is a relatively small sector generating just under £540 million in revenue per annum. Financial services advertising represents £130 million of this and is therefore vitally important to the health of our industry.

A healthy advertising market is in return also vital to a successful financial services industry and indeed the UK economy. Based on the Advertising Association's study, Advertising Pays, we estimate that financial promotions on commercial radio alone contribute in excess of £750 million to the UK economy.

#### **RadioCentre, October 2014**

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#### **Attachments:**

1 x appendix including the following documents:

- RadioCentre submission to the FCA's Consultation Paper CP14/20 - Implementation of the Mortgage Credit Directive and the new regime for second charge mortgages.
- RAB research : The effect of lengthy terms and conditions on consumer attention and perceptions
- RAB research : Improving the effectiveness of legal caveats and risk warnings in radio advertising