



Finance & Leasing
Association



Consumer Code of Practice 2002

We are the biggest UK representative organisation for the UK finance and leasing industry. Our members provide a wide range of facilities, including hire purchase, conditional sale (an agreement where the goods will become yours at the end of the agreement), personal contract purchase plans, personal lease plans, secured and unsecured personal loans, credit cards and store card facilities.

We campaign for best practice in lending and leasing. Our Consumer Code of Practice 2002 sets out standards of good practice for the finance and leasing industry and is intended to reassure anyone who applies for finance from full members that they are doing business with reputable organisations.

The code does not say exactly what action we must or must not take. It sets out the key commitments and principles which we expect our members to follow, with good sense and in the spirit of the code.

This code updates and replaces the 2000 Code of Practice, and governs all consumer credit, hire or lease agreements entered into on or after 1 January 2002 (but not business agreements), regardless of the amount. Purchase money mortgages (loans to buy a home) for residential property, long-term savings and investment business are not covered by this code.

We have a separate code for business transactions. You can get copies on our website at **www.fla.org.uk**

We have a free conciliation and arbitration procedure for consumer complaints. The arbitration scheme is totally independent of us and is run by the Chartered Institute of Arbitrators.

Our members must keep to the Code of Practice (where relevant) at all times to be a full member. You can get a list of members and more copies of the code from us. If you would like a copy of this code in large print, in another language or on audio tape, please contact us at the address below.

Finance & Leasing Association
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Fax: 020 7420 9600
Website: www.fla.org.uk

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1 Key commitments

1.1 As full members of the Finance & Leasing Association (FLA), we promise we will:

- act fairly, reasonably and responsibly in all our dealings with you;
- make sure that all services and products meet the FLA Code of Practice and all relevant laws and regulations;
- not discriminate against you because of your race, sex, disability, ethnic background or sexuality;
- help you when you need information and guidance;
- 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;
- keep your personal information confidential;
- correct mistakes and handle complaints quickly;
- consider cases of financial difficulty sympathetically and positively;
- follow any guidance notes that the FLA issue, where relevant;
- train our staff to make sure that the procedures they follow reflect the commitments set out in this code; and
- make copies of this code freely and readily available to you.

2 Information

Terms and conditions

2.1 When you become a customer, and whenever you ask, we will give you:

- written terms and conditions of your agreement or information on how your account works;
- the interest rate that applies to your account;
- details of when you have to pay interest;
- details of how we may change the interest rate;
- a full explanation of how we work out interest, if you ask; and
- details of any extra fees and charges you may have to pay under your agreement, including how we will tell you the amount.

2.2 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.

2.3 All written terms and conditions will set out your rights and responsibilities clearly and in plain language. We will only use legal and technical language where necessary.

2.4 If you have a joint account, our written terms and conditions will provide information on your individual rights and responsibilities.

Telling you about changes

Changes to terms and conditions (other than interest rates)

2.5 Occasionally we may change our terms and conditions, but only where our agreement allows us to do so. We will let you know how we will tell you about these changes. If the change is to your disadvantage, we will always give you at least 30 days' notice before making the change. If we need to

use your personal information for purposes you have not already agreed to, or if we want to give your personal information to other people you have not agreed to, we will ask your permission first.

Changes to interest rates

2.6 If you have an agreement where we have the right to change the interest rate from time to time, this may affect your monthly payment. We will tell you about any changes to the interest rate at least seven days before in one of the following ways.

- By putting obvious notices in our branches, if we have any, and in the newspapers we usually use.
- By letter, e-mail or other personal notices.

To help you compare rates more easily, our notices will (wherever possible) clearly show the old and new interest rates that apply to your agreement.

If your interest rate changes in line with a published rate (for example, a finance house base rate), this section (2.6) will not apply as the association or organisation concerned will publish the change to the rate.

The way we market our services

2.7 From time to time we may tell you about other services and products which may interest you. However, we will act responsibly and carefully and will be selective about sending you details of services and products.

