GUIDANCE ON COMMISSION MODELS AND DISCLOSURE

Introduction

FCA rules on commission models and on how they should be disclosed to customers are set out primarily in CONC 3 and CONC 4 in the FCA Handbook. These rules supplement higher level rules in, for example, PRIN and SYSC. FCA has enacted new rules (in PS20/8), which come into force on 28th January 2021, to prohibit discretionary commission models in the motor finance market and clarify its expectations on commission disclosure.

The purpose of this guidance is to set out in RAG (red / amber / green) form the compliance levels of current and former commission models on the motor finance and wider consumer credit markets. This guidance represents the FLA's best understanding of what the FCA's rules mean in practical terms in the specific context of the motor finance market. For a definitive legal view on their own models, firms should seek their own legal advice.

Guidance

The FCA rules do not apply equally across all sectors and products. The rules that apply in a particular situation depend in particular on (a) the finance product that is being sold, (b) the market and (c) the type of business involved. This guidance therefore sets out to clarify how the rules apply in particular situations by using the following symbols:

F	Applies to funders (*i.e.* firms providing finance or leasing)
R	Applies to retailers (including car dealers)
B	Applies to brokers (*i.e.* firms other than retailers who introduce consumers to funders)
M	Applies to motor finance (*i.e.* regulated consumer credit for the acquisition of a motor vehicle)
C	Applies to other forms of regulated credit consumer credit
H	Applies to regulated consumer hire (*e.g.* PCH)
All	Applies in all scenarios

This guidance generally uses terms used in FCA rules. These terms, however, sometimes differ from those that are generally used by firms and customers in the market. Please note the following differences in particular:

- The term **broker** is used by the FCA to mean an intermediary generally (including both a broker and a retailer). The market sense of the term means a firm other than a retailer who introduces a customer to a funder.
- The term **motor finance** in the guidance is broader than is usually understood in the market, because the FCA's proposed discretionary commission ban applies not just to typical motor finance products (such as HP or PCP) but also to unsecured personal loans used to fund – wholly or partially – the acquisition of a motor vehicle.
- The new term **discretionary commission arrangement** is defined in the FCA Handbook Glossary and means any arrangement under which:
    a) a lender permits a credit broker (including retailer) to decide or negotiate (whether or not within specified limits or subject to conditions or restrictions) the amount of any item included in the total charge for credit provided for in a regulated credit agreement in respect of which the credit broker carries on activity of the kind specified in article 36A of the Regulated Activities Order (i.e. credit broking); and
    b) the amount of any commission, fee or other financial consideration payable to the credit broker (directly or indirectly) in connection with that regulated credit agreement is affected (in whole or part) by the amount referred to in (a)
- FCA has said that the types of **commission** covered by the new rules should be interpreted broadly. CONC 3.7.4AG, in relation to disclosure, covers any commission, fee or other remuneration payable under a financial arrangement. And CONC 4.5.6R, in relation to the discretionary commission ban, covers any commission, fee or other financial consideration. Although the terms here are slightly different, they essentially mean the same in practice and FCA says that they should be interpreted in the light of the purpose of the new rules (see below) and cover any arrangement under which a retailer or broker is rewarded by the lender.

Purpose of the Rules and General Principles

The test of whether a commission arrangement complies with the new rules is to a large extent whether it is in line with the **purpose** of the rules. The FCA's purpose with the rules is to:

- prevent credit brokers (including retailers) from being incentivised to set higher interest rates in order to earn more commission;
- incentivise lenders and credit brokers (including retailers) to create and sell competitively-priced loans;
- ensure that consumers receive appropriate and timely information to allow them to make better choices, and
- see customers' financing costs reduce.

Lenders and credit brokers (including retailers) should therefore consider the incentives a proposed arrangement creates, and how this affects the prices customers receive, in judging its compliance with the new rules. In that sense, compliance is as much about the spirit of

the rules as it is about the letter. Arrangements that seek to exploit any imprecision in the rules are therefore likely to fail under both Principle 1 (integrity) and Principle 6 (treating customers fairly). FCA will be monitoring this.

The FCA has deliberately not been prescriptive on the commission arrangements that are permissible. This is for lenders and credit brokers (including retailers) to determine. FCA also accepts that commission levels will vary across the market.

Commission Disclosure

The rules on commission disclosure are high level, and intended to be so, and they give credit brokers (including retailers) significant discretion as to how the disclosures are made. But the essential purpose of the disclosure rules is that firms should elaborate on the nature of commission arrangements where these could affect the customer's willingness to transact. The number and nature of a firm's commercial arrangements will be a factor in how the nature of those arrangements is disclosed.

