8.2 Conduct standards: debt advice

Overarching principles

8.2.1 The Principles for Businesses (PRIN) apply as a whole to firms with respect to debt counselling, debt adjusting and providing credit information services.

8.2.2 (1) One aspect of conducting a firm's business with due skill, care and diligence under Principle 2 is that a firm should ensure that it gives appropriate advice to customers residing in the different countries of the UK. Failure to pay proper regard to the differences in options for debt solutions available to those customers and to the differences in enforcement actions and procedures is likely to contravene Principle 2 and may contravene other Principles.

[Note: paragraph 3.23d of DMG]

(2) Recommending a debt solution which a firm knows, believes or ought to suspect is unaffordable for the customer is likely to contravene Principle 2, Principle 6 and Principle 9 and may contravene other Principles. The firm should also take into account the expected term of the proposed debt solution, having regard to the Principles.

[Note: paragraph 3.26j of DMG]

(3) An example of behaviour that is likely to contravene Principle 6 and may contravene other Principles in this field is for a firm to actively discourage a customer from considering alternative sources of debt counselling.

[Note: paragraph 3.23m of DMG]

8.2.3 A firm covered by CONC 8 has obligations under the FCA's Dispute Resolution: Complaints sourcebook (DISP) to treat complainants fairly; these are set out in DISP 1.

Signposting to sources of free debt counselling, etc

8.2.4 A debt management firm must prominently include:

(1) in its first written or oral communication with the customer a statement that free debt counselling, debt adjusting and providing of credit information services is available to customers and that the customer can find out more by contacting the Money Advice Service; and
(2) on its web-site the following link to the Money Advice Service web-site: [https://www.moneyadviseservice.org.uk/en/tools/debt-advice-locator].

[Note: paragraph 1.7 of Debt Management Protocol]

### Dealing with lenders of customers

8.2.5 A firm’s communications to lenders (or to lenders’ representatives) on behalf of its customers must be transparent so as to ensure a firm’s customer’s interests are not adversely affected.

[Note: paragraph 2.5 of DMG]

8.2.6 Where entry into a debt solution will lead to a period when payments to lenders (in part or in whole) are not made or are retained by the firm, the firm must, as soon as possible after the customer enters into the debt solution, notify the customer’s lenders of the reason payments are not to be made to the lender and the period during which that will be the case.

[Note: paragraph 3.18niv of DMG]

### Vulnerable customers

8.2.7 A firm must establish and implement clear and effective policies and procedures to identify particularly vulnerable customers and to deal with such customers appropriately.

[Note: paragraph 2.4 of DMG]

8.2.8 Most customers seeking advice on their debts under credit agreements or consumer hire agreements may be regarded as vulnerable to some degree by virtue of their financial circumstances. Of these customers some may be particularly vulnerable because they are less able to deal with lenders or debt collectors pursuing them for debts owed. Customers with mental health and mental capacity issues may fall into this category.

[Note: paragraph 2.4 of DMG]