



# **Regulatory Compliance Guide for UK IPF Partners**

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## Terminology

Throughout this guide, we use the term 'Partner' to refer to a variety of businesses, intermediaries and brokers who arrange or provide services for their customers which PREMIUM CREDIT agrees to finance.

## This Guide

The primary aim of this Guide is to provide information for our Partners "engaged in the introduction of customers" to us as to the standards expected of them by both PREMIUM CREDIT, and the FCA, when they are dealing with actual or prospective borrowers. These standards provide information and set out several ways that you can comply with your legal and regulatory obligations.

This Guide is split into three sections – (1) a regulatory guide checklist; (2) our expectations of you; and (3) the customer journey using PREMIUM CREDIT alongside our mutual obligations as FCA Regulated Firms. It also covers some of our expectations of you, whilst you conduct business with us.

Areas marked R will only apply to Regulated business.

We take our regulatory and legal obligations seriously and expect all our Partners to do likewise, to deliver good and fair customer outcomes. You must ensure always that your interpretation and implementation of this Guide also meets your legal and regulatory requirements covering the sale and promotion of our finance facility.

Whilst the Guide represents our view on the regulations and the standards expected of Partners, it is not meant to represent an exhaustive list – we expect all Partners to have regard to the spirit as well as the letter of this Guide and the underlying FCA, legal and regulatory requirements. We expect you to take reasonable and proportionate steps to ensure that they have suitable business practices and procedures in place, for example thorough training, monitoring, disciplinary policies/procedures, or any other means necessary and appropriate to the business.

## Our Obligations Over Credit Brokers

FCA rules require us to take reasonable steps to ensure that our Partners comply with CONC. As part of this we will periodically monitor your consumer credit related activities including site visits, reviews of your online customer journey or self-certification of FCA compliance. In addition, we may also request to listen to your customer calls, conduct file audits, review complaints, and examine your regulatory policies and procedures.

## Section One: Your “Regulatory Guide Checklist”

This is a summary of the key points you should consider before credit broking:

- **Adequate explanations** – You must include information explaining we are a third-party lender, the terms and costs of the customers potential finance product and the comparable costs of the financing, provide the customer with an opportunity to ask questions about the agreement and where to go for further information, the consequences for failure to make payment, the risks associated to the cancellation of the insurance policy, the risk of a shortfall if any policy rebate is not enough to repay the credit balance and how to withdraw from the agreement.
- **Authorisation** – you must have the correct regulatory permissions to offer Premium Credit Finance to Regulated Customers – specifically you must hold a ‘Credit Broking’ permission.
- **Commission Disclosure** – CONC requires you to let the customer know that they can request details of any commission, fee, or other remuneration payable to you.
- **Compliance Breaches** – You must tell us if there is a breach or a possible breach of the FCA requirements and help us with any resulting investigation.
- **Compliance Policies** – SYSC requires written procedures and policies to be in place including but not limited to: Conflicts Policy, Treating Customers Fairly Policy, Complaints, Vulnerable Customers, Financial Crime, Training Policy/Procedures, Compliance Monitoring Procedures.
- **CONC rules** – The FCA’s Consumer Credit Sourcebook (CONC) sets out the detailed credit activity obligations that apply to regulated firms.
- **Credit Broking Fees** – You must not charge customers separately for using Premium Credit Finance.
- **Credit Broking Information Notice** - CONC 4 explains that you cannot take payment unless you have sent a notice on paper or in another durable medium to the customer setting out; the legal name of the firm, that you are acting as a credit broker and PREMIUM CREDIT is the lender, details of any charges, amount of charges & the method payment will be taken.
- **Debt Related Activities** - If you are undertaking debt collecting or debt administration, you must ensure that you hold authorisation that allows you to undertake these activities. Once we have notified you that the customer is in arrears, you may remind the customer that their insurance policy may be at risk of being cancelled if they do not keep up with the repayments on their Credit Agreement. **You must refrain from conducting activities that could fall within the scope of what is considered to be debt collecting if you do not have the relevant permissions.**
- **FCA Suspension** - If your FCA authorisation for any of your activities is suspended, withdrawn, or terminated you must inform us immediately.
- **FCA Handbook** – familiarise yourself with the higher-level requirements in other parts of the FCA handbook such as PRIN, GEN, SYSC and DISP.
- **Information Use Disclosure** - At the point of sale you must tell customers that you will share their data with us, and we will use it to conduct anti-money laundering checks and credit assessments which may include a search of their records at a credit reference agency. This type of search does leave a footprint of our search that other lenders will be able to see, but not the outcome of our search.
- **Monthly Repayments** – This is the term that should be used to refer to monthly direct debits. We say ‘monthly repayments’ so it is clear to the customer that they have purchased a loan which is repayable.
- **Paperless Direct Debit** - There are specific mandatory rules that apply when bank details are collected and used to set up a DDI online and without a signature which both Premium Credit and you must follow. For bank details over the phone remember to follow the approved Direct Debit Call Script.
- **Policy Cancellation** – If a customer requests cancellation of a policy with premiums financed under a Credit Agreement with us, you must notify us immediately.
- **Pre-contract Information** - You are not required to give pre-contractual explanations on our behalf in accordance with the Consumer Credit Act (as we provide those directly to customers) but you should give customers information about our credit facility at the point of sale, such as details of our default charge, facility fee and other charges. The customer needs sufficient information to make an informed decision about Premium Finance (CONC 2.3.2)
- **Regulated & Unregulated Agreements** – As a regulated firm you will need to understand when the CONC rules apply. The rules apply to ‘individuals’ as defined by the Consumer Credit Act. Whilst the CONC rules will not apply to Limited companies, some business and commercial agreements will be incorporated within the CONC rules, although CONC 3 does not apply to agreements with a business purpose. We recommend you take time to understand when the CONC rules apply.
- **Remuneration** – Consideration and compliance with the FCA’s Staff Incentives requirements (CONC 2.11).
- **Representative Example** – The representative example (CONC 3.5.5 R) must include; rate of interest, total charge of credit, total amount of credit, number and amount of monthly repayments and representative APR.
- **Right to Withdraw** - All customers have a 14 day right to withdraw from the Credit Agreement after it has been made (CONC 11).
- **Trading Agreement** – If applicable, this gives you details on your funding limit, the contractual terms between us, finance commissions and the countries from which we will accept customers.
- **Training** – Periodic training including training on financial crime modules must be given to all staff.
- **Users and systems** – You are responsible for the users and access to our systems and should review and monitor the licences.
- **Web Based Trading** - If your website advertises the availability of a credit facility you must comply with, amongst others, the CONC rules.

