

Lending Code 2006

Raising standards for consumers



How The Lending Code works

These sections apply if you have the following type of loan

Sections

Read this first

The Lending Code sets out the commitments and principles which FLA members must follow.

Use the following key to help you find the sections relevant to your loan.

	1A Page 09	1B Page 10	1C Page 13	1D Page 14	1E Page 16	1F Page 18	1G Page 19	2A Page 22	2B Page 23	2C Page 24	2D Page 26	2E Page 30	2F Page 33	2G Page 35	2H Page 38	2I Page 40	3 Page 42	4 Page 46	5 Page 49	
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If you have taken out payment protection insurance or GAP insurance (or both), please also refer to section 2J (page 41) as well as the conditions for the finance product you have bought.

Note for personal loans, variable-rate loans, revolving credit loans and motor finance loans (covered by sections 2E, 2F, 2G and 2H): If the loan was introduced to us by a dealer, retailer or broker, you should also refer to their specific commitments (covered by sections 2A and 2B).



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	1A Page 09	1B Page 10	1C Page 13	1D Page 14	1E Page 16	1F Page 18	1G Page 19	2A Page 22	2B Page 23	2C Page 24	2D Page 26	2E Page 30	2F Page 33	2G Page 35	2H Page 38	2I Page 40	3 Page 42	4 Page 46	5 Page 49
Loans taken out through a supplier of goods and services	●	●	●	●	●	●	●	●									●	●	●
Loans taken out through a credit broker	●	●	●	●	●	●	●		●								●	●	●

Products

Store cards	●	●	●	●	●	●	●	●		●							●	●	●
Credit cards	●	●	●	●	●	●	●	●			●						●	●	●
Personal loans (for example, bank loan)	●	●	●	●	●	●	●					●					●	●	●
Variable-rate loans	●	●	●	●	●	●	●						●				●	●	●
Revolving credit loans	●	●	●	●	●	●	●							●			●	●	●
Motor finance loans	●	●	●	●	●	●	●								●		●	●	●
Loans to pay insurance premiums	●	●			●	●	●									●	●	●	

If you have taken out payment protection insurance or GAP insurance (or both), please also refer to section 2J (page 41) as well as the conditions for the finance product you have bought.

Note for personal loans, variable-rate loans, revolving credit loans and motor finance loans (covered by sections 2E, 2F, 2G and 2H): If the loan was introduced to us by a dealer, retailer or broker, you should also refer to their specific commitments (covered by sections 2A and 2B).

Contents

Introduction 04

About FLA 06

Legal requirements 06

How FLA can help 07

Contact details 07

1 General commitments 08

1A Key commitments 09

1B Information and marketing 10

1C Lending you money 13

1D Difficulties in paying 14

1E Complaints 16

1F Monitoring and compliance 18

1G Data protection and confidentiality 19

2 Specific commitments 21

2A Suppliers of goods and services 22

2B Brokers 23

2C Store cards 24

2D Credit cards 26

2E Personal loans – secured and unsecured 30

2F Variable-rate loans 33

2G Revolving credit loans 35

2H Motor finance loans 38

2I Loans to pay insurance premiums 40

2J Payment protection insurance and GAP insurance 41

3 Glossary of terms 42

4 Helpful information 46

5 Credit assessment 49

Introduction

Who is this Code for?

This Code is for customers who have taken out a consumer credit loan with an FLA member, no matter how much it is worth. This Code gives customers more rights than those provided by law.

This edition of The Lending Code replaces the 2004 edition. It will cover all consumer credit, hire or lease agreements entered into on or after 1st June 2006. Throughout the Code, where we refer to 'loans', this includes any type of credit, hire or lease agreement.

Conditions which relate to after-sales service will relate to all existing agreements.

The products covered include:

- loans taken out through a supplier of goods and services;
- loans taken out through a credit broker;
- store cards;
- credit cards;
- personal loans (for example, a bank loan);
- variable-rate loans;
- revolving credit loans;
- motor loans – including loan, hire purchase, lease or any other variation; and
- loans to pay insurance premiums.

The Code also covers insurance to pay off your loan (known as 'payment protection insurance – PPI' and GAP insurance).

This Code does not cover:

- first mortgages (loans to buy a home) for residential property;
- long-term savings and investment business, both of which are covered by Financial Services Authority (FSA) rules – see section 4; and
- lending to businesses – which is covered by a separate code (available from FLA – see the contact details on page 7).

There is a glossary of terms at the back of the Code (section 3) which should help explain some of the words used in the Code.

In the Code, ‘you’ means the customer, ‘we’ means the FLA member and ‘loan’ means any agreement, whether this is a loan or other product, for example, credit card, store card, hire purchase, hire or lease agreement.

About FLA

FLA is the main representative organisation for the UK consumer credit, motor finance and asset finance sectors, and the largest organisation of its type in Europe. FLA members include banks, subsidiaries of banks and building societies, the finance sections of leading retailers and manufacturing companies, and a range of independent firms. The facilities they provide include hire purchase, conditional sale, personal contract purchase plans, personal lease plans, secured and unsecured personal loans, credit cards and store-card facilities.

The Lending Code 2006 sets out standards of good practice in consumer lending. It is intended to provide assurance to customers that they may buy with confidence from full members. These companies will meet the standards set out in this Code, and FLA monitors their performance in line with this Code as set out in section 1F.

