



SPECIALIST AUTOMOTIVE FINANCE (SAF) GUIDANCE NOTE FOR MOTOR DEALERSHIPS

The purpose of this document is to set out best practice for SAF Approved motor dealerships when selling finance products. This guidance has been issued by members of the Finance & Leasing Association (FLA), as the administrators of SAF, to motor dealerships which sell finance on their behalf.

In obtaining SAF Approved status, a motor dealership has agreed – via the annually returned SAF compliance statement – to adhere to the principles of the FLA Lending Code that are relevant to the provision of motor finance. These principles are detailed in the Appendix. The SAF Guidance Note is entirely consistent with the FLA Lending Code.

As the representative body for the motor finance industry, the FLA expects its members to monitor the activities of their motor dealer partners and take action as appropriate in respect of this guidance note.

Who must comply with the Lending Code?

Full members of the FLA. Dealers act as their appointed representatives in selling financial products. A list of full FLA members can be viewed in the latest FLA Annual Review, available at: www.fla.org.uk

Are motor dealers expected to comply with the Lending Code?

In selling motor finance on behalf of FLA members, motor dealerships are expected to follow the spirit of the Lending Code and should not at any time undertake practices which are contrary to the requirements of the Code.

Which provisions of the Lending Code are relevant to the sale of motor finance?

Please see the Lending Code. The provisions detailed in the Annex should be complied with in respect of the sale of motor finance by a motor dealership.

So what does this mean practically for motor dealerships?

Dealerships should:

- Act fairly, reasonably and responsibly in all dealings with all customers and potential customers;
- Publicise the Lending Code and its consumer benefits via point-of-sale literature;
- Help customers when they need information and guidance and pay particular attention to the needs of vulnerable customers;

- Not pressurise customers into entering into any finance agreement;
- Be fair and honest when talking about finance – this includes answers to any questions the customer may have relating to the agreement – such as the rate of interest applicable, the effect of early settlement of the agreement, and whether they understand the rights and responsibilities conferred under the agreements correctly;
- Correct mistakes, handle complaints quickly and sympathetically, and tell customers how to take any complaint forward if they are not satisfied;
- Work with the finance company in trying to resolve any customer complaints which relate to the goods supplied or the way the finance product has been sold to them;
- Check whether the customer has a valid driving licence by way of a UV lamp;
- Check other forms of identification which the customer may produce for the purposes of money laundering prevention; and
- Follow the Financial Services Authority's (FSA) rules on selling general insurance.
- Ensure that appropriate checks are in place to protect customers and members of the public against fraud and money laundering.

How can this be achieved?

Managers in motor dealerships should:

- be familiar with the Lending Code and the finance products available through the dealership;
- take all reasonable steps to ensure their work and the work undertaken by staff under their control is performed with integrity, courtesy, consideration and in accordance with the Lending Code;
- encourage staff under their control to raise their professional standards and skills through training and development.

Staff in motor dealerships associated with the sale and/or provision of information on motor finance to customers should be trained on:

- how customers may finance the vehicle;
- the finance products offered in the Dealership and when in general terms they would be suitable for a prospective customer;
- the finance product and how it works (whether personal loan, hire purchase, or conditional sale);
- any associated products (payment protection insurance and Gap insurance) and how they work;
- the finance agreement and what the terms of the agreement mean (whether personal loan, hire purchase, or conditional sale);
- the main points of any consumer finance agreement;
- how early settlement works;
- what identification is required in order to open an agreement (and the reason why this information is required); and
- what to do if a complaint is received from a customer (dealer complaints procedure adhered to).

How should this training be undertaken and assessed?

Dealers can arrange appropriate training either in-house, with third party suppliers, FLA motor finance members, FLA, RMIF or SMMT.

FLA has developed the online Specialist Automotive Finance (SAF) Competence Test to raise standards and improve the skills of dealership staff on motor finance. The test syllabus focuses on finance products and surrounding regulation, and has been developed and agreed upon by FLA, RMIF and respective members.