## Section Two: Our Requirements and Expectations of You

### Sub-Brokers and Appointed Representatives

- Sub-brokers refer to Partners (“you”) who use your facility to submit customers for finance to us. You are responsible for the oversight, legal and regulatory compliance of all sub-brokers, and are liable to us for their acts or omissions. Similarly, for Appointed Representatives, the Principal firm is responsible for ensuring adherence to this Guide and the Regulatory framework, irrespective of whether they have an individual scheme and trading relationship with us.

### Terms of Trade

- Our Trading Agreement with you sets out the terms that will apply to our working relationship. It contains your obligations to us and includes details of the service we will deliver to you and the customers you introduce to us. Please ensure you take the time to read it.

### Funding Limit

- For our retail services, your trading agreement may set out the maximum amount of finance you can arrange. The funding limit is the maximum amount of credit we will provide under your retail facility in a 12-month period. We will contact you if changes are made to the funding limit.

### Access and Use of Systems

- Your Trading Agreement with us will set out the basis on which your access to our systems is granted under licence. Usernames and passwords are confidential, and you are responsible for monitoring their use. You are responsible for ensuring that access is removed from any user you no longer authorise or who has left your employment and you must report any unauthorised access to us as soon as you become aware of it.

### Accuracy of Information

- It is vital that all information provided to us is accurate and true to the best of your knowledge. For the avoidance of doubt, this includes any anti-money laundering documentation, information about customers and their circumstances, business information for the purposes of the finance facility with us and any query, questionnaire, or oversight that we may undertake to comply with our obligations.

### Compliance Breaches

- You must tell us if there is a breach or a possible breach of the FCA requirements and help us with any resulting investigation.

### Jurisdiction

- We will only lend to customers who are resident in the UK, Ireland, Guernsey, Jersey, or the Isle of Man. You should ensure that customers are resident in one of these countries, that you have the appropriate local regulatory authorisations, and that you have the appropriate permissions within your Trading Agreements with us.

### FLA Lending Code

- We are members of the Finance & Leasing Association and required to comply with their Lending Code. The Code imposes certain obligations upon Credit Brokers which are incorporated within the requirements of this guide

## Section Three: Customer Journey and Regulatory Considerations

### Regulatory Background

- Partners conducting regulated consumer credit activities must follow certain rules when arranging credit – these are detailed in CONC, the Consumer Credit Act 1974 and supplementary legislation. Most of the obligations for Partners are contained within CONC and any supporting guidance that has been issued by the FCA.

### Administration Fees

- You must not charge any administration fee to the customer specifically for arranging credit. If you charge any administration or arrangement fee, this must not relate to Consumer Credit and must be applicable to all insurance customers, irrespective of how they pay for their insurance.**

### The FCA and Credit Broking Rules (R)

A credit broker is a person who introduces individuals who are seeking credit or goods on hire – to lenders that may provide this credit or other credit brokers.

If you facilitate credit to customers who qualify under a Regulated Loan, these agreements must comply with the Consumer Credit Act, and the rules in the Consumer Credit Sourcebook (CONC). CONC applies to ‘individuals’ entering a Credit Agreement as detailed in the Consumer Credit Act.

### Consumer Credit Sourcebook (R)

#### General Principles:

- Throughout all your dealings with customers for credit, you must bear in mind the FCA’s General Principles with CONC:

Relevant Rule: CONC 2.2.2 G

Principle 6 requires a firm to pay due regard to the interests of its customers and treat them fairly. Examples of behaviour by or on behalf of a firm which is likely to contravene Principle 6 include:

- targeting customers with regulated Credit Agreements which are unsuitable for them, by virtue of their indebtedness, poor credit history, age, health, disability or any other reason;
- subjecting customers to high-pressure selling, aggressive or oppressive behaviour, or unfair coercion;
- not allowing customers who are unable to make payments a reasonable time and opportunity to meet repayments;
- taking steps to repossess a customer's home, other than as a last resort.