Legal requirements

The law gives you specific rights and protection when taking out consumer credit. Important areas include:

- advertising;
- information before you sign a contract;
- the form and content of agreements;
- settling (paying off) your loan early; and
- dealing with debt.

Other consumer laws cover your rights, for example, when buying over the phone or on the internet (this is known as distance selling) and the fairness of contracts (for example, the Unfair Terms in Consumer Contracts Regulations 1999).

You can get more details from Consumer Direct (www.direct.gov.uk) and from the Financial Services Authority (www.fsa.gov.uk).

How FLA can help

FLA can deal with a complaint you may have against one of its full members. Section 1E explains what FLA will do. FLA also monitors members' performance against this Code as set out in 1F.

You can ask FLA for a list of members and more copies of this Code. If you would like a copy of this Code in large print, in another language or on audio tape, please contact FLA.

Contact details

Finance & Leasing Association
Imperial House
15-19 Kingsway
London
WC2B 6UN

Phone: 020 7836 6511

Fax: 020 7420 9600

www.lendingcode.org.uk

1 General commitments

This section applies to all members when lending to consumers

- 1A Key commitments 09
- 1B Information and marketing 10
- 1C Lending you money 13
- 1D Difficulties in paying 14
- 1E Complaints 16
- 1F Monitoring and compliance 18
- 1G Data protection and confidentiality 19

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 'Helpful information' (section 4) 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 Lending Code.

- 1B.18 Whenever you ask, we will confirm that we are a member of FLA and follow The 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.

1D Difficulties in paying

1D.1 If you fall behind with your payments, we will let you know and discuss options with you.

1D.2 We will consider cases of financial difficulty (if you cannot afford to pay your loan) sympathetically and positively, and do what we can to help you deal with what you owe. This may include making new arrangements about how you will pay off your debt. In doing so we will consider other debts that you owe.

How we can help each other

1D.3 If you find yourself in financial difficulties or if you are having problems keeping up current or future repayments, you should let us know as soon as possible and stay in contact with us. 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. If you do not stay in contact with us, it will be difficult for us to help you.

1D.4 If you are in financial difficulties, we will:

- explain what our procedures are and will discuss your options with you;
- take into account money you tell us you owe to other lenders or any other commitments you tell us about;
- tell you if we pass your account to someone else to collect the overdue payments on your loan, such as a debt collector or solicitor (we will always choose firms which agree to follow the Credit Services Association Code or OFT debt-collection guidelines – see section 4 – helpful information);
- make sure that if we pass your account to someone else, they are aware of any arrangement we have already made with you;
- tell you what information we will pass to the credit reference agencies (CRAs) about your account, if we agree to accept reduced payments from you;
- explain if a default will be registered against you (the default will show that you have not been able to keep to the conditions of your agreement with us and will stay on your credit file for six years);
- not harass you or put you under unnecessary pressure (however, we would expect to be able to contact you at reasonable times);
- make sure that you are left with enough money to pay reasonable day-to-day expenses;

- tell you without unnecessary delay if we agree to:
 - freeze or reduce the interest rate on your agreement;
 - start to apply interest on your account;
 - intend to go back to the initial rate of interest on your agreement or re-apply interest to your account;
 - deal with people who you have asked to act on your behalf, with your written and signed permission, unless those people behave unreasonably; and
- if we are aware you have a long-term health difficulty:
 - make sure that we limit the number of times you or the person you have authorised to act on your behalf has to provide details of your condition to us; and
 - make sure that we accept appropriate evidence of your condition when considering your financial difficulties and the options available to you.

1D.5 You must tell us as soon as your personal circumstances change if these have an effect on your income.

1D.6 If you are in financial difficulties, you can get help and advice from debt-counselling organisations. Once you tell us that you are in financial difficulty, we will tell you about these debt-counselling organisations if you ask. If you send us your permission, in writing, we will work with debt-counselling organisations that we recognise. For example:

- Citizens Advice;
- money advice centres;
- the Consumer Credit Counselling Service; or
- National Debtline.

All of the above are free of charge. See section 4 for more details.

1E Complaints

1E.1 When you take out a loan, we will tell you about our complaints-handling procedure. We will do this:

- in writing – at or immediately after the point of sale;
- by giving you a copy of it, if asked to do so; and
- by giving you a copy of it, if you send us a complaint.

This procedure includes details of the complaint-handling services we belong to – FLA and the Financial Ombudsman Service.

Internal procedures

1E.2 If you want to make a complaint, you should contact us first using our complaint procedure. To help us deal with your complaint quickly on the phone, 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.

1E.3 We will try to sort out your complaint quickly once you have contacted us. If we cannot do this, we will tell you about the procedures we have for sorting out complaints. The maximum periods for sorting out complaints under the FLA Lending Code are set out below, although our internal procedures may have shorter periods.

1E.4 We will acknowledge your complaint within five business days. If we need to investigate your complaint further to respond fully, we will tell you and will keep you regularly updated.

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 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
 - are offering redress without accepting the complaint; 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.

