

Reforming the Consumer Credit Act 1974

Radiocentre Response to HM Treasury Consultation (March 2023)

Radiocentre is the industry body for commercial radio in the UK. We work on behalf of more than 50 stakeholders who operate over 300 licensed radio stations across the UK and represent over 90% of commercial radio in terms of listening and revenue.

We work with government and regulators to secure the best environment in which radio can thrive, and drive industry revenues by promoting the benefits of radio to advertisers and agencies. Radiocentre is also responsible for ensuring advertising messages on commercial radio stations comply with the necessary content rules and standards set out in the BCAP Code of Broadcast Advertising and the Ofcom Broadcasting Code.

Our interest in credit regulation relates specifically to financial promotions. We recognise the vital importance of ensuring our listeners are not misled by radio advertisements for credit products and that they are given the right information at the right time so that they can make informed choices.

We welcome this consultation¹ which aims to modernise and streamline credit regulation to the benefit of consumers and businesses. We also agree with the five principles for reform as set out in Paragraph 3.5 of Objectives and Principles². For example, it is important that any change delivers the right level of consumer protection whilst at the same time ensuring **proportionate** levels of burden on businesses.

Given that the focus of this consultation is the transferral of the remaining Consumer Credit Act (CCA) legislation to FCA rules, none of the consultation questions themselves relate to advertising. We will therefore defer responses on the specific questions to other parties for whom these are going to be most relevant, including other industry bodies (such as the Finance and Leasing Association), relevant consumer groups and individual firms.

However, we also note that Paragraph 2.27 of the Case for Reform states that “A number of FCA rules regarding consumer credit are also CCD-derived. For example, within the scope of the CCD are the rules governing the content of representative examples in advertising.” It goes on to say that “This reform will serve as an opportunity for the FCA to consider the legacy of the CCD and work to consider whether the rules remain appropriate and effective³”.

When the Consumer Credit (Advertisements) Regulations 2010 were transferred to FCA rules in 2014, this included the requirement for a representative example in credit advertisements where a figure relating to cost of credit, such as a monthly amount, was mentioned (CONC 3.5.3). Given this derived directly from the CCD (Consumer Credit Directive), the FCA’s powers to make any changes at the time were extremely limited. The resulting outcome for many credit advertisements on radio has been long and complex financial jargon being read aloud in the form of a representative example which, as multiple research studies demonstrate, the listener simply cannot absorb or recall⁴.

¹ [Reforming the Consumer Credit Act 1974, Consultation, December 2022](#)

² Page 23, Ibid.

³ Page 19, Ibid.

⁴ [Protecting Consumers: Why long and complex terms and conditions on radio don't work](#)

Without change to this regulation, the current outputs will continue to be counter-productive to achieving positive consumer understanding objectives under the FCA's Consumer Duty⁵.

In addition to failing to adequately inform listeners, the current regulation also adds a disproportionate burden to industry in terms of costs and particularly for radio advertising since the financial Terms and Conditions have to be read aloud. Latest estimates suggest the total cost to industry of lengthy and ineffective credit terms and conditions (Ts&Cs) in radio advertising to be in the region of £50 million per annum.

We are therefore asking for this current reform of consumer credit regulation to include an early review of credit advertising rules, including CONC 3.5.3 and 3.5.5 in particular. The FCA are already aware of our concerns and we hope to be able to pick this up again with the relevant teams as the review progresses.

Radiocentre has extensive knowledge and expertise on how listeners absorb information contained within financial promotions heard on radio and we are keen to work with the FCA where appropriate to ensure that any further research commissioned in this area aligns with FCA objectives.

Given the impact on listeners, alongside the missed opportunity for growth in the economy, Ministers across Government, particularly in DCMS and the Treasury, have been very receptive to calls for reform of radio Ts&Cs.

We look forward in the meantime to seeing the final report on the outcomes of this review.

Judith Spilsbury
Head of Special Projects
Judith.spilsbury@radiocentre.org

⁵ <https://www.fca.org.uk/publication/finalised-guidance/fg22-5.pdf>