

Variation of Permission (VOP) Application

Consumer Credit – notes

Purpose of these Notes

These notes will help you fill in the **Consumer Credit** form correctly.

If after reading these notes you need more help, you can:

- visit our website: www.fca.org.uk/your-fca
- consult the Handbook: www.fshandbook.info/FS/index.jsp;
- email consumercreditVOP@fca.org.uk

These notes, while aiming to help you, do not replace the rules and guidance in the Handbook.

Terms in the Form

The form uses the following terms:

'FCA/PRA, 'we', 'our', or 'us' refers to the Financial Conduct Authority and the Prudential Regulation Authority.

'The firm' refers to the firm applying for the variation of permission.

'You' refers to the person(s) signing the form on behalf of the applicant firm.

Contents of this form

Page

1 Contact details and timings for this application	2
2 Variation of Permission – Consumer Credit activities	2
3 Variation of Permission – Client Money	3
4 Reason for Variation	3
5 Threshold Conditions	
6 Approved Persons	6
7 EEA Notifications & Third-Country Banking/Investment Groups	7
8 Fees	7
9 Declaration and Signatures	7

1 Contact details and timings for this application

Contact for this application

1.1 Details of the person we should contact about this application.

This should be an individual in the UK.

Timings for this application

1.2 Does the applicant firm have any timing factors that it would like us to consider?

If you wish your application to be granted by a specific date, for example in time for a product launch, we will try to do so. However, the time taken to determine each application is significantly affected by the quality of the application submitted and whether it is complete. If you leave a question blank, do not sign the declaration or do not attach the required supporting information, we will have to treat the application as incomplete. This will increase the time taken for us to assess your application.

We are required by law to determine applications within the earlier of (a) 6 months of receiving a complete application or (b) 12 months of receiving an incomplete application. However, we aim to make a decision about the application as soon as possible.

2 Variation of Permission – Consumer Credit activities

It is your responsibility to make sure the regulated activities you request adequately cover the activities the applicant firm intends to carry on. Use this section to request any changes you wish to make to the firm's permission.

You need a Permission Notice that matches the applicant firm's needs and covers every aspect of regulated business it wants to carry on. The Permission Notice shows the range of regulated activities the applicant firm will be authorised to carry on. It will also contain what we refer to as 'requirements' and 'limitations'.

Broadly speaking, a limitation is included in the description of a specific regulated activity and will limit how it is carried on, in some way.

A requirement is on the firm to take, or not to take, a specified action (eg, not to hold client money). A requirement may extend to activities of the firm which are not regulated activities.

If the applicant firm carries on a regulated activity that is not set out in its permission notice it could be in breach of FSMA and subject to enforcement action.

Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

If the variation of permission is granted will the applicant firm become, or continue to be, subject to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and supervised by the FCA?

For further help please refer to our website: <https://www.fca.org.uk/firms/money-laundering-terrorist-financing>

3 Variation of Permission – Client Money

The rules and guidance about how applicant firms hold client money are designed to provide an adequate level of protection for consumers.

4 Reason for Variation

No additional notes.

5 Threshold Conditions

Threshold Conditions are the minimum requirements a firm must satisfy to be, and to continue to be, authorised. When we consider the applicant firm's application, we will assess whether you will satisfy, and continue to satisfy, the threshold conditions which are set out in full in Chapter 2 of the Threshold Conditions sourcebook (COND 2) of the Handbook at: www.fshandbook.info/FS/html/handbook/COND/2.

Location of Offices

This is a requirement of Threshold Condition 2.2.

Effective Supervision

The appropriate regulator must be capable of effectively supervising the firm. This is a requirement of Threshold Condition 2.3.

Appropriate resources

We must be satisfied the applicant firm has adequate resources. We assess the quality and quantity of the applicant firm's resources for its:

- financial resources;
- management;
- staff; and
- systems and controls.

This is a requirement of Threshold Condition 2.4.

Prudential category

We differentiate between our financial requirements by putting applicant firms in different prudential categories. The firm will fall into at least one prudential category (including if there is no specific prudential requirement); and it may fall into more than one prudential category, depending on its regulated activities.

The prudential categories relevant to consumer credit activities are set out in the following table:

Table A

PRUDENTIAL CATEGORIES FOR CONSUMER CREDIT FIRMS	
IPRU(INV) sourcebook	Chapter
Firms operating an electronic system in relation to lending	12
CONC sourcebook	Chapter
Debt management firms and not-for-profit debt advisers holding £1 million or more in client money.	10

For other consumer credit activities, there is no specific prudential requirement and you should answer question 5.5 "no".

Compliance

A firm must establish, maintain and carry out a Compliance Monitoring Programme of actions to check it complies, and continues to comply, with regulations. When assessing this application, we need to be satisfied the applicant firm has the appropriate compliance arrangements in place to meet its regulatory obligations. The applicant firm will need, as a **minimum**, to have in place procedures to meet our rules for the subject areas in the table below. These procedures must be ready for inspection at any time.

