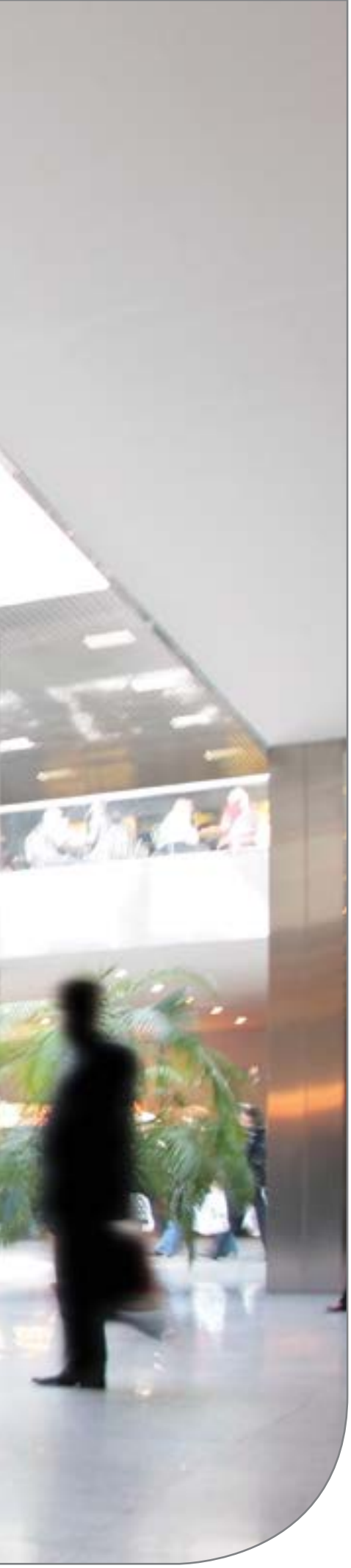
LENDING STANDARDS BOARD

www.lendingstandardsboard.org.uk

Annual report 2012 | 2013

Contents



Who are we and what do we do?

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

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.
- To ensure that all major providers of products covered by the Code subscribe.

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 1 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 £1 million.

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, store cards or to sales finance. The Code contains key commitments and detailed requirements 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.

Chairman's Statement

Losing trust and confidence can be achieved all too quickly and easily, but regaining trust and confidence requires a great deal of time and effort. The Parliamentary Commission on Banking Standards has highlighted the need for increased personal accountability and improved professional standards within the industry. The public are looking for a lead and the Lending Standards Board is providing it, spreading the gospel of professional standards.

'Professionalism' should incorporate:

- Standards of knowledge, underpinned by appropriate qualifications
- Standards of behaviour, with a commitment to a code of ethics
- Conduct of business standards, adherence to statutory rules and industry codes of practice

The industry needs to learn the lessons of the past and take the lead in the development of proposals as to how this improvement in professionalism can be achieved. Enhancing the role of the professional bodies and the establishment of an independently governed Professional Standards Board to oversee a new code of conduct are both candidates for further consideration.

The Lending Standards Board believes that strong industry codes that are independently monitored and enforced have an important role in this. Codes of practice present an opportunity for the industry to set conduct of business standards that go beyond the statutory rules, which operationalise statutory requirements and set out best practice in areas of activity which are not appropriate for the statutory rulebook.

But it is clear that all of this will have to be done alongside tougher statutory regulation and the spotlight is firmly on the new Financial Conduct Authority (FCA).

In my statement last year, I referred to the proposed changes to the regulation of consumer credit. The detailed planning, for the move of responsibility from the Office of Fair Trading (OFT) to the FCA, is now well underway. The LSB supports the bringing together of the statutory regulation of all retail banking products under one regulator with a strong consumer focus. Whilst there is more work to do on the detail, we are broadly comfortable with the regime that is proposed although the timetable set out seems very challenging.

We have been actively participating in the extensive consultations that have been taking place and the LSB stands ready to play a leading role in the future regulation of consumer credit and build upon the effective working relations we have built up with both the OFT and the FSA.

I was reassured that the consultation documents recognised the value of effective industry codes of practice and that government is keen to explore further the ways in which

Our objective is not just to spot failings but also to assist firms in meeting the Code's requirements and improving the support they provide to their customers

these can complement rules-based regulation. Codes of practice, such as the Lending Code, can make a significant contribution to achieving a regime that secures an appropriate degree of protection for consumers and promotes effective competition in the marketplace.

A code should be able to demonstrate added value both in terms of enhanced consumer protection and benefit to those firms who subscribe to it. A code that does little more than replicate the statutory requirements would not meet the value test and is unlikely to have the continued support of the industry or other stakeholders.

Of course a strong code has little merit unless it is followed and seen to be followed. Independent monitoring, which has long been a feature of the Lending Code and before that the Banking Code, is even more important in the current environment and we are pleased to see this now being introduced for other consumer lending codes, something that we have been actively encouraging.

As the Chief Executive's report illustrates it has been another busy year for the LSB. Our extensive monitoring programme has demonstrated good standards of compliance with the Lending Code although, as the report highlights, we do have some areas of concern, one of which relates to the oversight of third party collection agents engaged by subscribers.

How customers are treated when they find themselves in financial difficulties is one of the most important areas of the Code and rightly commands a considerable amount of our monitoring resource. It is vital that subscribers ensure that any third parties who they engage to act on their behalf meet all the requirements of the Code.

The Board has a majority of public interest directors and this ensures our independence from the industry. We have a positive and constructive working relationship with the Code's sponsors and I am pleased to acknowledge their willingness to makes changes to the Code to address areas of potential consumer detriment. An example of this can be seen with the the new provisions introduced to provide additional protection to customers when their debt is sold. It cannot be right that, just when a customer most needs the Code's protection, this could be lost by the debt being sold to a third party which does not subscribe to the Lending Code.

Our objective is not just to spot failings but also to assist firms in meeting the Code's requirements and improving the support they provide to their customers. Our monitoring team provides invaluable guidance on compliance issues and best practice, as well as agreeing with subscribers how they should address minor, often very technical, breaches with minimal consumer detriment, that do not necessarily warrant reporting to the Board.

There has been just one change to our Board during the year. Following his retirement as Chief Executive of The UK Cards Association, Paul Marsh left the Board in May. As well as thanking Paul for his contribution over the last few years I am also pleased to welcome his successor Graham Peacop. I am grateful for the enormous support and wise counsel that I have received from my fellow directors during the year.

Finally, I would like to pay tribute to Robert and the staff of the LSB who, despite the uncertainty over the future, have maintained the very high standards of performance that the Board has come to expect.

Lord Hunt of Wirral
Chairman, July 2013

At the end of the financial year, there were 40 subscribers to the Lending Code including virtually all major providers of the products covered by the Code. Overall, compliance standards remain high and customers are treated appropriately in accordance with the requirements of the Code.

Inevitably, the support provided to customers in financial difficulties has again featured prominently in our work

We have made only limited changes to the Code during the course of the year and these focus on the debt collection process. New requirements give greater protection to customers when the collection of their debt is outsourced or their debt is sold to a third party. Subscribers are now required to undertake routine audits and monitoring of firms to whom they sell debts to ensure that their customers continue to be dealt with in a manner consistent with the Code. These significant new obligations provide ample evidence of the industry's willingness to agree to improvements to the Code despite the uncertainty over its future in the light of the forthcoming changes to the consumer credit regime.

Compliance monitoring

This year's monitoring programme has again comprised a mix of themed and subscriber specific reviews. In addition to three themed reviews, it has included full reviews of Code compliance at two subscribers as well as a number of partial reviews. These reviews were prompted by concerns over the compliance oversight and governance arrangements or the extent of organisational change at the firms.

