

Getting along with the new regulator just works

Misconceptions about the motor finance industry abound, so we have to talk openly with the FCA says Roger Gewolb

At the recent *Motor Finance* round table discussion, I said that the FCA was given an overwhelming brief, especially in taking over consumer finance from the OFT.

Having met the achingly tight timetable imposed and delivered on time all it said it would, it now faces the prospect of approving almost 50,000 holders of interim authorisation permissions.

The FCA must therefore be applauded, and also cut some slack, by us. We no longer have a regulator that, at best, understands what we do and has an idea how to work with us; we need to start afresh and be patient with the process, frustrating as it may get. If we don't work with the regulator to help it to understand what we do and what is good and bad about it, things could get tough, given the new, harder line approach that has been so widely announced.

Some specifics:

Said often recently, but bears repeating – it's all about the customer. If we wouldn't like it done to us, then don't do it to them. An example: rewarding collection staff for how much they collect over the shortest period

will probably raise alarm bells now. Each case should be assessed compassionately on its merits, a major departure for some, no doubt.

There has always been considerable misunderstanding and misconception about some aspects of our business. An example: even today the press, legislators and public don't differentiate payment protection insurance sold by unsecured lender clearing banks from those policies sold point of sale at car dealerships. The former gave rise to the tens of billions of pounds of claims paid, but the latter also died a death without perhaps as much justification. But no one but we knows this. There is a taint to the car finance industry inasmuch as PPI was sold by it.

Other forms of car finance, e.g. logbook loans, are also under attack by Citizens Advice and others. These loans are much misunderstood and unjustifiably grouped with payday loans – no part whatsoever of car finance. However, they are being evaluated together as potentially dangerous and exploitative HCSTC (High Cost Short Term Credit). But logbook is not short term and the rates while high because of the deep

subprime nature and great risk of the customers are still only about 1/10th to 1/5th of payday rates.

Ditto issues surrounding voluntary termination and general repossession. Some courts these days just don't seem to get it. Some large finance players now just sell off their arrears at early stage. We had a clear bad actor default case recently where the defendant was ordered to pay only £4 a month on his £200 plus a month obligation, such is the poor image of car financiers and car dealers, we felt.

There are other examples and thus a number of areas fraught with misconceptions and perhaps prejudices, articulated in the press and by well-meaning campaigners, that we are going to have to try (principally through the FLA, CCTA, etc) to educate the regulators about.

It will require cool, intelligent patience and working together for sure; there is no alternative.

Dr Roger Gewolb is a founder of the UK subprime sector with interests in subprime car finance and internet operations



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