

## Introduction

With effect from the 28<sup>th</sup> January 2021, the FCA has implemented new rules which ban discretionary commission models and make change to the manner in which we disclose commission to customers. Changes have been made to the terms of business with lenders to meet these new rules and commission disclosure statements have been updated on our Initial Disclosure Document, our website and with all financial promotions.

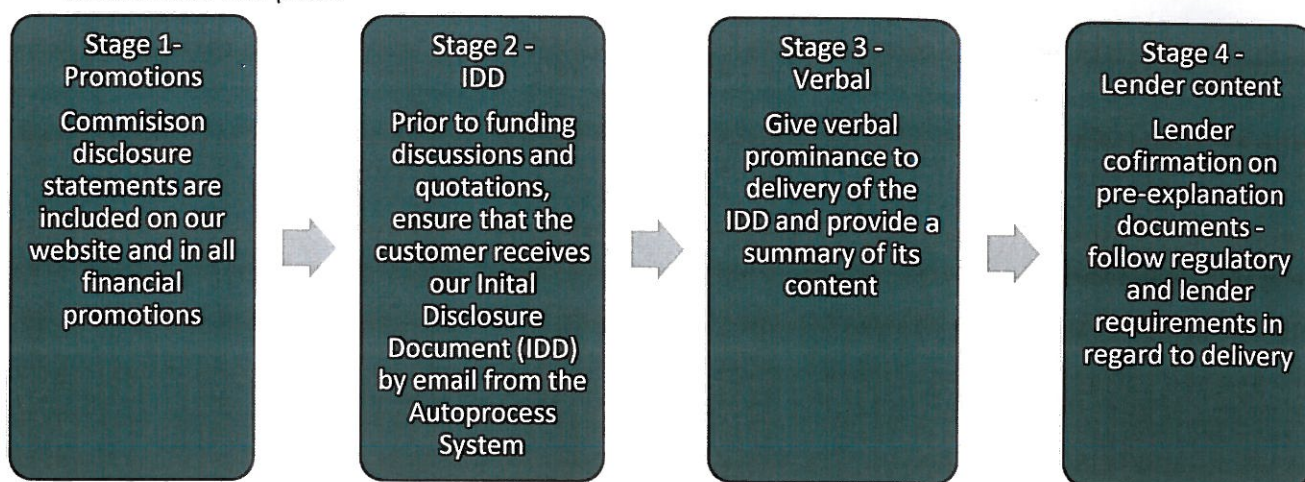
It is vital that you understand the new rules relating to Commission Disclosure and follow the procedures below as a demonstration of your competence and good conduct. Failure to follow these procedures could lead to poor outcomes for our customers, put our business and risk and would demonstrate poor conduct which could lead to disciplinary action.

## Why is this so important?

Commission disclosure has been a requirement under legislation for a long time, however the changes under the new rules include the following:

Commission should be disclosed if it could have a *“material impact on the customer’s transactional decision to enter into the credit agreement or the consumer hire agreement”*.

To ensure that we can confirm and evidence that commission disclosure was made, in the correct manner and in good time before a customer’s decision to transact, the following layered approach to disclosure is in place:



## Stage 3 – Verbal Prominence and Delivery Procedure

1. Ensure your customer is aware that the IDD has been sent to them electronically, explaining that it contains ‘Important information about our business activities, that we are regulated by the Financial Conduct Authority and full information on what that means to you’
2. At the appropriate time (in good time before discussions on quotations or funding), provide the customer with a verbal summary of the IDD content. You may wish to use a copy of the IDD to assist you with this or to add visual engagement.



### Example verbal delivery:

‘As I mentioned before, we are authorised by the Financial Conduct Authority and as such there are a number of important things for me to let you know and to explain that we will ask questions in regard to your requirements to help you to make an informed decision on your purchase’ *(this is good signposting for forward qualification questions)*

‘We work with a limited number of lenders to help you with your funding requirements, if you decide to take out an agreement with one of those lenders they will typically pay us a commission for introducing you. We feel it is important for you to understand that it does not affect the amount you pay on your HP or PCP agreement and that any interest rate is set by the lender. We will always ensure you have a clear view of their charges in case you have any questions before you decide to proceed.

The Initial Disclosure Document gives further detail on our authorisation in case you wish to check. We also want to make sure that if you have any complaints about our service or products you know who to speak to, though of course I am always here to help’.

### What happens when a customer asks what commission we earn?

If a customer asks what commission we earn from their deal prior to conclusion of the finance agreement, we are required under FCA rules to provide them with an accurate amount. We would also want to ensure that we keep a record of this being requested and the response provided.

To ensure accurate response and record, please explain to the customer that you will arrange for a commission disclosure form to be emailed to them with the relevant information before progressing, ask the customer if they wish to proceed with you subject to receipt of the information, or if they wish to wait until they have it. (The commission disclosure form is attached to this correspondence).

**Action – Immediately send a completed commission disclosure form, along with a copy of the finance quote provided to the customer, copying in PFS. The customer must provide us with a signed copy on return.**

### Summary

By following the procedure above with good conduct, we can be sure that we are creating the right outcomes for our customers.

Though verbal delivery can't always be evidenced, this should be provided at all times. The FCA will be commencing mystery shop activity this year, with commission disclosure high on their oversight agenda. This will also be a part of future competence assessments which support your development and our evidence of good conduct.

If you have any questions regarding these new procedures, please contact Jane Pillinger at Platinum Financial Solutions.