The new commission disclosure rules apply to **brokers** (including retailers) rather than to funders. They apply at two stages:

- Financial promotions and other customer communications (e.g. on websites and in marketing or emails). The broker / retailer should describe the extent of their powers and whether they are working exclusively with one or more lenders or are independent. They should also disclose prominently the existence and nature of any financial arrangement with a lender. These disclosures may be in general terms.

- Pre-contractual information. The broker / retailer should disclose to the customer, **prominently** and **in good time** before the customer decides whether to proceed with their agreement, the existence and nature of any commission (or other remuneration) arrangement with a funder and how this may affect the amounts payable by the customer. This disclosure may also be in general terms, and there is not a requirement to provide the customer with an individually tailored illustration.

This guidance is not intended to prescribe particular ways of making the required disclosures. But the following are examples, in typical retailer contexts, of ways in which disclosures could be made in line with both the letter and spirit of the new disclosure rules. These sample disclosures may not be suitable for all situations. The actual content of the disclosure will depend on the circumstances of the arrangements between the broker / retailer and the funder.

where a retailer recommends a finance product

"We are a credit broker and not a lender. We can introduce you to a limited number of lenders and their finance products which may have different interest rates and charges. We are not an independent financial advisor. We may advise you on the products, subject to your personal circumstances, though you are not obliged to take our advice or recommendation.

We do not charge you a fee for our services. Whichever lender we introduce you to, we will typically receive commission from them (either a fixed fee or a fixed percentage of the amount you borrow).

The lenders we work with could pay commission at different rates. However, the amount of commission that we receive from a lender does not have an effect on the amount that you pay to that lender under your credit agreement."

where a retailer does not make a recommendation

"We are a credit broker and not a lender. We can introduce you to a limited number of lenders and their finance products which may have different interest rates and charges. We are not an independent financial advisor. We will provide details of products available from the lenders we work with, but no advice or recommendation will be made. You must decide whether the finance product is right for you.

We do not charge you a fee for our services. Whichever lender we introduce you to, we will typically receive commission from them (either a fixed fee or a fixed percentage of the amount you borrow).

The lenders we work with could pay commission at different rates. However, the amount of commission we receive from a lender does not have an effect on the amount you pay to that lender under your credit agreement."

where a franchised retailer has an arrangement with a captive lender (and no recommendation is made)

"We can introduce you to a selected panel of lenders, which includes [captive lender]. An introduction to a lender does not amount to independent financial advice.

Our approach is to introduce you first to [captive lender]. If they are unable to make you an offer of finance, we then seek to introduce you to whichever of the other lenders on our panel is able to make an offer of finance for you.

We are not an independent financial advisor. We will provide details of products available from the lenders we work with, but no advice or recommendation will be made. You must decide whether the finance product is right for you.

Lenders may pay a fixed commission to us for introducing you to them, calculated by reference to the vehicle model or amount you borrow. Different lenders may pay different commissions for such introductions, and [captive lender] also provide preferential rates to us for the funding of our vehicle stock and also provide financial support for our training and marketing. But any such amounts they and other lenders pay us will not affect the amounts you pay under your finance agreement, all of which are set by the lender concerned."

Although the new commission disclosure rules do not apply directly to **funders**, it is best practice for funders to disclose the existence and nature of commission in a similar way. This is not only consistent with PRIN 6 (treating customers fairly) and PRIN 7 (paying due regard to customers' information needs) but is also consistent with funders' obligations under CONC 1.2.2R to take reasonable steps to ensure that other persons acting on their behalf comply with their CONC obligations, which include commission disclosure.

As with brokers, there are many ways in which funders could disclose the existence and nature of commission. Such disclosures would typically be at the pre-contractual information stage, although precisely when would be a matter of operational choice for the funder – subject to the key principles that the disclosures should be prominent and in good time before the customer decides whether to proceed with their agreement.

