Annual Report 2009/10

LENDING STANDARDS BOARD

www.lendingstandardsboard.org.uk

Contents

Who are we and what do we do?

The Lending Standards Board (LSB) is the successor organisation to the Banking Code Standards Board and began its work on 2 November 2009:

The LSB's key objectives are:

- **To assist firms to interpret and meet the requirements of the Lending Code**
- **To monitor and enforce compliance with the Code and take enforcement action for material breaches**
- **To identify any gaps and deficiencies in the Code that could lead to consumer detriment and to advocate change.**

The Lending Code is owned by the sponsoring bodies – the British Bankers' Association (BBA), the Building Societies Association (BSA) and The UK Cards Association.

The Lending Code replaced the Banking Codes following the transfer of responsibilities for the conduct of business regulation for deposit and payment products to the FSA on 1st November 2009. The Lending Code protects the following types of borrowing customer:

- **a consumer**
- **a micro-enterprise**
- **a charity which has an annual income of less than £1million.**

A micro-enterprise is a business that employs fewer than 10 persons and has a turnover or annual balance sheet that does not exceed €2 million.

The Lending Code sets standards of good lending practice in relation to loans, credit and charge cards and current account overdrafts. It does not apply to non-business borrowing secured on land or to sales finance. The Code contains key commitments and detailed notes on how customers should be dealt with through the whole product life cycle, from marketing and account opening, maintenance and the provision of information on changes to terms and conditions and interest rates. Important protection is also included to help when something goes wrong, including when someone is experiencing financial difficulties.

The text of the Lending Code can be found on our website: **www.lendingstandardsboard.org.uk** This also lists all current Lending Code subscribers.

The role of the Lending Standards Board is to monitor and enforce the Lending Code

Chairman's Statement

At this time last year we were embarking on the transformation of the Banking Code Standards Board into the Lending Standards Board. I am pleased to report that transformation has been achieved smoothly.

Our work on ensuring compliance with the standards set in the Banking Codes did not, I believe, suffer in the transition and the staff team has established a smaller, but just as effective organisation. The Lending Standards Board retains and builds on many of the most successful aspects of the decade and more of the Banking Code.

We have retained our commitment to independent governance, with independent directors representing a majority of the Board. Our independent compliance monitoring and enforcement continues, which is the foundation stone of the credibility of our entire regime. And our commitment to transparency in the setting of standards through the independent review of the Code involving all stakeholders has been enhanced by the transfer of responsibilities for the review from the Code Sponsors to the Board. The latest review is being undertaken by Professor Lorne Crerar. I should acknowledge that the scope of standards for which we are responsible is less than the Banking Codes now that responsibility for current accounts in credit and savings accounts has gone to the FSA, but I do not believe our effectiveness in setting and enforcing standards for banking credit has in any way diminished.

I predicted last year that there would be further change to the regulatory environment for financial services. Since the election, the Chancellor has announced fundamental changes to the regulatory architecture, re-defining the role of the Bank of England, breaking up the Financial Services Authority and setting out plans for a new Consumer Protection and Markets Authority, (CPMA), for retail financial services. The Government will be publishing in the Autumn a further consultation on whether to transfer responsibility for the regulation of consumer credit from the OFT to this new Authority. The Lending Standards Board has believed for some time that a bringing together of the statutory regulation of retail banking products into one regulator with a strong consumer focus is a desirable end point. We shall be keen to play a full part in the development of these proposals and we will want to ensure that the new arrangements retain the strengths and benefits of the existing arrangements. Any new arrangement must, in our view, maintain the levels of consumer protection provided for by the current Lending Code, which will have been reviewed and updated by April 2011. Secondly, as I have already noted, the strength of our existing compliance monitoring and enforcement activities must be maintained. Consumer confidence flows from the strong conviction that standards are not only set but compliance is also independently monitored. We have also through the Banking Codes and the Lending Code set a great deal of store by stakeholder engagement and support, particularly as expressed through the open and transparent Code review process. The new arrangements would do well to seek to sustain that support by a similarly inclusive approach.

In his review, Robert Skinner will give more detail on the important policy and enforcement work that has gone on in the last twelve months, for example on the right of set-off and interest and charges concessions. Both of these pieces of work are examples of the Lending Standards Board's proactive

We have retained our commitment to independent governance, with independent directors representing a majority of the Board.

approach to the setting and maintaining of clear and strong standards in which both the banking industry and consumers, as well as other statutory regulators such as the Office of Fair Trading and the Financial Services Authority, can have confidence.

The Lending Standards Board regime is, of course, a self-regulatory regime conducted on behalf of, and with the full support of, the banks, building societies and credit card issuers. I would like to thank the industry and their representatives in the BBA, the BSA and The UK Cards Association for their support for our work. I would also like to thank my fellow independent directors and, most particularly, to express mine and the Board's gratitude to Robert Skinner and his team who have done an excellent job of both maintaining the high standards we have come to expect and managing a smooth transition to a new organisational environment.

Gerard Lemos CMG, Director
30 July 2010

Chief Executive's Review of the year

This has been a challenging year for the organisation as we have restructured and refocused to become the Lending Standards Board whilst at the same time ensuring that firms continue to deal appropriately with their customers in line with the requirements of the Codes.

Whilst we are now concerned just with monitoring credit products including overdrafts, the core of this, ensuring responsible lending and that those who find themselves in financial difficulties are appropriately supported, has always been a substantial part of our activities.

Although the number of subscribers has fallen as a result of the resignation of those building societies that do not provide unsecured lending products, all major providers of products covered by the Lending Code remain subject to our regime. There has been a reduction in our staffing to reflect this, but we remain resourced to a level sufficient to ensure an appropriate level of compliance oversight.

Paul Smith, our Compliance Director, sets out the results of our monitoring on page 7. Despite the inevitable uncertainties caused by changes in the regulatory architecture that have taken place, we have seen continued very positive engagement by the industry. Compliance with the Banking Codes and the Lending Code has been good with prompt corrective action taken where necessary and we have not had to issue any public censures during the year. As the year was closing, we did however have cause to issue one Chief Executive's warning - a new measure for breaches that fall just short of those warranting formal enforcement action.

We have continued to work with other regulators, in particular the FSA in the run up to the introduction of the BCOBS regime in November 2009. We are also working increasingly closely with the OFT, particularly in the area of overdrafts where, at their request, we have been working with the industry and consumer bodies to develop minimum standards that will apply to accounts that offer an opt-out from unarranged overdrafts. These standards, together with the outcome of complementary work to develop best practice in dealing with current account customers who have shown signs of being in or at risk of having financial difficulties, will be incorporated into the new edition of the Lending Code.

When the Lending Code was introduced in November 2009, it was agreed that it would incorporate those Banking Code provisions relating to credit products plus new provisions agreed by the industry on risk adjusted re-pricing of credit card debt, the introduction of a formal breathing space for credit card customers in financial difficulties who were being advised by free debt advisers, and provisions related to debt and mental health. Further changes have already been made to extend the breathing space provisions to all Code products. We have also issued guidance to firms on the approach we would expect them to take when considering interest and charges concessions for those in financial difficulties and on the fair use of the banker's right of set-off, an area that the FSA is also looking at.

In addition to this work which is being done on the basis of voluntary agreement with the industry, there have been a number of other regulatory initiatives that will impact the Code. These include the regulations to implement the Consumer Credit Directive, the OFT's Irresponsible Lending Guidance and new rules agreed by the industry for credit cards resulting from the BIS consultation on credit and store cards.

The independent Code Reviewer, Professor Crerar, will need to take account of all of these measures as well as other issues raised by our wide range of stakeholders, in making his recommendations for changes to the Code.