5 Threshold Conditions (cont'd)

Supporting Information to Submit With Your Application

For applications to add permission to do the following **for the first time**, the information below **must** be supplied with the application. Failure to do so will lengthen the application process.

As a guide, your VOP application should include the following information:

All firms

- The background to the business;
- Why you are applying to change your firm's permission
- What experience/qualifications you have in this new activity
- Will your staff numbers be increased (if so, by how much)
- How will they be trained and monitored
- Are they incentivised to sell – what products or services and how?
- Details of your systems and controls incorporating the new activity – including IT systems, compliance staff and the governance of the firm.
- Where customers will be sourced from (eg, existing client base or purchase of client bank), including the use of any lead generators or brokers (and how they will be remunerated) and a summary of the financial promotions to take place.
- How will this activity be sold (face-to-face, telephone, through a website?)
- Details of all fees that could be payable by the customer and how they are explained to the customer.
- Details of all charges (for example, for late or early repayment) and how these are communicated to customers
- Details of arrears and default procedures (including how the firm will assess whether the customer is in financial difficulty and any forbearance).
- Details of the procedures in place to mitigate the risk of fraud/crime.
- Details of the procedures in place to mitigate the higher risks of lending to vulnerable customers.
- Business forecast – not just sales, to also include what income is made by fees and charges.

Lenders

Details of how your affordability assessments are carried out

Pawnbrokers

Details of how you will value items

Details of the circumstances in which you will allow a customer to redeem an item and any charges made when this occurs.

Firms applying for high-cost short-term lending

Your forecast should include what percentage of loans you expect to be in arrears and default and what percentage of loans you expect to be refinanced.

Details of how the firm will use continuous payment authorities.

Debt Management firms

What are the firms systems and controls to ensure that it provides accurate payments/data/information to creditors?

What are the firms systems and controls regarding its handling of client money?

What information is provided to the customer about the options available to them and the implications and consequences?

What proportion of debtor payments are passed on to creditors?

5 Threshold Conditions (cont'd)

Debt collection firms

What are the firm's systems and controls to ensure the quality of information it receives from creditors?

What are the firm's systems and controls to ensure that it provides accurate payments/data/information to creditors?

Firms applying for log book lending

What is the firm's approach to seizing assets?

Details of how any depreciation of asset is calculated

Firms applying as home collected credit providers

The number of employees, agents or brokers who will be selling the products of the firm, how they will be overseen and remunerated and the geographical area of the firm's home-collected credit business.

Credit Brokers

What level of service you provide and whether this is exclusively with one lender or a panel of lenders – how is this communicated with the customer

What is your procedure of refunding any upfront fees?

6 Approved Persons

You must ensure that no individual performs a controlled function until the application has been granted and we have approved the individual to perform the controlled function(s).

What is an approved person?

An approved person is an individual who is approved by us to perform a controlled function for an authorised firm or an appointed representative. To be approved and continue to be approved to perform a controlled function, an individual must:

- meet, and maintain, our criteria for approval (the 'fit and proper test'); and then
- perform their controlled function(s) in line with the Statement of Principles and Code of Practice for Approved Persons (APER) sourcebook of the Handbook.

What is a controlled function?

A controlled function is a function for a regulated business that has particular regulatory significance. For example, overseeing the firm's systems and controls and being responsible for compliance with our rules. There are different controlled functions relevant to the different types of businesses we regulate. Some controlled functions are required for every firm, others will depend on the nature of your business. Each controlled function has a 'CF' number. You can find a full list of all the controlled functions and an explanation of each one at: www.fshandbook.info/FS/html/handbook/SUP/10.

The Approved Person 'Form A' application form is found at: www.fca.org.uk/your-fca

7

EEA Notifications and Third-Country Banking and Investment Groups

EEA Notifications

We need to know about any connected firms outside the UK but within the EEA because we may contact the relevant EEA Home State Regulators of these connected firms, as part of the application process.

Third-Country Banking and Investment Groups

Definition of BIPRU firm

BIPRU firm has the meaning set out in the FCA or PRA handbook as appropriate.

Definition of third-country banking and investment group

A third-country banking and investment group is a banking and investment group that is:

- (a) headed by:
 - (i) a credit institution;
 - (ii) an asset management company;
 - (iii) an investment firm; or
 - (iv) a financial holding company;that has its head office outside the EEA; and
- (b) not part of a wider EEA banking and investment group.

8

Fees

The application fee is an integral part of your application. If you do not pay the appropriate fee in full with the completed application pack or when we contact you, we will not process your application.

For further information on fees, see FEES 3 Annex 1.

You should note the firm's periodic fee may change as a result of this application. See www.fca.org.uk/your-fca for further details.

9

Declaration and Signature

This must be the person who is responsible for making the application. This should be a suitable person of appropriate seniority at the firm.