Funder disclosures should essentially be equivalent to those provided by brokers / retailers, but written from the perspective of the funder. The following illustration is an example of this, in the captive lender / franchised dealer context described above:

> "Your retailer commonly introduces customers to a selected panel of lenders, which includes us. An introduction to us does not amount to independent financial advice.
>
> We may pay a fixed commission to your retailer for introducing you to us, calculated by reference to the vehicle model or amount you borrow from us (which may not be the same as other lenders would pay for such an introduction). We may also provide preferential rates to your retailer for the funding of their vehicle stock and also provide financial support for their training and marketing. Any such amounts we pay to your retailer will not affect the amounts you pay to us under your finance agreement, all of which are set by us.
>
> Your retailer will disclose to you the existence and nature of the commission arrangements they have with their panel of lenders, and you will be able to request from them, in good time before you decide whether to proceed with your finance agreement, the amount (or likely amount) of any commission or other remuneration they receive from the lender."

And the following is an example of a more simple disclosure by an independent lender:

> "Your dealer or broker could receive a commission or other type of payment for introducing you to us. Please contact them for further details. In certain circumstances they are required to give you information about the nature of any such commission arrangements."

The *Annex*

The *Annex* to this guidance sets out in RAG (red / amber / green) form the compliance levels of current and former commission models on the motor finance and wider consumer credit markets. For each commission model, it also describes in the 'disclosure required' column the factors to be taken into account in disclosing the nature of the commission. The example disclosures given above are therefore illustrative of how these disclosures should be made, but are not exhaustive.

The *Annex* organises commission models into three categories, with reference to the likely ease of compliance with the FCA's rules. These are:

Compliant	Compliant with FCA rules and, other things being equal, likely to support the delivery of good customer outcomes
Potentially compliant	Compliant with FCA rules in principle, and capable of delivering good customer outcomes as long as significant

	additional systems and controls are implemented as described in the second column ('compliance') of the *Annex*
Not compliant	Not compliant with FCA rules

These categories are for convenience of reference only and are to some extent overlapping. They represent the FLA's best understanding of what the FCA's rules mean in practical terms in the specific context of the motor finance market. It is for each firm to decide whether their own models are appropriate. For a definitive legal view on their own models, firms should seek their own legal advice.

The Rules

There are a number of FCA rules that apply in the context of commissions and disclosure. The key ones are outlined here.

PRIN All

- Principle 1. A firm must conduct its business with integrity.
- Principle 3. A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
- Principle 6. A firm must pay due regard to the interests of its customers and treat them fairly.
- Principle 7. A firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading.
- Principle 9. A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgement.

SYSC All

- SYSC 4.1.1 R. A firm must have robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks it is or might be exposed to, and internal control mechanisms, including sound administrative and accounting procedures and effective control and safeguard arrangements for information processing systems.

- SYSC 4.1.4 R. A firm must, taking into account the nature, scale and complexity of the business of the firm, and the nature and range of its services:
    - establish, implement and maintain adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the firm, and
    - establish, implement and maintain effective internal reporting and communication of information at all relevant levels of the firm.

- SYSC 6.1.1 R. A firm must establish, implement and maintain adequate policies and procedures sufficient to ensure compliance of the firm including its managers, employees and appointed representatives (or where applicable, tied agents) with its obligations under the regulatory system.

- SYSC 9.1.1 R. A firm must arrange for orderly records to be kept of its business and internal organisation, including all services and transactions undertaken by it, which must be sufficient to enable the FCA to monitor the firm's compliance with the requirements under the regulatory system, and in particular to ascertain that the firm has complied with all obligations with respect to clients.

CONC 2 R B M C H

- CONC 2.5.8R. A credit broker (including a retailer) must not carry out a number of specified unfair business practices, including:
    - (12A) not securing credit for a customer at a higher rate of interest than was requested, where the object of doing so is for, or can reasonably be concluded as having been for, the personal gain of the firm or of a person acting on its behalf, rather than in the best interests of the customer; and
    - (13) not giving particular preference to the credit products of a particular lender where the object of doing so is for, or can reasonably be concluded as having been for, the personal gain of the firm or of a person acting on its behalf, rather than in the best interests of the customer.

CONC 3.3 F R B M C H

- CONC 3.3.1R. A firm must ensure that a communication or a financial promotion is clear, fair and not misleading and should be balanced and not emphasise any potential benefits without giving a fair and prominent indication of risks. Important information, statements or warnings should not be disguised, omitted or diminished and communicated in a way that is likely to be understood.

CONC 3.7 R B M C

- CONC 3.7.3R. A firm must, in a financial promotion or a document which is intended for individuals which relates to its credit broking, indicate the extent of its powers and in particular whether it works exclusively with one or more lenders or works independently.