1F Monitoring and compliance

- 
- 1F.1 We have a Code Compliance Officer and our internal auditing procedures make sure we comply with (keep to) this Code. We have to fill in an 'annual statement of compliance' as a condition of our membership of FLA.
- 1F.2 This Code is monitored by The Lending Code Group, which is made up of representatives from independent consumer groups and FLA members. It also has an independent chairman. The group produces an annual report, which FLA can send to you if you ask.
- 1F.3 The Lending Code Group recommends action that FLA should take if members do not keep to this Code. This may include action to be taken by FLA staff or members of the group and may include:
- visits;
 - written warnings to members;
 - requests for written explanations to the group; and
 - meetings to discuss the matter.
- 1F.4 The most serious punishment for not keeping to the Code is to be expelled from FLA.

1G Data protection and confidentiality

Credit reference agencies (CRAs)

- 1G.1 When you apply for your loan, we will tell you that we may use the information you give us to carry out a search with a CRA. The CRA will keep a record of any search, and other lenders may use it to assess applications from you 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.
- 1G.2 We will tell you when we plan to tell CRAs that you have an account and how you run that account.
- 1G.3 If we are legally entitled to do so, we may give information to CRAs about your loan if:
- you have fallen behind with your payments;
 - the amount owed is not in dispute; and
 - you have not made arrangements we are satisfied with for repaying your debt, following our formal demand.

You should be aware that this may have a serious effect on your ability to get a loan in the future. If you are in dispute with us (over the amount owed, for example), you may contact the CRAs to record this information on your file.

- 1G.4 We may also register a 'default' on your credit reference file if your account remains in arrears by at least three monthly payments or if we are taking some form of action to collect the amount you owe. As a general rule, we will give you at least 28 days' notice if we decide to register a default on your credit reference file. The default will show that you have not been able to keep to the conditions of your agreement with us and will stay on your credit file for six years. (However, we may not always be able give you notice beforehand, for example, if we plan to repossess your property or take court action.)

Confidentiality

- 1G.5 We will keep your personal information confidential (even where you are no longer a customer) and will tell you how we plan to use this information before we collect it.



1G.6

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, for marketing purposes, unless we have your permission to do so.

Information

1G.7

We will let you know how to get a copy of information which we and the CRAs hold and that you have a right to see under the Data Protection Act 1998. A fee may be charged for supplying that information.

1G.8

If we record or monitor phone conversations, we will tell you this.

2 Specific commitments

- 2A Suppliers of goods and services 22
- 2B Brokers 23
- 2C Store cards 24
- 2D Credit cards 26
- 2E Personal loans – secured and unsecured 30
- 2F Variable-rate loans 33
- 2G Revolving credit loans 35
- 2H Motor finance loans 38
- 2I Loans to pay insurance premiums 40
- 2J Payment protection insurance and GAP insurance 41

2A Suppliers of 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.

Please see the other requirements which relate to the type of loan which you have.

2B Brokers

This section applies to you if you entered into your loan with the help of a credit broker (a company or individual which may arrange a loan for you).

- 2B.1 Before we accept business from any credit broker for the first time, we will:
- make sure that the broker is honest, able and licensed under the Consumer Credit Act 1974; and
 - make the broker aware of the principles of this Code or (where relevant) the Finance Industry Standards Association (FISA) Code.

- 2B.2 We will monitor the activities of the credit brokers we deal with and, in particular, we will:
- ask that they follow this Code or (where relevant) the FISA Code;
 - refuse to deal with, or end any relationship with, a credit broker who is not able, or who fails to act honestly or in line with this Code; and
 - report any known relevant criminal conviction of a credit broker to the Office of Fair Trading and to FLA.

- 2B.3 If you are not happy with anything that you have been told by a broker, you may make your complaint to either them or us. You may find it useful to contact the broker first. However, if you cannot sort out your complaint in that way, you should contact us as we may have to help you by law.

Please see the other requirements which relate to the type of loan which you have.

2C Store cards

This section applies to you if your loan agreement is for a store card (for example, a card associated with a shop or group of shops under the same ownership) which does not bear any of the words MasterCard, Visa, American Express or Diners' Club.

2C.1 Before you sign an agreement for a store card we will provide a 'summary box', in writing, which outlines the main features of the product (Annual Percentage Rate (APR) and other rates, interest-free periods, minimum payments, yearly fees and other fees) in either your application form or other documents. You can get an example of the 'summary box' from FLA.

2C.2 We will tell you if we want to use any information about transactions on your store-card account for marketing purposes.

2C.3 Before we raise your credit limit on your store card, we will carry out a sound and proper credit assessment in the ways outlined in section 5. You can also ask us at any time to reduce your credit limit.

Statements

2C.4 To help you manage your account and check entries on it, we will normally send you account statements free of charge, every month.

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 or where the account is in credit but has not been used for some time. If you want to know what transactions have been made on your account since your last statement, you may call us. We will tell you if we have the facility for you to check your statement on-line.

2C.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.

2C.6 We will make sure your minimum repayment covers more than that month's interest.

2C.7 We will tell you when an introductory promotional interest rate on your credit card is about to come to an end.

Cards

2C.8

We will send you a store card only if you ask for one or to replace a store card we have already issued. We do not have to reissue a card to you. We will send a different type of card only if we have your permission to do so.

2C.9

We will not stop your store-card account without giving you reasonable notice, unless there are exceptional circumstances. For example, if we have justified reasons to suspect that your account is being used fraudulently, if you break the terms and conditions of your agreement, or if we assess that you cannot pay the amount you owe us.

Common financial statement

2C.10

If you have debts with many lenders, a not-for-profit debt-counselling organisation may complete a common financial statement (or equivalent that is acceptable to us) on your behalf, which we will accept as the basis for negotiations with you in drawing up a plan to manage your debt.

See also:

- section 1 for other commitments relating to your store-card account;
- section 2A for commitments relating to any goods or services you have bought with your store card; and
- section 2J if you have taken out payment protection insurance to protect payments on your loan.

2D Credit cards

This section applies to you if your loan agreement is for a credit card (including cards branded with a particular store but which may be used elsewhere) and which bear any of the words MasterCard, Visa, American Express or Diners' Club.

2D.1 Before you sign an agreement for a credit card, we will provide a 'summary box', in writing, which outlines the main features of the product (annual percentage rate and other rates, interest-free periods, minimum payments, yearly fees and other fees) in either your application form or other document. You can get an example of the 'summary box' from FLA.

2D.2 We will tell you if we want to use any information about transactions on your credit card account for marketing purposes.

2D.3 Before we raise your credit limit on your credit card, we will carry out a sound and proper credit assessment in the ways outlined in section 5. You can also ask us at any time to reduce your credit limit.

Statements

2D.4 To help you manage your account and check entries on it, we will normally send you account statements free of charge, every month.

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 or where the account is in credit but has not been used for some time. If you want to know what transactions have been made on your account since your last statement, you may call us. We will tell you if we have the facility for you to check your statement on-line.

2D.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.

2D.6 Your statement will show:

- the rate of commission or charge (if any) we apply, including (where this applies) foreign-currency credit-card transactions;
- enough details so you can pay on time;
- the current interest rate (also, if more than one interest rate applies to an outstanding balance, for example, if one rate applies to a transferred balance and different rates to new borrowing and cash transactions, this will be made clear);

- a clear statement that if the account is not fully cleared, interest will be charged on the total value of the statement, and not just on the outstanding balance;
- a clear statement that interest will be charged on a daily basis and that interest payments will increase the longer payment is delayed (even before the monthly payment date);
- a brief summary of the monthly payments on the front or back of the statement (or a link from an on-line statement);
- the amount of interest you would have to pay if you paid the minimum amount and it reached us on the last day for payment; and
- a warning about the risk of making only minimum payments – which will be ‘If you make only the minimum payment each month, it will take you longer and cost you more to clear your balance’.

2D.7 We will make sure your minimum repayment covers more than that month’s interest.

2D.8 We will tell you when an introductory promotional interest rate on your credit card is about to come to an end.

Cards and PINs

2D.9 We will send you a card only if you ask for one or to replace a card we have already issued. We do not have to reissue a card to you.

2D.10 We will send your PIN (personal identification number) to you alone and we will send it separately from your card.

2D.11 We will tell you about our systems which allow you to choose and change your PIN. This should make it easier for you to remember it.

Taking care

2D.12 You should take care of your PINs, cards, passwords and selected personal information to help prevent fraud and to protect your accounts. We will tell you what security measures you and we must take to protect your account.

- 2D.13 Once you have told us that a 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.
- You will not have to pay us for anything that has been spent on your card after you have told us about this, unless we can show that you have acted fraudulently or without reasonable care. You will have to pay only the first £50 of what was spent on your card if it has been used by someone else before you tell us it has been lost or stolen. If someone else uses your card details without your permission for a transaction where the cardholder does not need to be present, you will not have to pay anything.
- 2D.14 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;
 - 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; and
 - for all transactions which can be shown to be the result of fraudulent activity, as long as you have taken reasonable care with your personal details.
- 2D.15 We will not stop your credit-card account without giving you reasonable notice, unless there are exceptional circumstances, (for example, if we have justified reasons to suspect that your account is being used fraudulently, if you break the terms and conditions of your agreement, or if we assess that you cannot repay the amount you owe us).
- [Credit-card cheques](#)
- 2D.16 Each time we send you credit-card cheques, we will give you a statement of the charging arrangements, conditions of use, and the difference in protection compared with using the credit card. You may not have the same level of protection when you use a credit-card cheque as you do with a credit card.

2D.17

We will not:

- offer you incentives to borrow (such as entry in prize draws) when we send you credit card cheques (the offer of a lower annual percentage rate is not an incentive to borrow in this case);
- send you cheques with amounts already filled in, unless you ask us to;
- send you cheques if you are at your limit, behind with your payments or over your limit;
- send you cheques if you have limited room to borrow more; or
- send you cheques if you have told us you are in financial difficulties.

2D.18

You have the opportunity to say that you do not want to receive credit-card cheques.

Common financial statement

2D.19

If you have debts with many lenders, a not-for-profit debt-counselling organisation may complete a common financial statement (or equivalent that is acceptable to us) on your behalf, which we will accept as the basis for negotiations with you in drawing up a plan to manage your debt.

See also:

- section 1 for other commitments relating to your credit card account;
- section 2A for commitments relating to any goods or services you have bought with your credit card; and
- section 2J if you have taken out payment protection insurance to protect payments on your loan.

2E Personal loans – secured and unsecured

This section will apply to you if your agreement is for a secured personal loan (for example, where we have secured the debt on your home) or unsecured personal loan (for example, a loan to buy a product in store or money paid direct for you to spend as you want).

