



## Consumer Duty

### Hire Purchase Information Sheet

#### **Products & Services Outcome and Price & Value Outcome – Information for distributors of the Product**

This summary document is being provided to you to fulfil our responsibilities under PRIN 2A.4.15R and PRIN 2A.3.12 R (2).

It is designed to support you to comply with your responsibilities under PRIN 2A.3.16 R and PRIN 2A.4.16 R. Please note that you are ultimately responsible for meeting your obligations under 'The Consumer Duty'.

This information is intended for intermediary use only and should not be provided to customers.

#### **1. Summary of our assessment**

We have assessed that:

- Our hire purchase product continues to meet the needs, characteristics, and objectives of customers in the identified target market.
- The intended distribution strategy remains appropriate for the target market.
- The Product provides fair value to customers in the target market (i.e. the total benefits are proportionate to total costs).

This assessment does not include any fees, charges or other costs you require the customer to pay to you for any products or services you provide that are separate or in addition to the product or services we provide.

You are responsible under the Consumer Duty for assessing those products or services. If you believe that the customer is not receiving fair value in respect of these products or services, you must inform us.

## 2. General product information

Target Customer	Vehicle Condition	Maintenance included or customer maintained	Option to purchase
New and/or existing	Used	Customer Maintained	At end of contract, the customer will obtain title to the vehicle if the final payment (including option to purchase fee) is made.

## 3. Product characteristics & benefits

The hire purchase product is designed to meet the needs of the target group, The product features and criteria are designed to support these needs.

1. The product is for motor vehicle finance over a fixed term, for customers that meet our qualifying criteria.
2. The product is secured against the vehicle.
3. The product provides a set APR and monthly payments confirmed at the start of the agreement.
4. Customers have the ability to overpay without penalty and have a right to settle the agreement early.
5. Customers are provided with assistance and forbearance should they encounter financial difficulties.
6. The customer will own the vehicle once all payments have been made, including the option to purchase fee.
7. Late payment fees or fees to change a direct debit payment date are not chargeable.
8. The product is designed for customers with indicators of vulnerability, with support for those customers being provided throughout the life of the agreement with us.
9. Please see our website [unityauto.finance](https://unityauto.finance) which provides clear explanations of our products.

## 4. Target market assessment and distribution strategy

This target market assessment matrix segments the target customers for the Product, recognising their different needs to enable you to tailor the services you provide when you distribute the Product.

Customer Circumstances	Distribution Strategy	Customer Needs & Objectives
The product is designed for UK-resident adults who have an established need for credit and the ability to afford to make the repayments	This product is distributed via approved product distributors that must meet a minimum standard to be permitted to make the product available to consumers.	Our product is designed for customers that have a need for finance, in relation to a motor vehicle, at a fixed and affordable monthly payment

The Product is not designed for customers who:

- Wish to purchase prestige or high-performance luxury vehicles or are not able to make repayments under the agreement they enter with us.
- Limited Companies.
- Joint applications.

## 5. Customers with characteristics of vulnerability

The Product is designed for customers falling within our risk tolerance and acceptance criteria, which is likely to include some customers with characteristics of vulnerability or who will experience vulnerability over time.

We acknowledge that some of our customers may experience vulnerability, and our product is able to accommodate such. Types of vulnerability include:

- Limited English language skills
- Some adverse credit history
- Limited understanding of financial products

We are able to support customers with vulnerabilities via our highly trained customer care team. We have policies and processes to support our vulnerable customers, with management escalation paths in place to ensure high risk customers are provided with additional support.

Intermediaries should continue to comply with your obligations to ensure that you treat customers in vulnerable circumstances fairly.

Please contact us if you need any further information about how we support the needs of all our customers in relation to the Product.

## 6. Our assessment of value

We have developed a comprehensive and robust assessment process which evaluates several aspects of our business to determine the value of our product. This analysis is used to ascertain whether the Product delivers fair value for customers.

The outcomes of the assessment process are presented to the Executive Committee, allowing for challenge and further investigation before we sign-off the outcomes and share the summary of our assessment with you.

Our fair value assessment has considered the following.

1. The cost of the design of the product.
2. The cost of processing customer applications and the support of systems and data to service customers and their agreements with us.
3. The cost of funds to allow us to lend to consumers.
4. The costs of fraud, poor performing agreements and loss of assets funded by our agreements.
5. Customer risk profiles and risk-based pricing.

## Results of our assessment

Our assessment concluded that the Product continues to deliver fair value for customers in the target market for the Product.

## Guidance

This document was created to reflect the new rules and guidance as a result of the publication of the FCA's Consumer Duty PS22/9 and FG22/5 on 27 July 2022.

## Introduction

- The aim of this guide is to provide lenders with guidance to complete the Product & Services Outcome and Price & Value Outcome information for distributors of the Product document ('information sheet') in order to meet their responsibilities under the Financial Conduct Authority's (FCA) Consumer Duty Policy Statement PS22/9 and Finalised Guidance FG22/5.
- The guidance is produced by the FLA.
- This guidance should be read alongside the example Information Sheet. For simplicity, the term 'intermediary' is used throughout this document which refers to an intermediary firm acting as a distributor.

## Background

Under the FCA's Consumer Duty, lenders must:

- ensure that its products provide fair value to retail customers in the target markets for those products; and
- carry out a value assessment of its products and review that assessment on a regular basis appropriate to the nature and duration of the product.