We may do this by post, phone, e-mail or fax. If we decide to fax you, we will get your permission first.

2.8 In the case of revolving credit accounts, and on all accounts that have been closed, we will remind you, at least once every three years, that you can ask us not to send you this information. This is extra to your rights under the Data Protection Act 1998.

2.9 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. We may also tell you about another company's services or products and, if you say you are interested, that company may contact you direct. When you become a customer, or at any other time, you may say that you do not want us to send you any of the information in 2.7 to 2.9 above. We will tell you how to do this in our documents.

2.10 We will tell you if we want to use any information about transactions on your revolving credit or credit card account for marketing purposes.

Young people

2.11 We will:

- take particular care with applications for credit from young people; and
- not knowingly send marketing material about our lending products (for example, loans or credit and store cards) to you if you are under 18.

Advertising

2.12 We will make sure that all advertising and promotional material is clear, fair and not misleading.

2.13 All our advertising will meet the British Codes of Advertising and Sales Promotion, the Radio Authority Advertising Code, and the Independent Television Commission Code on Advertising Standards and Practice. You can get copies of these codes from the contact addresses listed in the 'Helpful information' section at the back of this booklet.

3 Selling general insurance

3.1 Where appropriate, we will tell you whether we offer payment protection insurance.

Sales and marketing

3.2 Before you take out insurance, or at the time you take it out, we will give you the following information to help you to decide if the policy is suitable for you.

- The name of the insurer.
- A summary of cover, which will explain what the product is, the cost, and the key benefits, exclusions and eligibility criteria (conditions).
- The term of your insurance cover.
- Any qualifying periods or excess payments or periods needed before you can make a claim.
- How to make a claim and who to contact if you make a claim that is disputed.
- If and when you may cancel your insurance policy, and what action you need to take to do this.

This information will help to explain if the policy is suitable for you if you are self-employed, on contract or part-time work, or if you have a medical condition that you had been diagnosed with before you took out this insurance.

Documentation

3.3 Once you have taken out insurance, we will give you a copy of your policy or certificate of insurance within 21 days, with a contact phone number for any questions you may have.

Premium refunds

3.4 If your insurance covers repayments under your loan agreement, we will tell you how we work out a refund of part of your premium if you cancel your loan agreement or settle it early.

3.5 The proceeds from your policy may affect your right to claim state benefits where you have to declare your income and savings. In your policy documents, your insurer will tell you whether your insurance covers repayments under your loan agreement, or whether it is cover which will add to your income, regardless of your loan.

Service

3.6 If you make a claim, we will work with you and your insurer so that your claim is dealt with quickly and fairly.

4 Suppliers of goods and other services

4.1 If we offer other services to you, we will only do so through a reputable supplier.

4.2 We will encourage the suppliers of goods and services that we finance to:

- a** maintain high standards of quality, workmanship and service; and
- b** follow relevant codes of practice which do not allow high-pressure selling or high-pressure canvassing (cold calling).

4.3 If you have bought goods on finance which are faulty, or a service (for example, a holiday or home repairs or improvements) which is not satisfactory, you may find it useful to contact the supplier you bought those goods or services from (for example, the holiday company, repairer, retailer or dealer). The supplier should be able to help you. However, if you are not able to resolve your complaint in that way, you should contact us.

5 Credit brokers

5.1 We will try to make sure that any credit broker we deal with does not pressure you to enter into an agreement with us that you may find difficult to repay.

5.2 Before we accept business from any credit broker for the first time, we will:

- a** satisfy ourselves that the broker is honest, competent and licensed under the Consumer Credit Act; and
- b** make the broker aware of the principles of this code or (where relevant) the Finance Industry Standards Association (FISA) Code.

5.3 We will monitor the activities of credit brokers we deal with and, in particular, we will:

- a** demand that they follow this code or (where relevant) the FISA Code;
- b** refuse to deal with a credit broker who is not competent, or who fails to act honestly or in line with this code, (in those circumstances we will consider reporting this to the Office of Fair Trading); and
- c** report any known relevant criminal conviction of a credit broker to the Office of Fair Trading and to the FLA.