We have also conducted five investigations prompted by our various intelligence feeds or referrals from the OFT or FSA and analysis of the Annual Statement of Compliance (ASC) which each subscriber must complete. The programme of work has involved visits to over 40 units operated by subscribers and by third parties acting on their behalf in the UK as well as in India and the Philippines. We also commissioned mystery shopping to review how customer queries are dealt with in branches and by call centres. Almost half of all subscribers were covered by our reviews and investigations.

Inevitably, the support provided to customers in financial difficulties has again featured prominently in our work but our reviews have also covered a comprehensive examination of lending practices to micro-enterprise customers as well as how subscribers deal with fraudulent credit card transactions.

Financial difficulties

This review was targeted specifically at how subscribers and their agents assess affordability and agree repayment plans with customers in financial difficulties. It also considered the degree to which subscribers have achieved compliance with the new provisions relating to the transfer and sale of debt to third parties. Five subscribers and five Debt Collection Agencies (DCAs) were included in the review.

We issued two GREEN and three AMBER assessment gradings. Although standards of compliance with the Code were found to be generally high at the majority of the subscribers we visited, failings were identified at some of the DCAs acting on their behalf.

- We saw cases where there was a failure to undertake proper affordability assessments with discussion focused solely on obtaining an agreement to pay with very limited questioning around the customer's circumstances. In some cases information

volunteered by customers was not taken into account before going on to set the repayment plan.

- Customers being asked to make an increased payment without or in spite of, a review of the customer's circumstances.
- Cases were noted where customers were not recommended to seek free money advice when it would clearly have been appropriate.
- In some of the calls we listened to, breathing space of 30 days was not offered to give the customer time to complete or update an income and expenditure statement.
- Despite being provided with access to full customer information by the subscriber, in some cases a generic approach was followed with little regard to the history of the account and requests for payment that disregarded previous arrangements agreed.

The nature of the breaches and customer outcomes identified during this review, suggests short-comings in the due diligence and monitoring of DCAs by some subscribers. In view of the concerns highlighted by the review, we have already commenced follow-up work that targets a broader range of subscribers who currently have DCAs acting on their behalf.

Lending to micro-enterprise customers

This review covered five subscribers where micro-enterprises - businesses that employ fewer than 10 persons and have a turnover or annual balance sheet that does not exceed €2 million - represented a significant proportion of their overall customer base.

The review looked at the policies and processes in place, the training given to operational staff, and the effectiveness of management and control oversight. Five GREEN assessment gradings were issued; no breaches of the Code or management weaknesses were identified.

We acknowledge that the majority of concerns raised in connection to lending to small businesses relate to commercial issues which fall outside the scope of the Code, such as the cost of credit and security requirements. However, we did satisfy ourselves that pre and point of sale disclosure materials, and information provided to customers about their facility throughout the life of the relationship, met with the expectations of the Code in relation to clarity and transparency. Subscribers continue to rely on a relationship managed model, albeit sometimes requiring customers to deal with small teams of Relationship Managers (RMs) with shared responsibility for a geographical area or business sector. Our review findings suggest that the RM role remains central to the relationship between subscribers and micro-enterprise customers, particularly in the area of credit assessment.

Fraudulent credit card transactions

This review covered five subscribers and examined the processes for handling claims of unauthorised credit card transactions (first or third party fraud). Compliance was tested by reviewing declined claims and complaint files, as well as call listening, to assess how subscriber policies were being applied against the requirements of the Code. We also wished to investigate whether and, if so, how firms were using negligence by the customer to justify a refusal to refund a transaction. In addition to our own reviews, we also commissioned mystery shopping by a third party agency to examine the first line responses in relation to unauthorised transaction enquiries.

The subscribers reviewed were predominantly compliant with the requirements of the Code in this area. However, we found evidence that some subscribers' procedures had the potential to create a barrier to customers receiving a refund. Work is underway to clarify the Code requirements in this area. Whilst none of the subscribers procedures specifically referred to gross negligence being used to refuse a claim, some subscribers do look at the overall circumstances of the case and, in effect, take into account any contributory negligence by the customer which can lead to a claim being refused where there is no direct evidence of first party fraud, or collusion.