Lenders are required to provide intermediaries with the results of their value assessments but don't have to include sensitive information such as the breakdown of firms' margins or risk-based pricing as confirmed in PS22/9. This is to ensure that intermediaries distributing the product have all necessary information to understand the value that the product is intended to provide to a customer. This also allows the intermediaries to meet their requirements under the Consumer Duty.

The FCA's Consumer Duty rules require that lenders must make all appropriate information available to intermediaries to:

- understand the characteristics of the product or service;
- understand the identified target market;
- consider the needs, characteristics, and objectives of any customers with characteristics of vulnerability;
- identify the intended distribution strategy; and
- ensure the product or service will be distributed in accordance with the target market.

In summary, lenders are required to provide intermediaries with the results of their value assessments not the detail that sits behind the individual product assessments themselves.

In the FCA's [Dear CEO Letter to Motor Finance Providers](#) dated 1 March 2023, the FCA notes:

*Finance providers and those broking finance (including dealerships) need to consider their respective roles, i.e., whether they are acting as manufacturer, distributor or are co-manufacturers and distributors. Firms are manufacturers if they create, develop, design, issue, manage, operate, carry out, or (for insurance or credit purposes) underwrite a product or service. There may be multiple manufacturers for a single product or service. A firm would be considered a co-manufacturer where they can determine or materially influence the manufacture of a product or service. This would include a firm that can determine the essential features and main elements of a product or service, including its target market. As an example, if a lender negotiates an APR price-point with a dealer or broker firm, the firms may need to consider whether the lender is making the pricing decisions or if the dealer or broker has a material influence on this.*

*Where firms collaborate in this way, they must have a written agreement outlining their respective roles and responsibilities to comply with the rules in this section. We expect the agreement to be a confirmation of which firm is responsible for meeting different aspects of the rules under this outcome. So, in the event of a problem, it is clear which firm is accountable.*

## How lenders might use this document

- The content within the example Information Sheet and guidance notes is not intended to be prescriptive and lenders must populate the sections of the Information Sheet themselves.
- Lenders will need to determine the number of products they have and thereafter the number of Information Sheets produced for these. Individual products may share similar product characteristics. Lenders may therefore consider producing one Information Sheet to cover a range of products with similar characteristics. Whilst the FCA has not prescribed the number of Information Sheets that are required, it will be for lenders to consider the appropriate amount and to ensure a pragmatic approach, given intermediary firms will access information sheet(s) from each lender they have on panel.

Information Sheets are designed for intermediary firms and are not intended to be provided to customers.

Lenders may wish to add a date that the Information Sheet was created or a version number, to aid version control.

## Completion of the Information Sheet

### ➤ Summary of our assessment

This section provides a summary of the value assessment for the intermediaries.

Lenders should consider summarising that:

- the product continues to meet the needs, characteristics, and objectives of customers in the identified target market;
- the distribution strategy remains appropriate for the target market; and
- the Product provides fair value to customers in the target market.

### ➤ **General Product Information**

This section provides general information on the product covering target market, vehicle condition, maintenance profile and option to purchase.

### ➤ **Product characteristics & benefits**

This section focuses on the characteristics and high-level summary of the benefits of the product. Lenders may wish to consider non-financial benefits here. Lenders may find it useful to include a link to their websites and the individual products to assist intermediaries.

Lenders may wish to consider that a characteristic of a product comes with its own benefits and potential downsides to some consumers. For example, a flexible credit product like a PCP will have its own pros and cons. However other characteristics may have no clear downsides, for example the ability to settle the agreement early.

### ➤ **Target market assessment and distribution strategy**

The first part of this section contains a matrix for completion by lenders focussed on the product target market assessment. This takes into consideration the target market's circumstances, distribution strategy, and the target market's needs and objectives. The second part details the intermediaries that will distribute the product.

The final part of this section is intended to assist intermediaries in detailing those customers who the product is not designed for and therefore do not make up the target market.

### ➤ **Customers with characteristics of vulnerability**

This section covers the lenders consideration of the needs, characteristics, and objectives of any customers with characteristics of vulnerability. This follows on from the individual value assessments that the lenders carry out of considerations of any characteristics of vulnerability that retail customers in the target market display and the impact these characteristics have on the likelihood that retail customers may not receive fair value from its products.

Lenders should consider including what has been assessed to ensure that the needs of customers in the identified target market have been considered in respect of the product in question. Details of the framework in place to achieve good outcomes for vulnerable customers should also be included as detailed in the example information sheet.

It is important for lenders to distinguish between cohorts of vulnerable customers within the target market and where lenders have designed a product aimed at particular vulnerable customers. For example, lenders may offer products to credit impaired customers and so they will need consider documenting how they have taken these vulnerabilities into consideration for their intended target market.

### ➤ **Our assessment of value**

This section focuses on the overall assessment of value, the steps and considerations taken to ensure that the assessment of the product delivers fair value. The assessment should consider reviewing the benefits, price, costs, and limitations as detailed in the example information sheet. Lenders should consider concluding this section with a sentence detailing the results of the assessment such as "Our assessment concluded that the Product continues to deliver fair value for customers in the target market for the Product."

Some lenders may have a range of APRs available for an intermediary to choose, in which case the intermediary is likely to be a co-manufacturer with the lender. In these circumstances, it may be

appropriate for the lender to state that the range of APRs have been assessed as all providing fair value (with the lowest APRs providing the best value), while communicating to the intermediary that it is their responsibility, as co-manufacturer, to assess whether their choice of APRs continues to provide fair value in relation to their target market.

This guidance document will be subject to review and, where applicable, will be amended in line with changes in the regulation of the motor finance industry. Any such changes will be subject to consultation with the industry.