6 Lending

Financial assessment

6.1 When you buy goods from a supplier on credit, they will send your credit application to us for assessment, regardless of the amount of the credit you have applied for.

6.2 As responsible lenders, we will try to make sure that all lending will go through a sound and proper assessment. This assessment may look at:

- your ability to repay;
- your income and commitments;
- how you have handled your financial affairs in the past;
- information from credit reference agencies and, with your permission, other people, for example, employers, other lenders and landlords;
- information you have supplied, including proof of your identity and why you are applying for credit;
- credit assessment techniques, for example, credit scoring (see paragraph 6.3 below);
- your age;
- where you live, although this will not be the only thing that affects your application;
- any security you have provided (such as your home).

6.3 A credit-scoring system generally takes account of information you have provided, any information we may hold about you, and information from credit reference agencies. The credit-scoring system gives points for each piece of relevant information and adds these up to produce a score. If we use this system, we will tell you. The FLA has a leaflet called 'Your credit decision explained' which explains how credit scoring works. You can get copies from us or the FLA.

- 6.4** If we refuse your credit application, 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.
- 6.5** We will not pressure you to enter into an agreement with us that we think you may find difficult to repay.

Identity

- 6.6** When you apply to open an account, we will tell you what identification we need from you to check your identity and address. 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.

'Buy now pay later' schemes

- 6.7** We are committed to responsible lending, and will not encourage you to commit yourself to a loan you cannot afford. If you buy goods on credit, the supplier may offer you a 'buy now pay later' product. We will make sure that the start date for repayments will not be more than 12 months from when you have the goods or from when you sign your credit agreement, whichever is earlier. However, this will not include buying a car on credit where you may, for example, pay a deposit of at least half of the cost of the vehicle. In that case, you may not have to pay the other half until more than 12 months after you have taken delivery of the car.

Interest-free option credit

- 6.8** If we offer interest-free option credit we will work with retailers to make sure they are able to explain the options that will be open to you.
- 6.9** Where you have an interest-free option credit agreement, we will:

- a** write to you towards the end of the interest-free period to remind you about the options that are open to you;
- b** allow you a short 'grace period' at the end of the interest-free period to make the final payment if you can show you have made a reasonable effort to pay on time;
- d** tell you clearly at the beginning of your agreement if we have any restrictions on how you can make the final payment; and
- d** allow you to make the final payment in the way you prefer, depending on any restrictions (see (c) above).

Guarantees

- 6.10** If we accept a guarantee or other security from someone for your liabilities, we may give your confidential financial information to the person giving the guarantee or other security or to their legal adviser. We will also:
- encourage them to take 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.

7 Data protection and confidentiality

Credit reference agencies

7.1 When you apply for credit, we will tell you that we may use the information you give us to carry out a search with a credit reference agency (CRA). The CRA will keep a record of any search, and other lenders may use it to assess applications from you and other members of your household for credit in the future. We and other lenders may also use the search information to prevent or detect fraud and money-laundering, to trace debt, and for statistical purposes.

7.2 We will tell you if we plan to tell credit reference agencies that you have an account and how you run that account.

Confidentiality

7.3 We will keep your personal information confidential and will tell you how we plan to use this information before we collect it.

7.4 We will not reveal information we hold about you to others, unless:

- we have your permission to do so;
- we have to by law;
- we have a public duty to do so; or
- it is in our interests to do so (for example, for legal proceedings or to enforce a guarantee). But we will not use this as a reason to give your personal information to anyone else, including other companies within our group.

7.5 As a general rule, we will give you reasonable notice if we decide to file a default on your credit reference file. However, we may not always give you notice beforehand, for example, if we plan to repossess our property or take court action.

Information

7.6 We will let you know how to get a copy of information you have a right to see under the Data Protection Act. The CRAs may charge a fee for supplying that information.

7.7 If we record or monitor phone conversations, we will let you know.

8 Running your account

Section 8 only applies to current accounts and revolving credit accounts (unless it says otherwise).