- CONC 3.7.4G. A firm should in a financial promotion or in a communication with a customer:
    - make clear, to the extent an average customer of the firm would understand, the nature of the service that the firm provides, and
    - indicate to the customer in a prominent way the existence and nature of any financial arrangements with a lender that might impact upon the firm's impartiality in promoting or recommending a credit product to a customer or which might, if disclosed by the firm to the customer, affect the customer's transactional decision in relation to the credit product.

- CONC 3.7.4AG (1). Where the amount of any commission, fee or other remuneration payable under a financial arrangement varies due to a factor specified in the arrangement, for example a specific feature of the credit product or the level of work undertaken by the firm, the firm should make disclosure under CONC 3.7.4G in relation to the arrangement.

- CONC 3.7.4AG (2). Where:
  - the firm has entered into arrangements (irrespective of how many other persons arrangements are with) under which it may earn commission, fees or other remuneration in relation to two or more different credit products;
  - the customer could be eligible for two or more of those credit products;
  - the credit product that the firm is promoting or recommending is one of those credit products; and
  - the commission, fees or other remuneration payable to the firm varies depending on which of the credit products the customer takes out,

  the firm should make disclosure to the customer under CONC 3.7.4G in relation to the arrangements.

- CONC 3.7.4AG (3). The disclosure in (2) may be in general terms, but it should enable the customer reasonably to appreciate the effect of the arrangements.

CONC 4.5.2 F M C

- CONC 4.5.2G. A lender should only offer to, or enter into with, a firm a commission agreement providing for differential commission rates or providing for payments based on the volume and profitability of business where such payments are justified based on the extra work of the firm involved in that business.

CONC 4.5.3-4 R B M C H

- CONC 4.5.3R. A credit broker (including retailer) must prominently disclose to a customer in good time before a credit agreement or a consumer hire agreement is entered into, the existence and nature of any commission or fee or other remuneration payable to the credit broker by the lender or owner or a third party, where the existence or amount of the commission, fee or other remuneration could actually or potentially:
  - affect the impartiality of the credit broker in recommending the credit agreement or the consumer hire agreement; or
  - if made known to the customer, have a material impact on the customer's transactional decision to enter into the credit agreement or the consumer hire agreement.

- CONC 4.5.3AR. In circumstances where the credit broker is required to disclose the existence and nature of any commission, fee or other remuneration under CONC 4.5.3R, it must also disclose to the customer, at the same time and with equal prominence, how the existence and nature of this commission, fee or other remuneration may affect the amounts payable by the customer under the relevant credit agreement or consumer hire agreement.

- CONC 4.5.3BG (1). Where the amount of any commission, fee or other remuneration in CONC 4.5.3R varies due to a factor specified in the arrangement or agreement under which the commission, fee or other remuneration is payable, for example a specific feature of the credit agreement or consumer hire agreement or the level of

work undertaken by the credit broker, the credit broker should make disclosure under CONC4.5.3R in relation to the commission, fee or other remuneration.

- CONC 4.5.3BG (2). Where:
  - the firm has entered into arrangements (irrespective of how many other persons those arrangements are with) under which it may earn commission, fees or other remuneration in relation to two or more two or more different credit agreements or consumer hire agreements;
  - the customer could be eligible for two or more of those agreements;
  - the credit agreement or the consumer hire agreement the firm is recommending is one of those agreements;
  - the commission, fees or other remuneration payable to the firm varies depending on which of the credit agreements or consumer hire agreements the customer enters into

  the firm should make disclosure to the customer under CONC 4.5.3R in relation to the arrangements.

- CONC 4.5.3BG (3). The disclosure in (2) may be in general terms, but it should enable the customer reasonably to appreciate the effect of the arrangements.

- CONC 4.5.3BG (4). The credit broker is not under CONC 4.5.3AR required to provide to the customer an individually tailored illustration of how the commission, fees or other remuneration in CONC 4.5.3R may affect the amounts payable by the customer under the credit agreement or consumer hire agreement.

- CONC 4.5.4R. At the request of the customer, a credit broker (including retailer) must disclose to the customer, in good time before a regulated credit agreement or a regulated consumer hire agreement is entered into, the amount (or if the precise amount is not known, the likely amount) of any commission or fee or other remuneration payable to the credit broker by the lender or owner or a third party.

CONC 4.5.5-8 F R B M

- CONC 4.5.5G. The purpose of CONC 4.5.6R to CONC 4.5.8G is to prohibit credit brokers (including retailers) and lenders to whom they introduce customers wishing to enter into regulated credit agreements to finance the acquisition of motor vehicles from making or relying on arrangements under which credit brokers are given authority to decide or negotiate the prices of those regulated credit agreements on behalf of lenders and the amount of commission the credit brokers earn is affected by those prices.

