



Law Society
of Scotland

Call for Input - Response

Financial Conduct Authority Call for Input: High-cost credit

13 February 2017



Introduction

The Law Society of Scotland is the professional body for over 11,000 Scottish solicitors. With our overarching objective of leading legal excellence, we strive to excel and to be a world-class professional body, understanding and serving the needs of our members and the public. We set and uphold standards to ensure the provision of excellent legal services and ensure the public can have confidence in Scotland's solicitor profession.

We have a statutory duty to work in the public interest, a duty which we are strongly committed to achieving through our work to promote a strong, varied and effective solicitor profession working in the interests of the public and protecting and promoting the rule of law. We seek to influence the creation of a fairer and more just society through our active engagement with the Scottish and United Kingdom Governments, Parliaments, wider stakeholders and our membership.

The Society's Consumer Law Sub-committee welcomes the opportunity to consider and respond to the Call for Input: High-cost credit. The Sub-committee has the following answers to put forward for consideration however, would bring to the reader's attention, that due to the nature of the committee, we do not have evidence available in order to answer questions 9 -17.

Section 1:- High-cost credit

Question 1: Which high-cost products do you think our review should focus on and do you think a more consistent approach to high-cost products is feasible or desirable?

We consider that all high cost credit products should be reviewed with a view to mitigating consumer prejudice in this sector.

Question 2: To what extent is there detriment from high-cost credit products (other than HCSTC)?

We do not have evidence that would allow us to comment on the extent of detriment to those who use high-cost products however, on the assumption that many users of high-cost credit products may have less than stable incomes, it would be appropriate to have a review of all of the products in this sector.

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Question 3: Where there is detriment, do you consider that it arises from matters not addressed by our rules, or is it mainly caused by firms failing to comply with the rules?

Again, we do not have evidence that would allow us to comment on this one way or another but we would suggest that because of the potential vulnerability of the socio-economic group that are likely to use these products it is particularly important that the literature and future of the products should be clear and transparent.

Question 4: If there is detriment arising from matters not addressed by our rules, what sort of interventions should we consider? What would be the impact?

Where detriment is identified, it should be remedied and, going forward, prevented by appropriate intervention. We would be interested to know, where individuals are excluded because they are deemed to not be credit worthy, what other credit they turn to and how that problem is addressed.

Question 5: Should some of the HCSTC protections be applied more widely? What would be the impact on the cost of access to credit?

We are of the view that some of the protections could be applied more widely but great care would have to be taken to ensure that there were not any unintended consequences as a result.

Question 6: To what extent do you think overdrafts are a substitute, or alternative, for other high-cost credit products?

We suspect that where overdrafts are used as an alternative to other high-cost products that this is only as a last resort. We are concerned with the actual cost of those overdrafts which are an extremely high-cost credit product.

Question 7: What do you think are the key issues the FCA should consider on arranged and unarranged overdrafts respectively?

We are of the view that both arranged and unarranged overdrafts should be capped, with defined limits.

Question 8: What measures could be taken to address these and what would be the risks and benefits?

We are of the view that after a certain period of time the bank should be obliged to contact the person in order to attempt to discuss and review their financial situation.

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