Memo

Platinum financial solutions

To: General Sales Managers, Sales Managers, All sales staff to be made aware

From: Jason Lewis

CC: Rodney Cuff, Jeremy Cuff, Martyn Read, Odette Shocklidge, Brand Managers, PFS

Date: 9/21/2010

Re: **CONSUMER CREDIT DIRECTIVE - COMPLIANCE**

As of 1st February 2011, the new Consumer Credit Directive (CCD) must be adhered to by all lenders. The Finance and Leasing Association (FLA), to which all our motor finance houses and manufacturers belong to, have instructed their members to be compliant from the **17th November 2010**. This is the date that we must also comply with the regulations to continue using these companies.

This is a fundamental change to consumer rights regarding credit agreements and the way we offer, handle and administer finance agreements. It will run alongside the existing Consumer Credit Act regulations and impact on the following:-

- Documentation (pre-contractual)
- Customer Right of Withdrawal
- Early and Partial settlements
- Adequate explanation of documents and agreements
- Advertising

Our Franchises all seem to be offering training on the subject, and therefore we should take advantage of this (I would appreciate it if you liaise with me when arranging dates). Although, I will bullet point the main areas that your sales team must be aware of and comply with.

1. **The customer has a 14 day right of withdrawal**.
   This means that within this time the customer can settle their finance agreement with no given reasons. In effect reverse the deal as if it never happened. This will not mean the customer has a right to hand the car back, just settle the agreement directly with the finance company.

2. **The customer can make partial payments.**
   Customers have always been able to pay larger amounts into their agreements; however it has never affected the total interest charges. Customers entering agreements from June 2010 will now be able to pay larger amounts into their loans and benefit from having the interest charges recalculated on the lower capital amount. Rather like a credit card or overdraft. Currently it is thought this will change the term of the agreement and finish it early, rather than alter the customer’s repayment amount (although finance companies are investigating this option). Finance companies can levy a charge of up to 1% of the amount being repaid.

3. **Credit Worthiness Calculations.**
To comply with responsible lending, creditors are required to assess the borrower's creditworthiness before granting credit. The assessment is based on information from the borrower on the proposal and from a credit reference agency. **This means that you will have to start asking the customer for their gross annual incomes** (before tax). Lending might be capped on the advances if the finance house feels that the customer cannot afford the repayments based on income to expenditure.

4. **Finance Advertising.**
We will have to include the flat rate per annum in our adverts as well as the APR and state that we offer credit from a number of creditors or name the finance company if we are using just one i.e for scheme business. We are also required to show a representative APR that reflects at least 51% of business expected to result from the advertisement (in practice this is not an issue, as unless the customer is sub prime the rates do not increase).

5. **Pre-Contractual Information.** This was introduced as an amendment to the CCA 2006 and now has been replaced with a standardized European form called SECCI (Standard European Consumer Credit Information)

6. **Adequate explanation of credit**.
It is your responsibility as the sales executive witnessing the credit agreement to adequately explain all aspects of the credit agreement the customer is about to enter in to (this is unchanged to your present responsibilities) including the new SECCI form, right of withdrawal and partial payments. You must also included a statement on the consequences of not keeping up the repayments e.g "***their car is at risk of repossession if they do not maintain their repayments on a HP/PCP agreement and that failure to do so may result in a detrimental credit rating***". The customer must also be able to ask questions about the agreement, or to ask for further information or explanation. Although this is the job of the Sales Executive, PFS are at hand to field any questions that you may not be able to answer. Please bear in mind that to be able to sell finance under these new guidelines you must be competent and have the knowledge to field any questions especially on the above changes.

7. **Statement of Accounts.**
The customer is now able to request monthly statements of account as well as yearly statements. This again will apply to agreements from June 2010.

As our FSA training is comprehensive and includes finance products as well as a section on the CCA, I feel it will not be necessary for our existing sales team to be retrained, other than the Franchise training. New starters will of course under go FSA training which will be updated to include the new CCD, before selling Finance and Insurance.

Please complete the attached form, asking each sales executive to sign confirming they are aware of the aforementioned CCD changes and that they both fully understand and will comply with them.

I have also attached a Quick Start Guide to the CCD written by the Department for Business Innovation and Skills, please could you print this out and keep it in your Dealership FSA procedures Manual. This guide gives further information on the above points and looks in brief at other changes such as the calculation of total charges for credit and APR to include introducer fees (which doesn't effect us). If you have any further questions or require assistance please phone.

Jason Lewis

Group F & I Manager

To be returned to PFS by 1st October 2010.

Please ensure all Sales Staff including Managers sign.

Dealership:	
Declaration: I Confirm that I have read and fully understand the changes outlined in the Consumer Credit Directive. By signing I agree to comply by the guidelines.	
Sales Staff:	Signature: