



FLA BUSINESS FINANCE CODE AND GUIDANCE
EFFECTIVE FROM 1 JANUARY 2022

This Code sets out the standards that Finance & Leasing Association (FLA) members will meet when providing asset finance to business customers. Guidance is also provided under each code commitment.

FLA member firms are expected to use the Guidance to fulfil their responsibilities under the Code. Where a member firm departs from this Guidance, they must be able to demonstrate how they have met their commitments under the Business Finance Code.

Compliance with the Business Finance Code is a condition of FLA membership and members' adherence to the Business Finance Code is overseen by the FLA's Business Finance Code Group.

The FLA also operates a complaints procedure and independent mediation scheme in exceptional circumstances where customer complaints cannot be resolved by members.

In the event of non-compliance, the FLA's Business Finance Code Group will undertake a review and make a recommendation to the FLA Board. The Board will then consider the matter and take appropriate action. This may include a warning or expulsion from FLA membership.

Reviews of member compliance may also be undertaken from time to time.

This version of the Code and Guidance came into effect on 1 January 2022.



FLA BUSINESS FINANCE CODE

Members of the FLA undertake to:

- 1. Treat customers fairly and follow all relevant laws and regulations.**
- 2. Take reasonable steps to encourage responsible trading between intermediaries and customers.**
- 3. Provide customers with appropriate and timely information about the business finance agreement, including the options available at expiry or termination, in a manner which is clear, understandable, and not misleading.**
- 4. Provide effective customer service throughout the period of the finance agreement.**
- 5. Operate an effective complaints procedure and ensure this is transparent and easily accessible for customers.**
- 6. Ensure that customer facing staff understand the products available to customers and that they understand the requirements of the Business Finance Code provisions**
- 7. That compliance with the Code is monitored at the highest level within the member firm**



FLA BUSINESS FINANCE CODE GUIDANCE

The following pages set out non-binding guidance which suggests how FLA members can meet the principles set out in the Business Finance Code.

If an FLA member can demonstrate that they have met the provisions of the Code in a way not outlined in the suggested guidance below, then they will be deemed to have adhered to the Code.

Code Commitment 1:

Treat customers fairly and follow all relevant laws and regulations.

FLA members can meet this commitment by:

Abiding by the Code

- 1.1 Applying the principle of Treating Customers Fairly throughout all of the company's business finance activities.
- 1.2 Enabling staff, including by appropriate training, to carry out their duties in accordance with all relevant laws and regulations.

Promoting good standards of professional conduct

- 1.3 Maintaining confidentiality and respecting customers' expectations about the use of their data.
- 1.4 Considering cases of vulnerability or financial difficulty reasonably.
- 1.5 Managing potential conflicts of interests appropriately.
- 1.6 Considering the size and nature of the business when granting forbearance.
- 1.7 Where an agreement passes to a guarantor, and that guarantor is an individual, ensuring that the individual is treated fairly and in line with the provisions of the Business Finance Code.

Ensure business finance agreements are appropriate to the assets being financed

- 1.8 Ensuring that minimum periods of hire are no longer than the expected working life of the assets financed, provided the assets are maintained in accordance with the manufacturer's recommendations. All minimum hire periods should be consistent with the commitment to treat customers fairly.
- 1.9 Most office equipment should not be leased for more than five years and a reasonable period of hire may well be less than this for some equipment. Similarly, most multi-functional devices should not be leased for more than 5 years, where the value of the agreement is less than £100k (Annual Rentals



of less than £30,000 may be taken as a proxy for “Value of assets financed under £100,000” throughout this document). Regardless of whether the customer has signed a declaration accepting responsibility for the life of the equipment, members should ensure that the minimum period of hire is reasonable in relation to the expected working life.

- 1.10 Ensuring the cost price of goods funded on a lease agreement reflects the fair market value of those goods, prior to any upgrades.
- 1.11 For new operating lease business finance agreements, the agreement should be based on residual values that are appropriate to the asset being financed.

Protecting the reputation of the industry

- 1.12 Notifying the FLA of any matters which might adversely affect the reputation of the industry or the FLA, whilst protecting client confidentiality.
- 1.13 Maintaining appropriate systems and controls to ensure ongoing compliance with the Code.
- 1.14 Annually reviewing compliance with the Code and confirming to the FLA that the Business Finance Code is being adhered to.



