



# FCA proposes introduction of price cap on rent-to-own firms to protect vulnerable consumers from high costs

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The Financial Conduct Authority today proposed to introduce a price cap on the rent-to-own (RTO) sector. The cap, subject to consultation, will come into force on 1 April 2019 providing protection for some of the most financially vulnerable people in the UK. Once in force, the changes are expected to save consumers up to £22.7m per year.

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RTO customers are some of the most financially vulnerable in our society. Only one third are in work, most are on low incomes (between £12,000 and £18,000) and are likely to have missed a bill payment in the last 6 months. Despite this, firms often charge these customers more than other retailers for essential household goods such as a washing machine or a cooker, and with add-on insurance and warranties in some cases RTO customers can pay up to 4 times the average retail price.

To protect consumers, the FCA has designed a bespoke price cap to fit the RTO market, limiting both the cost of the product and the charge for credit. Under the proposed cap, credit charges cannot be more than the cost of the product. In addition, RTO firms will need to benchmark the cost of products against the prices charged by 3 other retailers.

Andrew Bailey, Chief Executive of the Financial Conduct Authority said:

'Today's measures are designed to bring down very high prices in the rent-to-own sector, which is used by some of the most financially vulnerable in our society. A cap will prevent firms charging over the odds for essential everyday items like cookers or washing machines. We believe a cap is the only intervention that will effectively tackle the highest prices. If implemented it will save consumers up to £22.7m a year from excessive charges.

'We want to stop consumers having to pay many multiples more than the price of a product on the high street. These changes build on the measures we have already taken across the high-cost credit sector.'

In addition, the FCA is introducing a 2-day cooling off period for the sale of extended warranties. This will effectively ban firms from selling these warranties at the point of purchase. This will come into force on 22 February 2019.

In recognition of the challenges some people may find in accessing alternative sources of credit, the FCA is publishing further information about its approach to promoting alternatives to high-cost credit. These include not only lower cost credit options but also alternatives that meet the consumer's underlying need, without taking out credit, for example other sources of essential household goods. The FCA has set out what actions it is taking including working closely with the Government and other relevant organisations to support a number of initiatives.

The consultation on the price cap and benchmarking proposals will be open until 17 January 2019. If agreed the new rules will be implemented from 1 April 2019.

## Notes to editors

1. [Rent-to-Own Consultation Paper](#).

2. Subject to consultation, the benchmarking and price cap rules will come into force on 1 April 2019. They will apply immediately to new products coming on the market and, to existing stock, either at the time the RTO firm changes the price or otherwise on 1 July 2019.
  3. Our previous work has also resulted in redress packages for around 340,000 consumers of RTO firms- BrightHouse, PerfectHome and Buy As You View, of nearly £16m.
  4. Further information on the work of the Financial Conduct Authority in the [high-cost credit sector](#).
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