Statements

8.1 To help you manage your account and check entries on it, we will send you regular account statements. We will normally provide you with a statement every month or every three months, or at least once a year. Unless you ask us, we may not send you statements if your balance is nil and there have been no transactions on your account since the last statement. You may ask us to provide account statements more often than they are normally available on your type of account, although there may be limits on this depending on the type of account you have. We may charge a fee for this extra service.

8.2 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.

Pre-notification: Current accounts only

8.3 If charges or debit interest (or both) have built up on your current account during a charging period, we will give you at least 14 days' notice of the amount before we take it from your account. The 14 days start from the date we post the notification to you.

Cheques

8.4 We will keep original cheques paid from your account (or copies) for at least six years, unless we have already returned these to you.

8.5 If there is a dispute with us about a cheque paid from your account, we will give you the cheque or a copy as evidence (unless we have already returned

the cheque to you). If there is an unreasonable delay in resolving your dispute, we will add the amount of the cheque to your account until we have sorted the matter out.

- 8.6** If we need to tell you that one of your cheques or other items has been returned unpaid, we will do this either by letter or in another private and confidential way.

Cards and PINs

- 8.7** We will only send you a card if you ask for one or to replace a card we have already issued.

- 8.8** We will only send your PIN (personal identification number) to you and we will send it separately from your card.

Choosing your own PIN

- 8.9** We will tell you if you can choose your own PIN and, if so, we will encourage you to do so carefully. This should make it easier for you to remember your PIN.

Taking care

- 8.10** You must take care of your chequebook, PINs, cards, passwords and selected personal information to help prevent fraud and protect your accounts. We will tell you what security measures you and we must take to protect your account.

- 8.11** Once you have told us that a chequebook or card has been lost or stolen or that someone else knows your PIN, password or selected personal information, we will take immediate steps to prevent these from being used to access your accounts. If your credit card has been used by someone else before you tell us it has been lost or stolen, you will only have to pay the first £50 of what was spent on your card.

8.12 We will refund you the amount of any transaction, together with any interest and charges:

- if you have not received your card and it is misused by someone else;
- for all transactions you have not authorised after you have told us that someone else knows your PIN, password or selected personal information; and
- if the cash machine (or an associated system) was faulty and these faults were not obvious or the machine did not have a warning message or notice at the time you used it.

8.13 We will not stop your revolving credit account without giving you reasonable notice, unless there are exceptional circumstances. For example, if we suspect that your account is being used fraudulently, or if you break the terms and conditions of your agreement.

9 Difficulties

Financial difficulties

9.1 We will consider cases of financial difficulty sympathetically and positively.

How we can help each other

9.2 If you find yourself in financial difficulties, you should let us know as soon as possible. The sooner you discuss your problems with us, the easier it will be for both of us to find a solution. The more you tell us about your full financial circumstances, the more we may be able to help.

9.3 If you are in difficulties, you can get help and advice from debt-counselling organisations. If you send us your permission, in writing, we will work with debt-counselling organisations that we recognise. This service may be free of charge. For example:

- Citizens Advice Bureaus;
- money advice centres;
- The Consumer Credit Counselling Service; or
- National Debt Line.

You can find their phone numbers at the back of this booklet.

9.4 If our relationship with you has broken down, we will include this in the information we supply to credit reference agencies. You should be aware that this may have serious consequences on your ability to get credit in the future.

9.5 Credit reference agencies hold different types of information. You can get copies of the information held about you by writing to the following addresses, enclosing a fee of £2. We will tell you which agency we use.

Experian

Consumer Help Service, PO Box 8000
Nottingham NG1 5GX

Equifax

Dept 1E, PO Box 3001, Glasgow G81 2DT

Consumer Services Team

Call Credit plc, PO Box 491, Leeds LS1 5XX

- 9.6** If we repossess property you own, which we then sell, we will contact you about recovering any debt you still owe us within the first six years (five years in Scotland) after the sale. If you have committed mortgage fraud, we may increase this period up to 12 years.