The mystery shopping exercise identified instances of incorrect or misleading information/guidance being provided to customers. However, a greater weakness was the missed opportunities to volunteer helpful information for instance around liability etc. This could indicate a training need or be a consequence of a policy to hand-off to specialist teams.

As this was partly a fact finding exercise, and given the limited scope and depth of the associated mystery shopping exercise, we did not formally grade the individual reports. However, all shortcomings identified in both our work and the mystery shopping have been taken up with the respective subscribers and action plans agreed, where appropriate, which we will monitor to completion.

Enforcement

We are pleased to report that there were no breaches identified which justified consideration by our Adjudications Committee and no Executive Warnings were issued during the year.

A total of 71 breaches, dealt with under the 'Remedial Action Agreed by Executive' procedure, were reported to the Board. Many of these breaches were reported to us by subscribers themselves, having been identified by their own compliance processes, incident review or as part of the checks undertaken for the completion of the ASC. For all significant breaches, we required action plans from subscribers to address these shortcomings, which we monitored to completion. In all, 36 action plans were agreed covering these breaches and deficiencies identified during themed reviews, investigations and our own analysis of the ASCs.

Working with others

The LSB has memorandums of understanding (MoUs) with both the OFT and the FCA. The MoUs provide a framework for co-operation and

communication, and allow for the referral of both industry level and firm specific concerns to the LSB for investigation. During the year, three firm specific cases were raised with us by the OFT and a further two cases were passed to us for investigation shortly after the end of the year.

We continue to maintain close working relationships with the key consumer and debt advice bodies who provide us with vital intelligence to assist in planning and executing our work. As well as referring cases to us, which may be indicative of a systemic breach of the Code by a subscriber, they are also able to highlight areas of potential consumer detriment for further investigation which may lead to changes in the Code. In addition to bilateral meetings we also hold an annual forum to which we invite all the major debt advice and consumer bodies. We are grateful for their continued support.

During the year we have participated in a range of stakeholder seminars and workshops and responded to various consultations. We have also spoken at a number of conferences arranged by the industry and the debt advice sector where we have been able to outline the contribution which we believe that industry codes and bodies such as the LSB can make to the future regulation of consumer credit.

Our future work

As mentioned above, we have already commenced work on a wider review of how subscribers and DCAs acting on their behalf deal with customers in financial difficulties. In addition to this, we are planning to undertake work looking at lending to students; a review of compliance with the Code provisions relating to data provided to credit reference agencies (CRAs) and how subscribers analyse complaints data to identify possible systemic breaches of the Code. We also expect to undertake at least two full and two partial subscriber reviews.

Policy work is planned looking at how information on fees and charges for unarranged overdrafts is communicated to customers, the reduction and cancellation of overdraft limits and the support made available to vulnerable customers. The aim of this policy work is to identify best practice for sharing with subscribers as well as identifying possible areas for strengthening the Code.

The LSB takes a risk-based approach to its compliance monitoring. Whilst inevitably much of our focus, including our themed reviews, is on those firms with the largest market share, we have recently enhanced our risk assessment process that rates subscribers which we hope will allow us to improve the targeting of work.

We are constantly looking for opportunities to improve our intelligence feeds and have recently started collecting data from the largest subscribers on arrears, the number of payment plans agreed and broken and the number of lending related complaints. This data will be used to identify trends and early warning of potential problems.

The LSB Team

Once again I must thank my Board colleagues and the LSB team for all their hard work and support during the year. Despite the uncertainties created by the forthcoming changes to the consumer credit regime, the team has continued to perform with great professionalism which has been instrumental in maintaining the support of our stakeholders.

