EXPLANATORY MEMORANDUM TO

THE FINANCIAL SERVICES AND MARKETS ACT 2000 (CONSUMER CREDIT) (TRANSITIONAL PROVISIONS) (No. 3) ORDER 2014

2014 No. 1446

1. This explanatory memorandum has been prepared by HM Treasury and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Purpose of the instrument

2.1 The instrument makes provision in connection with the transfer of consumer credit regulation from the Office of Fair Trading ("OFT") to the Financial Conduct Authority ("FCA") which is effected by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013 (S.I. 2013/1881) ("the 2013 Order").

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None

4. Legislative Context

4.1 The instrument is made under section 426(1) of the Financial Services and Markets Act 2000 ("the Act").

5. Territorial Extent and Application

5.1 The instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 The instrument makes provision in connection with the transfer of consumer credit regulation from the OFT to the FCA, and the regulation by the FCA of consumer credit lending by local authorities. It extends to 30th September the deadline for local authorities to notify the FCA and pay the relevant fee in order to obtain interim permission under the 2103 Order.

7.2 From 1 April 2014, local authorities are required to be authorised by the FCA where they undertake credit-related activity that is within scope of the Consumer Credit Directive (2008/48/EC), but are eligible for the limited authorisation regime provided for by paragraph 2G of Schedule 6 to the Act; this will reduce the administrative and resource burdens arising from authorisation. The limitation of the need for authorisation to credit-related activity that is within scope of the Consumer Credit Directive, and the bringing of local authorities into the limited authorisation regime provided for by paragraph 2G of Schedule 6 to the Act, were effected by amendments made the by Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2014 (S.I. 2014/366) ("the 2014 Order"), in February 2014.

7.3 The deadline in the 2013 Order to the notify FCA and pay the relevant fee to obtain interim permission was 31st March 2014. But this gave only a comparatively short period for local authorities to determine their regulatory status. This Order therefore extends the deadline for local authorities to 30th March 2014. This provides adequate time for them to prepare their application and is in line with the time given to other businesses applying for interim permission.

8. Consultation outcome

8.1 The FCA was consulted on, and closely involved in the preparation of, the draft Order and is based on local authorities' discussions with FCA.

9. Guidance

9.1 Further guidance will be made available by the FCA.

10. Impact

10.1 This instrument applies only in relation to local authorities and has no impact on the costs of business or the voluntary sector.

10.2 The impact on business, charities or voluntary bodies of the transfer of consumer credit regulation from the OFT to the FCA has previously been set out in an impact assessment: see http://www.legislation.gov.uk/uksi/2014/366/impacts.The Government's best estimate of the total cost to business of the new regulatory regime is £336million over 10 years (at 2013 prices). The Government's best estimate of benefits of the regime is £689million over 10 years. The estimated net benefit over 10 years is £353million. The impact on the public sector is not quantified as public sector organisations generally do not undertake consumer credit activities, apart from local authorities which offer certain types of unsecured credit agreements. The Government has previously consulted local authorities and found that comparatively few authorities would need to be authorised.

11. Regulating small business

11.1 This instrument applies only in relation to local authorities.

12. Monitoring & review

12.1 HM Treasury will monitor the practical effects of the instruments to ensure they continue to meet the policy aims.

13. Contact

13.1 Laura Hanoman at HM Treasury (tel: 0207 270 5507 or email: laura.hanoman@hmtreasury.gsi.gov.uk) can answer any queries regarding the instruments.