Mutual Clothing and Supply Company Limited response to CMA Strategic review on 33 market remedies dated 19/01/2026 and the Home Credit Market Investigation Order 2007

Firm name: Mutual Clothing & Supply Company Limited
Firm Type: Home Credit Lender
Market: Home Collected Credit
RE: Home Credit Market Investigation Order 2007 (Varied 2011 and 2024)

Dear CMA review team

Mutual Clothing and Supply Co. Ltd. (Mutual) are a family owned and run home collected credit (HCC) lender operating in the East Midlands. Following the market exit of other firms, Mutual are the sole remaining 'large lender' under the Order. Since 2021, four of the five 'large lenders' have exited the market.

We see clear evidence of a change in market circumstances which means the remaining remedies in the Order should be removed.

The collapse and exit of all other 'large' home collected credit firms (including all the national firms) and the exit of significant numbers of smaller HCC firms means:

1) There is no longer a home credit "market" on its own and the remaining HCC lenders are competing in a broader credit market.
2) Given the market collapse, the adverse effects on competition (AEC) within home credit no longer exist.
3) The Order is now no longer relevant because of the significant market changes.
4) The remedies in the Order are no longer appropriate because they will have no impact.

Our views on the changes of circumstances in the CMA's Consultation paper within the Home Credit market

a) **Market developments: changes in the market and competitive landscape since the remedy was introduced. For example, the entry and expansion of competitors to the bound businesses or a change in consumer behaviour.**

Change in Circumstances #1: Market exit of Home Credit firms

There has been significant market exit since the Order came into force in 2007.

Of the original six 'large lenders' under the Order, five have exited. Many smaller firms have followed.

In 2018, the following four 'large' lenders (alongside our firm) were parties to the agreement with the 3rd party provider who ran the comparison website (required under the now removed Part 3 of the Home Credit order). These four lenders exited the market.

Lender	Market exit
Morses Club PLC	Went into administration 17/11/2023
Naylors Finance Limited	Exited Home credit in 2022, Went into administration 18/09/2023
S.D. Taylor	Went into administration 15/03/2022

Provident Personal Credit Limited	Exited Home credit in 2021, winding up of company started 06/09/2023

Additionally, we have seen market exit of medium sized home credit firms who at one point were checked by the Office of Fair Trading as to whether they qualified as 'large' lenders.

Lender	Market exit
CLC Finance (Company Name: Hamsard 3225 limited)	Went into administration 08/08/2023
Short term Finance (holdings) limited	Voluntary liquidation 19/01/2023

As noted by the CMA in their 2024 review of Part 3 of the Home Credit order (comparison website), the number of home credit firms has reduced from 400 as in 2019 Q1 to around 254 in Q1 of 2024[1].

This significant market exit means there is clear evidence of a change in circumstances in the nature of the home credit market and the competitive landscape within that market.

Change in Circumstances #2: Reduction in supply of home credit loans

There has been a substantial reduction in the supply of home credit loan agreements.

In July 2022, the FCA[2] released the following data on the number and value of home credit loan agreements being issued by firms. All home credit firms are required to report the number and value of loans issued in their 'product sales data' returns to the FCA.

Measure	April-19	April-20	April-21	April-22
Number of agreements outstanding	2,276,172	2,058,662	1,824,147	590,814
Value of agreements outstanding	£1,313,902,275	£1,236,099,951	£1,108,578,063	£280,997,228

The drop in value of over £1 billion of home credit is a reduction of 79% from April 2019 to April 2022, before inflation is considered.

With the market exit of large firms accelerating in 2023, the supply of home credit loans will have contracted even further.

According to their published accounts for the financial year ending 25 February 2023, Morses state they issued £60,800,000 worth of home credit loans (to Feb 2023) down from £108,000,000 in 2022. This supply of home credit loans has now also gone from the market.

If necessary, the FCA can provide the CMA with more up-to-date figures on the supply of credit in the home credit market from lenders' product sales data returns.

[1] Provisional decision: Review of Part 3, Article 29 and Part 1 of Schedule 4 of the Home Credit Market Investigation Order 2007

[2] https://www.fca.org.uk/freedom-information/data-consumer-credit-loan-agreements-july-2022

This significant reduction in supply of home credit means there is clear evidence of a change in circumstances in the nature of the home credit market and the competitive landscape within that market.

b) Age and impact: the age of the remedy indicates that the remedy no longer addresses the original competition problem and/or consumer detriment which it was designed to remedy. For example, a remedy which predates developments such as the internet or a remedy requiring bound businesses to provide information to consumers which is no longer used or is no longer relevant to them.