We continue to maintain effective relationships with the key consumer bodies that provide us with valuable information, including case studies, which inform our monitoring activities and can, as was the case for set-off, indicate areas of potential detriment which may require changes to the Code or the issuance of guidance to subscribers. We also value the intelligence that we receive from the Financial Ombudsman Service (FOS) with whom we meet on a regular basis.

We took the decision during the year to close our consumer helpdesk. Many of the calls to the helpdesk related to products no longer covered by the Lending Code and, as we are not able to resolve individual complaints, in very many cases the only advice we were able to provide to consumers seeking assistance was to contact their financial service provider or FOS. Clear information on what consumers should do if they have a complaint continues to be available on our website, together with contact numbers for FOS, Consumer Direct and the main debt advice bodies who may be able to assist. Given the information that we receive from

the advice bodies we do not believe that the closure of the helpdesk has hindered our ability to gather information about developing problems.

In concluding this review, I would like to add my thanks to those of the Chairman, for the support that I have received from my team – both those who are still with the LSB and those who left us in November. Despite the uncertainties over the future of the organisation everyone has played their full part in ensuring we maintained our effectiveness.

Robert Skinner
Chief Executive
30 July 2010

Compliance monitoring and enforcement

Our main priority during the year has been ensuring that, despite the very significant changes that have accompanied the transition from the Banking Code regime to the Lending Code, we maintained an effective programme of "business as usual" activity.

This has addressed both compliance with existing Code provisions and identifying and addressing any new areas of possible customer detriment.

Historically, our monitoring programme included regular full review visits of subscribers which took place on a cyclical basis, typically about three-yearly according to their size, product range and customer base. With a narrower focus on lending products only, we have decided that these full reviews do not represent the most productive and efficient way of using our resources and as can be seen from the performance information on Page 9 of this report, we carried out significantly fewer such reviews during 2009/10 than in previous years.

Whilst the number of full subscriber reviews has reduced they have been replaced by an increased use of themed reviews. Our review programme remains targeted at those areas where we believe there is the greatest potential for consumer detriment. During 2009/10 we have included more than half of the total number of Lending Code subscribers in a mix of themed reviews, investigations and surveys, with all major providers having been included in several pieces of work.

For the first time, this year we have also undertaken informal reviews of three debt collection agencies who act on behalf of subscribers. This was a small pilot exercise and further work is under way to determine whether a wider review of debt collection agencies should be undertaken later this year.

An important part of our monitoring activity is the analysis of detailed self assessed Annual Statements of Compliance (ASC) submitted by subscribers. Following our review and challenge of ASC submissions we sought additional information from five firms and all issues raised, none of which were substantive, were quickly resolved.

Themed reviews and investigation

Credit assessment

The Code requires that before lending any money or increasing borrowing limits for customers, subscribers should assess whether the customer will be able to repay the money. We carried out a themed review of nine firms looking at whether these Code provisions were being met. We found that in all cases lenders are making appropriate use of account data and Credit Reference Agency (CRA) information when considering requests for loans, overdrafts and credit card limit increases. Although we did not find any breaches of the Code we were concerned that not all customers receive good quality responses when they ask why a credit application has been declined. The industry is currently developing new standards to ensure that customers are given clear information about why applications are declined.

Compliance monitoring and enforcement continued

Financial difficulties

Ensuring that customers who are in financial difficulties are treated sympathetically and positively and that they are given help to sort out their financial problems are key protections offered by the Code. The industry has agreed to allow customers 30 days' breathing space during which time lenders will not chase for repayments if the customer is working with debt advisers to produce a repayment plan. Although our review, which included in-house and outsourced debt collection units, identified good practices in some firms, we still found instances where staff needed to listen more carefully to customers to ensure that any repayment proposals were fair and workable. We were also concerned that some subscribers did not have a sufficiently rigorous and detailed way of monitoring the way that third party collectors act on their behalf. Following the review we issued guidance to the industry on the way that customers who cannot afford to meet contractual repayments should be treated with regard to interest and charges and ensuring that repayment plans do not extend over an unreasonably long period.

