

SECTION 14: FINANCIAL PRODUCTS, SERVICES AND INVESTMENTS

Question 88: Do you agree that rule 14.7.5 makes clearer the requirement that the nature of the relation between interest rate and variable be stated? If your answer is no, please explain why.

<p><i>Responses received in favour of BCAP's proposal from:</i></p>	<p><i>Summaries of significant points:</i></p>	<p><i>BCAP's evaluation of those points and action points:</i></p>
<p>The Advertising Association; Asda; Charity Law Association; three organisations requesting confidentiality</p>	<p>1. <i>Charity Law Association</i> Yes. Even greater clarification might be achieved by adding the word "variable" so that the new rules reads "14.7.5 if interest rates are calculated by reference to an external variable index or rate that fact must be stated clearly." This does reintroduce the very word that was confusing in the old rule, but in the new context is perhaps no longer confusing, and instead us useful clarification.</p>	<p>See below.</p>
<p><i>Responses received against BCAP's proposal:</i></p> <p>An organisation requesting confidentiality</p>	<p>1. <i>An organisation requesting confidentiality</i> We consider that rule 14.7.5 is not clear and will not provide the outcome intended by BCAP. Interest on some savings products is calculated by reference to an external rate. However a change in the external rate does not automatically trigger a change in the products interest rate. Furthermore if the product interest rate does change it may not change by the same margin as the external rate. Therefore the complexity of some products is not reflected within the wording of rule 14.7.5. We believe that the inclusion of rule 14.7.5 will</p>	<p><i>BCAP's evaluation of those points and action points:</i></p> <p>1. BCAP took advice from the FSA, which introduced new conduct rules for retail banking services on 1 November 2009.</p> <p>The FSA considers that the present rule should be retained, because consumers understand the term 'variable' and the rule is consistent with the provision in the FSA's BCOBS that requires advertisements to state that interest rates may be subject to change in future.</p>

	<p>severely limit our and others ability to promote savings products. In addition The British Bankers Association's Code of Conduct for the advertising of interest bearing accounts S9(b) requires a statement that the rate is subject to variation where applicable. This requirement therefore appears inconsistent with the removal of the existing BCAP rule 9.7(d).</p> <p>For these reasons we believe the existing rule 9.7(d) should remain without amendment.</p>	<p>On that basis, and mindful of respondents' comments, BCAP is content to maintain the present rule.</p>
<p>An organisation requesting confidentiality</p>	<p><i>2. An organisation requesting confidentiality</i></p> <p>We are not convinced that the proposed rule is sufficient to ensure that consumers know when an interest rate is not fixed. As drafted, the proposed rule only requires a clear statement if rates are calculated with reference to an external index or rate.</p> <p>But the proposed Code appears to be silent on instances where rates can vary, but without direct reference to any such external factors.</p>	<p>See above.</p>
<p>Question 89:</p> <p>i) Taking into account BCAP's policy consideration, do you agree that BCAP's rules on financial products, services and investments are necessary and easily understandable? If your answer is no, please explain why?</p>		

<p>ii) On consideration of the mapping document in Annex 2, can you identify any changes from the present to the proposed rules that are likely to amount to a significant change in advertising policy and practice, are not reflected here and that should be retained or otherwise be given dedicated consideration?</p> <p>iii) Do you have other comments on this section?</p>		
<p><i>Responses received from:</i></p> <p>Advertising Association; Asda; Charity Law Association; three organisations requesting confidentiality</p>	<p><i>Summaries of significant points:</i></p> <p>i) The Advertising Association, Asda, the Charity Law Association and three organisations requesting confidentiality agreed that BCAP's rules on financial products, services and investments were necessary and easily understandable.</p> <p>ii) No respondent identified changes from the present to the proposed rules that were likely to amount to a significant change in advertising policy and practice that had not been reflected in the consultation document.</p>	<p><i>BCAP's evaluation of those points and action points:</i></p> <p>BCAP welcomes respondents' comments.</p>
<p>Which?</p>	<p>iii) <i>Which?:</i></p> <p>In personal finance, responsibility for advertising is fairly complex. In most product areas, including investments (including pensions), mortgages and insurance, the advertising is controlled by the FSA based on rules in the Conduct of Business handbooks. In contrast, most consumer credit adverts are dealt with by the OFT and fall under Consumer Credit legislation. However, there is a role for the Codes, particularly in terms of non broadcast credit or loan products. We have, on</p>	<p>The general rule on social responsibility is sufficient to secure the objective. The ASA adjudication on Picture Loans indicates its stance on unwise styles of borrowing.</p> <p>CAP and the ASA have contributed to OFT work on "irresponsible lending" separately to ensure a joined up regulatory approach to consumer lending.</p>

	<p>numerous occasions, highlighted in the magazine a number of examples of bad practice and we believe that the Code could do more to promote responsible lending practices. As stated, our key wish in this area is that we would like the Code to pay particular attention to the issue of responsible lending. As a general point, we believe all marketing of credit must be 'socially responsible' and should 'contain nothing that is likely to lead people to adopt styles of borrowing that are unwise'. In this context, 'unwise' could be further defined as 'a lack of judgment', 'imprudent', 'incautious' or 'rash'.</p>	
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