Code Commitment 2:

Take reasonable steps to encourage responsible trading between intermediaries and customers.

FLA members can meet this commitment by:

Promoting good standards of professional conduct

- 2.1. Working with intermediaries to promote good practice at all levels.
- 2.2. Seeking to ensure that intermediaries foster good customer outcomes and better customer relationships.
- 2.3. Ensuring that customers understand the obligations of each party and who will provide any services that are, or are not, included in the relevant agreements.
- 2.4. Making intermediaries aware of the Business Finance Code, the FLA's non-binding operational good practice guidance, and the expectations of FLA member firms.
- 2.5. Encouraging businesses who introduce customers to FLA members to meet any relevant parts of this Code.
- 2.6. Ensuring multifunctional reprographic/printing devices and telephone equipment funders and their intermediaries provide customers with the FLA checklist and a clear breakdown of costs where the value of the assets financed is less than £100k. To do this, the member may wish to consider using either the FLA Lease Calculation sheets or ensure they have clearly specified the rental and service costs to the customer (i.e., by clearly explaining the number of rentals payable, the rental payment dates and amounts and, for minimum term rental agreements, any payments due after the end of the minimum period of hire).
- 2.7. Ensuring that intermediaries and equipment suppliers make agreements where no more than six months of service charges are included in the termination figure if a contract for services has not already finished at the end of the agreement.
- 2.8. Working with intermediaries to ensure that complaints are dealt with in a timely, fair manner, and ensuring complaints are properly investigated.



Code Commitment 3:

Provide customers with appropriate and timely information about the business finance agreement, including the options available at expiry or termination, in a manner which is clear, understandable, and not misleading.

FLA members can meet this commitment by:

Providing appropriate information

- 3.1. Making a copy of the FLA checklist for business finance available to customers when the value of the assets financed is less than £100k or when it is appropriate to provide the checklist.
- 3.2. Ensuring the customer understands all the payments to be made and the duration of the finance agreement including:
 - 3.2.1. the rental payments and the minimum total value of these payments;
 - 3.2.2. the minimum or initial period of hire;
 - 3.2.3. the amounts of any other known charges, including for administration and equipment maintenance throughout the life of the agreement, in addition to the rental;
 - 3.2.4. Any cost per unit use charges;
 - 3.2.5. Any provision for increase in the amount of rentals or charges, with details of any notice period that would be given, other than for default or non-payment;
 - 3.2.6. If a business finance agreement, where the value of the assets financed is under £50,000 and includes an element of refinancing from another provider, the amount that the new provider has been asked to include in the new agreement (Annual rentals of less than £15,000 may be taken as a proxy for "Value of assets financed under £50,000" throughout this guidance) ;
 - 3.2.7. Arrangements for equipment change, equipment upgrade, review of period of hire, or any other date or period which may alter the amount of repayments.
- 3.3. Ensuring the customer understands all relevant information about any services included in the agreement including:
 - 3.3.1. The value of rental payments attributable to charges for services, except where it is clearly stated that the business finance agreement is



inclusive of services, (for example a “bundled agreement” with a captive finance company);

- 3.3.2. The period during which the supply of services will continue, if that period is different from the minimum period of hire, and the cost of the supply of services after the end of that period;
- 3.3.3. Any limitation on the amount or volume of services provided, and the cost of the supply of services after any such limitation has been exceeded;
- 3.3.4. Any increase in the amount of any charges for services which will occur without any action or notice by the member or supplier, other than changes in VAT.
- 3.4. Notifying customers in advance of fees that may be payable for any additional services.
- 3.5. Ensuring the customer understands what happens at the end of the agreement including any notice periods, discounts available for early terminations, including services incorporated in the finance agreement, and what happens to the equipment being financed.
- 3.6. Provide a reminder to customers, and set out the options available, when the customer is required to give notice to terminate at the expiry of a minimum/initial period of hire, between one and three months before the date on which the customer is required to give notice.
- 3.7. When a business finance agreement continues without amendment, beyond a minimum/initial period of hire, giving the customer the right to terminate the agreement at any time by giving not more than 3 months’ notice.