10 Complaint procedures

Internal procedures

10.1 We will tell you about the internal procedures we have for handling complaints fairly and quickly. These include setting a time limit for letting you know we have received your complaint, and details of the independent ombudsman or arbitration scheme we belong to. If we need to investigate your complaint further to respond fully, we will tell you and will keep you regularly updated.

10.2 If you want to make a complaint, you should contact us first. We will tell you what the phone number is, although you may find it on any recent letters that you have received from us, in your local phone book, or from Directory Enquiries. To help us deal with your complaint quickly, please have your agreement number ready and any other forms of identification we have agreed with you. Or, you may want to write to us.

External procedures

10.3 If we are not able to resolve your complaint to your satisfaction, we will give you details of the external complaint-handling services we belong to. This may be the FLA, or the Financial Ombudsman Service (or both). We will tell you which external complaint-handling service is appropriate for you.

The FLA Conciliation and Independent Arbitration Scheme

10.4 If you want to make a complaint to the FLA, you may phone them on 020 7420 9624. You can also write to the Compliance Manager at the FLA, enclosing brief details of your complaint, a copy of your agreement (if you have it) and copies of any recent correspondence.

10.5 As a first step, the FLA will refer your complaint to our Chief Executive, who will make sure that we

investigate it and send a response to you within 21 days of receiving the letter from the FLA.

10.6 If you are still not satisfied, the FLA will try to conciliate (help you reach an agreement). If conciliation fails, you may refer your complaint to the FLA's independent Arbitration Scheme, which is run by the Chartered Institute of Arbitrators. Your complaint must be covered by the scheme, which we will explain to you. We will give you a copy of the rules of the scheme, which you can also get from the FLA or the Chartered Institute of Arbitrators.

10.7 The Arbitration Scheme applies to all consumer agreements, whether or not they are regulated by the Consumer Credit Act. However, the scheme will not apply to complaints about:

- our decision on whether to lend you money or to take security and, if so, on what terms;
- the rate of interest we charged you or the amount of other charges we make;
- any faulty or unsuitable goods we have financed; or
- a supplier of goods allegedly giving you false information or breaking their contract with you.

The arbitrator will decide any dispute in line with the rules of the scheme.

10.8 You will have the right to go to court at any stage, unless you have chosen binding arbitration (settling a dispute by using an arbitrator) and the arbitrator has made a decision.

10.9 You will not be entitled to use the FLA Conciliation and Independent Arbitration Scheme if your complaint has been, or is being considered by the courts or by any other independent arbitration or ombudsman scheme.

11 Monitoring and compliance

11.1 We have a Code Compliance Officer and our internal auditing procedures make sure we meet (comply with) the code. We have to fill in an 'annual statement of compliance' as a condition of our membership of the FLA.

11.2 The code is monitored by the FLA Consumer Code Group which is made up of representatives from the finance houses and independent consumers. It also has an independent chairman. The Group produces an annual report, which we can send to you, if you ask.

11.3 You can contact the Consumer Code Group if you have a complaint about the general running of the code by writing to:

The Compliance Manager
Finance & Leasing Association, Imperial House,
15-19 Kingsway, London WC2B 6UN

Phone: 020 7420 9624

Glossary of terms

These definitions explain the meaning of words and phrases used in the code. They are not exact legal or technical definitions.

Agreement A credit, hire or lease agreement with a member of the FLA.

Card A general term for any plastic card which may be used to pay for goods and services or to withdraw cash. In this code, this definition does not include electronic purses. Electronic purses are any card, or function of a card, which contains real value in the form of electronic money which someone had paid for beforehand. Some cards can be reloaded with more money and can be used for a range of purposes.

Consumer A customer who enters into a credit, hire or lease agreement or opens an account with a member of the FLA, other than for business purposes, regardless of the amount.

Credit broker A person licensed under the Consumer Credit Act 1974 who introduces a customer to a company which will offer credit, hire or lease agreements.