Robert Skinner
Chief Executive, July 2013

Field monitoring activity 2012/2013	Review gradings and number of subscribers			
	Red	Amber	Green	Total
Full subscriber reviews			2	2
Micro-enterprises			5	5
Financial difficulties		3	2	5
Fraudulent credit card transactions (investigation - ungraded)				5

Reviews undertaken	2009/10	2010/11	2011/12	**2012/13**
Full and partial subscriber reviews	■	■	■	■
Banker's right of set-off		■		
Credit assessment	■		■	
Credit Card provisions and UK Cards Best Practice Guidelines (BPGs)	■		■	
Financial difficulties	■	■	■	■
Micro-enterprise borrowing				■
Risk based interest rate re-pricing	■			
Summary boxes	■			
Opt-out from unauthorised overdraft			■	
Unauthorised credit card transactions		■		■

Our People

Board members at 31 March 2013

Chairman

The Right Hon The Lord Hunt of Wirral MBE

David Hunt has been a parliamentarian for 37 years, first as MP for Wirral, then moving from the House of Commons to the House of Lords in 1997. He has been a partner in DAC Beachcroft LLP, solicitors, since 1969 and is currently Chairman of their Financial Services Division. He was a Minister in successive governments for 16 years and a member of the Cabinets of both Margaret Thatcher and John Major. He has also been Chair of the Press Complaints Commission since 2011.

Independent Directors

Claire Ighodaro CBE (1)

Claire Ighodaro 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 senior executive at BT plc, a Board Member of UK Trade & Investment (UKTI) and BIS and is a Past President of the Chartered Institute of Management Accountants (CIMA).

Lady Bloom CBE (2)

Margaret Bloom is a Senior Consultant at Freshfields Bruckhaus Deringer LLP and a visiting Professor at the Dickson Poon School of Law, King's College London. Margaret is also the Deputy Chair of the Money Advice Trust and an independent member of the LINK Consumer Council. She is a former Director of Competition Enforcement at the Office of Fair Trading.

Alan Whiting (1,2)

Alan Whiting is Chairman and Managing Director of Merlan Financial, he is also Chairman of the Gibraltar Financial Services Commission and NYSE Liffe. Alan was previously Director of Financial Regulation at HM Treasury covering banks, investment companies, building societies and friendly societies. More recently Alan was Executive Director, Regulation and Compliance at the London Metal Exchange.

Directors representing the sponsors

Adrian Coles OBE (1)

Director General, Building Societies Association

Eric Leenders (1,2)

Executive Director of Retail, British Bankers' Association

Graham Peacop (2)

Managing Director, The UK Cards Association

Chief Executive

Robert Skinner

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

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

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, seeking assurance 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 2013

Chris McAteer – Compliance Director

Gaye Kirby – Operations Manager

Julie Huxen – Administration & IT Manager

Laura Mahoney – Legal & Compliance Officer

Compliance Managers

Alan Dengate

Michael Merry

Shada Nasrullah

Elizabeth Thompson

Company information

Directors

Lord Hunt of Wirral MBE (Chairman)

Robert Skinner (Chief Executive)

Lady Bloom CBE

Adrian Coles OBE

Claire Ighodaro CBE

Eric Leenders

Alan Whiting

Graham Peacop
(Appointed 10 December 2012)

Paul Marsh
(Resigned 3 May 2012)

Jacqueline Tribe
(Served from 4 May 2012 to
10 December 2012)

Company Secretary

Sisec Limited

Registered office

21 Holborn Viaduct
London
EC1A 2DY

Auditor

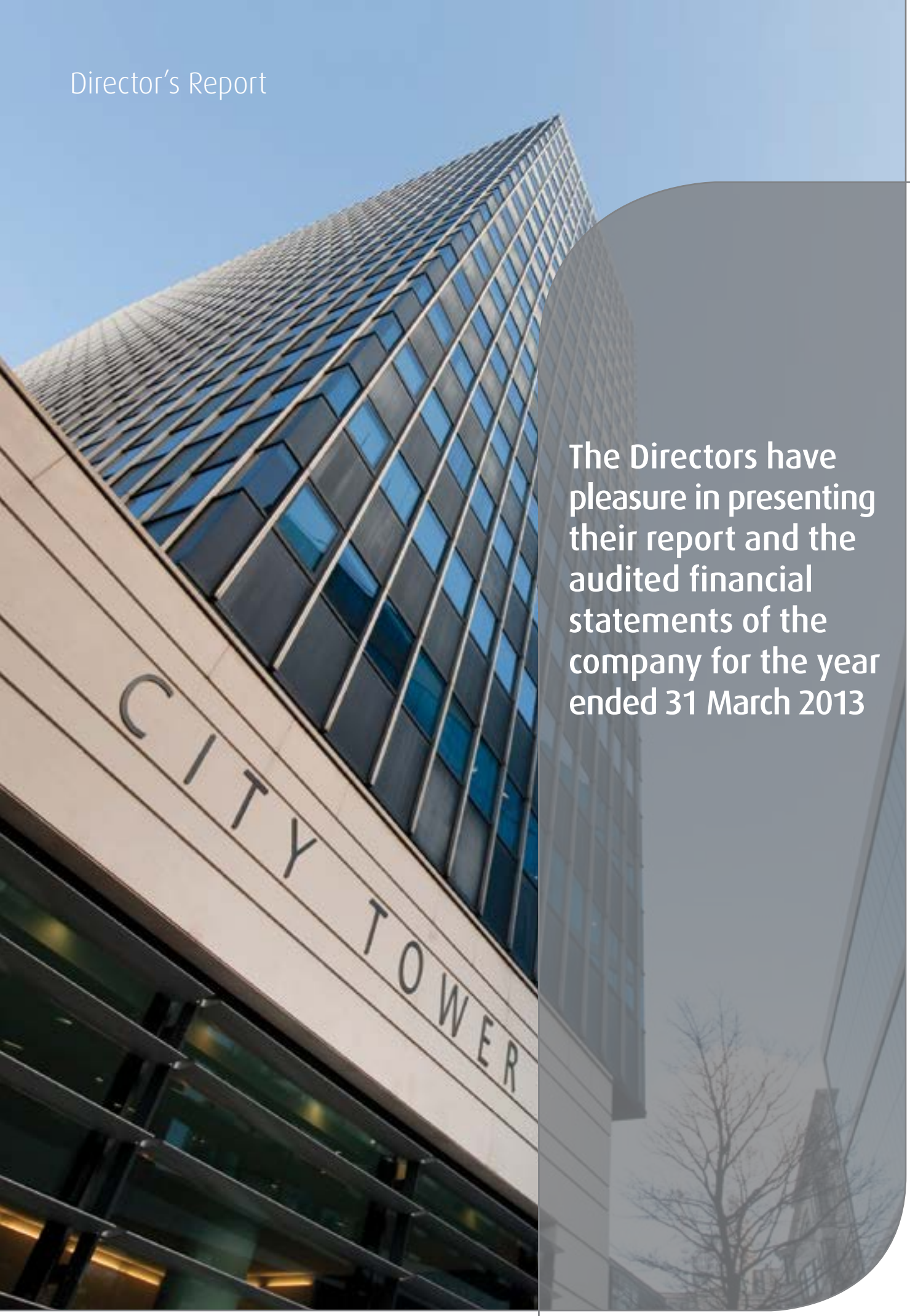
Chantrey Vellacott DFK LLP
Chartered Accountants
Statutory Auditor
Russell Square House
10 – 12 Russell Square
London
WC1B 5LF

Bankers

Coutts & Co
440 Strand
London
WC2R 0QS


10
5

Director's Report



The Directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 31 March 2013

Incorporation

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.

Principal activities

The principal activity of the company is the monitoring and enforcement of the Lending Code (the Code); a voluntary code of practice for financial services providers intended to protect customers.