All customer-facing staff in the dealership must hold a valid SAF Certificate of Competence for a dealer to be termed SAF Approved and therefore communicate the higher standards of knowledge on finance.

What recourse does the customer have in respect of this guidance note?

Any customer of an FLA member can complain to FLA in respect of an outstanding complaint they have about the finance product taken out.

FLA will seek to conciliate with their member in respect of the complaint raised up to the time the matter is settled or is decided by the Financial Ombudsman Service or a court (see Section 1E in Appendix).

Where that complaint refers to matters which involve the motor dealership, the FLA member will liaise with the dealership in responding to and resolving the complaint. Full and swift co-operation in respect of this process is necessary.

How does all of this benefit motor dealerships?

Motor dealerships should see improved consumer confidence in point of sale motor finance and related products.

The Finance & Leasing Association Appendix Relevant provisions of the FLA Lending Code

1A Key commitments

1A.1 We will:

- act fairly, reasonably and responsibly in all our dealings with you;
- make sure that all services and products meet the requirements of this Code;
- make sure that all services and products meet all the relevant laws and regulations, including the Consumer Credit Act 1974 and all regulations made under it;
- not discriminate against you because of your race, sex, disability, ethnic background or sexuality;
- help you when you need information and guidance, including explaining how the products will affect your finances;
- act honestly and try to make sure that credit brokers, and all other suppliers of goods and services we do business with, do the same;
- not pressurise you to enter into any agreement with us and try to make sure that credit brokers, and all other suppliers of goods and services we do business with, do not pressurise you;
- correct mistakes, handle complaints quickly and sympathetically, and tell you how to take your complaint forward if you are still not satisfied;
- co-operate with regulators (such as the Office of Fair Trading (OFT) or the Financial Services Authority (FSA)) and organisations that handle complaints (such as FLA or the Financial Ombudsman Service);
- consider cases of financial difficulty sympathetically and positively;
- follow any guidance notes that FLA issues, where relevant to the products and services we offer;
- treat all your personal information as private and confidential, and run secure and reliable systems;
- train our staff to make sure that the procedures they follow reflect the commitments set out in this Code; and
- publicise the Code and make copies freely and readily available to you.

1B Information and marketing

Before you take out a loan

1B.1 Before you take out a loan, we will give you:

- information in writing on key features of the loan, including:
 - the written terms and conditions of your agreement;
 - the cost of the loan;
 - the interest rate that will apply;
 - details of when you will have to pay interest;
 - details of any extra fees and charges you may have to pay, including default charges (charges applied if you pay late), and how we will tell you the amount;
 - information on your rights; and
- the opportunity to read and consider the information above.

Once you have taken out a loan:

1B.2 When you become a customer, and whenever you ask us, we will give you the information in 1B.1 above, plus details of how to complain if things go wrong. We will also give you a full explanation of how we work out interest, if you ask us.

1B.3 We will tell you the charges for any other service or product before or at the time we provide that service or product, and at any time you ask.

1B.4 You can also find out information on interest rates and charges by contacting us in the usual way. We may also put this information on our website.

1B.5 All agreements will set out your rights and responsibilities clearly and in plain language. We will not use legal and technical language unless we have to.

1B.6 If two or more of you have the same loan together, we will provide information to each of you on your individual rights and responsibilities.

Settling your loan early:

1B.7 Whenever you ask, we will explain how you may settle (pay off) your loan early and how we work out the amount you will pay us. If you would like to know more about settling your loan early or the amount you will have to pay, you should contact us first. Also, if you ask for a settlement statement, we will provide this as soon as possible and free of charge.

Changes to terms and conditions (other than interest rates):

- 1B.8 Occasionally we may change our terms and conditions, but only if your contract with us allows us to do so. We will let you know how and when we will tell you about these changes.
- If the change is to your advantage (for example, if we remove a fee), we may make the change before telling you.
 - If the change is to your disadvantage, we will always give you at least 30 days' notice before making the change and provide an explanation of the reason for the change.
 - If you have a revolving credit loan and the change is to your disadvantage, at any time up to 60 days from the date of the notice you may switch your account with us or close it without having to pay us any extra charges or interest for doing this.
- 1B.9 If we have made a major change or a lot of minor changes in any one year, we will give you a free copy of the new terms and conditions or a summary of the changes.