One of the reports issued at the conclusion of the financial difficulties review carried a Red assessment due to the identification of several significant breaches and management weaknesses. The LSB Executive decided that it would be appropriate for a formal warning in respect of this report to be issued and urgent remedial actions were required of that firm. These actions were in progress at our year end and have since been fully implemented.

Use of the banker's right of set-off

During the year consumer bodies raised concerns with us about the difficulties that can be caused to a customer in or close to financial difficulties when their lender exercises their right to apply credit balances on the customer's account to make up missed loan or credit card repayments (known as 'right of set-off'). We investigated the issue and found that although the number of complaints from customers about the right of set-off is extremely small, there are some customers who are caused real distress when their lenders exercise this right. As a result we agreed with the industry new guidelines on how set-off should be used and that customers who are in financial difficulty or who the bank believes may be getting into problems, should be protected from the use of set-off. We will continue to monitor these guidelines as part of our regular themed review activity.

Risk based interest rate re-pricing for credit cards

The latest edition of the Code includes new provisions requiring that where firms increase the credit card interest rate for individual credit card customers, those customers have the option to repay the balance at the existing rate. The requirements also prohibit firms increasing rates where the customer is already in arrears or seeking debt advice. In our review of all 15 card providers who operate risk based re-pricing, we found that all firms had implemented the new Code requirements effectively although we identified a need in some cases for providers to give better explanations about why an individual customer's interest rate was being increased and this is being addressed.

UK Cards Association best practice guidelines

Card providers that subscribe to the Code must comply with the industry's best practice guidelines on the way that cards are sold and how information is provided to customers throughout the life of the card. The guidelines are intended in part to allow comparison of different cards by requiring pre-sale information and statements to be presented in a consistent format. Although our review of 11 card providers identified some failures to follow the guidelines exactly, these tended to be relatively minor issues. However in the cases where we issued Amber reports these were being followed up at our year end and further review work will be done in this area.

Where reports are issued with actions that need to be addressed, these are followed up to ensure that appropriate measures are implemented promptly to address any identified weaknesses. In all cases, where we issue Amber or Red graded reports, full follow-up reviews are carried out.

At the conclusion of all themed reviews, summaries of the key issues identified are published on the LSB's website and in bulletins issued to Compliance Officers within firms.

In addition to Code breaches identified through our formal monitoring activity, we became aware of a further 21 Code breaches where consumer detriment was minimal and the issue was of short duration. In all cases we received undertakings to put remedial actions in place and these were monitored to completion.

We continued throughout the year to have close dialogue with the FSA, the OFT and also the main debt advice bodies, and increasingly with debt collection firms both individually and through their trade association. These contacts are invaluable in enabling us to ensure that our monitoring remains focused on the main areas of possible consumer detriment in their dealings with high street banks and card companies and in identifying issues to feed into the LSB's submission to the Code review.

Field monitoring activity 2009/10

Review name/type	Review gradings and number of subscribers			
	Green	**Amber**	**Red**	**Total**
Full subscriber reviews	4	0	0	4
Credit assessment	9	0	0	9
Financial difficulties	6	4	1	11
Risk based interest rate re-pricing	15	0	0	15
UK Cards Association best practice guidelines	9	2	0	11
	43	**6**	**1**	**50**

Reviews undertaken

	2005/6	2006/7	2007/8	2008/9	2009/10
Full subscriber reviews	✓	✓	✓	✓	✓
Banker's right of set-off (Investigation)					✓
Basic Bank Accounts	✓		✓		
Cheque clearing times		✓		✓	
Child Trust Funds		✓			
Credit assessment	✓	✓		✓	✓
Credit card cheques		✓			
Credit card minimum repayments		✓			
Current account transfers				✓	
Financial difficulties	✓		✓	✓	✓
Interest rate downgrading	✓		✓		
Loan and savings accounts summary boxes					✓
Risk based interest rate re-pricing					✓
Sale of packaged products			✓	✓	
Savings advertisements (Survey)		✓			
UK Cards Association best practice guidelines					✓
Unauthorised card transactions		✓		✓	
Unauthorised overdraft charges				✓	

Our people

The Board consists of eight directors: three public interest directors, an independent chairman, representatives of the three sponsoring trade bodies and the chief executive of the LSB.