Directors

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

Lord Hunt of Wirral MBE (Chairman)

Robert Skinner (Chief Executive)

Lady Bloom CBE

Adrian Coles OBE

Claire Ighodaro CBE

Eric Leenders

Alan Whiting

Graham Peacop
(Appointed 10 December 2012)

Paul Marsh
(Resigned 3 May 2012)

Jacqueline Tribe
(Served from 4 May 2012 to 10 December 2012)

Governance Structure

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 pre-application reviews, themed reviews and investigations; 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 Adjudication Committee, chaired by an independent legal practitioner who is not a Director, and consisting of two independent and one industry Director, 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, and
- 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 year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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

Lord Hunt of Wirral
Director

Approved by the Directors on 9 July 2013

Independent Auditor's Report

To the members of The Lending Standards Board Limited Year ended 31 March 2013

We have audited the financial statements of The Lending Standards Board Limited for the year ended 31 March 2013 which comprise 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 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion 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 2013 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 matter 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' report.

Chantrey Vellacott DFK LLP

Chris Malacrida (Senior Statutory Auditor)
for and on behalf of
Chantrey Vellacott DFK LLP
Chartered Accountants
and Statutory Auditor
London

9 July 2013

Financial Report

Profit and loss account

Year ended 31 March 2013

	Note	2013 £	2012 £
Fees		**1,273,239**	1,164,074
Operating costs		**1,208,841**	1,109,642
Operating profit	2	**64,398**	54,432
Interest receivable and similar income	5	**16,351**	16,207
Profit on ordinary activities before taxation		**80,749**	70,639
Tax on profit on ordinary activities	6	**10,463**	2,415
Profit for the financial year		**70,286**	68,224

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

The company has no recognised gains or losses other than the results for the year as set out above.

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

Balance sheet

As at March 2013

	Note	2013 £	2012 £
Fixed assets			
Tangible assets	7	**5,553**	7,917
Current assets			
Debtors	8	**91,030**	78,511
Cash at bank		**789,531**	703,240
		880,561	781,751
Creditors: amounts falling due within one year	9	**131,781**	105,621
Net current assets		**748,780**	676,130
Total assets less current liabilities		**754,333**	684,047
Reserves			
Profit and loss account	12	**754,333**	684,047
Members' funds		**754,333**	684,047

The notes on pages 18 – 22 form part of these financial statements

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 9 July 2013, and are signed on their behalf by:

Lord Hunt of Wirral
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 Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

Fees

Fees comprises annual subscriptions payable for the year ended 31 March 2013.

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 & 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 offers a Group Personal Pension Plan for all employees or contributes to existing personal pension plans. The assets of the plans are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 profit

Operating profit is stated after charging/(crediting)

	2013 £	2012 £
Depreciation of owned fixed assets	**7,209**	6,567
(Profit)/Loss on disposal of fixed assets	**(40)**	49
Auditor's fees	**8,500**	8,000
Operating lease costs: Land and buildings	**37,150**	37,500

3. Directors' remuneration

	2013 £	2012 £
Lord Hunt of Wirral	**51,500**	50,000
Robert Skinner	**201,597**	192,816
Lady Bloom CBE (appointed 28 March 2012)	**18,000**	1,288
Adrian Coles OBE	**–**	–
Claire Ighodaro CBE	**20,000**	17,450
Eric Leenders	**–**	–
Paul Marsh	**–**	–
Sir Robin Mountfield KCB (died 9 November 2011)	**–**	10,300
Alan Whiting	**18,000**	15,450
Jacqueline Tribe	**–**	–
Graham Peacop	**–**	–
	309,097	287,304

Directors' remuneration includes contributions totalling £16,556 (2012: £16,074) paid to a pension arrangement to secure money purchase benefits for Robert Skinner.