The Sourcebook contains the detailed requirements around consumer credit activities but can be split into five high level areas: (1) Winning new business; (2) Information for Customers; (3) Affordability; (4) Post-sales care; and (5) Recovering debts.

#### 1. Winning New Business

- Consumers must be provided with information that is **clear, fair, and not misleading**. This means providing consumers with the right information, at the right time and in terms that they understand so that they can make informed choices. You must ensure:
  - Treating Customers Fairly: Suitability of our credit product, proper conduct, vulnerability through current indebtedness, credit history, age, health. Disability, etc. should not be targeted or exploited.
  - Transparency: through appropriate behaviour, clear advertising and any other material provided to customers.
  - Advice: Ensuring any advice given is suitable and appropriate.
- We expect customer interests to be at the heart of how you do business, and, in this respect, you should also be familiar with CONC 2.5.8R and 2.5.9G in relation to unfair business practices.

## 2. Information for Customers

- The key steps are to ensure that the customer understands:
  - that they are entering into an arrangement for credit;
  - the key provisions of the Credit Agreement and associated service to allow them sufficient opportunity to consider the Credit Agreement;
  - cost of the credit;
  - your receipt of finance commission (if applicable); and
  - that you will be passing the customer's personal data to us for arranging and facilitating the loan.
- In Appendix 1, we have provided a sample journey script which will assist in the implementation of this. **Please note that we will provide to the customer all the required Pre-Contractual Explanations and Credit Agreement.**
  - At point of sale, you must tell customers that you will share their data with us, and we will use it to conduct anti-money laundering checks and credit assessments which may include a search of their records at a credit reference agency. This type of search does leave a footprint of our search that other lenders will be able to see but not the outcome of our search. The type of search we make should not have a detrimental effect on the credit rating of a customer. We will write to you and the customer if the application for credit is declined.
- As part of your script with customers, you must ask them if they have a preferred collection date for their repayments prior to your submission to PREMIUM CREDIT. Should they wish to change in the future, we will only allow them to defer by 5 days although they may accelerate by any number of days (note that this may result in two collections together or close together). For each change, we may make a charge of £5.
- Cost Disclosure:
  - As part of the credit broking sales process, you should provide a clear information on the costs to the customer. Where possible, you must inform the customer of the rate which they will pay, in APR terms to allow comparisons. If this is not possible, a representative APR must be used:

Relevant Rules: CONC 3.5.5 R & CONC 3.5.9 R

- (1) The representative example ... must comprise the following items of information:
  - (a) the rate of interest, and whether it is fixed or variable or both, expressed as a fixed or variable percentage applied on an annual basis to the amount of credit drawn down;
  - (b) the nature and amount of any other charge included in the total charge for credit;
  - (c) the total amount of credit;
  - (d) the representative APR;
  - (e) in the case of credit in the form of a deferred payment for specific goods, services, land or other things, the cash price, and the amount of any advance payment;
  - (f) the duration of the agreement;
  - (g) the total amount payable; and
  - (h) the amount of each repayment of credit
- The presentation of the representative APR must comply with CONC 3.5.9 R in that (1) an APR must be shown as "%APR"; (2) where an APR is subject to change it must be accompanied by the word "variable"; and (3) the representative APR must be accompanied by the word "representative".

- If you are promoting credit, we can provide you with a tool to calculate the representative APR – further information can be found in Appendix 2. We would recommend that you use our system-based APR calculator which will ensure that the APR quoted is identical to that produced in the Credit Agreement and will take account of the facility fee, where this applies.

## 3. Affordability (R)

'Assessing affordability' is a 'borrower-focussed test' that involves assessing a borrower's ability to undertake a specific credit commitment, or specific additional credit commitment, in a sustainable manner, without the borrower incurring (further) financial difficulties and/or experiencing adverse consequences.

By 'in a sustainable manner', this is credit that can be repaid by the borrower:

- without undue difficulty (such as incurring or increasing problem indebtedness)
- over the life of the Credit Agreement, and
- out of income or savings, without having to realise any security or assets.

- The FCA expects firms to pay due regard to whether the credit product is affordable and whether there are any factors which the firm knows, or reasonably ought to know, that may make the product unsuitable for that customer. We are required under [CONC 5.2.1 R](#) to undertake appropriate affordability assessments on customers to ensure that they can meet the repayments for the loan.
- When we assess the customer's ability to repay, we may look at a combination of:
  - the type of loan and the amount of credit requested;
  - their existing credit commitments and financial situation;
  - how they have managed their financial affairs in the past;
  - their personal circumstances and any future changes which they have told us about;
  - information supplied, including proof of their identity and why they are applying for the loan;
  - information from credit reference agencies (CRAs);
  - any security they have provided (such as an underlying insurance policy).
- If we refuse a customer's application, we will tell the customer the main reason if they ask us. The customer also has a right to ask us to review our decision and such reviews should be submitted to [appeals@pcl.co.uk](mailto:appeals@pcl.co.uk).

You should note that we may be required to undertake such an assessment on any other party related to the agreement, such as a third-party account holder or guarantor.

Relevant Requirements: Consumer Credit Act, 1974 (section 157) and CONC 2.4.2 R

If our decision to refuse an application was influenced by information obtained from a credit reference agency (CRA) search, we will tell you and the customer how to contact the CRA in question so that the customer can get a copy of the information which it has about them.

