Responsible Finance

Responsible Finance response to FCA CP26/15

CONC 3: Reviewing the financial promotions rules for consumer credit

16 June 2026

About Responsible Finance

Responsible Finance is the UK trade association for Community Development Finance Institutions (CDFIs). We believe in a fair financial system where investment flows into communities to create positive economic, social, and environmental impact. To enable this, we lead a strong responsible finance sector, so communities have access to finance to transform lives.

Responsible finance providers are not-for-profit and asset-locked organisations. They offer affordable credit and support to people who are underserved by mainstream finance providers who may otherwise borrow from high-cost lenders or illegal loan sharks.

About CDFIs

CDFIs operate in a market where "being poor costs more" and where many consumers face limited options when unexpected expenses arise. Around 16–17 million people are underserved by the credit market and 3.2 million were declined credit between 2022 and 2024, with higher decline rates among minority ethnic communities. For example, when a household faces a sudden cost such as a boiler repair, they may have no savings, limited access to mainstream credit, and few affordable alternatives. CDFIs step in to provide **responsible, affordable credit alongside tailored support**, often saving customers hundreds of pounds compared to high-cost lenders. Despite this, awareness of CDFIs remains low, and many consumers continue to rely on high-cost credit. This makes **clear, accessible financial promotions critical** to improving consumer outcomes.

Our response

Responsible Finance welcomes the opportunity to respond to this consultation and supports the FCA's aim of improving the clarity and effectiveness of credit cost disclosures. Customer understanding, particularly for financially excluded consumers, must be central to any reforms. Our key recommendations are:

1. **Simplify CONC 3 but retain the Consumer Duty as the core framework**, supported by clearer guidance and templates rather than relying solely on prescriptive rules or principles.
2. **Retain and strengthen disclosure triggers**, ensuring clarity and consistent application.
3. **Require more accessible upfront cost disclosures**, including total cost, monthly repayments, and fees in monetary terms**.**
4. **Reform the Representative APR framework**, including the 51% rule, and ensure clearer communication of likely outcomes and full APR ranges upfront.
5. **Promote alternative metrics such as Monthly Percentage Rate (MPR)** for short-term products, particularly for short-term credit, to better reflect real-world costs.

6. **Ensure cost information is available early in the customer journey**, with indicative or maximum costs provided where pricing depends on credit risk.

Overall, reforms should prioritise clarity, contextualisation, and accessibility over consistency alone, ensuring that consumers can understand and act on credit information in ways that support better financial outcomes.

Consultation questions

In the interests of Responsible Finance's scope and capacity, we have selected to respond to the questions that are most pertinent to our organisation, and we felt more urgently needed to be addressed, based on conversations with our members.

Simplification of CONC 3

Question 1 to 8

Key recommendation: We support simplification, but recommend a balanced, hybrid approach.

CDFIs welcome the FCA's intention to remove outdated or overly prescriptive requirements as rigid rules can fail to reflect the realities of serving financially excluded customers and can lead to greater exclusion. CDFI customers tend to be financially excluded, underserved, or vulnerable. These consumers often:

- are less likely to have established credit histories or may have low credit scores (with over 5 million people in the UK now estimated to be "credit invisible");
- have lower incomes and/or experience greater income volatility.

Compounding this, 39% of UK adults (20.3 million people) do not feel confident managing money and high-cost short-term credit borrowers are even less likely to be confident in this respect. Consumers with diverse needs may also find it harder to access and use products effectively, especially as services become increasingly digital.

As a result, overly prescriptive formats risk excluding the customers the regime is intended to protect. CDFI customers often sit outside mainstream assumptions about financial credit history and accessibility. Standardised formats may not reflect their varied needs, potentially making disclosures harder to engage with. CDFIs rely on flexibility to interpret and tailor communications within a wider customer journey; if rules are too rigid, they limit that ability and could unintentionally create barriers. This is particularly a concern where the FCA's approach draws on generalised evidence (such as Plain Numbers' research) that may overestimate comprehension and not account for more vulnerable or marginalised groups. We therefore **recommend a more digitised approach as the current paper-based, manual format is not fit-for-purpose,** particularly for customers with diverse needs who may benefit from clearer, more flexible and accessible digital communication. However, **paper-based formats should remain available** for those who rely on them.