Board members at 31 March 2010

Chairman

Gerard Lemos CMG

Independent directors

Claire Ighodaro CBE (1)

Sir Robin Mountfield KCB (2)

Alan Whiting (1,2)

Directors representing sponsors

Adrian Coles – Director General, Building Societies Association (1)

Angela Knight CBE – Chief Executive, British Bankers' Association (1,2)

Paul Marsh – Managing Director, The UK Cards Association (2)

Chief Executive

Robert Skinner

Biographies of all directors can be found on the LSB website at www.lendingstandardsboard.org.uk/abouthome.htm

Adrian Coles

Angela Knight CBE

Paul Marsh

Robert Skinner

Gerard Lemos CMG – Chairman

Gerard leads the research team at Lemos&Crane. He is the author of numerous books and reports about social policy and supporting vulnerable people. Gerard is also Chair of Iniva, Vice-President of the British Board of Film Classification, and a non-executive Director of the Crown Prosecution Service. He chaired the Board of Trustees of the British Council in 2009/10 having been a trustee since 1999 and Deputy Chair from 2005. He is also a visiting Professor at Chongqing Technology and Business University. Gerard has formerly been Chair of Akram Khan Dance Company, an Audit Commissioner and a Civil Service Commissioner. He received a CMG in the Queens' Birthday Honours List in 2001 for services to the British Council.

Claire Ighodaro CBE

Claire Ighodaro CBE is a Board member/Non-executive Director and Audit Committee Chair of Lloyd's of London, the British Council and the Open University. She was previously a Board Member of UK Trade & Investment (UKTI) and BIS and is a Past President of CIMA.

An Adjudication Committee, comprising two independent Directors and one industry Director, selected by rotation, and under the chairmanship of an external, independent legally qualified practitioner considers cases of alleged material breach and decides upon the sanction. The current chairman of the Committee is Duncan Campbell.

In addition to the Adjudication Sub-Committee, there are two further Board committees:

- The Audit & Finance Committee (1), whose role includes reviewing budgets and the annual accounts, ensuring that internal controls are effective and reviewing the appointment of the Auditors;
- A Remuneration Committee (2) that makes recommendations on the remuneration of the Chairman, Independent Directors, the Chief Executive and members of staff.

Staff of the LSB at 31 March 2010

Sue Scott – Legal & Enforcement Director

Paul Smith – Compliance Director

Gaye Kirby – Operations Manager

Julie Huxen – Administration & IT Manager

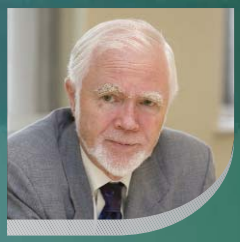
Compliance Managers

Alan Dengate

Michael Merry

Rhonda North

Elizabeth Thompson



Sir Robin Mountfield KCB

Sir Robin Mountfield is an Independent National Director of Times Newspapers Holdings Ltd and Council Member of the British Heart Foundation. Before his retirement from the Civil Service in 1999, Robin was Permanent Secretary to the Cabinet Office.

Alan Whiting

Alan Whiting is Chairman and Managing Director of Merlan Financial and holds a number of non-executive directorships, including NYSE/Euronext/LIFFE and The Gibraltar Financial Services Commission. Alan was previously Director of Financial Regulation, covering investment companies, banks, building societies and friendly societies, at HM Treasury and more recently was Executive Director, Regulation & Compliance at the London Metal Exchange.

