

Future Regulatory Framework Review  
Finance Services Strategy  
HM Treasury  
1 Horse Guards Road  
SW1A 2HQ

9 February, 2022

## **HMT FINANCIAL SERVICES FUTURE REGULATORY FRAMEWORK REVIEW: PROPOSALS FOR REFORM**

The British Vehicle Rental and Leasing Association (BVRLA) represents the demand side of the automotive industry. Our members engage in vehicle rental, leasing and fleet management, purchasing around 50% of new vehicles sold annually in the UK. The sector supports over 465,000 jobs and supplies UK businesses and consumers with a combined fleet of over four million cars, vans and trucks.

The BVRLA welcomes the opportunity to comment on this phase of consultation on the Future Regulatory Framework Review for financial services. BVRLA members are largely supportive of the Treasury's work in examining how to adapt the regulatory framework to be fit for the future and are broadly in agreement with the proposals set out to achieve this.

The association has engaged across the phases of the review and in our previous response, highlighted that a shift towards outcomes-focused regulation led by regulators would be beneficial for firms in our sector due to the increased flexibility and agility this move would provide. However, the BVRLA also firmly believes that with increased flexibility, genuine engagement and dialogue with the sector is critical. One cannot go ahead without the other. We also believe these reforms must be across all relevant legislation and equally prioritise UK-originating regulation and retained EU laws.

### **Allocation of regulatory responsibilities**

We agree with the proposed division of responsibilities between Government, Parliament and the regulators. Moving away from primary legislation to regulator power guided by legislated principals setting the policy framework will empower the FCA to be more responsive to industry and nuanced in their regulatory approach. With these increased responsibilities for the regulator, there needs to be a matched level of accountability. We agree with proposals around parliamentary accountability mechanisms.

Engaging with stakeholders will also be increasingly important if the regulator has more policymaking powers. We agree with the proposals to improve the engagement process, particularly around strengthening the cost-benefit analysis (CBA) process and making it more transparent.

Another aspect of stakeholder engagement we believe could be improved in the policymaking process is allowing for an appropriate timeframe for discussion and responses from stakeholders across all levels of the market where broad regulation will impact firms differently.

### **A comprehensive FSMA model**

The BVRLA has supported the suggested regulatory approach and the above proposals for subsequent accountability and engagement in the regulator's policymaking processes. However, this new model of how FSMA operates should be extended in scope to include an equal focus on domestic legislation and retained EU regulation. For example, both the EU Consumer Credit Directive and UK Consumer Credit Act should be urgently prioritised for reform to meet the FSMA model.

The Consumer Credit Act is in urgent need of simplification and modernisation to ensure its requirements are fit for purpose, especially in today's digital markets. Due to its prescriptive nature, the CCA legislation complicates the operation of consumer credit markets in ways that are not always aligned with regulatory requirements around customer protection. For example, the stipulations on disclosure are at odds with new regulatory requirements on consumer understanding as proposed by the Consumer Duty. A review of the CCA is therefore a key area that Parliament should prioritise for reform to align with the proposed model.

### **British Vehicle Rental and Leasing Association**

River Lodge, Badminton Court, Amersham, Bucks HP7 0DD  
tel: 01494 434747 fax: 01494 434499 e-mail: [info@bvrla.co.uk](mailto:info@bvrla.co.uk) web: [www.bvrla.co.uk](http://www.bvrla.co.uk)

It is critical that the drafting of any reformed principle-based legislation is extremely robust. For example, there have been challenges around FSMA and inadvertent impacts on some sectors that the wording has created. There also must still be an appetite to update legislation if it constrains the regulators in ways that were not intended.

We would welcome further engagement on any of the issues raised in this letter.

Yours sincerely,



**Toby Poston,**  
Director of Corporate Affairs

Direct Dial: 01494 545700

Email: [toby@bvrla.co.uk](mailto:toby@bvrla.co.uk)

## About the BVRLA

- The BVRLA represents over 970 companies engaged in vehicle rental, leasing and fleet management. Our membership is responsible for a combined fleet of four million cars, vans and trucks – one-in-ten of all vehicles on UK roads.
- BVRLA members represent the demand-side of the automotive industry, buying around 50% of new vehicles, including over 80% of those manufactured and sold in the UK. In doing so, they support almost 500,000 jobs, add £7.6bn in tax revenues and contribute £49bn to the UK economy each year.
- Together with our members, the association works with policymakers, public sector agencies, regulators, and other key stakeholders to ensure that road transport delivers environmental, social and economic benefits to everyone. BVRLA members are leading the charge to decarbonise road transport and are set to register 400,000 new battery electric cars and vans per year by 2025.
- BVRLA membership provides customers with the reassurance that the company they are dealing with adheres to the highest standards of professionalism and fairness.
- The association achieves this by reinforcing industry standards and regulatory compliance via its mandatory Codes of Conduct, inspection regime, government-approved Alternative Dispute Resolution service and an extensive range of learning and development programmes.

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Registered Office as above

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