Rigid requirements can also increase compliance risk, and in some cases, have led to errors and even commercial pressures on smaller organisations. This could lead to a chilling effect for CDFIs, potentially reducing the availability of responsible finance if firms scale back activity due to regulatory complexity or risk of inadvertent non-compliance.

Flexibility under the Consumer Duty enables firms to design communications that better reflect real customer journeys. However, overgeneralising or removing prescription entirely creates uncertainty. A purely principles-based approach risks inconsistent interpretation and application. **We therefore**

recommend retaining the Consumer Duty as the core standard, supplemented by clear guidance, worked examples, and model templates.

Regarding disclosing the use of security in promotions, **title restrictions should always be specified.** It should be incumbent on the lender, through guidance, to make clear any security that is required and specify whether credit is secured or otherwise.

As lending should already be in accordance with the Consumer Duty, a **three-month transition period should give stakeholders sufficient time to align with the proposed changes to CONC 3**. However, more time may be required for lenders to test understanding with customers and for any significant changes to APR.

Cost disclosure

Questions 9 to 10

Key recommendation: Triggers should be retained, but modernised and clarified.

CDFIs recognise the importance of triggers in ensuring that key cost information is disclosed when relevant claims are made. This clarity is particularly important for customers with lower financial confidence as **ambiguity can be a barrier to inclusion**. However, current triggers:

- are often not aligned with modern products or digital journeys;
- can introduce technical or financial language that discourages engagement;
- do not always reflect how customers encounter credit (e.g. through aggregator sites).

Despite these limitations, removing triggers entirely would create significant risks:

- lack of clarity on what must be disclosed, which could be exclusionary;
- inconsistent practices across firms;
- potential consumer harm.

We recommend:

- retaining triggers;
- strengthening triggers by making them more explicit;
- providing clearer guidance on when and how disclosures should be presented.

We also strongly recommend ensuring **equivalent obligations for aggregator and comparison websites**, which are often the first point of contact for consumers and currently present transparency challenges.

Questions 11-17

Key recommendation: APR should not be the sole or primary consumer-facing metric or disclosure.

APR has significant limitations:

- it is widely misunderstood, particularly among financially excluded consumers;
- it is poorly suited to short-term credit, giving short-term loans high APRs, which can be off-putting;
- it does not reflect how customers evaluate credit in practice.

APR is not well understood by consumers and does not consistently support effective consumer understanding or their decision-making. Research led by ClearScore and Plain Numbers found that the addition of APR and representative example result in a significant drop in understanding of the cost of credit, actively undermining comprehension when the cost of the loan is explicitly stated. This is a significant communication challenge with APR.

A short-term loan may appear to have a high APR, even where the actual monetary cost is modest and cheaper than alternatives. For example, if a loan is £1,000 over 18 months with 89% APR, the monthly repayments are £89 with a total cost of £1,594, whereas the same amount with 95% APR over six months would cost £202 monthly but only £1,210 – the option with the higher APR looks less affordable despite being cheaper overall.

While removing the representative APR could introduce greater inconsistency in disclosures, inconsistency for customers can manifest in different ways and consistency alone should not be the primary objective. The priority should be achieving good consumer outcomes. **Consumer understanding should take precedence**.

Consumers are better served by information that clearly explains the terms of credit in a way that relates directly to their individual circumstances, including their budget and financial position. Improving understanding through tailored, contextualised disclosures is therefore more important than consistency for customers. This will allow for clearer understanding of the contractual terms contextualised for the customer and their budget and money.

