

Module	Banking and Lending
Jurisdictions	UK

Module Application

Does your organisation comply with legislation, authorisation requirements, and ongoing regulatory procedures of the Financial Conduct Authority and the Prudential Regulation Authority?

Does your organisation comply with ongoing and regular compliance obligations?

Does your organisation comply with reporting requirements by submitting reports through the proper channels, publicly disclose required information, and pay the associated fees?

Does your organisation comply with the FCA's Consumer Duty requirements?

Does your organisation comply with the requirements in the Banking: Conduct of Business Sourcebook (BCOBS)?

Does your organisation offering consumer credit services comply with the relevant regulations in the FCA Handbook?

Does your organisation comply with the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB) rules when offering regulated mortgage contracts?

Module Scope

The Banking and Lending module outlines and explains the regulatory requirements for banks operating in the UK who offer banking and lending services.

The rules and standards are administered in the UK by:

- The Financial Conduct Authority (FCA), which focused on protecting consumer interests
- The Prudential Regulation Authority (PRA), an arm of the Bank of England focused on protecting the health of the UK economy
- The Payment Systems Regulator (PSR), an independent component of the FCA responsible for the oversight and direction of payment service providers operating in the UK

As banking is a highly regulated area in the UK, banking organisations are also subject to a range of UK Legislation, including:

- Financial Services and Markets Act 2000 (UK)
- The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (UK)
- The Financial Services and Markets Act 2000 (Threshold Conditions) Order 2013 (UK)
- The Financial Services and Markets Act 2023 (UK)

- The Banking Act 2009 (UK)
- The Payment Services Regulations 2017 (UK)

Both organisations that seek authorisation to provide banking services in the UK, and organisations that already provide banking services, can use this module to confirm the adequacy of existing compliance measures and gauge the compliance burden of possible expansions.

The module covers the following topics:

- Authorisation (Procedures)
- Authorisation (Requirements)
- Authorisation (People)
- Regulation (CRR)
- Regulation (Specific Events)
- Customer Relations
- The Banking Conduct of Business Sourcebook (BCOBS)
- The Consumer Credit Sourcebook (CONC)
- The Mortgages and Home Finance Conduct of Business Sourcebook (MCOBS)
- The Conduct of Business Sourcebook (COBS)
- Payment Services
- The Lending Standards Board Standards of Lending Practice for Business Customers
- The Invoice Finance and Asset Based Lending Code

1. Authorisation (Procedures)

The present authorisation process for banks under the Financial Services and Markets Legislation is governed by The Prudential Regulation Authority (PRA) alongside the Financial Conduct Authority (FCA). To obtain authorisation, the bank must:

- Engage in the optional pre-application process
- Submit the application through the requisite forms and supporting documentation
- Engage in the optional Mobilisation (AwR) phase
- Understand the possible authorisation outcomes
- Pay all required fees

2. Authorisation (Requirements)

Organisations wishing to become banks in the UK face stringent regulatory requirements imposed by the PRA and the FCA. As part of the pre-application engagement process and application submission, organisations must demonstrate compliance in all relevant areas. These are:

- Governance (including SMCR)
- Regulatory Business Plan (RBP)
- Risk management assessment

- Risk measurement and monitoring
- Capital Assessment (ICAAP)
- Capital instruments assessment
- Liquidity assessment
- Owner/controller assessment
- Recovery planning
- Orderly exit and resolution

3. Authorisation (People)

Organisations seeking authorisation to become a bank, and organisations operating as a bank, must comply with the standard procedure of the Senior Managers and Certification Regime. This involves:

- Understanding who needs to comply with the Senior Managers and Certification Regime
- Applying for approval and determination

4. Authorisation (CRR)

Organisations that are banks have ongoing and regular compliance obligations that have been imposed by regulators during the course of their operations. This involves:

- Threshold Conditions
- PRA Fundamental Rules
- PRA CRR Rulebook
- Capital I: Minimum Requirements
- Capital II - Risk Weighted Assets Calculation
- Liquidity & funding
- Operational resilience
- Recovery
- Resolvability
- Accounting & audit
- Governance and SMCR
- Remuneration
- Risk Management & control
- Outsourcing etc
- Cross-border operations
- Cancellation of permissions
- Change in control
- Intra-group financial Support
- Waiver and modification rules

5. Regulation (Specific Events)

Organisations that are banks are subject to a significant number of reporting and disclosure requirements. They must frequently submit the required data on the relevant portals and platforms as designated by the PRA and FCA. In addition, organisations are required to publicly disclose certain information to maintain transparency. This involves:

- BEEDS
- RegData
- Reporting
- Disclosure
- Fees

6. Customer Relations

The FCA's Consumer Duty establishes a higher standard of care for banks and other financial institutions, emphasising the importance of delivering outcomes that prioritise the well-being of retail customers. This duty involves:

- Consumer duty
- Access to cash
- Communications & promotions
- Products and services
- Price and value
- Consumer support
- Cost of living

7. BCOBS

The Banking: Conduct of Business Sourcebook (BCOBS) is a regulatory framework established by the FCA in the United Kingdom. BCOBS sets forth the standards and practices that banks and building societies must adhere to in their dealings with retail consumers. This involves:

- Restrictions on marketing
- Distance marketing
- Enabling informed decision-making
- Post sale requirements
- The right to cancel
- Publication of information
- Cost calculators, tools and alerts

8. CONC

An organisation carrying on credit-related regulated activities must comply with the general principles, conduct of business rules, and other requirements in the FCA's Consumer Credit sourcebook (CONC). This involves:

- General principles
- Distance marketing
- E-commerce
- Mental capacity guidance
- Remuneration and performance
- Financial promotion
- Financial promotions not in writing
- Quotations: content
- Pre-contract disclosure
- Unfair business practices
- Creditworthiness assessment
- Overdraft charges
- Repeat use of overdrafts
- CCA Information Requirements
- Post contractual business practices
- Cancellation
- Arrears
- Recovery
- Contact with customers
- Lender responsibility
- Data accuracy
- Unsolicited Credit Tokens

9. MCOBS

An organisation carrying on regulated mortgages contracts must comply with the Mortgages and Home Finance: Conduct of Business sourcebook (MCOBS). The territorial scope of MCOB depends on the location of the customer. This involves:

- High net worth customers
- Inducements
- Customer's best interests
- Remuneration and Miscellaneous Provisions
- Financial promotions
- Provision of general information
- Disclosure requirements
- Cancellation
- Advised sales
- Execution-only sales
- Sale and rent back
- Illustrations for equity release
- Contents of mortgage offer

- Disclosure at start of contract
- Statements
- Event-driven information
- Equity release
- APR calculation
- APRC calculation (MCD mortgages)
- Responsible lending and financing
- Payments and charges
- Shortfalls arrears and repossessions

10. COBS

The Conduct of Business Sourcebook (COBS) sets out rules designed to ensure that organisations regulated by the FCA act in the best interests of their clients and provide them with the information necessary to make informed decisions. This involves:

- Application of COBS
- Acting honestly, fairly etc
- Fair and clear communications
- Cold calling
- Overseas clients
- Direct offers and risk warnings
- Distance Marketing
- E-commerce
- Firm and compensation information
- Adviser charging and remuneration
- Non-MIFID client agreements
- Suitability reports
- Insistent clients
- Assessing suitability
- Best execution
- Product information
- Right to cancel
- Reporting

11. Payment Services

While banks are exempted from the authorisation and registration requirements under the Payments Services Regulations, an organisation must be authorised by the FCA to carry on the regulated activity of accepting deposits. This involves:

- Exemption from authorisation (banks)
- General provisions for APIs and SPIs
- Information requirements single payments
- Information requirements framework contracts
- General, other, and common provisions of information requirements
- Charges

- Authorisation of payment transactions
- Execution of payment transactions
- Execution time and value date
- Payment transactions liability
- security measures for payment systems
- Access to payment systems and bank a/cs

12. LSB standards of Lending Practice for business customers

The Lending Standards Board (LSB) is an organisation that sets standards for banks and other financial institutions to ensure they provide fair treatment to customers. The LSB's Standards of Lending Practice are designed to protect consumers and ensure that they receive clear, accurate, and non-misleading information about financial products and services. This involves:

- Product Information
- Product Sale
- Product Sale Declined Applications
- Product Execution
- Credit Monitoring
- Customers in financial difficulty (CiFD)
- CiFD - Business support units
- Portfolio Management (loan sales)
- Customers in vulnerable circumstances

13. Invoice Finance and Asset Based Lending Code

The Invoice Finance and Asset Based Lending Product and Service Board's code establishes comprehensive guidelines to ensure ethical conduct, transparency, and fair treatment of customers within the invoice finance and asset-based lending sector. This code, adhered to by many banks, sets standards for professional integrity, customer communication, and effective internal complaints handling. This involves:

- Compliance and acting with integrity
- Communication, documentation and customer service
- Internal complaints procedures

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