Credit reference agencies Organisations, licensed under the Consumer Credit Act 1974, which hold information about individuals that is of interest to lenders. FLA members may contact these agencies for information to help them make various decisions, for example, whether or not to lend you money. Members may give information to, or ask for information from, these agencies.

Credit scoring A system used by some members to help them make decisions about whether or not to lend you money. A credit-scoring system takes account of information you have provided, and any other information the lender may hold. It gives points for each piece of relevant information and adds these up to produce a score.

Excess period The insurer will not start to pay a claim during this period.

Excess payment An amount the policyholder must pay towards the cost of a claim. The insurer deducts this amount from the claim if the settlement is greater.

Final payment The full amount the customer must pay under the agreement.

General insurance Includes any form of insurance sold by FLA members including, for example, payment protection insurance, extended warranty, motor insurance, breakdown cover, and GAP (the difference between the amount the motor insurer pays if the vehicle is written off, and the amount the customer owes under any finance on that vehicle, if this is greater). Payment protection insurance covers payments against one or more of the following.

- Accident or sickness
- Unemployment
- Redundancy
- Death

The key benefits, exclusions and eligibility conditions will vary. Extended warranty extends the guarantee the manufacturer has offered.

Guarantee A promise given by a person called the 'guarantor' to pay another person's debts if that person does not pay them.

Interest-free option An agreement under which the customer does not pay interest for an initial period. If they do not pay the full amount due under the agreement by the end of the interest-free period, they will then have to pay all the interest they would normally have to pay from the start of the agreement.

Members Finance and leasing companies who are full members of the FLA. You can get a list of these from the FLA.

Notice period If notice periods are set out in this code, the notice period will start from the date we post the notification to you.

Password A word or an access code which the customer has chosen to allow them to use a phone or home-banking service. It is also used for identification.

PIN (personal identification number) A confidential number which allows the customer to withdraw cash and use other services at a cash machine.

Qualifying period The period of time between the event giving rise to a claim and the insurer making the first benefit payment. Payments will be backdated for this period.

Revolving credit An agreement where the customer can continue to receive cash, goods or services, up to an agreed credit limit (if any), as long as they keep up repayments and do not go over the agreed credit limit (for example, a credit card or store card).

Security A word used to describe valuable items such as title deeds to houses, share certificates, life policies, and so on, which represent assets used as support for a loan. Under a secured loan, the lender has the right to sell the security if the loan is not repaid.

Selected personal information Private and personal facts and information that a customer has chosen (for example, a password) which can be used to check the customer's identity when accessing accounts.

Unpaid cheque This is a cheque which, after being paid into the account of the person it is written out to, is returned 'unpaid' (bounced) by the bank whose customer issued the cheque. This leaves the person the cheque was written out to without the money in their account.

Young people People aged between 18 to 21.

Helpful information

Copies of the FLA Code of Practice

All members will make copies of the code available to you if you ask. You can also get copies from the FLA.

Other codes of practice

You can get copies of the British Codes of Advertising and Sales Promotion Practice from the Advertising Standards Authority on 020 7580 5555, the Radio Authority Advertising Code from the Radio Authority Advertising Commission on 020 7430 2724, and the Independent Television Commission Code on Advertising Standards and Practice from the Independent Television Commission on 020 7255 3000.

Free money advice

You can get the phone numbers for the free debt-counselling organisations that FLA members recognise from the following.

- Citizens Advice Bureau. To find your local office, look in your phone book under 'C' or in the Yellow Pages under 'Counselling and advice'.
- Call National Debtline on 080 8808 4000.
- Call Consumer Credit Counselling Service on 0800 138 1111 (this call is free).
- The Trading Standards Department of your local council (also known as the Consumer Protection Department). You can find their details in the Yellow Pages under the heading 'Consumer organisations'.
- If you are a student, contact the Student Welfare Officer at your students' union.

For your notes

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Finance & Leasing
Association

Published by
The Finance & Leasing Association,
Imperial House, 15-19 Kingsway, London WC2B 6UN
Phone: 020 7836 6511 Fax: 020 7420 9600
www.fla.org.uk ©FLA 2001