

Lending, credit and finance consultation

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A [consultation paper](#) has recently been published by the Guernsey Financial Services Commission. The proposals envisage the repeal of the Non-regulated Financial Services Business (Bailiwick of Guernsey) Law 2008 (**NRFSB Law**) and its replacement by a new Lending, Credit and Finance law (**LCF Law**). Under the new LCF Law:

- Lending, credit and finance business (**Credit Services**) carried on by way of business within or from the Bailiwick of Guernsey
- Firms based in the Bailiwick providing Credit Services anywhere in the world

will be subject to its requirements.

One of the objectives of the LCF Law is to bring into a formal regulatory net, certain activities which are currently outside the scope of full regulation. There is an inherent concern (borne out by statistics published by Citizens Advice Guernsey) that there is a significant swathe of the population of Guernsey who are vulnerable financial consumers.

For example, P2P lenders, unlike banks, are not regulated under the Banking Supervision law. Crowdfunding is also an area of concern.

The LCF Law will set out, amongst other things:

1. activities that will require licensing and registration for AML/CFT purposes, consumer protection and alternative financial products and services;
2. the ability for the GFSC and Policy & Resources Committee to make rules in respect of certain classes of licensee; and
3. the minimum criteria for licensing.

Licensees

It is proposed to create 3 separate classes of licensees:

Class 1: the Class 1 Alternative Financial Products and Services section of the LCF Law will cover those businesses which provide alternative financial products and services, do not fall within the supervision of any other division within the GFSC but require supervision and rules (such as prudential, conduct rules) to be applied to them. These include:

- Crowdfunding via equity or debt
- P2P lending
- Alternative financial business models

Class 2: will cover those registered under the NRFSB Law, which currently have to comply with AML/CFT regulation and rules for businesses. For consistency with the other Classes, the GFSC is proposing to regulate all Class 2 Licensees as opposed to the former status of registration for AML/CFT purposes.

Class 3: will be those entities providing lending, credit or ancillary debt related services to retail customers. These include credit brokers, hire purchase and credit reference agencies and banks.

There is no doubt that the new LCF Law will be regarded by some as a positive move to level the playing field for lenders and other credit providers. This will inevitably lead to higher costs of doing business and may result in fewer lenders and fewer choices for consumers. But we can all derive some comfort in knowing that those still in business once the LCF Law comes into effect, will be well-regulated to do so.

Responses to the consultation are invited by **15 September 2017**.