The way we market our services:

- 1B.10 From time to time, we may tell you about other services and products which may interest you. However, we will do this only if we are allowed to do so by law. We will also act responsibly and carefully and will be selective about sending you details of services and products.
- 1B.11 If we send you information about our services, we will remind you, at least once every three years, that you can ask us not to send you this information. This is on top of your rights under the Data Protection Act 1998.
- 1B.12 When you become a customer, we will tell you if we would like to pass your name and address to other companies for marketing purposes.
- 1B.13 You may say that you do not want us to send you any of the information in 1B.10 to 1B.12 above. We will tell you how to do this in our documents and will respond to your requests.

Young people:

- 1B.14 We will not knowingly send marketing material about our loans to you if you are under 18.

Advertising:

- 1B.15 We will make sure that all advertising and promotional material is clear, fair and not misleading.
- 1B.16 The British Code of Advertising, Sales Promotion and Direct Marketing, the Radio Advertising Standards Code, the Television Advertising Standards Code, and

OFCOM may also regulate our advertising. You can get copies of these codes from the contacts listed in the 'Helpful information' section at the back of this booklet.

Publicising this Code:

- 1B.17 When you take out a loan, we will confirm in writing that we are a member of FLA and that we follow the FLA Lending Code.
- 1B.18 Whenever you ask, we will confirm that we are a member of FLA and follow the FLA Lending Code, copies of which are freely available.
- 1B.19 You can get details of FLA members on FLA's website or by contacting FLA.

1C Lending you money

Applications:

- 1C.1 We will make sure that all loans (including pre-approved loans and credit-card cheques) go through a sound and proper credit assessment. (This is explained in section 5)
- 1C.2 We will give you enough information to allow you to make informed decisions about the loan offered to you.
- 1C.3 If we refuse your loan application, we will give you, if you ask, the main reason why you have not met our lending conditions. You will have a right to ask us to review our decision. We will tell you who to contact if you want us to review our decision.

Identity:

- 1C.4 When you apply for your loan, we will tell you what information we need from you to check your identity and address (for example, a passport or driving licence). This may include checking the electoral register. This is important for your security and in some circumstances may be necessary by law. We will also tell you what enquiries we may make with credit reference agencies.

Health problems:

- 1C.5 We will take particular care if you are suffering from health problems, including mental health difficulties, when we are made aware of this.

This includes:

- appropriately training staff to handle accounts, including those dealing with complaints and collecting debts for us; and
- being sensitive to your condition and responding appropriately when dealing with you or someone authorised to act on your behalf.

In order to do this we may need to ask for appropriate evidence of your health problem and may need your permission to record this information on our system.

Complaints

FLA Conciliation:

- 1E.5 If you want to make a complaint to FLA, you may phone them on 020 7836 6511 or get the relevant information from www.fla.org.uk.
- 1E.6 As a first step, FLA will refer your complaint to our Chief Executive (or similar), who will make sure that we investigate it and send a response to you.
- 1E.7 If you are still not satisfied, FLA will try to conciliate (help you reach an agreement) up to the time the matter is settled or is decided by the Financial Ombudsman Service or a court.
- 1E.8 You will not be entitled to use the FLA conciliation scheme if your complaint has been decided by the Financial Ombudsman Service or a court.

Final response letter and the Financial Ombudsman Service:

- 1E.9 We will send you a letter by the end of the eight weeks after we received your complaint (either directly or from FLA). This will either:
- give our final view on the issues raised in your complaint, and say whether we:
 - accept the complaint and – where appropriate – are offering redress (compensation, apologies and other action); or
 - reject the complaint (giving reasons why we are doing this); or
 - explain that we are not able to provide you with a final response within that eight-week period, give the reasons for the delay and tell you when we expect to give you a final response.