#### 4. Post-Sales Care (R)

- Customers must be provided with relevant information following the acceptance of the Credit Agreement. Alongside statement provision, all customers have the right to withdraw up to 14 days after it has been made. The conditions under which the right can be exercised are set out in the Credit Agreement. If a customer withdraws from the Credit Agreement it will be as if the Credit Agreement was never made, so any funds due or paid to you will be withheld or recalled and any repayments collected from the customer will be returned to them in full.
- Financial Difficulties, Default and Termination:
  - If a customer finds themselves in financial difficulties or having problems keeping up current or future repayments, you must let us know as soon as possible and ask them to contact us. The sooner the customer makes us aware, the quicker it will be for all parties to find a solution.

Relevant Requirements: CONC 6.7.2(1) R and CONC 7.3

We will review the individual circumstances and decide on the best course of action, whilst considering the customers best interests. We will inform you of the steps that have been agreed and, where appropriate, we will write to the customer to confirm the outcome.

- If a customer cancels their Direct Debit Instruction or fails to make a repayment, we will immediately write to the customer to let them know what has happened. If the Credit Agreement is regulated, we will provide the statutory notice required under CCA at the same time.
- If the type of default allows, we will try to collect the missed repayment again, together with any default charges we have applied to their account. Customers have 14 calendar days during which our Credit Control team will work with you and the customer to resolve the issues with their repayment and, if required, set up a new Direct Debit Instruction. If the default is not resolved, we will terminate the Credit Agreement.
- Policy Cancellation:
  - If a customer requests cancellation of a policy with premiums financed under a Credit Agreement with us, you must notify us immediately. We will terminate the associated transaction under the Credit Agreement and, under recourse, a debit for the relevant uncollected amount will appear on your next statement of account.

#### 5. Recovering Debts (R)

- Forbearance:
  - Where you contact a customer who is unable to repay their missed instalment, you may process an agreed forbearance option in line with the PCL forbearance approach and communicate this via the agreed communication channels. Alternatively, you should notify PCL so we can make appropriate arrangements with the customer.

Relevant Requirements: CONC 7.3.4 R A firm must treat customers in default or in arrears difficulties with forbearance and due consideration.

- FCA expects firms to have appropriate processes in place for the recovering of debts and for dealing with customers fairly who may be struggling with their payments. You are not authorised to chase customers for our debts and care should be taken in terms of customer communications if you do not hold specific debt collecting permissions from the FCA.

Debt collecting is “taking steps to procure the payment of a debt due under a Credit Agreement....”

**In particular, you must not contact the customer regarding missed payments, requirement to pay or to proactively chase payments under their Credit Agreement.**

- You may:
  - Contact the customer to enquire about the customer’s circumstances once we have notified you that the customer is in arrears so long as you do not, during these enquiries, discuss the payments above.
  - Remind the customer that their insurance policy may be at risk of being cancelled if they do not keep up with the repayments on their Credit Agreement.
  - Take instructions from the customer as to how they want to proceed and communicate these to us.
  - Passively receive and transmit funds to us from the customer so long as you have not had a role in requesting the funds from the customer. You can do this by inputting the customer’s card details directly onto our system.
- If the Credit Agreement has been terminated and we have exercised any rights against you (recourse) to ensure the customer’s obligations under the Credit Agreement have been discharged in full, you may contact the customer to seek payment for any insurance policy or other services which were previously financed by the Credit Agreement and which are now either payable to you or will be cancelled if the customer does not make payments to you as the supplier or broker of these, provided that this is allowable under your Terms of Business with the customer.
- Under the Government’s Debt Respite Scheme (Breathing Space) Regulations from 4<sup>th</sup> May 2021, you must also ensure that any outstanding debt due to you as a result of recourse is not subject to the Regulations in England and Wales. Note that different Regulations apply in Scotland.

## FCA Thematic Work on Premium Finance

You should be aware of the findings from the FCA Thematic Review on the provision of premium finance (TR15/5) and ensure that your processes are consistent with these findings:

- That you always provide clear and appropriate information on payment options and the different costs associated with these choices, so that customers are aware of / understand the increased costs associated with paying using premium finance.
- That appropriate information about the credit option being offered is provided.
- You take appropriate steps to provide sufficient, clear, and consistent information to ensure customers understand the role they are performing. It must be clear to the customer that you are acting as a credit broker, the nature of the relationship between you (the credit broker) and us (the lender), and the existence of any remuneration that could influence your recommendation or materially impact the customer’s decision.

## Expectations / Requirements of Credit Brokers

### Staff Training & Organisational Structure

- You must take reasonable steps to ensure that you have strong and adequate internal controls, structures and that all staff are appropriately skilled and knowledgeable on consumer credit and money laundering:

Relevant Rule: SYSC 4.1.1 R

A firm must have robust governance arrangements, which include a clear organisational structure with well defined, transparent, and consistent lines of responsibility, effective processes to identify, manage, monitor, and report the risks it is or might be exposed to, and internal control mechanisms, including sound administrative and accounting procedures and effective control and safeguard arrangements for information processing systems.

- Customer-facing staff must have adequate training and guidance to ensure that they have sufficient understanding of the products and services and their features and associated risks to enable them to provide accurate information and explanations to borrowers where appropriate.