Communicating with customers

- 3.8. Communicate with customers using language the customer is able to understand and which effectively explains all material information.
- 3.9. Ensuring that the manner of communication is appropriate to the information being conveyed.
- 3.10. Ensuring that the member firm communicates with its customers in a manner which is appropriate to the customers’ circumstances and any specific requirements or vulnerabilities a customer may have.



Code Commitment 4:

Provide effective customer service throughout the period of the finance agreement.

FLA members can meet this commitment by:

Meeting customers' expectations

- 4.1 Having effective procedures in place for responding to customer enquiries or problems throughout the life of the agreement.
- 4.2 Responding to any customer enquiries in a prompt and effective manner.
- 4.3 Working proactively with intermediaries and other third parties to resolve customer enquiries or problems where necessary.
- 4.4 Ensuring that all customer service channels are easily identifiable and accessible.



Code Commitment 5:

Operate an effective complaints procedure and ensure this is transparent and easily accessible for customers.

FLA members can meet this commitment by:

Having effective complaints procedures

- 5.1 Having appropriate procedures in place to effectively address customer complaints.
- 5.2 Ensuring that the complaints process is transparent and accessible.
- 5.3 Working proactively with intermediaries and other third parties where necessary.
- 5.4 Providing details of the FLA's conciliation and mediation schemes to customers making complaints.
- 5.5 Participating in the FLA's conciliation service where the customer requests this.



Code Commitment 6:

Ensure that customer facing staff understand the products available to customers and that they understand the requirements of the Business Finance Code provisions

Members can meet this commitment by

Supporting staff and intermediaries

- 6.1 Ensuring that customer-facing staff understand the relevant regulatory and operational aspects of their roles.
- 6.2 Where appropriate, support intermediaries so that they can maintain sufficient levels of knowledge about the finance products offered by funders and can point customers to the relevant source of information.



Code Commitment 7:

That compliance with the Code is monitored at the highest level within the member firm

Members must meet this commitment by:

Monitoring compliance with the Code

- 7.1. Ensuring that a designated board director or relevant senior manager is responsible for ensuring compliance with the principles of the FLA's Business Finance Code.
- 7.2. Ensuring that a named senior-level contact is provided to the FLA who has appropriate authority to resolve complaints.
- 7.3. Ensuring that compliance with the Code is reported to the Board or relevant senior team within the Member Firm.



APPENDIX I: FLA checklist for business finance customers

We recommend that customers taking out business finance agreements follow these steps:

1. Read your business finance agreement carefully before signing it. Never sign a business finance agreement which is not fully complete. Retain copies of all documentation.
2. Ensure that the final contract:
 - a. corresponds with any verbal or written quotation on the rental amount and period of hire;
 - b. accurately reflects what you are agreeing to pay for, including any maintenance or services included in the repayments;
 - c. accurately describes the equipment you are expecting to receive (e.g. whether it is new or used) and that its working life is appropriate to the length of the finance agreement.
3. Make it clear who has the authority within your own organisation to sign the agreement.
4. Make sure you understand and agree with all terms and conditions of the business finance agreement and, if you are unsure, ask for these to be explained or seek advice.
5. Make sure you understand all the costs involved and whether these will change during the course of the business finance agreement.
6. Check that the supplier of the equipment is reputable.
7. Understand whether there are any notice period or settlement terms required to terminate the agreement.
8. there is a maintenance or service contract which is separate to the finance agreement, check that the length, start date, notice period and settlement terms of the two agreements is the same, and if not, that you are happy with this.
9. If the name of the leasing company contracting with you is not shown on the agreement ensure that you are informed at the earliest possible time.
10. Check whether the funder is a member of the FLA, as all asset finance members adhere to the FLA Business Finance Code.
11. If any amendments are made to the business finance agreement or a further agreement is required to replace an existing agreement, do not sign it until you have made the same checks as you did for the original agreement.
12. If a new business finance agreement includes an element of refinancing from a previous agreement with a different provider, check that the settlement figure provided by the former provider matches the refinancing figure used by the new provider.