

UK commits to reform of the Consumer Credit Act

News story

Plans to modernise consumer credit laws to cut costs for businesses and simplify rules for consumers have been announced by the government today (16th June).



The Consumer Credit Act, which came into force in 1974 and governs billions of credit card purchases and loans each year, is highly prescriptive and increasingly cumbersome and inflexible – confusing consumers and adding unnecessary costs to businesses when implementing its requirements.

The government will move much of the Act from statute to sit under the Financial Conduct Authority – enabling the regulator to quickly respond to emerging developments in the consumer credit market, rather than having to amend existing legislation. It will also simplify ambiguous technical terms to make clear to consumers what protections they have – and make it easier and more cost effective for businesses to comply with regulation.

Economic Secretary to the Treasury, John Glen said:

The Consumer Credit Act has been in place for almost 50 years – and it needs to be reformed to keep pace with the modern world.

We want to create a regulatory regime that fosters innovation but also maintains high levels of consumer protection.

That's why I have committed to undertake this ambitious long-term reform – and it's exactly what I'll deliver.

Leaving the EU has provided additional opportunity for regulatory reform and the government will examine which parts of EU retained legislation can be repealed or replaced to ensure regulation is better suited to the needs of the British people.

The reforms will allow lenders to provide a wider range of finance whilst maintaining high levels of consumer protection. For example, we will ensure that the information a consumer receives throughout the lending process is easy to understand and will be both screen and print-friendly. We will also ensure that lenders are able to more easily provide credit for emerging and new technologies such as electric cars, helping millions of people embrace technological innovation.

The reforms will build on the recommendations of the Financial Conduct Authority's retained provisions report and the Woolard Review – which both made recommendations for a reformed regime.

A consultation is expected to be published by the end of this year outlining the government's proposals, and seeking views from stakeholders on how the Act should be reformed.

Further information

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