- CONC 4.5.6R. A lender or credit broker must not:
  - enter into or have rights or obligations under a discretionary commission arrangement; or
  - seek to exercise, enforce or rely on rights or obligations under a discretionary commission arrangement, including any rights or obligations to receive or tender payment of commission, fee or other financial consideration.

- CONC 4.5.7G. The following are examples of discretionary commission arrangements:

- An agreement under which the lender sets a minimum rate of interest and the commission payable by the lender to the credit broker in respect of a regulated credit agreement entered into by the lender is calculated by reference to the difference between the rate of interest negotiated by the credit broker and payable by the customer under the regulated credit agreement and the minimum rate of interest. These types of arrangements are often referred to as “increasing difference in charges” or “interest rate upward adjustment” arrangements.
- An agreement under which the lender sets a maximum rate of interest and the commission payable by the lender to the credit broker in respect of a regulated credit agreement entered into by the lender is calculated by reference to the difference between the rate of interest negotiated by the credit broker and payable by the customer under the regulated credit agreement and the maximum rate of interest. These types of arrangements are often referred to as “decreasing difference in charges” or “interest rate downward adjustment” arrangements.
- An arrangement or agreement under which the commission payable by the lender to the credit broker in respect of a regulated credit agreement entered into by the lender varies (within set parameters) according to the rate of interest negotiated by the credit broker and payable by the customer under the regulated credit agreement. These types of arrangement are often referred to as “scaled models”.

- CONC 4.5.8G (1). CONC 4.5.6R does not affect commissions under discretionary commission arrangements liability for which accrued before the date on which CONC 4.5.6R came into force. CONC 4.5.6R does affect, however, commissions under discretionary commission arrangements that became due on or after the date on which CONC4.5.6R came into force, irrespective of whether the relevant discretionary commission arrangement was entered into before or after the date on

- CONC 4.5.8G (2). Accordingly, commissions under a discretionary commission arrangement relating to regulated credit agreements entered into before the date on which CONC 4.5.6R came into force are not affected by CONC 4.5.6R.

- CONC 4.5.8G (3). However, commissions under a discretionary commission arrangement relating to regulated credit agreements entered into after the date on which CONC 4.5.6R came into force (whether or not the discretionary commission arrangement was entered into before that date) are affected by CONC 4.5.6R.

ANNEX

COMPLIANCE OF COMMISSION MODELS AND DISCLOSURE M

Commission model	***Compliance***	***Disclosure required*** R B
No commission provided	Compliant	• The firm must indicate the extent of its powers and whether it works exclusively with one or more lenders or works independently.
Flat fee (i.e. same commission amount regardless of finance product, amount of finance or length of agreement)	Compliant Lender and broker / retailer systems and controls must be able to demonstrate good customer outcomes.	• The firm must indicate the extent of its powers and whether it works exclusively with one or more lenders or works independently. • If the firm works with more than one lender, it must explain whether the commissions paid by the other lenders would vary and whether the amount payable by the customer is affected by the commission the firm receives. The firm should also reference that different lenders may offer different interest rates. • The firm must state the nature of the commission.
Fixed rate commission (calculated as % of balance)	Compliant Lender and broker / retailer systems and controls must be able to demonstrate good customer outcomes and that the agreed balance has been arrived at fairly.	• The firm must indicate the extent of its powers and whether it works exclusively with one or more lenders or works independently. • If the firm works with more than one lender, it must explain whether the commissions paid by the other lenders would vary and whether the amount payable by the customer is affected by the commission the firm receives. • The firm must explain the nature of the commission, including how the commission