Alternative metrics are essential to improving consumer understanding. CDFIs identify two metrics as more meaningful to customers:

- total cost of credit (total amount repayable)
- repayment amounts (weekly or monthly)

These reflect how customers make decisions in practice i.e. "how much will this cost me overall?" and "can I afford the repayments each period?"

For many customers, particularly those with lower numeracy, monetary amounts are more accessible than percentages e.g. "if you pay £X, your cost of credit will go down by £X", rather than "your APR will go down". **APR should therefore be deprioritised.**

The benefits of reducing reliance on APR are significant and include:

- improved accessibility for customers with lower financial capability;
- clearer alignment with how customers assess affordability;
- better support for informed decision-making.

A Monthly Percentage Rate (MPR) for products under one year provides a more evaluation-ready comparator than APR.

Consumers should be able to understand not only the **total cost of credit and repayment amount, but also the components of that cost, including fees and charges.** Not including accompanying information about fees may give an incomplete or potentially misleading picture of the true cost to the consumer. Improving transparency around fees would better support consumers in understanding and comparing credit products. We therefore recommend:

- ensuring disclosures go beyond headline pricing and **clearly set out additional costs**, such as arrangement or late payment fees, or other charges that may apply over the product lifetime.

Cost information should be provided upfront, before consumers invest time in the application process. Delayed disclosure can act as a barrier to access and may lead consumers to accept higher costs once engaged. Where pricing depends on credit risk, lenders should at least provide clear indicative ranges or the maximum potential cost, enabling more informed decisions from the outset.

We recommend a model where:

- **total cost and monthly repayments are mandatorily and prominently displayed upfront;**
- **Monthly Percentage Rate (MPR) is mandatorily and prominently displayed upfront for products under one year;**
- **information is presented in clear monetary terms** rather than percentages, where possible, especially in guidance.

Representative examples

Questions 18-22

Key recommendation: The current approach to representative APR should be reviewed.

Representative APR can be misleading. CDFIs identify several issues:

- the concept is poorly understood by consumers;
- while most customers (51%) will receive an APR lower or equal to the "representative" APR, it is not representative of everyone;
- the 51% threshold lacks transparency and can be confusing; it is unclear how lenders are interpreting this figure and what the percentage is actually a proportion of.

Consumers can only meaningfully compare products if they understand the information presented to them. As it stands, representative APR assumes a level of financial literacy that many consumers do not have, including an understanding of percentages and terms such as "representative." Without this, the metric risks being exclusionary, limiting its effectiveness as a tool for comparison.

The difference between advertised APRs and the rates many consumers ultimately receive reduces trust and transparency, with the risk that higher-cost lending is obscured. Disclosures should more clearly reflect the likelihood of the rate a consumer will actually receive. For example, stating that "over half of customers receive an APR of X%" may provide a more realistic indication than a broad representative range, particularly where pricing varies significantly depending on credit risk. Clearer, more precise definitions would also better support consumer understanding and fair disclosure.

Presenting a range or "representative" rate can risk misleading consumers if it implies access to lower rates that may not be achievable. Providing the specific APR that an individual is eligible for is therefore more transparent and avoids creating unrealistic expectations about the cost of credit.

If representative APRs are used, we recommend:

- requiring communication of the full range of possible APRs upfront to support transparency, meaningful comparison, and a more equal footing for CDFIs with other lenders;

- if the current 51% threshold remains, clarifying what it represents i.e. the proportion of consumers eligible for a given rate or those who actually receive it;
- ensuring standardised methodology is used;
- requiring firms to test different approaches with customers;
- simplifying terminology, subject to consumer testing.

We support clearer guidance on how APR should be explained. However:

- improving explanations alone is unlikely to overcome low understanding;
- the focus should be on **improving the overall presentation of cost information**.

Suggested alternatives for “representative” include “typical”, “most common”, and “most likely”. However, the priority should be consumer testing and consistency, and evidence of testing outcomes, rather than any specific wording.