

# **A Scenario Based Qualitative Impact Assessment of the FCA's Proposal for Reforming the Credit Information Market**

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## **Abstract:**

If the ideas floated in the FCA's recent report/discussion paper on the state of the Credit Information Market<sup>1</sup> are implemented in full, then this will represent the biggest shakeup of the credit referencing market in a generation. Consequently, the impact for the UK's financial services industry, credit reporting agencies (CRAs) and consumers could be immense.

This then raises the question as to how the FCA's proposals will affect credit risk modelling and credit risk management in the UK? The problem in answering this question is that the likely outcomes will remain largely unknown and unquantified until the results of the FCA's consultation is complete and the final set market reforms are confirmed. The ramifications of the proposed changes could be enormous. Huge resources may be required to evaluate, recalibrate and rebuild models and decision-making processes across the entire consumer credit industry. However, it could also all be just a damp squib, with little deviation from the current status quo. Both of these are possible outcomes. However, a scenario that lies somewhere between these extremes may actually be the most likely outcome.

In this paper, we present a set of expert derived scenarios, representing how different possible outcomes from the FCA's proposals could play out for credit risk professionals in the UK. For each scenario, we discuss the benefits, opportunities and challenges that these represent for lenders, together with an expert view of the likelihood of each scenario occurring.

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<sup>1</sup> FCA (November 2022). Credit Information Market Study: Interim Report and Discussion Paper. [MS19/1.2 Credit Information Market Study Interim Report and Discussion Paper \(fca.org.uk\)](https://www.fca.org.uk/publications/consultations/MS19/1.2-Credit-Information-Market-Study-Interim-Report-and-Discussion-Paper).