Note that PREMIUM CREDIT offers training on the use of our systems and how these can support Partners in offering finance in a compliant manner – please contact [capability@PremiumCredit.co.uk](mailto:capability@PremiumCredit.co.uk) for more information.

## Vulnerable Customers (R)

A vulnerable customer is someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care.

Relevant Rule: CONC 7.2.1 R

A firm must establish and implement clear, effective, and appropriate policies and procedures for:

(2) the fair and appropriate treatment of customers, who the firm understands or reasonably suspects to be particularly vulnerable.

- You must have clearly documented policies and procedures to identify vulnerable customers. If you believe a customer who may be vulnerable, or suffering from health issues, you must inform us immediately and take this into account when offering credit broking services. You should be aware of the FCA's Guidance for Vulnerable Customers and their expectations around this (a summary of our approach can be provided to ensure alignment through the distribution chain).

## Business Continuity/Disaster Recovery Planning

Relevant Rule: SYSC 3.2.19 G

A firm ... should have in place appropriate arrangements, having regard to the nature, scale, and complexity of its business, to ensure that it can continue to function and meet its regulatory obligations in the event of unforeseen interruption. These arrangements should be regularly updated and assessed to ensure their effectiveness.

- A written and tested procedure must be in place to ensure you can operate and meet regulatory expectations in the case of an unforeseen event. You will also need to inform us as soon as you are able if you invoke your business continuity arrangements or immediately if there is an incident.

## Complaints

A complaint is defined as **any oral or written expression of dissatisfaction**, whether justified or not, from or on behalf of an eligible complainant about the firm's provision of, or failure to provide, a financial service which alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience.

- (R) Our complaints process is subject to the Dispute Resolution section of the FCA handbook (DISP) and authorised firms are expected to follow the DISP rules and have written procedures in place. The rules make all complaints reportable; firms are required to issue a Summary Resolution letter for complaints resolved by the close of three business days.
- All complaints about the credit broking process must be handled by yourselves, if the complaint relates to the loan, documentation or our processes, this must be formally handed over to us in accordance with DISP 1.7.1 R. You are not allowed to handle complaints on our behalf, so if you do receive a complaint about us, you will need to send details of the complaint to Quality Control at [qualitycontrol@PremiumCredit.co.uk](mailto:qualitycontrol@PremiumCredit.co.uk). If we receive a complaint from a customer and we have reasonable grounds to be satisfied that you are solely or jointly responsible for the matters in the complaint, we will take the same approach.
- All complaints regarding misrepresentation of the service provided and/or a breach of contract, must be made known to us at your earliest convenience. This will ensure both us and you are aware of any potential Section 75 claim that may arise from such complaints. You will need to send details to Quality Control at [qualitycontrol@PremiumCredit.co.uk](mailto:qualitycontrol@PremiumCredit.co.uk).

## Staff Remuneration

- (R) The FCA require firms to consider the staff remuneration and incentives of firms offering credit to customers:

Relevant Rule: CONC 2.11.4 R

- (1) A firm must in relation to any risk of failure by the firm to comply with its obligations under the regulatory system arising from its remuneration or performance management policies, procedures, and practices:
  - (a) establish, implement, and maintain adequate policies and procedures designed to detect this risk; and
  - (b) put in place adequate measures and procedures designed to manage this risk.
- (2) A firm must, when deciding how to comply with (1), consider the nature, scale and complexity of its business, and the nature and range of financial services and activities undertaken in the course of that business.

- The FCA expect all consumer credit firms to review the rules and guidance to ensure that their incentives schemes are consistent with regulatory expectations. The FCA suggest the following examples in the guidance.
- Examples of measures and procedures which firms might introduce, where appropriate, to manage the risks to which this section applies, include:
  - (1) undertaking monitoring of the nature of sales activities and debt collecting;
  - (2) collecting management information to enable the firm to monitor and identify trends or patterns in employee, appointed representative or individual agent behaviour that could be used to detect these risks;
  - (3) establishing procedures to ensure appropriate actions are taken if an employee, appointed representative, or individual agent is found to have behaved inappropriately; and
  - (4) maintaining arrangements to ensure the approval, oversight and regular review of remuneration and performance management arrangements by an appropriate governance committee or senior management.

## Financial Promotions (R)

If you wish to promote your broking services to customers, you must ensure compliance with CONC 3, principally:

Relevant Rule: CONC 3.3.1 R

- (1) A firm must ensure that a communication or a financial promotion is clear, fair, and not misleading.
- (1A) A firm must ensure that each communication and each financial promotion:
  - (a) is clearly identifiable as such;
  - (b) is accurate;
  - (c) is balanced and does not emphasise any potential benefits of a product or service without also giving a fair and prominent indication of any relevant risks;
  - (d) is sufficient for, and presented in a way that is likely to be understood by, the average member of the group to which it is directed, or by which it is likely to be received; and
  - (e) does not disguise, omit, diminish, or obscure important information, statements or warnings.
- (1B) A firm must ensure that, where a communication or financial promotion contains a comparison or contrast, the comparison or contrast is presented in a fair and balanced way and is meaningful.

Relevant Rule: CONC 3.5.3 R

- (1) Where a financial promotion indicates a rate of interest or an amount relating to the cost of credit whether expressed as a sum of money or a proportion of a specified amount, the financial promotion must also:
  - (a) include a representative example in accordance with CONC 3.5.5 R, and
  - (b) specify a postal address at which the person making the financial promotion may be contacted.

