

RETAILER AWARENESS HANDBOOK

A QUICK GUIDE
TO YOUR THIRD
PARTY FINANCE
PROVIDER (TPFP)
DUTIES TO THE
CONSUMER



Retail
Finance



In this document we summarise Financial Conduct Authority (FCA) concerns for Third Party Finance Providers which they addressed in a Dear CEO letter to all lenders within the sector. Save and share a copy of this document for reference or a handy summary for new hires.

The regulatory landscape will evolve further in 2022, and we are committed to keeping you informed, and recommend you pay close attention to these campaigns as they are very important and directly concern you, your business, your employees and your customers - even if you are not currently authorised by the FCA.



WHY DID THE FCA ISSUE THIS DEAR CEO LETTER?

USEFUL LINKS

Part of the FCA's role is to protect consumers. In doing this, they pay very close attention to industry standards and the role lenders and retailers play in making it a safe, informed space for consumers to shop and obtain credit.

- [V12 System](#)
- [Section 75 explained](#)
- [Consumer Credit explained](#)
- [How to write fair contracts](#)
- [V12 Retailer Guide](#)
- [FCA Guidance on Cancellations & Refunds](#)
- [V12 Training Video](#)
- [Assessing Competence](#)
- [Fair Treatment of Customers](#)
- [CONC](#)
- [Creditworthiness Assessment](#)
- [BNPL Rulings](#)
- [V12 Complaints Procedure](#)

OVERSIGHT & ACCOUNTABILITY

To ensure that we provide the best service and have the best retail partners, it's vital that we have a clear understanding of your business and its framework. Adhering to the Consumer Credit Sourcebook (CONC) is essential. By understanding the effectiveness of your business functions in relation to sales, together we have help reduce risk, stay compliant and continue to provide customers with an excellent service.

What we do:

Monitoring and reviewing the retailers that have been onboarded

Retailer onboarding questionnaire, policy and procedure checks

Monitoring and reporting on our retailer frameworks and first line reviews

Monitoring your contractual provisions, operation controls, portfolio information and customer feedback

What you should do:

Keep your contact details up to date. Annually check that your Senior Management Function (SMF) details are correct

Have the right (and enough) people responsible for adhering to CONC guidelines

Ensure that all staff processing finance applications understand their responsibilities to the consumer

COMPETENCY OF STAFF

Providing a compliant finance service means all retailer staff who deal with our product must be fully informed of their responsibilities. Meeting the standard set out in CONC is essential. Retailers must be consistent in the quality and level of training to their staff. We are always willing to work with you to improve and maintain an excellent service by providing the training and guidance you need.

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SECTION 75

Section 75 states both the lender and retailer are jointly liable for any breach of contract or misrepresentation. We take this responsibility seriously and respectfully insist our retail partners do the same. Ensuring the customer is treated fairly throughout the claims process is of utmost importance. Working together helps make the process for us, you and the consumer run smoothly.

The FCA found firms had a 'poor understanding of their obligations to the consumer' when receiving a claim under Section 75 of the Consumer Credit Act in respect of misrepresentation of breach of contract by the supplier of goods and services.

What we do:

Tell you immediately if we receive a complaint from the customer about breach of contract, faulty goods or unsatisfactory service

Acknowledge to the customer that they have rights under the consumer credit act for breach of contract, and what steps we will take to assist a resolution with the retailer

Should the customer seek further resolution by using the Financial Ombudsman Service, then we will continue to work with all parties involved during this mediation to ensure the right customer outcome

What you should do:

Ensure that you fully understand your obligations to the customer and the customers protection under this very important part of the consumer credit act.

COMPLAINTS

When customers make a finance related complaint, both V12 and its retailers have a responsibility to take appropriate measures to handle the issue. This includes accurate recording and tracking of the process. Intermediaries should be able to identify a finance related claim, even when a customer does not use the exact word 'finance' or 'credit'.

