

# Modernising the UK's consumer credit regime: The great repeal!

On 19 May 2025, the HM Treasury took significant steps in its goal to modernise the consumer credit regime in the UK, initiating a long-awaited [consultation](#) on the reform of the Consumer Credit Act (CCA) 1974 and, in parallel, issuing its [Response](#) to the [Consultation](#) on the Regulation of Buy-Now, Pay-later (BNPL) products together with [Draft Legislation](#). Together, these documents mark an important shift towards a more flexible, FCA-led regulatory regime. We look at each of these developments below.

## A. CCA Reform

### A Phased Approach

The consultation sets out the Government's proposal to reform the CCA, a task that began in earnest many years ago with the publication of the [FCA's Retained Provisions Report](#) in 2019. The scale and complexity of the task, together with the accelerated timelines required to urgently introduce a bespoke regime to account for BNPL products, has meant that the work will be split into two phases:

- **Phase 1:** This is the consultation for Phase 1 which seeks views on the proposals in relation to information requirements, sanctions and criminal offences.
- **Phase 2:** Phase 2 will address the scope of regulation, definitions, rights, and protections. According to the FCA's [latest regulatory initiatives grid](#), the Phase 2 consultation will follow in Q1 2026.

### Vision for CCA Reform

The consultation acknowledges that the CCA has not kept pace with technological advancements or changes in consumer behaviour. The reform aims to create a more agile and consumer-focused regime, aligning with modern financial services regulation and leaning into the outcomes-focused approach introduced under the Consumer Duty. The CCA and its statutory instruments currently mandate detailed information provisions that firms must provide to consumers. The format and timing of these disclosures are often prescribed and overly complex, with minor technical discrepancies leading to expensive remediations (regardless of any customer detriment). The lack of flexibility in the regime is also seen to hamper innovation, particularly in digital consumer journeys, and resulting in poor customer outcomes. The Phase 1 consultation sets out a path to address these issues.

### Key points

#### 1. Information Requirements

- The current CCA framework for information disclosure is considered overly prescriptive and complex, often leading to poor consumer outcomes. To tackle this, the Government proposes to **repeal all information provisions in the CCA** and recast them (where required) into FCA rules. This is not expected **'to be a simple copy and paste of requirements from legislation into FCA rules'** but instead the FCA will undertake a review and consult as necessary on any specific rules to create a more flexible, effective, and proportionate regulatory framework.
- Alongside the FCA's Principles (including the Consumer Duty), the new regime would focus on achieving good consumer outcomes and enhancing consumer understanding of credit products. HM Treasury sets out how it intends to address some of the technical aspects of the provisions, this includes repealing the provision for **small agreements**, the notoriously troublesome provisions relating to **modifying agreements** and the repeal of Section 18 to address the complexity of **multiple agreements**. Interestingly, the Government also proposes deleting requirements for electronic transmission of documents, allowing for more flexibility in communication methods and plans to consult on how to manage **'Gone away' consumers**.

#### 2. Sanctions

- The consultation paper questions the necessity of the infamous and draconian **automatic sanctions** currently attached to breaches of information requirements under the CCA. These sanctions can result in agreements being unenforceable or firms being disentitled to charge interest and default sums during periods of non-compliance. The Government argues that the existing FCA regime, with its comprehensive supervisory and enforcement powers and Consumer Duty principle, provides sufficient consumer protection without the need for these automatic sanctions. The Government also references possibility liability under the Senior Manager Regime as a strong driver for compliance.

- The paper suggests that the punitive nature of these sanctions may be disproportionate, especially when minor administrative errors occur without causing consumer harm. The Government believes that the FCA's ability to impose fines and require remediation offers a more balanced approach to ensuring compliance and protecting consumers.

### 3. Criminal Offences

- The CCA includes several provisions that give rise to criminal offences. The paper notes that the approach to criminal offences in the CCA is inconsistent with modern financial services regulation, which generally limits criminal liability to activities outside the regulatory perimeter. The consultation explores whether these offences are still necessary and considers the repeal of certain criminal offences under the CCA, such as those related to **canvassing off trade premises** and **sending credit invitations to minors**. The Government argues that the FCA's regulatory toolkit, including its disciplinary powers and the Senior Managers Regime, is sufficient to address harmful practices. However, there is recognition of the need to retain some offences to serve as a deterrent against particularly harmful business practices.
- HM Treasury seeks views on the following approaches:
  - Repealing all criminal offences in the CCA, allowing the FCA to take enforcement action where possible.
  - Keeping all criminal offences in the CCA.
  - Repealing all criminal offences except those related to minors and canvassing off trade premises, where offences would remain.

#### Looking ahead to Phase 2

Phase 2 will focus on consumer rights and protections, key definitions, and the scope of regulation (including its exemptions). This promises to be a more significant undertaking – and is likely to force the Government to make more difficult policy decisions.

#### Next steps

The consultation paper invites stakeholders to provide feedback on the proposed reforms. Consultation will remain open for nine weeks, closing on **21 July 2025**.

## B. Regulation of Buy-now, Pay-Later

In parallel with the wider CCA reforms, HM Treasury has published its [Draft Legislation](#), and the [Government Response to the BNPL Consultation](#). These confirm that the Government confirms it will proceed with plans to regulate BNPL agreements offered by third-party lenders (to be known as 'Deferred Payment Credit' or 'DPC' agreements), while direct merchant-provided finance will remain outside scope, continuing to benefit from the exemption under Article 60F(2) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

#### Key points

##### 1. Disapplication of CCA information and post-contract servicing requirements

In line with the wider CCA reforms, CCA disclosure and servicing rules (e.g. in relation to pre-contract disclosure, content of agreements and notices of sums in arrears) will be disapplied, with the FCA planning to develop bespoke rules.

##### 2. Sanctions

In line with the wider CCA reforms, DPC will not be subject to CCA enforcement sanctions (e.g. unenforceability); firms will be regulated via the FCA's principles-based regime.

##### 3. Merchant instalment credit

Merchant-provided instalment credit will remain exempt (subject to an anti-avoidance provision).

##### 4. Credit broking and Financial Promotions

Most merchants offering DPC will be excluded from FCA licensing as credit brokers. However, unauthorised merchants must have any financial promotions approved by an authorised firm (expected to be by the third party lender they work with).

## 5. Temporary Permissions Regime (TPR)

A TPR will be set up – via forthcoming legislation - to allow BNPL firms to continue operations while seeking authorisation. DPC firms in the TPR can approve their own financial promotions for use by unauthorised merchants.

## 6. Senior Managers Regime

Firms operating under the TPR will be exempt from both the Senior Managers and Certification Regimes.

## 7. Payment Services

Where DPC arrangements qualify as payment services, providers must comply with the Payment Services Regulations 2017. The FCA may disapply duplicative information requirements using the rules it is developing.

## Next Steps

The Government is committed to introducing BNPL regulation as soon as possible. The Statutory Instrument is expected to be laid before Parliament shortly, with the FCA having 12 months to finalise its rules. A separate consultation by the FCA on its detailed rules for BNPL regulation is expected “shortly”. BNPL products are anticipated to enter regulation around **mid-2026**.

**Please get in touch with us if you would like to discuss these developments, or would like our help in supporting you in responding to the CCA reform consultation.**

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