This does not include personal loans for buying a motor vehicle (see section 2H) or revolving credit loans (see section 2G).

- 2E.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 the early-settlement figure would be at various stages during the term of your loan (based on the actual loan amount or the nominal amount of £100 or £1,000).

Statements

- 2E.2 If you ask us to, we will send you an account statement (this does not apply to requests made less than a month after the previous request or where nothing further has been paid under the agreement).
- 2E.3 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.

Secured personal loans

Section 2E.4 applies only if your agreement is for a loan secured on your home.

- 2E.4 If we repossess property you own, which we then sell, we will contact you about recovering any debt you still owe us (which the sales proceeds do not cover) within the first six years (five years in Scotland) after the sale. If you have committed any civil or criminal offence relating to the secured personal loan, we may increase this period up to 12 years.

'Buy now pay later' schemes

Sections 2E.5 and 2E.6 apply only if your agreement is for a 'buy now pay later' loan.

- 2E.5 If we offer 'buy now pay later' products, 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, to help you manage your debts.

2E.6

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);
- home improvements – in which case the start date for repayments will not be more than 12 months from the date the work is completed; or
- furniture – in which case the start date for repayments will not be more than 12 months from the date of delivery.

Interest-option loans

Sections 2E.7 and 2E.8 apply only if your agreement is for an interest-option loan.

2E.7

If we offer interest-option loans, we will work with retailers to make sure they are able to explain the options that will be open to you.

2E.8

If you have an interest-option loan agreement, we will:

- write to you before the interest-option period ends to remind you about the options open to you (reminder);
- make it clear in the loan agreement, and when writing to you (in the reminder), the date by which you must make a payment to avoid interest and the date from which interest will be paid if you do not make the final payment within the interest-option period;
- allow you a short 'grace period' at the end of the interest-option period to make the final payment if you can show you have made a reasonable effort to pay on time;
- tell you clearly at the beginning of your agreement, and in the reminder, if we have any restrictions on how you can make the final payment; and
- allow you to make the final payment in the way you prefer, depending on any restrictions (see above).

2E.9

Guarantees

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.

2E.10

Common financial statement

If you have unsecured debts with many lenders, a not-for-profit debt-counselling organisation may complete a common financial statement (or equivalent that is acceptable to us) on your behalf, which we will accept as the basis for negotiations with you in drawing up a plan for managing your debt.

See also:

- section 1 for other commitments relating to your loan account;
- section 2A for commitments relating to any goods or services you have bought with your loan (this is relevant only if you got your loan through the supplier and not from a separate source);
- section 2B for commitments relating to the broker – if you got your loan through a broker; and
- section 2J if you have taken out payment protection insurance to protect payments on your loan.

2F Variable-rate loans

This section will apply to you if your agreement is for a variable-rate loan (where we have the right, as set out in your agreement, to change the interest rate from time to time).

This does not include variable-rate loans for buying a motor vehicle (see section 2H) or revolving credit loans (see section 2G).

2F.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 the early-settlement figure would be at various stages during the term of your loan (based on the actual loan amount or the nominal amount of £100 or £1,000).

2F.2 Changes to the interest rate may affect your monthly payments. We will tell you about any changes to the interest rate by letter, e-mail or other personal notices at least seven days before they take effect. Where relevant, we will also put obvious notices in our branches and may place notices in national newspapers. If the change is to your advantage, we may change your interest rate sooner.

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

This section (2F.2) only applies if the rate we charge is changing. It will not always be possible to tell you about changes before they take effect if your agreement is linked to a published rate (for example, a bank base rate or the finance house base rate) and it is only that published rate that is changing. In that situation we will tell you as soon as possible by letter, e-mail, other personal notices, or by showing the impact on your monthly account statement.

Statements

2F.3 If you ask us to, we will send you an account statement (this does not apply to requests made less than a month after the previous request or where nothing further has been paid under the agreement).

2F.4 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

2F.5

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.

Common financial statement

2F.6

If you have debts with many lenders, a not-for-profit debt-counselling organisation may complete a common financial statement (or equivalent that is acceptable to us) on your behalf, which we will accept as the basis for negotiations with you in drawing up a plan for managing your debt.

See also:

- section 1 for other commitments relating to your loan account;
- section 2A for commitments relating to any goods or services you have bought with your loan (this is relevant only if you got your loan through the supplier and not from a separate source);
- section 2B for commitments relating to the broker – if you got your loan through a broker; and
- section 2J if you have taken out payment protection insurance to protect payments on your loan.

2G Revolving credit loans

This section will apply to you if your loan agreement is for a revolving credit loan (for example, where you can borrow varying amounts of credit when you need it, up to an overall limit).

2G.1 We will tell you if we want to use any information about transactions on your revolving credit account for marketing purposes.

2G.2 Before we raise your credit limit on your revolving credit account, we carry out a sound and proper credit assessment in the ways outlined in section 5. You can also ask us at any time to reduce your credit limit.

Statements

2G.3 To help you manage your account and check entries on it, we will normally send you account statements free of charge, every month.

2G.4 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 or where the account is in credit but has not been used for some time. 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.

2G.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.