4. Directors and staff costs

The aggregate payroll costs (including all Directors and pension contributions) were:

	2013 £	2012 £
Wages and salaries	**731,151**	678,372
Social security costs	**86,155**	81,183
Other pension costs	**42,793**	45,657
	860,099	805,212

The average number of staff employed by the company during the financial year (excluding non-executive directors) amounted to 9 (2012 – 8). Pension contributions were paid into an employee Group Personal Pension Plan.

5. Interest receivable and similar income

Other similar income of £nil (2012: £4,130) related to the overprovision of interest payable on unpaid tax in 2011.

	2013 £	2012 £
Bank interest receivable	**16,351**	12,077
Other similar income receivable	**–**	4,130
	16,351	16,207

6. Taxation on ordinary activities

(a) Analysis of charge in the year

	2013 £	2012 £
Current tax:		
UK Corporation tax based on the results for the year at 20% (2012 - 20%)	**10,943**	2,415
Over/under provision in prior year	**(480)**	–
Total current tax	**10,463**	2,415

(b) Factors affecting current tax charge

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 20% (2012 - 20%).

	2013 £	2012 £
Profit on ordinary activities before taxation	**80,749**	70,639
Profit on ordinary activities multiplied by rate of tax	**16,150**	14,128
Expenses not deductible for tax purposes	**–**	451
Capital allowances for period in excess of depreciation	**(267)**	(1,098)
Utilisation of tax losses	**(5,502)**	(9,575)
Unrelieved tax losses	**–**	(1,491)
Adjustments to tax charge in respect of previous periods	**(480)**	–
Other short term timing differences	**562**	–
Total current tax (note 6 (a))	**10,463**	2,415

(c) Factors that may affect future tax charges

The company has deferred tax assets, representing timing differences on capital allowances and short term timing differences totalling £2,825 at current tax rates. As there is insufficient evidence that these tax assets will become recoverable within the meaning of FRS 19, Deferred Taxation, they have not been recognised.

7. Tangible fixed assets

	Fixtures & Fittings £	Computer and other equipment £	Total £
Cost			
At 1 April 2012	**5,419**	**39,386**	**44,805**
Additions	**374**	**4,472**	**4,846**
Disposals	**–**	**(7,757)**	**(7,757)**
At 31 March 2013	**5,793**	**36,101**	**41,894**
Depreciation			
At 1 April 2012	**5,254**	**31,634**	**36,888**
Charge for the year	**290**	**6,919**	**7,209**
On disposals	**–**	**(7,756)**	**(7,756)**
At 31 March 2013	**5,544**	**30,797**	**36,341**
Net book value			
At 31 March 2013	**249**	**5,304**	**5,553**
At 31 March 2012	165	7,752	7,917

8. Debtors

	2013 £	2012 £
VAT recoverable	**16,866**	11,177
Other debtors	**74,164**	67,334
	91,030	78,511

9. Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	**36,662**	38,483
Corporation tax	**10,943**	2,398
PAYE and social security	**7,891**	–
Other creditors	**9,572**	–
Accruals and deferred income	**66,713**	64,740
	131,781	105,621

Notes to the financial statements

10. Commitments under operating leases

At 31 March 2013 the company had annual commitments under non-cancellable operating leases as set out opposite.

	2013		2012	
	Land and buildings £	**Other items £**	Land and buildings £	Other items £
Operating leases which expire:				
Within one year	**–**	**–**	21,875	–
Within two to five years	**40,000**	**1,596**	–	3,192
	40,000	**1,596**	21,875	3,192

During the year, the company entered into a 3 year lease expiring on 31 October 2015 at £40,000 p.a. The company may exercise a break clause at 1 November 2014 by giving the landlord not less than 6 months written notice.

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

	2013 £	2012 £
Balance brought forward	**684,047**	615,823
Profit for the financial year	**70,286**	68,224
Balance carried forward	**754,333**	684,047

Subscribers

Subscribers to the Lending Code as at 31 March 2013

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

Contact us

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

Email: info@lstdb.org.uk

www.lendingstandardsboard.org.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

www.lendingstandardsboard.org.uk