FCA CP 17/6 – Corrections – Responsible Finance response

May 2017

Q 8.3: Do you have any comments on our proposal to correct the reporting requirements for consumer credit firms?

We understand the need for regulated firms to submit information to the FCA to inform and support the supervision of firms. For not-for-profit firms, such as the community finance sector, the cost of regulation, which includes the resource put into compliance reporting, impacts on the bottom line. Community finance organisations cannot distribute profits for private gain, and must reinvest them into the mission, which is supporting consumers, businesses, and communities to access affordable finance. Community finance organisations also operate in market segments that commercial lenders either consider high risk and/or unprofitable and therefore do not lend or charge high rates in order to make profit. The social mission of the community finance sector is to serve this segment affordably and responsibly. Therefore the cost of compliance directly affects the resources and capacity available to support this market segment. The exemption for reporting is one way to apply proportionate regulation to the not-for-profit sector, and particularly the community finance sector. The sector is relatively small and low risk, and would continue to submit reports on complaints and other mandatory information for all firms. Firms within the sector would also comply with ad-hoc information requests from the FCA. However, we would welcome maintaining the exemption for not-for-profit firms from reporting in order to ensure that regulation is proportionate and that more resources in the sector are targeted at tackling financial exclusion.