2G.6 Your statement will show:

- enough details so you can pay on time;
- the current interest rate (also, if more than one interest rate applies to an outstanding balance, for example, if one rate applies to a transferred balance and different rates to new borrowing and cash transactions, this will be made clear);
- a clear statement that if the account is not fully cleared, interest will be charged on the total value of the statement, and not just on the amount left to pay;
- a clear statement that interest will be charged on a daily basis and that interest payments will increase the longer payment is delayed (even before the monthly payment date);

- a brief summary of the monthly payments on the front or back of the statement (or a link from an on-line statement);
- the amount of interest you would have to pay if you paid the minimum amount and it reached us on the last day for payment; and
- a warning about the risk of only making minimum payments – which will be ‘If you make only the minimum payment each month, it will take you longer and cost you more to clear your balance’.

2G.7 We will make sure your minimum repayment covers more than that month’s interest.

2G.8 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.

Guarantees

2G.9 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.

2G.10

Common financial statement

If you have debts with many lenders, a not-for-profit debt-counselling organisation may complete a common financial statement (or equivalent that is acceptable to us) on your behalf, which we will accept as the basis for negotiations with you in drawing up a plan to manage your debt.

See also:

- section 1 for other commitments relating to your loan account;
- section 2A for commitments relating to any goods or services you have bought with your loan (this is relevant only if you got your loan through the supplier and not from a separate source);
- section 2B for commitments relating to the broker – if you got your loan through a broker; and
- section 2J if you have taken out payment protection insurance to protect payments on your loan.

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 bank notes 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 a 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.

2H.6

Guarantees

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.

See also:

- section 1 for other commitments relating to your loan account;
- section 2A for commitments relating to the car you have bought with your loan (this is relevant only if you got your loan through the motor dealership and not from a separate source); and
- section 2J if you have taken out payment protection insurance and/or GAP insurance.

2I Loans to pay insurance premiums

If your agreement is for providing a loan to pay an insurance premium (for example, car insurance and household insurance), sections 1A (Key commitments), 1B (Information and marketing), 1E (Complaints), 1F (Monitoring and compliance) and 1G (Data protection and confidentiality) of this Code will apply to your agreement, plus the following principles.

Brokers

- 2I.1 We will try to make sure that any credit or insurance broker we deal with does not pressure you to enter into an agreement.
- 2I.2 Before we accept business from any credit or insurance broker for the first time, we will:
- make sure that the broker is honest, able and regulated by the Financial Services Authority (FSA); and
 - make the broker aware of the principles of this Code.
- 2I.3 We will monitor the activities of the credit or insurance brokers we deal with and, in particular, we will:
- ask that they follow this Code;
 - refuse to deal with a credit or insurance broker who is not able, or who fails to act honestly or in line with this Code; and
 - report any known relevant criminal conviction of any broker to the Office of Fair Trading or FSA, as appropriate.
- 2I.4 If you are not happy with anything that you have been told by a broker about your loan, you may make your complaint to either them or us. You may find it useful to contact the broker first. However, if you cannot sort out your complaint in that way, you should contact us as we may have to help you by law.

Running your account

- 2I.5 We will give you a schedule of repayments at the start of the loan.
- 2I.6 If your schedule has an entry which seems to be wrong, you should tell us as soon as possible so we can sort it out.
- 2I.7 We will not stop your 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.

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.

Section 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).

Please see the extra conditions which relate to the loan product you have bought with the insurance (see the introduction).

3 Glossary of terms

These definitions explain the meaning of words and phrases used in this Code



Agreement

A credit, hire or lease agreement with a member of FLA, or arranged by an FLA member as part of a lending exchange.

Card

A general term for any plastic card which may be used to pay for goods or services (or both) or to withdraw cash. In this Code, this definition does not include 'electronic purses' or 'loyalty' cards.

Common financial statement

A full review of the financial position of a customer in financial difficulties. This is completed with the help of a money adviser. It allows you to offer repayments from your available income to a group of creditors. Although it exists in a standard format agreed by the Money Advice Trust and the industry, we may also agree to accept an equivalent form. Agreed 'trigger figures' will help us to accept payment offers quickly.

Consumer

A customer who enters into a credit, hire or lease agreement or opens an account with a member of FLA (or arranged by an FLA member as part of a lending exchange), 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 (CRAs)

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.



External complaint-handling processes

Processes to handle complaints which include using an independent organisation (such as FLA or the Financial Ombudsman Service) to help sort out your complaint.

Final payment

The last payment the customer must pay to make sure that the full amount under the agreement has been paid.

GAP insurance

Insurance to cover the difference between the amount the motor insurer pays if the vehicle is written off, and the amount the customer owes under the agreement for the vehicle, if this is greater.

General insurance

Includes any form of insurance sold by FLA members, including payment protection insurance, extended warranty, motor insurance, breakdown cover and GAP. Payment protection insurance, covers payments against one or more of the following:

- Accident or sickness
- Unemployment
- Redundancy
- Death

The main benefits, exclusions and eligibility conditions will vary.

Guarantee

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

Interest-option products

An agreement under which interest is payable from the start. However, if the customer repays the amount borrowed before the end of a specific period (the interest-option period), the creditor will excuse the customer from paying all of the interest that would otherwise have been payable under it.

Loan

A type of finance provided by FLA members which includes:

- store cards;
- credit cards;

- personal loans (for example, a bank loan), including secured loans;
- variable-rate loans;
- revolving credit loans;
- motor loans, including loan, hire purchase, lease or any other variation; and
- loans to pay insurance premiums.