Company Information

Directors

Gerard Lemos CMG (Chairman)
Robert Skinner (Chief Executive)
Adrian Coles
Claire Ighodaro CBE
Angela Knight CBE
Paul Marsh
Sir Robin Mountfield KCB
Alan Whiting

Company Secretary

Sisec Limited

Registered office

21 Holborn Viaduct
London
EC1A 2DY

Auditors

Chantrey Vellacott DFK LLP
Chartered Accountants
Statutory Auditor
Russell Square House
10 – 12 Russell Square
London
WC1B 5LF

Bankers

Coutts & Co
440 Strand
London
WC2R 0QS

Directors' Report

The directors have pleasure in presenting their report and audited financial statements of the company for the year ended 31 March 2010.

Incorporation and change of name

The company was incorporated on 14 October 1999 as a company limited by guarantee and not having share capital. Every member of the company would be required under the terms of the guarantee to contribute such amount as may be required (not exceeding £10) to the company's assets if it should be wound up.

The company changed its name from the Banking Code Standards Board Limited to The Lending Standards Board Limited on 2 November 2009.

Principal activities

Prior to the 2 November 2009, the principal activity of the company was the monitoring and enforcement of the Banking and Business Banking Codes; voluntary codes of practice for financial services providers intended to protect customers.

With effect from 1 November 2009, the Financial Services Authority introduced new conduct of business rules for deposit products and payment services which until that date formed a material part of the company's remit. On 2 November a new Lending Code was introduced and the company changed its name to become The Lending Standards Board Limited. The Lending Code is a voluntary code of practice for providers of unsecured personal credit and finance for micro-enterprises and small charities. The company's principal activity, since that date, has been to monitor and enforce the Lending Code.

Directors

The directors who served the company during the year were as follows:

Gerard Lemos CMG (Chairman)

Robert Skinner (Chief Executive)

Adrian Coles

Claire Ighodaro CBE

Angela Knight CBE

Sir Robin Mountfield KCB

Paul Marsh (Appointed 1 September 2009)

Claire Foster (Resigned 31 December 2009)

Paul Smee (Resigned 31 July 2009)

On 3 June 2010 Angela Knight CBE resigned as a director and was replaced on 4 June 2010 by Eric Leenders, executive director of the British Bankers' Association.

The Board meets approximately eight times a year. At each Board meeting directors review detailed papers on the activities of the company. Monitoring of Lending Code subscribers is via full subscriber reviews, themed reviews, investigations and mystery shopping; the members of the Board have oversight of this. In addition, each subscriber is required to produce an annual statement confirming full compliance with the Code.

Where a material breach of the Code is identified, an independently chaired Adjudication Committee considers the case and decides upon the sanction. Less serious breaches of the Code are considered by the Chief Executive who agrees appropriate remedial action with the subscriber.

In addition to the Adjudication Committee, there are two further Board committees:

- The Audit and Finance Committee, whose role includes reviewing budgets and the annual accounts, ensuring that internal controls are effective and reviewing the appointment of the Auditors,
- A Remuneration Committee, that makes recommendations on the remuneration of the Chairman, Independent Directors, the Chief Executive and members of staff.

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Insofar as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Chantrey Vellacott DFK LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

Signed on behalf of the directors

G. Lemos CMG
Director

Approved by the directors on 14 July 2010

Independent auditor's report

to the members of The Lending Standards Board Limited.

We have audited the financial statements of The Lending Standards Board for the year ended 31 March 2010 which comprises the profit and loss account, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 15, the directors are responsible for the preparation of the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements.

Opinions on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

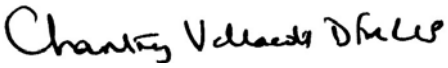
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



CHRIS MALACRIDA
(Senior Statutory Auditor)
For and on behalf of
CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
London

14 July 2010

Financial Report

Profit and loss account

	Note	2010 £	2009 £
Turnover		1,695,694	1,595,699
Administrative expenses		1,697,347	1,624,036
Operating (loss)/profit	2/5	(1,653)	(28,337)
Attributable to:			
Operating profit/(loss) before exceptional items		304,932	(28,337)
Exceptional items	5	(306,585)	–
		(1,653)	(28,337)
Interest receivable		7,863	62,051
Profit on ordinary activities before taxation		6,210	33,714
Tax on profit on ordinary activities	6	683	(12,855)
Profit for the financial year		5,527	46,569

All of the activities of the company are classed as continuing.

