

3X FCA findings that impact credit providers



In November 2022, the FCA released an interim report.

The key findings?

The credit information sector needs to work better at supporting retail lending and making sure credit is offered where appropriate and at a fair price.



These are the top 3 areas we think will require attention...





#1: Data buying and negotiation



The FCA says:

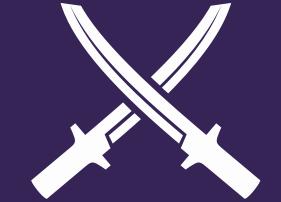
Credit reference agencies (or bureaux) offer a range of products and services to meet client needs, and many firms that use credit information appear to be sophisticated buyers able to negotiate with agencies.





There is a significant lack of bureau data transparency and although buyers are sophisticated, the fact is, they don't know they are being overcharged compared to others.





#2: Data pricing discrepancies



The three large CRAs compete on data quality and price and are typically involved in the same tender processes. Larger lenders are able to exercise some bargaining power given their volume of business, volume of data they contribute, and through using multiple CRAs (to strengthen the perception of switching to another CRA).





Whilst CIU's (credit information users) may feel able to secure freezes or reductions, in reality this is not happening. Plus, they're unaware of the overcharging, including being levied RPI increases unnecessarily.

Cost and time to change is the biggest barrier for a CIU and the majority do not have the ability to go multi-Bureau, unless they are utilising an agnostic platform.





#3: Major differences in underlying data



The differences in the credit information held on individuals across the three large credit reference agencies is striking.

The three CRAs only hold consistent information on the number of defaults for around 30% of matched individuals who have had a default recorded with at least 1 CRA.





Looking at a decent sample size of consumer data from Experian, Equifax, and TransUnion, in 14% of the cases, only one of the Bureaux has the relevant default data. And in only 66% of cases, only 2 out of the 3 Bureaux agree on the data.

Given the impact of defaults, this is highly likely to affect both credit providers and individuals.



Next steps for credit providers?



We expect lenders to start considering:



Identifying where there is a lack of consistency in the data, to reduce risk and uneccessarily turning consumers away.



The importance of doing retros.



Should you have a Multi Bureau supplier strategy?





How can you optimise your supplier if you can't multi-bureau? And how do you get there?



What waterfall of data and suppliers should you use?



How can you negotiate Multi Bureau pricing without increasing costs?



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