Members

Finance and leasing companies who are full members of FLA. You can get a list of these from FLA, or see the website www.lendingcode.org.uk

Notice period

If notice periods are set out in this Code, the notice period will start from the date we post the notice 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, for example, allows the customer to withdraw cash and use other services at a cash machine. A PIN is usually needed when you buy an item with a card in a shop. A PIN may also be sent to a customer to use in confirming his or her e-mail or home address.

Revolving credit

An agreement where the customer can continue to receive cash, goods or services, up to an agreed credit limit, as long as they keep up repayments and do not go over the agreed credit limit.

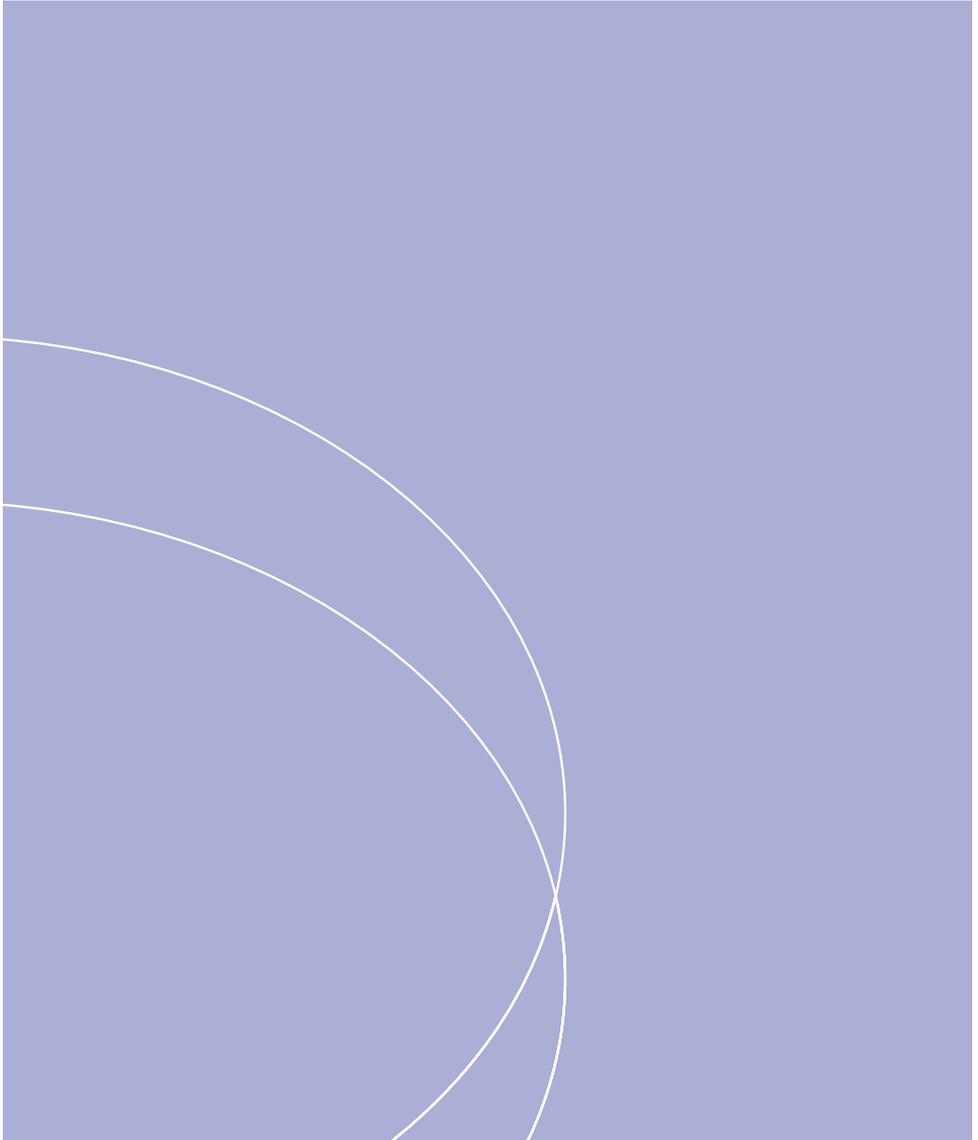
Security

A word used to describe valuable items such as property described in title deeds, shares, 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. There may be a further liability once the asset has been sold, which represents any shortfall against the outstanding balance.

Writing, written

Includes writing in a digital medium, for example, e-mail.

4 Helpful information



Copies of The Lending Code

We will make copies of this Code available to you if you ask. You can also get copies from FLA.

Other rules and codes of practice

You can get copies of:

- the British Codes of Advertising, Sales, Promotion and Direct Marketing; the Radio Advertising Standards Code; and the Television Advertising Standards Code from the Advertising Standards Authority on 020 7492 2222 (www.asa.org.uk);
- the Finance Industry Standards Association Code from the Finance Industry Standards Association on 01529 305698 (www.fisa.co.uk); and
- the Credit Services Association (CSA) Code on debt collection from the Credit Services Association on 0191 286 5656 (www.csa-uk.com).

Financial Services Authority consumer helpline – 0845 606 1234 (minicom and textphone – 08457 300 104). Call charges may vary.

Office of Fair Trading – 08457 22 44 99. Debt collection guidelines are available at www.oft.gov.uk.