What we do:

Have a dedicated complaints handling team and respond within 48 hours

Provide guidance on complaints in our Retailer Guide

What you should do:

Refer the finance complaint to V12 immediately so the matter can be investigated as soon as possible

Have appropriate complaints management controls in place to fulfil your FCA obligations.

Remember to ensure we are informed should you receive a customer complaint about V12 service or products

Always ensure the consumer rights are respected during the process

AFFORDABILITY

Understanding the amount or having a reasonable estimate of a customer's current income (and non-discretionary income) is essential to determining if they can afford to make repayments. Each customer's affordability must be properly assessed, even if there are 'obvious' signs of affordability. We must all strive to have the customers best interests behind our decision to offer finance and minimise the risk of financial stress.

What we do:

Provide a finance calculator for retailers to use in store so customers can assess their affordability

Every submitted application form will go through affordability checks and will only be approved if these checks have been met

What you should do:

Don't make assumptions on affordability. If a customer has told you what their affordability is, you should not push to exceed it

Consider more than just their ability to repay - can they make payments comfortably without affecting their wider financial situation?

FEES

The FCA has found that, in some cases, consumers were unaware of the early settlement fee they would be charged on regulated Buy Now Pay Later (BNPL) products. Regardless of the financial product, retailers have a responsibility to make sure their customers fully understand the impact of any fees related to the loan in addition to the most suitable loan repayment options available to them.

What we do:

Provide customer Terms and Conditions which clearly explain the impact to a customer upon settling or partially settling a BNPL loan before the end of their BNPL period

Advise customers of when their BNPL period is about to finish and provide them with their repayment options

Provide retailers with fully compliant BNPL promotional wording that explains customer repayment options and how interest is calculated

What you should do:

Always ensure communications between you and your customers are clear, fair and not misleading

Ensure your staff know the importance of advising customers of all or any charges they may incur outside of their loan repayment, and why/when they would face these

Check that any advertising material is compliant with the most recent regulations to ensure customers are fully informed

EXEMPT PRODUCTS

While some of your products are exempt from FCA regulation, they still remain subject to the unfair contract terms provisions of the Consumer Rights Act 2015. Unfair terms are not legally binding. Therefore, it's essential that the terms you set out in any consumer contract are 'fair' should you wish to rely on them. If they are not fair, customers can challenge it.

What we do:

We hold all our retailers to the same standards, regardless of the products they are selling

All retailers (regardless of products they sell) receive the same training on how to process finance and are expected to follow the requirements of our Retailer Guide

What you should do:

Ensure the terms and conditions for non-regulated products are deemed 'fair' to the consumer

Be aware the FCA has some powers over authorised persons when they carry out unregulated activity

What is 'Unfair'?

Contract terms and notices are unfair if they put the customer at an unfair disadvantage or favour the trader too much.

VULNERABLE CUSTOMERS

Protecting vulnerable customers is a key priority for the FCA, and for V12 and its retailers. Being able to identify possible vulnerability should be at the forefront of each application. While V12 make the ultimate decision of lending, retailers often have direct contact with customers and are in a good position to recognise the signs of vulnerability early.

What we do:

We have a dedicated Specialist Support Team who can help in these situations

What you should do:

Be able to identify possible vulnerability as part of the credit application and consider it for every application

Ensure you have an up-to-date vulnerability policy, and all staff are familiar with it

Implement training procedures on vulnerability or identify and source any training requirements

Always seek explicit consent when informing us of a vulnerable customer

What is a Vulnerable Customer?

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.

USEFUL CONTACTS

SALES SUPPORT

For queries and assistance regarding sales
salesupport@v12finance.com

SPECIALIST SUPPORT TEAM

For queries and assistance regarding vulnerable customers
sst@v12finance.com

CUSTOMER RESOLUTIONS TEAM

For queries and assistance regarding complaints
complaints@v12finance.com

Our team are here to help. If you have any questions regarding your FCA obligations, please contact your V12 account manager