



Best Practice

IMPROVING CUSTOMER
INFORMATION AT POINT OF SALE
AND DURING THE CONTRACT





MFD POLICY GROUP

GUIDANCE ON IMPROVING CUSTOMER INFORMATION AT POINT OF SALE AND DURING THE CONTRACT

Issue

1. This non-binding FLA guidance is aimed at improving the information provided to customers on motor finance agreements in two ways – at the point of sale through the provision of summary information, and during the contract.

Information provided at the point of sale

What is the purpose of providing summary information?

2. Summary information should be provided at the point of sale which captures the key features of motor finance agreements, helping prospective customers to understand the agreements they are being offered and to compare different offers and products.
3. A variety of options are available to customers wishing to hire, lease or finance the purchase of a vehicle. Within those options there may be further variations as well. The purpose of providing the summary information would therefore be to answer the most important questions which a customer is likely to ask – and then to direct the customer to more detailed information which would explain the option being considered as well as alternative options. What matters most here is the outcome: that the customer is clear about what they are being offered, and that they have the information they need in order to make an informed decision about what is right for them.
4. The form in which the summary information is provided and its method of delivery is a matter for the judgement of individual firms depending, for example, on the channels and processes they use. It is the outcome, by contrast, that is critical here: the key features of the finance product being offered to the customer should be clear and unambiguous at the earliest possible stage, and further information about alternative finance products should be made available at that stage too.
5. This summary information would not replace, or substitute for, the information that is required by regulation to be provided to the customer when an agreement is formally proposed – such as the SECCI. Rather, this is additional (shorter and clearer) information that would be provided at a potentially earlier stage and in a form that is more likely to be read and understood by the customer.

How should the summary information be provided?

6. For most types of motor finance agreement, it should be possible to highlight around four key features of the product that are essential to understanding it properly – and which the customer will need to understand if they are to judge whether it is the right product for them. It is these that should be provided in the summary information. These features should include as a minimum:
 - the cost of the product (e.g. the monthly payment and total amount payable);
 - any significant restrictions (e.g. a mileage limit);
 - the options for terminating early, and
 - whether the customer would own the vehicle.
7. In addition, in order for the customer to decide whether the product is the right one for them, they will also need to understand what other types of product are available on the market as well which may meet their needs better. It should therefore be made easy for the customer, at the same time as seeing the summary information, to get access to information about the other types of product. This might be by means of, for example, a link to a website, a leaflet, or by recommending that the customer seek advice from their broker if they have used one.
8. There are many possible ways in which this summary and additional information could be provided. Providing the information in written form is likely to be a frequent method, although the more detailed information about other types of product could equally be provided by an easily accessible link. But other effective methods of communication should not be excluded, including electronic and oral, as long as they are durable, can be evidenced subsequently, and meet the intended outcome (that the customer has clarity about the product they are being offered and has access to authoritative information about alternative products that may be more suitable).
9. The following are some examples, in written form, of how the summary information might be provided, relating to the four main types of motor finance product currently on the market. This should not be seen as an exhaustive list of examples – there are many other ways in which the summary information could be provided effectively.

Illustration of a **Personal Contract Purchase (PCP)** agreement for your car

£200 per month for **36** months (APR **5%**)

At the end you may either:

- pay a final **£8000** to keep and own the car, or
- apply to **change** to a new car with a new agreement, or
 - **hand back** the car.

You are limited to **12,000 miles per year** (a charge of 10p per mile will apply if you drive more than this).

You must maintain the car in **good condition**.

The total amount payable (including the optional final £8000) is £15,200.

After you have paid back half of the total amount payable, you may be able to terminate your agreement with nothing further to pay – but you will need to hand the car back

Not right for you? Compare other options [here](#).

SUMMARY BOX

The information contained in this table summarises the key product features and is not intended to replace any terms and conditions.

What type of agreement is this?

- *This is a **hire purchase (HP)** agreement.*
- *You are borrowing money to hire the vehicle. When you have made all your payments, you will be able to keep and own the vehicle if you pay the 'option to purchase fee'.*
- *After you have paid back half of the total amount payable, you may be able to terminate your agreement with nothing further to pay – but you will need to hand the car back.*

How much will I have to pay?