Free money advice

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

- Call Consumer Direct on 08454 04 05 06.
- Citizens Advice. To find your local office, look in your phone book under 'C' or in the Yellow Pages under 'Counselling and advice', or from www.citizensadvice.org.uk.
- Call National Debtline on 080 8808 4000 (this call is free).
- Call Consumer Credit Counselling Service on 0800 138 1111 (this call is free).
- Call Money Advice Scotland on 0141 572 0237.
- Call Advice UK on 020 7407 4070.
- 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' or at www.tradingstandards.org.uk.
- If you are a student, contact the Student Welfare Officer at your students' union.



Credit reference agencies

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.

Callcredit plc
Consumer Services Team
PO Box 491
Leeds
LS3 1WZ

Equifax
Credit file advice centre
PO Box 1140
Bradford
BD1 5US

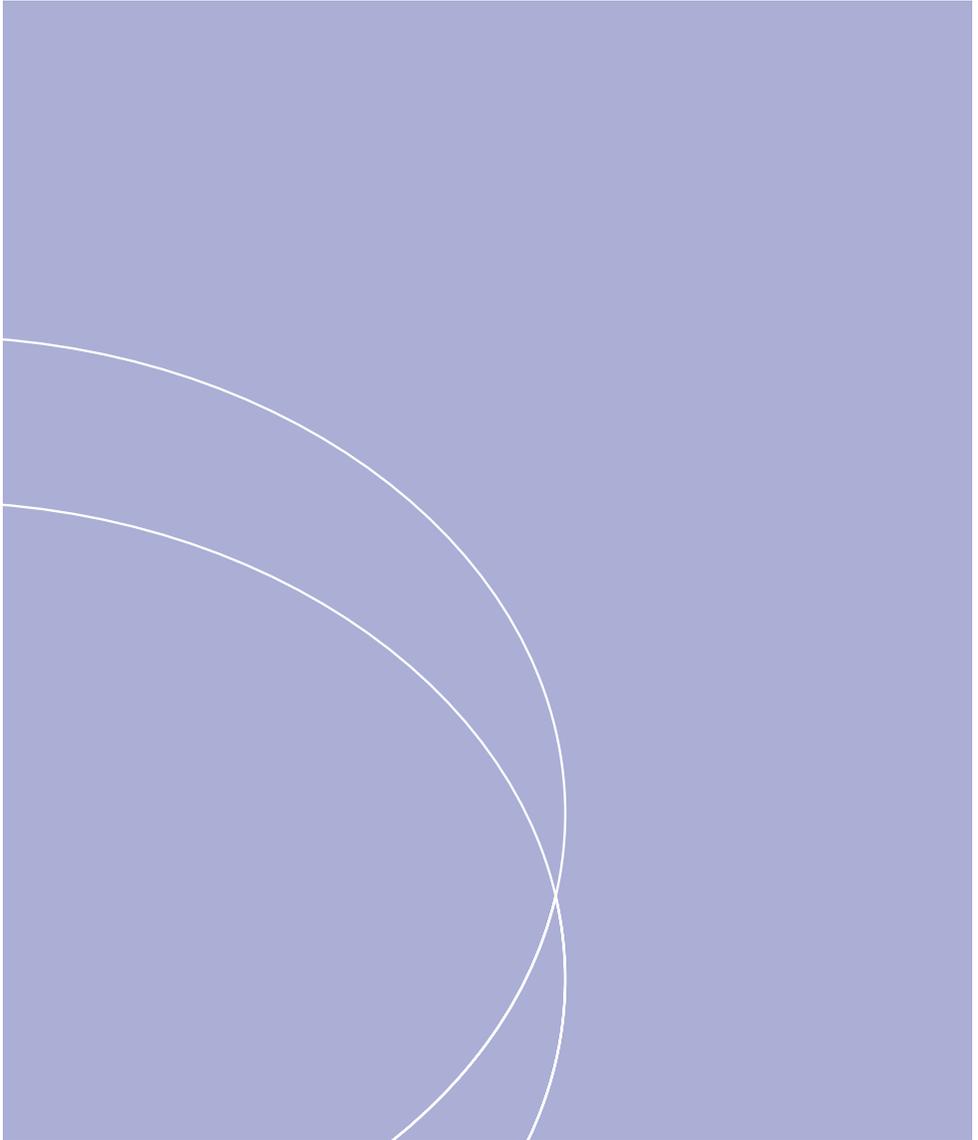
Experian
Consumer Help Service
PO Box 8000
Nottingham
NG80 7WF

FLA leaflets

The following information leaflets are available free of charge from FLA (see contact details, page 7):

- Money advice
- Repaying your loan early
- Your credit decision explained

5 Credit assessment





As responsible lenders, under this Code (section 1C.1) we must make sure that all loan applications (including pre-approved loans and credit-card cheques) go through a sound and proper credit assessment.

This assessment may look at a combination of:

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

We may also consider factors which may show a high risk of experiencing financial difficulty which include:

- having four or more credit commitments;
- spending more than 25% of your gross income (before deductions) on consumer credit; and
- spending more than 50% of your gross income on consumer credit and mortgages.

A credit-scoring system generally takes account of information you have given us, any information we may hold about you, and information from credit reference agencies (CRAs). 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 leaflet 'Your credit decision explained' explains how credit scoring works. You can get copies from us or FLA.

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