



Citizens Advice Scotland response Financial Conduct Authority – Consultation Paper CP18/35

Citizens Advice Scotland (CAS), our 60 member Citizen Advice Bureaux (CAB), the Citizen Advice consumer helpline, and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone.

In 2017-18 the Citizens Advice Service network helped over 295,100 clients and dealt with almost 800,000 advice issues for clients living in Scotland. With support from the network clients had financial gains of almost £142.2 million and our self-help website Advice in Scotland received approximately 3.2 million page views.

Citizens Advice Scotland welcomes the opportunity to respond to this consultation and the FCA's proposal to introduce a price cap on rent-to-own firms to protect vulnerable consumers.

Q1: Do you agree with our assessment of harm to consumers from high prices?

Yes, CAS agrees with the assessment of harm to consumers within the rent-to-own sector from high prices. The FCA's assessment of harm is similar to the findings in the CAS 'Home Truths' report¹. This report highlighted that rent-to-own clients tended to be young, most often female, and often a lone parent; that many rent-to-own clients were experiencing financial difficulties; and that they tended to have multiple debts. The CAS report also presented evidence that those using rent-to-own stores experienced harm in terms of:

- paying a higher price for goods than if they had bought these goods outright;
- affordability checks;
- the sale of insurance and/or aftercare;
- poor sales practices.

The below case illustrates harm caused to Citizens Advice Bureaux clients who were unable to afford the goods purchased and the rent-to-own firm's lending checks were insufficient.

A couple with limited income were lent in excess of £9,000 by a rent-to-own retailer for various purchases. Their income was solely from benefits and the wife had mental health issues. The retailer was contacted to question the level of lending. The retailer responded that their lending policy is based on disposable income and product suitability.

The below case is an example of where a client did not understand what they were purchasing from a rent-to-own firm in relation to insurance. As a result of this, the client was not covered by insurance in the way they had thought they were.

A client had recently taken out a hire purchase agreement for a TV. He had taken out insurance which was sold by the rent-to-own retailer. Around a month after this purchase

¹ Citizens Advice Scotland (2018), [Home Truths](#)

the client's home was broken into and the TV was stolen. The client contacted the retailer to inform them of the theft but was told he would not receive a replacement TV. On looking into the insurance cover policy it stated that if goods were stolen the insurance company would only make a payment to the rent-to-own retailer which matched the amount the client had already paid towards the goods. In this case the client did not have a choice over whether they purchased insurance from the rent-to-own retailer.

Below is an example which illustrates poor sales practice by a rent-to-own retailer which a consumer experienced.

A consumer who is unable to read was able to take out four hire purchase agreements with a rent-to-own retailer over a two year period. The consumer signed these agreements whilst being unable to read them.

Q2: Do you agree with our assessment that other measures will not be fully effective in reducing harm from high prices?

No, CAS evidence and research suggests that there are further steps which could be taken by the FCA. The 'Home Truths' report also recommended that:

- rent-to-own retailers should work with customers to assist them in improving their credit rating and ensure they are not lent more than is affordable;
- the FCA should use their regulatory powers to ensure that there is genuine competition within the rent-to-own sector;
- rent-to-own retailers should carry out credit checks for each item a consumer wishes to purchase;
- there should be a limit on the number of goods a consumer is able to access from rent-to-own retailers at one time;
- sales staff in rent-to-own retailers must provide all the information a consumer could require to make an informed decision, including stating that purchasing insurance and/or aftercare is not compulsory.

This report demonstrates that these steps could also be effective in reducing harm. Nonetheless, CAS does welcome the proposal to introduce a price cap on rent-to-own firms and agrees it has the potential to reduce harm caused to vulnerable consumers. It was one of the recommendations in the 'Home Truths' report. In order for this policy to be effective the monitoring of the rent-to-own sector will need to be robust and the FCA should continue to take enforcement action, when appropriate.

Q3: Do you agree with our approach to benchmarking base price?

Yes, this approach to benchmarking could have a positive impact on vulnerable consumers, particularly those consumers who do not shop around and compare prices. As highlighted in response to Question Two, the monitoring and enforcement of this proposal will be key to achieving its intended aims, particularly in relation to how products are benchmarked and what products are considered compatible. CAS would welcome the FCA regularly scrutinising the benchmarking policies of rent-to-own firms.

Q4: Do you agree with proposals for a total credit cap?

Yes, we welcome this and the potential for this cap to reduce harm to vulnerable consumers who may have limited alternative options available to access credit.

Q5: Do you agree with our proposals on controlling the price of TAD cover?

Yes, CAS agrees with these proposals. Furthermore, we welcome the steps which are proposed to ensure that prices are not increased in other areas and that consumers are not disadvantaged. It is also important that there is effective monitoring of the price of TAD cover.

Q6: Do you agree with our approach to controlling the price of arrears charges?

Yes, CAS agrees with this approach. Furthermore, we welcome the steps which are proposed to ensure that prices are not increased in other and that consumers are not disadvantaged. It is also important that there is effective monitoring of the price of arrears charges.

Q7: Do you have any views on the implementation timetable?

CAS welcomes the proposed changes and hopes that they can be implemented as soon as possible in order to reduce the harm which rent-to-own consumers are currently experiencing due to the high prices charged by rent-to-own firms. We would welcome rent-to-own firms aiming to be compliant with any price cap as soon as possible and, if possible, in advance of the 1 April 2019. Nonetheless, we recognise that rent-to-own firms may need time in order to make the necessary changes.

Q8: Do you agree with our initial assessments of the impacts of our proposals on the protected groups? Are there any others we should consider?

We agree with the initial assessments of the impacts of these proposals on the protected groups.