- You must make clear that we are the lender, and you are acting as the credit broker. Explain whether you work with us exclusively or as a part of a panel of lenders. Also let them know that we are an independent third party. Attention should be given to any representative examples and unfair business practices.
- You should also ensure that any trading name(s) used are registered on the FS Register and comply with the status disclosure requirements in GEN 4 Annex 1.

## Conflicts of Interest

FCA Principle 8:

A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.

- You must not offer a credit facility or repayment option to a customer based solely on the finance commission paid by us.

## Other Legislation

### Criminal Finances Act 2017 and tax evasion

The Criminal Finances Act 2017 introduced two new offences for the failure to prevent the facilitation of tax evasion. These offences render corporate bodies liable in certain circumstances for the acts of their “associated persons.”

For the purposes of these offences, tax evasion means:

- Cheating the public revenue; or
- Any offence of being knowingly involved in or taking steps with a view to the fraudulent evasion of tax

You will be facilitating the evasion of tax if you either:

- (i) engage in, or take steps with a view to; OR
- (ii) aid, abet, counsel, or procure, the fraudulent evasion of UK tax by another person.

- You are required to have in place adequate procedures to prevent tax evasion and ensure that all employees and other associated persons are made aware of the legislation accordingly. Under the Act, all Partners are regarded as ‘associated persons.’

### Data Protection and Information Security

The Data Protection Act was updated in May 2018 with the General Data Protection Regulation, and the associated UK Data Protection Act 2018.

- Under the Act and our role, once customer data is provided to us on the grounds that it is legitimate for us to have this data to provide the finance requested, we also become a data controller of that data in our own right. You agree to comply with your obligations under Data Protection legislation. You must also ensure that you have in place appropriate measures, processes, and procedures to safeguard against any unauthorised or unlawful processing, access, use or disclosure of personal data and against loss, theft, or destruction of, or damage to such personal data, information and network security, disaster recovery and data backup measures.
- If you make use of ‘cloud computing’ or external software/warehousing providers, you should also ensure compliance with the FCA’s FG16/5 Guidance for firms outsourcing to the ‘cloud’ and other third-party IT services. You should also be aware of the FCA’s Cyber Security guidance.

### Anti-Bribery and Anti-Corruption

Offence of Bribery:

- Any action whereby an individual offers an advantage, either financial or other, to facilitate new business or relationships (or the retention of existing ones) could be construed as bribery. If the offering of this advantage leads the other person improperly to perform a function, this will be viewed as an act of bribery and will be a breach of this policy.
- Any case where an individual receives, accepts, or requests an advantage, either financial or other, in exchange for improperly performing an act will also be a breach of this policy.
- Any advantage offered to a public official or Politically Exposed Person (see below) which is intended to induce them improperly to perform a public function will be viewed as an act of bribery.
- Any action taken by an individual that is regarded as the offering or accepting of a bribe is likely to lead to serious disciplinary action, which can include dismissal or termination of contract. Individuals found guilty of bribery in a criminal court can face up to several years imprisonment and/or severe fine.

Offering a Bribe:

- Under no circumstances is any person to whom this directive applies permitted, authorised, or expected to offer an advantage to a person, whether or not that person is a Partner or customer, in the course of business with the intention of inducing that person to improperly perform an activity or function.
- Caution is needed when acting through an intermediary or third party.

#### Accepting a Bribe:

- Under no circumstances is any person to whom this policy applies permitted or authorised to accept an advantage from a person, whether or not that person is a Partner or customer, in the course of business with the intention of inducing that person to improperly perform an activity or function.

- You must have processes in place to ensure compliance with the Bribery Act 2010.

## Customer Administration

### Collecting Bank Details

- If you are collecting bank details using our paperless Direct Debit service, then you must use the BACS script appearing in Appendix 1 of this guide. If bank details are collected from customers during an online process, then your website must comply with the BACS requirements in Appendix 1 of this guide. These BACS scripts for the paperless Direct Debit service are mandatory and cannot be varied.
- Given that bank details are collected purely for the processing of the credit facility, you must not retain or store these in your own systems.
- As part of our AML checks, we usually require the account to be debited to be in the same name, or joint names of the agreement holder. If there is a third-party making the Credit Agreement repayments, we need to know the connection between the agreement holder and the payer.

### Paperless Signup

- Customers can apply for credit and set up their Direct Debit Instruction without the need to complete any paperwork at point of sale. You must use the script in Appendix 1 of this guide to collect bank details for telephone or face to face sales – this will need to be adapted for online sales. In addition, you need to ensure that customers have received comprehensive information about the features, terms, and risks of our product to enable them to make an informed decision about whether to proceed.

### Monthly Repayments

- Monthly repayments are scheduled for collection on the same day each month as the inception date of the policy and, for new business, the first may be due on the inception date or one month after, depending on the facility you have agreed with us. You keep any deposit you collect and confirm the amount of the deposit when you submit the transaction to us. The repayment schedule runs concurrent to the underlying policy period.

