

Consumer Credit Compliance Bulletin Edition #1



Introduction

This is the first of what will be regular communications aimed to keep you up to date with a variety of compliance related topics related to Consumer Credit within our industry. You will see below that we have a number of updates to share with you this month.

Industry News

The FCA has published their 2017 [Business Plan](#) in which they announced their “exploratory work” in the industry. It will in practice look at the products and sales processes in the motor finance market, the due diligence exercised by firms and the effectiveness of market competition.

Vulnerable Customers

The Business Plan also highlights that vulnerability and understanding how to protect vulnerable consumers will remain a priority for the FCA. We recommend that you;

- Check that you have a vulnerable customer’s policy in place, which sets out how to identify potentially vulnerable customers and what to do if you think a customer is vulnerable.
- Ensure you and your teams have had sufficient training on the topic and that you are able to confidently communicate with the customer.
- Call our Underwriting Team if you suspect a customer is vulnerable and adamant they wish to proceed with a finance proposal.
- Should you have any questions, please contact your Business Development Manager.

Hot Topics

Distance Selling

With an increasing number of customers researching their next vehicle purchase online, we are seeing Partners carrying out more sales at a distance. A finance ‘distance sale’ is classified as a sale where there are **no face to face** discussions regarding the finance between the Partner and the customer before the agreement is signed.

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Unfortunately we have seen a rise in fraudulent activity throughout the industry. Listed below are some key similarities:

- All Distance Sold
- Cases of impersonation fraud
- All high value performance used cars, e.g. M4 Coupe, Mercedes AMG, Porsche Panamera etc
- Customer often lives a significant distance from dealership
- Last minute requests for the vehicle to be delivered to the 'customer' or collected by a driver

In light of this, please remember to:

- Tick the "distance sold" flag in FAMOS, which means;
- FAMOS will provide the additional information regarding the customers cancellation rights on the SECCI
- Enhanced due diligence checks are performed by our Underwriting team
- Ensure the ID of the customer matches the name on the agreement and that the ID is seen in the original form.
- Vehicles should only ever be handed over to the customer after the ID has been verified and at either the dealership or verified home address (as per the proposal).

Please note for HP or PCP (Select) products, distance sales can only be carried out where the amount financed is less than £60,260. Please refer to our Best Practice Guide for more information.

Right to Withdraw

We've received some queries about when the Right to Withdraw period begins for customers, so just to confirm:

- Under the rights of the Consumer Credit Directive, for regulated agreements, customers have the Right to Withdraw from the finance (but not from the purchase of the vehicle).
- The 14 day cancellation period begins on the day after the customer receives a copy of their signed agreement.
- Should the customer not receive a copy of their signed agreement e.g. Distance Sales, the 14 day cancellation period starts the day after the customer receives our welcome letter.

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Essential 'House-keeping'

Good governance is key to delivering great customer outcomes. We recommend that you have the following implemented within the business -

- Up to date policies & procedures
- Induction and training plans
- Up to date job descriptions
- TCF cultural initiatives e.g. company values or a customer commitment statement both of which could be displayed in the showroom.
- In-house compliance monitoring of sales transactions

How can Alphera Financial Services help you?

We have introduced onsite Partner compliance reviews to help identify any areas of improvement across multiple topics within your business. We work closely with you and the Business Development Managers to ensure we achieve best practice within the network. Monitoring the sales of products and services which Alphera Financial Services offer is a key focus of ours as this ensures that we meet our FCA oversight requirements as a lender.

If you have any questions or would be interested in finding out more about compliance reviews, please contact your Business Development Manager or the F&I Compliance Specialist using the details below.