There is no difference between the results shown above and their historical cost equivalents.

There were no other recognised gains or losses made by the company during the year and therefore a separate statement of recognised gains and losses is not required.

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

These financial statements were approved by the directors and authorised for issue on 14 July 2010, and are signed on their behalf by:

Balance sheet

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	7	6,492	11,180
Current assets			
Debtors	8	80,953	112,649
Cash at bank		638,186	628,303
		719,139	740,952
Creditors: amounts falling due within one year	9	91,240	123,268
Net current assets		627,899	617,684
Total assets less current liabilities		634,391	628,864
Reserves			
Profit and loss account	12	634,391	628,864
Members' funds		634,391	628,864

Gerard Lemos CMG
Director

Robert Skinner
Director
Company Registration Number: 3861859

Notes to the financial statements

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards.

Going Concern

The directors believe the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standards No1 (Revised 1996) from including a cashflow statement in the financial statements on the grounds that the company is small.

Turnover

Turnover comprises annual subscriptions payable for the year ended 31 March 2010.

Fixed Assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and Fittings – 33% straight line

Computer and other equipment – 33% straight line

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Financial instruments

Financial assets such as cash and debtors are measured at the present value of the amounts receivable, less an allowance for the expected level of doubtful receivables. Financial liabilities such as trade creditors, loans and finance leases are measured at the present value of the obligation. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. Operating loss

Operating loss is stated after charging

	2010 £	2009 £
Depreciation of owned fixed assets	**6,364**	11,777
Loss on disposal of fixed assets	**2,350**	–
Auditor's fees	**7,250**	6,950
Auditor's fees – non-audit services	**11,150**	3,475
Operating lease rentals – land & buildings	**38,349**	52,684

3. Directors and staff cost

The aggregate payroll costs (including all directors) were:

	2010 £	2009 £
Wages and salaries	842,343	951,856
Social security costs	104,716	107,783
Other pension costs	69,056	64,811
	1,016,115	**1,124,450**

The average number of staff employed by the company during the financial year (excluding non-executive directors) amounted to 12 (2009: 15). Pension contributions were paid into an employee Group Personal Pension Plan.

4. Directors' remuneration

	2010 £	2009 £
Gerard Lemos CMG	47,188	46,250
Claire Ighodaro CBE	16,000	16,000
Robert Skinner	194,250	167,500
Sir Robin Mountfield KCB	14,000	14,000
Alan Whiting	14,000	14,000
Claire Foster (resigned 31 December 2009)	10,500	14,000
Paul Marsh (appointed 1 September 2009)	–	–
Adrian Coles	–	–
Angela Knight CBE	–	–
Paul Smee (resigned 31 July 2009)	–	–
	295,938	**271,750**

Contributions totalling £15,300 (2009: £15,000) were paid to a pension arrangement to secure money purchase benefits for Robert Skinner.

5. Exceptional items

	2010 £	2009 £
Recognised in arriving at operating loss:		
Reorganisation costs	**306,585**	–

The reorganisation cost of £306,585 included in the profit and loss account relates to the restructuring of the company during the year. This was due to the change of the company's activities from The Banking Code Standards Board to The Lending Standards Board.