		mechanism works, for example by disclosing that it is a percentage of balance.
Flat fee / fixed rate commission per age or type of vehicle (regardless of amount of finance or length of agreement) but fee / commission rate varies by age or type of vehicle	Compliant Lender and broker / retailer systems and controls must demonstrate good customer outcomes and evidence why differences in fees or commission rates between ages or types of vehicle do not lead to incentives that work against the customer. Lender must only offer differential commission rates where higher rates are justified based on the extra work done by the broker / retailer.	• The firm must indicate the extent of its powers and whether it works exclusively with one or more lenders or works independently. • If the firm works with more than one lender, it must explain whether the commission paid by the other lenders would vary. The firm should also reference that different lenders may offer different interest rates. • The firm must state whether the amount payable by the customer is affected by the commission the firm receives. • The firm must state the nature of the commission and explain that it earns more from some products than others and why it does so.
'Rate for risk' – funder determines APR band, commission may vary by band or be the same for all bands	Compliant Lender must only offer higher payments where these are justified by extra work done by the broker / retailer on that product. Lender and broker / retailer systems and controls must demonstrate good customer outcomes, in particular where a broker / retailer has had a role in segmenting customers into bands.	• The firm must indicate the extent of its powers and whether it works exclusively with one or more lenders or works independently. • If the firm works with more than one lender, it must explain whether the commissions paid by the other lenders would vary and whether the amount payable by the customer is affected by the commission the firm receives. The firm should also reference that different lenders may offer different interest rates. • The firm must also explain the nature of the commission and how the 'rate for risk' mechanism works and whether (and, if so, why) what the firm earns is affected by this.
Time-limited manufacturer or retailer promotion, with or without different (flat fee or fixed rate) commission amounts, and where the promotion is available to	Compliant Lender and broker / retailer systems and controls must demonstrate good customer	• The firm must indicate the extent of its powers and whether it works exclusively with one or more lenders or works independently.

all customers who meet the criteria for the promotion	outcomes and evidence why any differences in commission between finance products or assets does not lead to incentives that work against the customer.	• If the firm works with more than one lender, it must explain whether the commission paid by the other lenders would vary and whether the amount payable by the customer is affected by the commission the firm receives. The firm should also reference that different lenders may offer different interest rates. • The firm must explain how the promotion works, how this affects what the customer pays and whether what the firm earns is affected by this. • The firm should disclose the nature of the commission. If different rates may be payable for promotions this should be disclosed as part of the nature of the commission (for example, *"we may receive different commission amounts if you are taking advantage of a promotion")*. The firm should also reference that different lenders may offer different interest rates.
Flat fee / fixed rate commission per finance product (regardless of amount of finance or length of agreement) but fee / commission rate varies by finance product	Potentially compliant Lender and broker / retailer systems and controls must demonstrate good customer outcomes and evidence why differences in fees or commission rates between finance products do not lead to incentives that work against the customer. Lender must only offer differential commission rates where higher rates are justified based on the extra work done by the broker / retailer.	• The firm must indicate the extent of its powers and whether it works exclusively with one or more lenders or works independently. • If the firm works with more than one lender, it must explain whether the commission paid by the other lenders would vary. The firm should also reference that different lenders may offer different interest rates. • The firm must state whether the amount payable by the customer is affected by the commission the firm receives. • The firm must state the nature of the commission and explain that it earns more from some products than others and why it does so.

Discretionary model – flat fee, fixed rate or rate for risk, but retailer / broker has discretion to vary APR downwards by a small amount (e.g 1-2%) in order to secure a deal where a customer is shopping around, and where the funder allows this discretion on a specified small percentage (e.g. 5-10%) of deals. Use of this discretion has no impact on the commission amount for the deal nor on amounts for any past or future deals – directly or indirectly, in whole or in part.	Potentially compliant Lender and broker / retailer systems and controls are key to compliance and must demonstrate fair treatment and good customer outcomes. These must: • demonstrate that no incentives are created which cause harm or unfair treatment • show that there is no unjustified discrimination between customers • verify that vulnerable customers are not treated less favourably than other customers • recognise that the risk of customer harm increases when the frequency of renegotiation of the arrangement between funder and retailer / broker increases • demonstrate that the process for renegotiating the arrangement is not (a) leading to a link between how discretion has been used and future commission levels nor (b) creating an incentive to set higher APRs	• The firm must indicate the extent of its powers and whether it works exclusively with one or more lenders or works independently. • If the firm works with more than one lender, it must explain whether the commissions paid by the other lenders would vary and whether the amount payable by the customer is affected by the commission the firm receives. The firm should also reference that different lenders may offer different interest rates. • The firm must state the nature of the commission.

	• recognise that the risk of customer harm increases when the complexity of the commission arrangement increases	
Other discretionary models – these include all discretionary models, other than the discretionary model described above, where retailer / broker has discretion to determine APR for all or some deals.	Not compliant	*n/a*
'Difference in charges' commission – retailer / broker determines APR for each agreement, commission amount per agreement varies by APR	Not compliant	*n/a*
Scaled commission – retailer / broker determines APR for each agreement, commission amount per agreement varies by APR	Not compliant	*n/a*
'Volume bonus' – commission amount increases if volume target set by lender achieved	Not compliant	*n/a*