### Additional Policies, Renewals and Mid Term Adjustments

- Amendments and changes can be made to make mid-term adjustments, add additional policies and making transactions to fund renewals. Settlement will be in line with the terms of your trading agreement. We will provide a confirmation to the customer of the new monthly repayment amount and, if relevant, the new credit limit. If a significant increase in the credit limit is required to add an additional premium, we may conduct a further credit assessment before agreeing the increase. A customer reserves the right to decline or accept this increase, as part of their agreement to the mid-term adjustment or renewal of their loan.

### Notification to CRAs (R)

- If we are legally entitled to do so, we may give default information to CRAs about a customer's loan if:
  - they have fallen behind with their repayments;
  - the amount owed is not in dispute; and
  - we are not satisfied with the arrangements they have made for repaying their debt, following our formal demand.
- If the customer is in dispute with us (over the amount owed, for example), they may contact the CRAs to record this information on their file.
- We may also register a 'default' on the customer's credit reference file if their account remains in arrears by at least three-monthly repayments or if we are taking some form of action to collect the amount owed. As a rule, we will give the customer at least 28 days' notice if we decide to register a default on their credit reference file. The default will show that they have not been able to keep to the conditions of the Credit Agreement with us and will stay on their credit file for six years. In such cases, we will also explain to them how the default information might influence their ability to get a loan in the future.

## Appendix 1 –Customer Call guidance & Paperless Direct Debit Call Script

Call scripts are a vital part of your business. They are often the first contact you have with your client. So, a good first impression counts. As well as appropriately discussing their insurance needs, providing the right information about how they pay will also affect your customers' experience, whether they are considering a one-off payment or premium finance.

Customers come from a wide variety of backgrounds - some with no experience of taking out a Credit Agreement to pay their insurance premiums and others that are familiar with this option.

We expect firms to exercise their judgement in deciding what questions to ask customers in order to comply with the 'active election' rules. To help treat customers fairly, consistently and to retain business the following example call script shows the regulatory information you need to provide to your customers, alongside optional information that will improve their customer journey.

The below script is compliant with existing CONC requirements however you should ensure that following the recent publication of PS21/5: General insurance pricing practices market study, you are in compliance with the new ICOBS rules around premium finance including ICOBS 6A.5, ICOBS 6B.2, ICOBS 6A.2 and ICOBS 6A.5.

**Note that this script will need to be adapted to take account of the APR calculated from the rates agreed with you, and to fit a web-based journey.**

### 1. Offering Payment Methods

**You have secured insurance cover with the customer. The next step is payment:**

*"Although paying your insurance in full is an option, spreading the cost of your premium via monthly payments although it costs slightly more, may be more convenient."*

(The FCA expects firms to exercise their judgement in deciding what questions to ask customers in order to comply with the 'active election' rules)

*"The cost of your insurance policy is £XX.XX if you pay in full or £XX.XX per month if you finance the cost with Premium Credit, our 3rd party finance provider."*

(Include all payment options available - it is important to list out all options including finance so that every customer is aware that finance is available. This ensures that you are offering all your customers the same options)

*"How would you like to pay for this policy?"* (If not already known from online journey)

### 2. Your customer has chosen premium finance as their payment method

*"You have chosen to finance the cost of your insurance. If your application for credit is successful, Premium Credit will pay for your insurance premium in full and you will be obliged to repay this credit by monthly Direct Debits. You will also be required to sign a credit agreement with Premium Credit."*

*"By choosing to finance the cost of your insurance you will need to pay an initial payment of £XXX.XX; followed by xx monthly repayments of £XX.XX including xx% Transaction Fee and £x facility fee (where applicable), equal to an APR of xx%. The cost of credit is £XXX.XX."*

(CONC 3.5.5 requires you to provide the customer with a cost breakdown that includes APR, the amount of each repayment of credit and total amount payable)

*"Do you have any questions so far?"* (If happy to proceed then continue with the wording below)

*"Before I can set up finance, I need to run through some information with you about information sharing and credit assessments. Is that all right?"*

### 3. Information sharing and credit assessments

(R) *"We use Premium Credit Limited to provide finance [exclusively, who is the lender] [as part of panel of lenders]. We [Partner name] are acting as the credit broker. We may receive a commission for introducing customers to them."*

(Please see CONC 4.5.3 for the commission disclosure rules)

*"Your personal information and the bank detail you provide to us will be passed to them and they will contact you via email or text or in writing and send PDF or word documents."*

(R) *"Credit is subject to status, and they may use a credit reference agency that leaves a record of the search or other information about you to conduct credit and anti-money laundering check. This record will be visible to third parties."*

#### 4. Taking Direct Debit information

*"To avoid delay and save you having to fill in any paperwork, I can set up your Direct Debit instruction with Premium Credit right now over the phone. Would that be helpful?"* (payer agrees)

*"Do you hold a UK bank/building society account and are you the account holder?"*

(only the account holder can authorise Direct Debits/ If the Borrower is not the account holder seek another method of payment. If yes proceed.)

*"Are you the only person required to authorise debits from this account?"*

(if yes, capture details. If more than one person is required to authorise debits on the account issue a paper DDI or seek another method of payment and close call.)

*"Can you tell me the name of the account to be debited?"* (take details.)

*"And the branch sort code for the account?"* (take details)

*"And finally, the account number for the account?"*

(take details - generally, the sort code is six characters, and the account number is eight characters. Ask if they have used this account before as some banks or building societies may not accept Direct Debits for certain types of accounts.)

