

Consumer Credit News

Government Begins Consultation On Proposal To Ban Bills Of Sale For Consumer Lending

■ Ian Norman, January 2010

On 21 December 2009, the Government began consulting on proposals to ban Bills of Sale in Consumer Lending. Bills of Sale are a lending instrument used to secure goods (often cars) against personal loans. Their use has led to the recent emergence of a market in "log-book loans" i.e. loans made in exchange for the log books of vehicles given as security. The Government estimates the market for such loans to be in the region of £30 million a year.

The Government has stated its concern that many consumers do not understand the operation of Bills of Sale and claims that there have been a high number of complaints made to the OFT in respect of such loans, which allow lenders to repossess vehicles given as security without first obtaining a court order. The loans are often directed at those with limited or no access to mainstream credit or self-employed owners of small firms. The Government is concerned about the emergence of bad practices in this sector of the credit industry.

Whilst the Government has not yet settled on a total ban of Bills of Sale, it has indicated that it considers a total ban necessary to achieve the protection required for consumers. Amongst other things, the Government is looking for responses to its consultation in respect of the following:

- Whether a voluntary code of practice or self-regulation would provide sufficient additional protection for consumers;
- Whether targeted reform to Bills of Sale legislation would rectify the problems set out above; and
- Whether a ban on the use of Bills of Sale for consumer lending would achieve the best outcome for consumers, while promoting an open, competitive and innovative credit market.

The closing date for responses is 15 March 2010 and the industry will no doubt be watching developments on this front closely, given the likely impact and the forthcoming general election.

For further information or advice in relation to this Government Consultation, please contact:

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