

Topic 8: Consumer Protection

| Learning outcomes: | Key terms: | |
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| <ul style="list-style-type: none"> Understand and explain the roles and limitations of the PRA, FCA, FOS, FSCS and the CMA and the codes of conduct that providers set themselves. | <p align="center">Capital</p> <p align="center">Chancellor of the Exchequer</p> <p align="center">Citizens Advice</p> <p align="center">Competition & Markets Authority (CMA)</p> <p align="center">Consumer credit</p> | <p>The money or other assets owned by an individual or a business. In the case of a financial services provider, it refers to the funds provided by the shareholders, not deposits from customers.</p> <p>The British Cabinet minister responsible for financial and economic matters and in charge of the Treasury.</p> <p>A charity providing free, independent, confidential & impartial advice on citizens' & consumers' rights & responsibilities.</p> <p>An independent, non-ministerial government department, which works to promote competition between providers.</p> |
| <p>Credit Crunch:</p> <p>Global financial crisis that started in 2007. Caused by banks lending money to people who were unable to repay. Banks using money from their retail business to pay the losses made by their investment operations. UK market was dominated by very large banking organisations that were considered 'too big to fail'.</p> | <p align="center">Credit crunch</p> <p align="center">Credit union</p> <p align="center">Current account</p> <p align="center">Debit card</p> <p align="center">Deposit</p> <p align="center">Financial Conduct Authority (FCA)</p> <p align="center">Financial Ombudsman Service (FOS)</p> <p align="center">Financial Policy Committee (FPC)</p> | <p>This is another term used for borrowing. It is important to understand that 'taking credit' or 'buying on credit' refers to borrowing. However, a credit into a bank account means paying money in.</p> <p>A reduction in the availability of loans or a tightening of the conditions needed to obtain one.</p> <p>A mutual organisation (that is, owned by its members) that provides a range of financial products. Members of a credit union must share a common bond, eg all work for the same employer or live in the same town.</p> <p>Bank or building society accounts where people can store their money in the form of electronic balances and withdraw it to make payments.</p> <p>A card that can be used to withdraw cash, make face-to-face transactions, and make payments online or over the phone.</p> <p>A sum of money placed by a customer with a bank.</p> <p>One of the two main regulators of financial services in the UK.</p> |
| <p>PRA:</p> <p>Responsible for the prudential regulation of banks, building societies, credit unions, insurers and major investment firms. Their objectives are to promote the safety and soundness of providers and to secure an appropriate degree of protection for insurance policyholders.</p> | <p align="center">Financial Services Compensation Scheme (FSCS)</p> <p align="center">Independent Commission on Banking (ICB)</p> <p align="center">Independent financial adviser (IFA)</p> <p align="center">Investment banks</p> | <p>An independent body set up by Parliament that settles customer complaints about providers at no charge to consumers.</p> <p>A part of the Bank of England that monitors and responds to risk posed to the entire financial services market. Its focus on the whole market makes it a macro-prudential authority.</p> <p>A compensation scheme that pays compensation to account holders of up to a certain amount per provider if the provider goes into default (in other words cannot pay account holders the money they have in their accounts).</p> <p>A committee formed in June 2010, as a response to the global financial crisis. It considered reforms to the UK banking sector to promote both financial stability and competition.</p> |
| <p>FCA:</p> <p>An independent body which reports to the Treasury and can receive direction from the FPC. Providers that are regulated by the FCA have to pay fees to cover its running costs. Its aim is 'to make financial markets work well so that consumers get a fair deal'.</p> | <p align="center">Liquidity</p> <p align="center">Money Advice Service</p> <p align="center">Money laundering</p> <p align="center">Mortgage</p> <p align="center">Office of Fair Trading (OFT)</p> | <p>A professional who makes financial recommendations to clients based on available products across a wide range of providers.</p> <p>Banks that are involved in trading financial assets such as shares, underwriting issues of shares by other institutions and advising on mergers and acquisitions. Investment banks do not provide services such as current accounts.</p> <p>The assets that a business holds in the form of cash, that can be used to meet immediate demands for payment.</p> <p>A consumer information service set up by the government to help people make informed financial decisions.</p> <p>The process of making 'dirty' money (money gained from criminal activities) 'clean'.</p> <p>A loan taken out to pay for a property, usually over a long term such as 25 years.</p> |
| <p>FOS:</p> <p>An independent body set up by the government to sort out individual complaints that consumers and financial businesses aren't able to resolve themselves. It is free to consumers & funded by levies on providers. It can pay compensation up to a maximum of £150k</p> | <p align="center">Overdraft (authorised and unauthorised)</p> <p align="center">Payday loan</p> <p align="center">Payment protection insurance (PPI)</p> <p align="center">PIN</p> <p align="center">Prudential Regulation Authority (PRA)</p> <p align="center">Retail banks</p> <p align="center">Standards of Lending Practice</p> | <p>The government department that monitored how businesses compete with each other. It was abolished in April 2014 and its responsibilities shared between the FCA and a new organisation, the Competition and Markets Authority.</p> <p>A facility that allows an account holder to withdraw more money than they actually have in their account. An authorised overdraft is agreed with the bank in advance within certain limits. Exceeding those limits or going overdrawn without permission is an unauthorised overdraft, and attempted withdrawals may not be honoured.</p> <p>A loan designed to be taken out for only a very short period, which charges a very high APR.</p> <p>An insurance product to ensure repayment of loans should a borrower face unexpected events that prevents this happening.</p> <p>A secret personal identification number that verifies a user's identity to a system.</p> <p>One of the two main regulators of financial services in the UK (the other is the Financial Conduct Authority).</p> |
| <p>FSCS:</p> <p>An independent body that makes no charge for its services but funded by levies on regulated providers. Deposits are covered up to a max of £85k per person and investments and mortgages, up to £50k per provider.</p> | <p align="center">Sub-prime market</p> <p align="center">Transaction</p> <p align="center">Treasury</p> | <p>Banks that deal directly with consumers, for example providing current accounts and mortgages.</p> <p>A voluntary code of conduct that sets out good practice for the provision of advice about loans, credit cards, charge cards and cur assures customers that subscribed providers follow the Standards and gives information on the service they should expect.</p> <p>Lending to and borrowing by consumers with untested or poor credit histories.</p> <p>Buying or selling something.</p> <p>Her Majesty's (HM) Treasury, the government department responsible for development and implementation of financial and economic policy.</p> |