The Competition Commission's final report on Home Credit competition is now approaching 20 years in age. There have been significant developments in consumer credit since then including:

- FCA regulation in 2014.
- New products entering the consumer credit market; payday lending and subsequently HCSTC; and more recently BNPL credit.
- There has been significant change in the consumer credit market not just in home credit.

The remedies are now out of date and are designed to tackle a competition problem which no longer exists.

The original remedies were introduced to address the adverse effect on competition (AEC) as found by the Competition Commission in its final report and remedies order in 2006 and 2007. These adverse effects are no longer present because of the change of circumstances in the market. The market exit of other HCC firms means that there is now, in effect, very little or no competition between home credit providers. Therefore, measures to address competition effects specifically between HCC firms are redundant and should be removed as they no longer address the original competition problem.

With the exception of data sharing, our experience as the lowest cost provider of home credit loans in the HCC market was that the remedies had no impact in addressing the AEC found by the Competition Commission. This is another reason why the remedies should be removed. Our comments on the individual remedies are provided in further explanation later in this response.

c) Regulatory landscape: changes to relevant regulations or legislation affecting the appropriateness of the remedy. For example, alternative regulatory or legislative solutions have been introduced to address the original competition problem.

There has been considerable regulatory change since the Home Credit Order came into effect including the regulation of consumer credit by FCA and more recently the FCA's Consumer Duty requirements[3].

In particular the FCA's Consumer Duty requires firms to provide good outcomes for consumers in "price and value". This will allow the regulator the ability to tackle prices which do not provide fair value to consumers including prices which may have resulted by the way of weak competition.

The FCA have also been proactive in tackling prices which it believes do not provide fair value to customer such as the High Cost Short Term Credit (HCSTC) price cap and the Rent to Own (RTO) price cap.

[3] PS22/9: A new Consumer Duty | FCA

Should the FCA ever assess that home credit consumers are not receiving a fair price, or that the price is too high because of weak competition, the FCA has the power and ability to impose new rules or address individual firm's pricing in a way which supersedes the original order. It should be noted that neither the Competition Commission nor the FCA (when it looked into the home credit market) decided there was a case for introducing a price cap.

On the 25/02/2026 the FCA launched a consultation[4] on its plans to introduce mandatory data sharing following its publication of its credit information market study[5]. The new Credit Information Governance Body (CIGB) which replaces the Steering Committee on Reciprocity (SCOR) has been setup to facilitate this objective. Mandatory data sharing will remove the need for the part of the home credit order which requires home credit lenders over a certain size to data share.

d) Changes to the bound businesses: structural, behavioural or other changes to businesses bound by the remedies. For example, the bound businesses have exited the relevant market.

As noted above there has been significant market exit by home credit lenders including all but one of the 'large' lenders under the order.

Mutual Comments on the original 2007 remedies

The CMA consultation document summarised that the Home credit Order:

> "…requires, amongst other things, that large lenders share their customers' data with at least 2 of the 3 main credit reference agencies (Experian, CallCredit and Equifax) and that all lenders offer better early repayment terms and annual statements to their customers."

Please note that annual statements are a requirement of the Consumer Credit Act and not the Home Credit Order. The Order allowed customers to request a statement of account more frequently than the Consumer Credit Act required. A customer can request a free statement once every three months.

Mutual provided (and continue to provide) the lowest cost home credit loans in the HCC market over the period covered by the Home Credit Order. Mutual's total cost for a typical 1-year £500 loan was at least £200 less than the main national firms during this period. Our views are of a firm which should have benefited from measures to remedy the AEC found by the Competition Commission.

Data Sharing

The Order required that home credit firms above a certain size must share data with at least two of the three credit reference agencies (CRAs). Smaller firms (those with less than 60 agents and less than £2 million of home credit turnover), did not have to share data.

Our view is that this was the most effective part of the order at addressing the AEC. It allowed perspective customers to demonstrate their creditworthiness to us when they had a good payment record with another home collected credit (HCC) firm and they wanted to start borrowing from a cheaper provider. This remedy also enabled us to make better informed credit decisions resulting in lower impairment charges which reduced some of the pressure on us to increase the total cost of our

[4] https://www.fca.org.uk/publications/consultation-papers/cp26-7-credit-information-market-study-proposed-approach-implementing-fca-remedies
[5] https://www.fca.org.uk/publication/market-studies/ms-19-1-3.pdf page 39 Remedy 2A

loan products. We do not believe this remedy increased switching between providers but where switching did take place, the CRA information provided better outcomes for customers.

Our view is that the regulatory landscape has changed such that it affects the appropriateness of this remedy for two reasons.

