

CONSUMER CREDIT LICENSES MADE EASY

We're often asked about Consumer Credit Licenses. The FCA regulations cover a broad range of credit-related activities and can seem quite confusing. However, we've seen hundreds of merchants go through the process successfully and we know that for many it can be really straightforward.

The information below gives an overview of what's required for merchants looking to offer consumer finance to their customers through Deko.

More detailed information can be found on the [FCA website](#), and if necessary we can recommend a partner who can help you with your application.

THE REGULATION

Consumer finance is a regulated activity. If you want to offer credit to your customers you will probably need Financial Conduct Authority (FCA) Authorisation. This used to be known as a Consumer Credit License (CCL), a term that's still commonly used and so how we refer to it in this guide. This ensures anyone offering consumer finance is authorised to do so, meets their requirements and is aware of their responsibility to treat consumers fairly.

The CCL application process is fairly straightforward but it can take a few months for the FCA to review your application. We usually recommend that anyone thinking about offering point of sale finance starts the process as soon as possible.

DO I NEED A CCL?

You need a CCL if you want to offer customers interest bearing loans or provide credit for longer than 12 months. If you only want to offer interest free credit for a short term loan (up to 12 months) then you are exempt and do not need a CCL.

Most of our merchants do have a CCL as it allows them to offer a wider range of loan options to suit their customers. For example, they may have an interest free option but also additional tiers of interest-bearing and/or longer term loans so the customer can choose what's right for them.

If you want to offer credit and don't have a CCL the exemption can be a useful way to get started by offering 12 month, interest free loans whilst waiting for your CCL application to be reviewed.

TYPES OF LICENSES

The FCA issues two types of licence: full permission and limited permission. The vast majority of companies offering Deko finance to their customers need a limited permission licence for credit broking.

The most notable exception is where the sale of goods or services takes place in the customer's home and in these cases a full permission license is required.

ADVANTAGES OF HAVING A CCL

- Make monthly repayments more affordable for customers by letting them spread the cost over more than a year
- Make finance more affordable for the retailer by reducing subsidy costs
- Maximise acceptance rate by offering customers a range of loan types with AcceptPlus

APPLYING FOR A CCL

There are quite a lot of questions but most are fairly straightforward and ask details about your company, registration, ownership and how you manage your business.

The actual CCL application is completed online through the Connect portal on the FCA website. It's easy to use and you can save your progress so it doesn't need to be completed in one go.

Our top tip when completing your CCL application is to make sure you answer the questions accurately and honestly. The biggest reason for delays is forms not being completed correctly or completely in which case the FCA then need come back to the applicant to verify or question details.

The FCA have a host of [useful information](#) about completing the application. For merchants looking to offer finance to their customers we recommend:

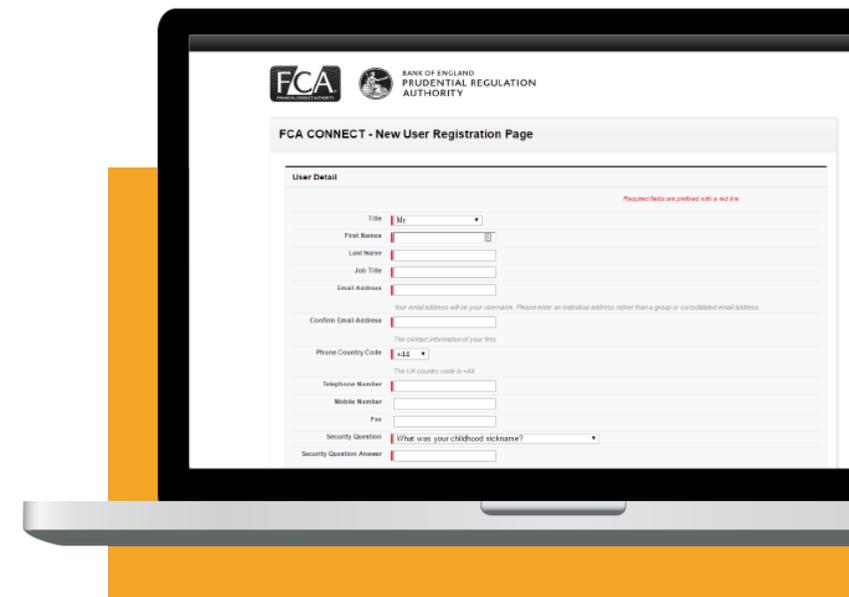
- Check out the [sample application form](#) for limited licence permission
- Review the helpful [guidance notes](#) which explain exactly what is required in each section
- View the "[How to use Connect](#)" video which shows you the actual form and how to complete it successfully
- Gather any information required for the application submission
- [Register on Connect](#)
- Complete the online form

AFTER YOU'VE APPLIED

Once you've submitted your application you'll be assigned an FCA case officer (this can take a few months). They will check your application has been submitted correctly and assess if it meets the [threshold conditions required](#).

CCL TIMESCALES

The FCA states it may take up to 6 months for a decision to be made, rising to 12 months where applications are completed incorrectly. In reality, some merchants receive a decision in 6-8 weeks but for others it takes longer.



WHAT IF I NEED HELP?

Some companies have a more complex situation than others and need help with their CCL application. If this is the case we can recommend an advisor who can help you prepare for and submit your application.

LIFE POST-AUTHORISATION

Once you have received your CCL you will be authorised and regulated by the FCA. You will be able to offer the full range consumer finance options from Deko allowing you to maximise conversion, give customers the greatest possible choice and increase sales. You will also need to be aware of:

Annual reporting

You will be required to provide annual reporting on your finance activities. This is relatively straightforward for those with a limited permission license and includes annual revenue and number of transactions from credit related activities.

Annual fee

Fees are based on the annual income from consumer credit related activities. There's a sliding scale based on various elements and a fee example calculation can be seen on the [FCA website](#).

INTERIM PERMISSIONS

You might hear mention of interim permissions, but if you're applying for a new CCL you do not need to worry about this.

A few years ago it was the Office of Fair Trading (OFT) who issued consumer credit licenses. This changed back in 2014 and companies who already held a CCL had to apply for interim permission with the FCA before reapplying for authorisation. This has now been completed and all businesses affected by this have either now reapplied or decided to withdraw from holding a CCL.

CCL COSTS

It's relatively inexpensive to apply for and obtain a limited permission CCL. The fees are split into two bands based on how much income you expect to receive from offering finance.

- 1) Firms with annual consumer credit income up to **£50,000 - £100**
- 2) Firms with annual consumer credit income over **£50,000 - £500**

If you're new to finance it can be difficult to estimate how much revenue you'll bring in through finance. In our experience merchants with £1m+ annual turnover will generate significantly more than £50k sales through finance so we'd always suggest the latter option. Given the additional sales and the increase in average order value the £500 fee is a small price to pay to be able to offer finance.

WHAT NEXT?

We recommend merchants start the CCL application process as soon as they start thinking about finance. The costs are relatively low and it can take a while for the FCA to review applications so it's best to get things moving as soon as possible. The exemption can be a useful way to get started by offering 12-month, interest free loans whilst waiting for your CCL application to be reviewed.

If you have any questions about CCLs or you would like to offer point of sale finance to your customers please do [get in touch](#).

Companies large and small have been granted CCLs to offer consumer finance as the benefits are huge. Don't let a small bit of paperwork put you off accessing this great sales tool that can increase revenues by 45% and raise average order values by 40%. It's easy to do and gives your customers a convenient way to spread the cost of the important things in life.

For more information speak to one of our sales team, email us at hello@dekopay.com or call us on **0800 021 7150**.

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