In either case, we will tell you that if you are still not satisfied with our response, or with the delay, you may refer the complaint to the Financial Ombudsman Service. We will give you their details, and a copy of their explanatory leaflet, in the final response letter.

2A Suppliers – goods and services

This section applies to you if you entered into your loan agreement through a supplier of goods or services (for example, in a shop or at a motor dealership). It also applies if you have bought goods and services with credit cards (but not loans which you have applied for separately).

- 2A.1 If we provide finance for goods and services, we will do so only through a supplier who will have to:

- maintain high standards of quality and service; and
- avoid high-pressure selling.

2A.2 If you have bought goods through a loan with us which are faulty, or a service (for example, a holiday or home repairs or improvements) which is not satisfactory, you may make your complaint to either the supplier or us. You may find it useful, in the first instance, to contact the supplier you bought those goods or services from (for example, the holiday company, repairer, retailer or dealer). However, if you cannot sort out your complaint in that way, you should contact us as we may have to help you by law (check your agreement for details). This section does not apply to goods bought with credit-card cheques or if the value of the goods you bought is less than £100.

2A.3 When you buy goods from a supplier with a loan, they will send your loan application to us for assessment, no matter how much credit you have applied for.

2H Motor finance loans

This section will apply to you if your loan agreement is to buy a car, caravan, motorcycle or van from a motor dealer. This includes hire purchase agreements, conditional sale agreements, personal contract purchase agreements and personal loans arranged through the motor dealer who supplied the vehicle (and includes any linked loans for the insurances)

2H.1 Before, and when, you become a customer we will explain how you may pay back your loan early. For loans under £25,000 we will also give you at least three examples of what an early-settlement figure would be at various stages during the term of your loan (based on the loan amount or the nominal amount of £100 or £1,000).

2H.2 When you buy a vehicle from a motor dealer with a loan, they will send your loan application to us for assessment, no matter how much credit you have applied for.

2H.3 The dealer will also ask you to show them your driving licence. If your driving licence is a photocard licence, the dealer will ask to see the counterpart too. In the same way that many shops check whether banknotes are valid using a UV lamp, so the dealer will check whether your driving licence is valid using a UV lamp. The dealer may also ask to see other documents such as a current valid passport or a current cheque-guarantee card.

Statements:

2H.4 To help you manage your account and check entries on it, we will send you statement of account if you ask us to (this does not apply to requests made less than a month after the previous request or where nothing more will be paid under the agreement).

2H.5 If your statement has an entry which seems to be wrong, you should tell us as soon as possible so we can sort it out.

Guarantees:

2H.6 If we accept a guarantee or other security from someone for your liabilities (legal responsibilities under the agreement), we may provide information about your loan to the person giving the guarantee or other security, or to their legal adviser. We will also:

- encourage them to get independent legal advice to make sure that they understand their commitment and the possible consequences of their decision (the documents we ask them to sign will contain this recommendation as a clear and obvious notice);
- tell them that by giving the guarantee or other security, they may become liable instead of, or as well as, you;
- limit each guarantee or security to a particular transaction or limit of liability; and
- tell them about the ways we may use or reveal information that may not be obvious, and get their permission to use or reveal information before they enter into the guarantee.

2J Payment protection insurance and GAP insurance

This section applies to you if you have bought payment protection insurance (for example, to cover payments if you become sick or unemployed) or GAP insurance (for example, to cover a shortfall on your loan if your vehicle becomes a write-off in an accident) with your loan.

2J.1 We will sell only general insurance products that are suitable to your needs. We will not insist that you buy any insurance from us when you become a customer.

2J.2 We will follow the FSA's rules on selling general insurance. You may contact the FSA for details (contact details are at the back of this Code).

2J.3 Before you take out payment protection insurance, or at the time you take it out, we will tell you if and when you may cancel your insurance policy, and what you need to do to do this.

Sections 2J.4 below applies only if you have GAP insurance or payment protection insurance (or both), and the premium is funded as part of your agreement.

2J.4 Your insurance policy will have details about cancellation rights. If you want to cancel, we will tell you how to do this, and we will tell you how we work out a refund of part of your premium (if any).