Firstly, the Financial Conduct Authority's (FCA) CONC rules require home credit lenders to undertake an appropriate creditworthiness assessment based on sufficient information before credit can be advanced. The FCA's expectations for firms of our size are that sufficient information in our market means that CRA information must be obtained and reviewed as part of the creditworthiness assessment. In order to obtain CRA information, a firm must share its data with the CRA under the principles of reciprocity which govern data sharing. Therefore, the FCA's CONC rules in effect require HCC lenders to data share so they can fulfil their regulatory requirements on creditworthiness assessments.

Secondly, as mentioned above, the FCA has recently launched its consultation to introduce mandatory data sharing as laid out in its final report on its Credit Information Market Study.

These two requirements mean the Order's data sharing requirement is no longer needed in order for data sharing in the home credit market to take place. If the Home Credit Order is removed, we will continue to send our data into the three CRAs. There is very little burden for us to keep reporting to all three CRAs.

<u>Website</u>

The original order required a price comparison website (lenderscompared) to be setup and paid for by the 'large' lenders as defined by the order. Following market exit of the 2nd to last 'large lender' in late 2023, the CMA undertook a review of the website part of the Home Credit Order. On 18th September 2024 issues a final decision stating that this part of the order was no longer appropriate by reason of the relevant changes in circumstances[6].

<u>Statements on request</u>

Customers will still receive an annual statement as required by the Consumer Credit Act and the review of the Home Credit Order will not impact that. The remedy in the Order allowed a customer the additional option to request a free statement once every three months.

We understand that this remedy was to address the AEC by allowing a customer to demonstrate their creditworthiness to a new lender where they wanted to switch to a cheaper provider. The customer may not have been able to wait until their new annual statement was issued under the Act or the lender may have considered the information on a previously issued annual statement to be out of date.

Despite being the lowest cost provider of home credit loans by a significant margin we did not observe a single instance of a customer bringing a home credit statement to us to demonstrate their creditworthiness.

Our view is that this remedy is no longer appropriate because it had no impact on the AEC. In our experience the remedy was not used by customers.

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[6] CMA review of Part 3, Article 29, and Part 1 of Schedule 4 of the Home Credit Market Investigation Order 2007 - GOV.UK

We get a small number of requests (< 10 a quarter) for statements which are predominately used by customers to understand their payment record or verify payments against their own records.

The FCA's Consumer Duty means that firms need to ensure good outcomes in customer understanding. This means we will continue to provide statements to customers who request them in order to meet the Consumer Duty's requirements. Any consumer benefit which customers obtain from statements not related to competition matters will be met by the Consumer Duty.

Early settlement rebates

Early settlement rebates (ESRs) are a rebate of the interest charged on a consumer credit agreement when the customer repays their credit agreement early. The customer may settle an agreement early by making overpayments or by clearing their balance by a larger one-off payment. When repaying early the customer will receive a rebate of the interest charges by a statutory formula[7].

The Home Credit market Order required that customers were provided with greater rebate than the statutory formula required and it did this by reducing the deferment of the settlement date which lenders could use in their calculations from 28 days to 13 days.

We understand this remedy was in place to encourage switching between lenders by making it more attractive to customers because they would receive a larger rebate when clearing the balance of their previous lender.

In practice, despite being the lowest cost provider, we saw very little switching (estimated at less than 50 agreements a year) in this manner happen. This is because customers tend to renew loans at the end of the agreement rather than mid-term so switching occurred when the customer had repaid or nearly repaid their current loan and then switched their borrowing to a new lender. If they wanted new funds, they would run loans concurrently; one with their old lender and one with their new lender if they could afford the increase in repayments.

As a lender we were also reluctant to lend to a customer whose main use of the loan we were issuing was to repay an existing lender. We see this as an increased credit risk as the customer is not receiving a benefit from money borrowed (e.g. making a purchase or buying a service with the funds).

Our experience is that this remedy did not have an impact on the AEC and it merely increased costs for home credit lenders. As noted above the home credit market is completely changed from 2006/2007. The remaining home credit lenders are now competing with other lending products in a broader market such as instalment loans and HCSTC which did not exist when the Order was imposed. The Order's ESR requirement on home credit lenders puts their HCC products at a competitive disadvantage compared with other credit products and is potentially distorting competition between credit products more broadly. There should be a level playing field for all similar credit products.

[7] The Consumer Credit (Early Settlement) Regulations 2004

Summary

For the reasons stated above, our view is that there is clear evidence of a change in circumstances in the Home Credit market which means the remedies in the Home Credit Order are no longer appropriate.

We think the CMA should proceed with review and removal of the Home Credit Order.

Respondent details

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