£200 per month for **36** months (APR **5%**)

*The option to purchase fee is **£10**.*

*The total amount payable is **£7210**.*

Where can I get further information?

If this this is not suitable for you, you can find information about alternatives to hire purchase [here](#).

Illustration of a **Personal Contract Hire** (PCH) agreement for your car

- **£200** per month for **36** months (total amount payable £7200)
- You must **hand back** the car at the end of the agreement.
- You will not be able to terminate your agreement early without paying the remainder you owe.
- You are limited to **12,000 miles per year** (a charge of 10 pence per mile will apply if you drive more than this).
 - You must maintain the car in **good condition**.

Not right for you? Compare other options [here](#).

SUMMARY BOX

The information contained in this table summarises the key product features and is not intended to replace any terms and conditions.

| | |
|---|--|
| What type of agreement is this? | <ul style="list-style-type: none">• This is a personal loan agreement.• You are borrowing money to buy the vehicle.• You will own the vehicle from the outset.• If you sell the vehicle before the end of the agreement, you will still have to make all the remaining payments. |
| How much will I have to pay? | £200 per month for 36 months (APR 5%) <i>The total amount payable is £7200</i> |
| Where can I get further information? | <i>If this this is not suitable for you, you can find information about alternatives to a personal loan here.</i> |

10. The “further information” referred to might be on the dealer’s website, or on the lender’s website or another authoritative source such as [Financing Your Car](#). It could equally be provided by means of a leaflet or, if the customer has used a broker, by recommending that the customer seek further advice from their

broker about the type of finance product that might be more suitable for their needs.

Information during the contract

What is the purpose of providing information during the contract?

11. Some types of finance agreement have conditions – such as mileage limits – which, if breached, could have financial consequences for customers if the breach is identified only at the end of an agreement. It is therefore in the interests of the customer – and ultimately the lender – if customers are reminded of these conditions and/or alerted to breaches during the contract so they can adapt their usage of the vehicle accordingly.
12. Lenders will have different capabilities with regard to the information that they can communicate to customers during a finance agreement, depending on the commercial and contractual arrangements they have with the relevant manufacturer and dealer. Arrangements for capturing appropriate consent from customers in relation to obtaining and processing data are also likely to vary, although in some cases it may be possible to rely on the GDPR's 'legitimate interests' provisions without having to obtain consent from the customer. Lenders will need to have regard to these two factors (commercial and contractual arrangements and customers' consent) when considering post-contractual communications with customers.

Annual reminder of mileage allowance

13. Subject to those factors, it is recommended that where an agreement imposes specific requirements or limits on a customer, this information should be provided on at least an annual basis to remind the customer of their obligations under the agreement. So, for example, it may be helpful to remind the customer that the agreement imposes an annual mileage limit and/or a requirement to keep the vehicle in a good condition.
14. It should be possible for a simple reminder to be sent on at least an annual basis – whether this is included in the annual statement which the lender must send the customer, or via a separate communication. Lenders may wish to capture information from customers at the point of sale about the manner in which they prefer to be contacted: many are likely to opt for digital communication, by phone or email, and this information will need to be recorded, together with appropriate declarations of consent by the customer to the details being used for the purposes of communicating about the agreement and associated details – such as mileage limits and vehicle condition.

Provision of mileage limit alerts

15. Some lenders may have access to technical data about the vehicle (which may be available to the manufacturer or dealer) which they may be able to use to alert the customer to the fact that the vehicle may be approaching a mileage limit or may require some service in order to maintain its condition (and value). Lenders wishing to make use of such data about the vehicle will need to ensure

that, in doing so, they are not breaching any confidentiality with customers or commercial partners and that they have the appropriate consents in place. Provided that such consents are in place, it is recommended that this data is used by lenders to alert customers that they are at risk of breaching one of the conditions of their agreement – while the agreement is live and while the customer is able to take action to ensure that the conditions are met (or is able to request a variation to the agreement). Lenders might therefore wish to consider offering an alert service, or other communication of similar effect, as an option to those customers who consent to this.

September 2018