

# ELECTION MANIFESTO 2005



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# FLA Manifesto

*In this business and consumer finance manifesto, FLA puts forward priorities for the next Government.*

*FLA supports consistent and responsible economic and fiscal policies which deliver confident businesses and consumers.*

*Within this framework, FLA continues to support targeted measures which genuinely promote competitive, transparent and responsive markets, built on responsible lending and financial capability.*

*Key policy issues include:*

## Consumer credit reforms

FLA welcomes much in the Consumer Credit Bill, whether or not it is enacted ahead of an Election. The Bill proposes wholesale reform of consumer credit legislation, and presents an opportunity to update key parts of the existing law in line with modern markets, modern consumers and modern business practices. Changes to the law should be proportionate, sufficiently clear and promote a fair balanced and competitive market place which benefits both consumers and businesses.

There is one area, in particular, where the Government should go further. The antiquated "Half Rule" for Hire Purchase (HP), introduced in the 1930's, and which sets a statutory 50% cap on liability at the termination of HP loans, leads to massive and unpredictable losses for HP providers, which in turn restricts supply. HP is a mainstay of affordable, fixed rate, fixed term borrowing which is accessible to the majority of people. Reform of the law in this area should be considered for urgent modernisation.

## Data Sharing

Responsible lending is built on access to information and data. Better data sharing helps prevent over-indebtedness and fraud. Primarily this means the sharing of more records, but in addition it means the sharing of more detailed data on records that are already shared, notably data on credit card accounts to indicate whether the customer is making only the minimum repayment each month and whether the customer is withdrawing cash and using credit card cheques.

### Key reforms include:

- New legislation enabling banks and other lenders to share data on old records. In the past, some lenders had not foreseen the widespread sharing of data or had not planned to share data via the credit reference agencies so had not informed customers in their 'fair processing' notices of an intention to do so. It would be a breach of the Data Protection Act 1998 to share data relating to these customers without now obtaining their consent. FLA is coordinating a detailed cross-industry case for change.
- Government action on sharing student loan data.

## Fraud

The prevention and investigation of fraud is something that lenders take very seriously indeed, and an area in which FLA members have worked collaboratively for some years. We are leading the way in the credit industry by initiating imaginative projects in this area.

### Key issues are:

- The ease with which fraud can be committed by manipulating data held at Companies House.
- The lack of police resource to investigate fraud.

We are working with Companies House on potential improvements that could be made to help prevent fraudsters manipulating information it holds. But changes to the law might be needed to carry out some reforms.

Proper resources are important in the fight against fraud. We help by funding a specialist unit within the Metropolitan Police which, since its inception in September 2001, has recovered cars worth £6 million, and led to around 200 arrests.

However, FLA members cannot – and should not need to – fund resource in every police force in the country. Law enforcement agencies must learn to see fraud as a criminal activity, the investigation of which justifies the use of police time. We also urge Government to quickly implement Home Office proposals to reform fraud law.

## Corporation Tax Reform

The tax system should encourage the growth of asset financing generally.

As the Chancellor acknowledged in his 2004 Pre Budget Report, asset finance is an important source of finance for investment by UK SMEs, and indeed for British business more generally and the UK public services, not least the National Health Service and local government.

We welcome the move to a more equitable treatment of cross-border leasing implied by the Government's proposals for corporation tax reform and the willingness to consider rationalising the anti-avoidance regime. Overseas leasing rules also need urgent reform.

Leasing proposals tabled by the Government in December 2004 need urgent attention. Finance for commercial vehicles, heavy goods vehicles, manufacturing assets, rail rolling stock, aircraft and shipping finance need particular consideration. The Government has said repeatedly that it wishes to target a small minority of pure financing transactions - and the estimate of reduced leasing business in the associated impact statement reinforces that view. But to achieve that goal, significant revision of the scheme is required. As they stand, the proposals will lead to a highly complex new form of leasing taxation, throwing a disproportionate burden of administration on lessors and their clients, in ways that will distort the provision of business finance.

# Representing Business and Consumer Finance

*FLA (Finance & Leasing Association) is the main representative organisation for the UK consumer credit, motor finance and asset finance sectors, and the largest organisation of its type in Europe.*

*Our members comprise banks, subsidiaries of banks and building societies, the finance arms of leading retailers and manufacturing companies, and a range of independent firms. The facilities they provide include finance leasing, operating leasing, hire purchase, conditional sale, personal contract purchase plans, personal lease plans, secured and unsecured personal loans, credit cards and store card facilities.*

*FLA's mission is to advance the interests of its members and their customers by promoting an open, competitive and fairly regulated market place.*

*In aiming to fulfil our mission, we campaign for best practice in lending and leasing. Our Lending Code 2004 sets out standards of good practice for the consumer finance industry and is intended to reassure any consumer who applies for finance from full members that they are doing business with reputable organisations.*



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