*"Let me just confirm your account details back to you. The account name is XXXX, the account sort code is XX-XX-XX and the account number is XXXXXX, is this correct?"* (payer confirms)

*"The monthly repayment amount will be £xx.xx over X months, but is there a particular day of the month you would like the money to come out of your account, for instance just after you're paid?"*

If no preference is given, then:

*"The first collection will come out of your bank account [within 14 days] [one month after your insurance inception/ renewal date] and on the same date each month after that as your inception/renewal date.*

*If you fail to make your required monthly repayment on time, Premium Credit will charge you a £25 default fee. Failure to bring your payments up to date could result in your agreement being cancelled.*

(Please select the payment profile that applies to your scheme)

#### 5. Reading the Direct Debit Guarantee

*"All Direct Debits are protected by a guarantee. I can read it to you now or you can read it in the confirmation letter from Premium Credit, which would you prefer/?"*

(If the customer would prefer to hear it now, please read the next section to them, if not please omit the next section.)

*"In future, if there is a change to the date, amount or frequency of your Direct Debits, Premium Credit will always notify you five working days' in advance of your account being debited. In the event of an error, you are entitled to request a refund from your bank or building society. You have the right to withdraw the credit agreement within the 14-day cooling off period. A copy of the safeguards under the Direct Debit Guarantee will be sent to you with your confirmation letter from Premium Credit.*

*That completes the setting up of your Direct Debit instruction and credit application with Premium"*

#### 6. Final information and summary

*"You will receive your welcome pack within the next 14 days. Please read it carefully to ensure it is right for you."*

(If they have provided an email address it will be sent by email. If not, then they will receive the pack in the post. The pack contains important information including pre-contract information, the repayment schedule, the Credit Agreement, the Direct Debit guarantee and the terms and conditions.)

*"If you are happy to proceed with the credit agreement, please make sure you go online and sign the Credit Agreement as soon as possible. A £25 charge may be incurred if Premium Credit are required to write to you to remind you to sign your credit agreement."*

(The customer has 27 days to sign the Credit Agreement before the charge is applied. Make sure they understand the importance of signing)

*"You will find your repayment schedule in your welcome pack. You can make a full or partial repayment at any time."*

Now read these sections to the payer:

*"Premium Credit will confirm to you the exact date of your first repayment in writing. The company name that will appear on your bank statement against the Direct Debit will be [Premium Credit Ltd] OR [PC/Partner Name]."* (You should clarify wording on bank statements)

*"If there are any changes to the date, amount, or frequency of your Direct Debit, they will always give you 5 working days' notice in advance of your account being debited."*

*If, you have set up your Direct Debit instruction with Premium Credit. You will be sent confirmation of this no later than five working days before the first collection."*

## **7. Your option to withdraw**

*"If you do change your mind you can withdraw from the credit agreement free of charge within 14 days by contacting us, any repayments you have already paid will be refunded to you and you will have to find an alternative way to pay for your insurance. If you cancel after 14 days, you may have to repay any money owed to Premium Credit."*

*Do you have any questions?"* (if yes please see question list below for guidance)

*"Thank you very much for your time today. Do not forget to sign your credit agreement and ensure you have funds in your bank account for your first repayment."* (close call)

**This is an example call script and may be tailored to your own business.**

## **Further Customer Questions**

### **If a customer asks for more information on how finance works**

*"If your application for credit is successful, Premium Credit pay your insurance premium upfront to [us] [your insurer] in full and you repay in regular monthly repayments. Paying by monthly repayments does not provide a month's worth of insurance cover at a time, your policy with [us] [your insurer] will remain an annual contract."*

### **How to sign their Credit Agreement online**

*"You do not have to register an account with Premium Credit to e-sign your credit agreement and the process is quick and simple. Visit <https://digital.premiumcredit.com>, enter their 10-character Premium Credit reference number and follow the steps on screen."*

### **Why signing the Credit Agreement is important?**

*"Signing the Credit Agreement lets Premium Credit know that you have read and accepted the terms and conditions."*

## Appendix 2 – The Annual Percentage Rate

### What is the APR?

APR stands for Annual Percentage Rate and is expressed as a percentage and designed to represent the annual rate charged for borrowing to allow customers to compare between products. It does not set out the actual rate the customer will pay as there is a prescribed formula which must be used for its calculation.

It must include any fees which are specifically made as part of the credit application and process, for instance the facility fee (where applicable) for our finance but does not include other fees and charges which may not materialise, such as default fees).

### Calculating the APR

There are two types of APR calculation that are commonly used: Running Account and Fixed Sum. Generally, PREMIUM CREDIT offers “Running Account” credit and calculates the APR based on the prescribed Running Account methodology. The fixed sum method will provide a higher APR figure than the running account method.

#### Running Account APR

1. APR is calculated over 12 months, regardless of the actual instalment term
2. The anticipated credit limit is drawn down immediately and in full
3. Repayment is by 12 equal instalments, collected in arrears

#### Fixed Sum APR

1. The loan drawdown is the premium/loan value, which is drawn down immediately and in full
2. The number of monthly payments is equal to the instalment term
3. Each payment value matches the customer payments.

These assumptions may create a mismatch between the actual structure of the loan and the assumed profile for the APR calculation.

### Providing the APR to customers

You must ensure that you provide the APR to customers based on the running account methodology – we can provide an APR calculator for this purpose.

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