6. Taxation on ordinary activities

(a) Analysis of charge in the year

	2010 £	2009 £
Current tax:		
UK Corporation tax based on the results for the year at 21% (2009 – 21%)	**683**	(12,855)
Total current tax	**683**	(12,855)

(b) Factors affecting current tax charge

	2010 £	2009 £
Profit on ordinary activities before taxation	**6,210**	**33,714**
Profit on ordinary activities multiplied by rate of tax	**1,304**	7,079
Expenses not deductible for tax purposes	**169**	1,277
Capital allowances for period in excess of depreciation	**(790)**	**(1,524)**
Adjustments to tax charge in respect of previous periods	–	(19,687)
Total current tax (note 6(a))	**683**	**(12,855)**

The tax assessed on the profit on ordinary activities for the year is at a lower rate than the standard rate of corporation tax in the UK of 21% (2009 – 21%).

7. Tangible fixed assets

	Fixtures & Fittings	Computer and other equipment	Total
	£	£	£
Cost			
At 1 April 2009	24,017	99,820	123,837
Additions	2,000	2,027	4,027
Disposals	(20,598)	(58,926)	(79,524)
At 31 March 2010	5,419	42,921	48,340
Depreciation			
At 1 April 2009	22,974	89,683	112,657
Charge for the year	995	5,369	6,364
On disposals	(20,048)	(57,125)	(77,173)
At 31 March 2010	3,921	37,927	41,848
Net book value			
At 31 March 2010	1,498	4,994	6,492
At 31 March 2009	1,043	10,137	11,180

8. Debtors

	2010 £	2009 £
Other debtors	80,953	112,649

9. Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	**39,076**	34,909
Corporation tax	**518**	6,685
Accruals and deferred income	**51,646**	81,674
	91,240	**123,268**

10. Commitments under operating leases

	Land and buildings 2010 £	 2009 £
Operating leases which expire:		
Within one year	–	35,120
Within two to five years	**37,500**	–
	37,500	35,120

At 31 March 2010 the company had annual commitments under non-cancellable operating leases as set out opposite.

11. Company limited by guarantee

The company was incorporated on 14 October 1999 as a company limited by guarantee and not having share capital. Every member of the company would be required under the terms of the guarantee to contribute such amount as may be required (not exceeding £10) to the company's assets if it should be wound up.

12. Profit and loss account

	2010 £	2009 £
Balance brought forward	**628,864**	582,295
Profit for the financial year	**5,527**	46,569
Balance carried forward	**634,391**	628,864

Subscribers

Subscribers to the Lending Code as at 31 March 2010

Adam & Company Plc
AIB Group (UK) plc
Airdrie Savings Bank
American Express Services Europe Limited
Bank of Ireland UK Financial Services
Barclays Bank PLC
Butterfield Bank (UK) Limited
Capital One Bank Europe Plc
Citibank International plc (UK Consumer Division)
Clydesdale Bank PLC
Co-operative Bank (The)
Coutts & Co
Coventry Building Society
Cumberland Building Society
First Trust Bank
Habib Bank AG Zurich
Harrods Bank Limited
HSBC Bank plc
ICICI Bank UK PLC
Lloyds Banking Group plc
Marfin Popular Bank Public CO LTD
Marks & Spencer Financial Services plc
MBNA Europe Bank Ltd
Nationwide Building Society
Northern Bank Limited
Northern Rock (Asset Management) plc
Northern Rock PLC
Norwich and Peterborough Building Society
Royal Bank of Scotland plc
S G Hambros Bank Limited
Sainsbury's Bank plc
Santander Cards UK Ltd
Santander UK plc
Secure Trust Bank
State Bank of India
Tesco Personal Finance
Triodos Bank NV
Turkish Bank (UK) Ltd
Turkiye IS Bankasi A.S.
Ulster Bank Limited
Unity Trust Bank plc
Wesleyan Bank Limited

Contact us

Lending Standards Board
Level 17, City Tower
40 Basinghall Street
London EC2V 5DE

Email: info@lstdb.org.uk

www.lendingstandardsboard.org.uk

Design: TGV www.tgvdesign.co.uk

Lending Standards Board
Level 17, City Tower
40 Basinghall Street
London EC2V 5DE

info@lstdb.org.uk
www.lendingstandardboard.org.uk

LENDING STANDARDS BOARD