**Citizens Advice Scotland response**

**FCA Discussion on Rent to Own**

*Citizens Advice Scotland (CAS), our 60 member Citizen Advice Bureaux (CAB), the Citizen Advice consumer helpline, and the Extra Help Unit, form Scotland’s largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone. Our self-help website Advice for Scotland provides information on rights and helps people solve their problems.*

*In 2015/16 the Citizens Advice network in Scotland helped over 310,000 clients in Scotland alone and dealt with over one million advice issues. With support from the network clients had financial gains of over £120 million and our Scottish self-help website Advice for Scotland received over 4 million unique page views.*

Citizens Advice Scotland welcomes the opportunity to provide evidence to the Financial Conduct Authority. This response is largely based on the CAS 2018 report ‘Home Truths: The financial realities for low income consumers when accessing household goods’[[1]](#footnote-1).

**Q1: [For Discussion] What alternative solutions could there be to address harm from high prices?**

In the ‘Home Truths’ report we made a number of suggestions which could provide solutions to address harm from high prices. These are:

1. Rent-to-own retailers should work with customers to assist them in improving their credit rating and ensure they are not lent more than is affordable.
2. The Financial Conduct Authority should use their regulatory powers to ensure that that there is genuine competition within the rent-to-own sector.
3. Rent-to-own retailers should carry out credit checks for each item a consumer wishes to purchase, regardless of whether or not they have an existing agreement with the retailer.
4. There should be a limit on the number of goods a consumer is able to access from rent-to-own retailers at one time.
5. Sales staff in rent-to-own retailers must provide all the information a consumer could require to make an informed decision, this includes stating that purchasing insurance and/or aftercare if not compulsory.

As part of CAS’ ‘Home Truths’ report we looked at some potential options for low income consumers seeking to purchase goods at an affordable cost. These included not for profit providers; credit unions; Community Development Finance Initiatives; furniture recycling projects; housing associations; Community Care Grants; charitable grants; and charity shops. It became apparent that not all consumers were aware of all the options available to them. The report also emphasised that there is not a single approach which is the ideal solution for all and local circumstances need to be taken into account in the delivery of these options. Which option is best or more appropriate for a consumer depends on the individual and their particular circumstances.

**Q2: [For Discussion] What issues should we should take into account in carrying out further work on a price‑cap?**

The ‘Home Truths’ report also recommended that:

The Financial Conduct Authority should take steps to reduce these high charges. This could include the introduction of a cap on total costs.

We are therefore pleased to see that this is being considered.

However, it is important to balance the harm to consumers of the rent-to-own sector with closing off this avenue of credit. In a focus group, Citizens Advice Bureaux advisers raised the point that if a consumer’s washing machine breaks and rent-to-own is the only way they are able to replace it with a new product they may view this as positive.

More can and should be done within the credit market to ensure that consumers are able to access credit in an affordable manner. When considering limiting some credit avenues, it’s crucial to ensure that well publicised and accessible alternatives are in place. Some low income vulnerable consumers who access the rent to own sector may be struggling to deal with multiple issues related to debt and/or affording basic goods. These complexities and the potential impact of a price-cap in multiple areas should be considered when carrying out further work on a price-cap.

1. <https://www.cas.org.uk/system/files/publications/home_truths.pdf> [↑](#footnote-ref-1)