



# FLA LENDING CODE 2012

Setting standards, creating transparency



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS











## HELPFUL INFORMATION

## CREDIT ASSESSMENT



# Key

Each type of loan within this document is represented by the following colours.

-  Loans taken out through a supplier of goods and services;
-  Loans taken out through a credit broker;
-  Store cards;
-  Credit cards;
-  Personal loans (including secured, unsecured and short-term loans);
-  Variable-rate loans;
-  Revolving credit loans (including catalogue and home shopping);
-  Motor loans – including loan, hire purchase, lease, personal contract purchase or any other variation
-  Loans to pay insurance premiums
-  Payment Protection Insurance and Guaranteed Asset Protection Insurance



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



# Contents

Sections that apply to different loan types

		PAGE
	<b>Introduction</b>	
	About the FLA	7
	Legal requirements	7
	How we can help	8
	Contact details	8
<b>1</b>	<b>General commitments</b>	<b>9</b>
	<b>1A</b> Key commitments	<b>10</b>
	<b>1B</b> Information and marketing	<b>11</b>
	<b>1C</b> Lending you money	<b>15</b>
	<b>1D</b> Difficulties in paying	<b>17</b>
	<b>1E</b> Complaints	<b>23</b>
	<b>1F</b> Monitoring and compliance	<b>26</b>
	<b>1G</b> Data protection and confidentiality	<b>28</b>
<b>2</b>	<b>Specific commitments</b>	<b>31</b>
	<b>2A</b> Suppliers of goods and services	<b>32</b>
	<b>2B</b> Brokers	<b>33</b>
	<b>2C</b> Store cards	<b>34</b>
	<b>2D</b> Credit cards	<b>41</b>
	<b>2E</b> Personal loans - secured and unsecured	<b>50</b>
	<b>2F</b> Variable interest rate loans	<b>54</b>
	<b>2G</b> Revolving credit loans	<b>56</b>
	<b>2H</b> Motor finance loans	<b>59</b>
	<b>2I</b> Loans to pay insurance premiums	<b>61</b>
	<b>2J</b> Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance	<b>63</b>
<b>3</b>	<b>Glossary of terms</b>	<b>64</b>
<b>4</b>	<b>Helpful information</b>	<b>70</b>
<b>5</b>	<b>Credit assessment</b>	<b>73</b>

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



# Introduction










## Who is this Code for?

This Code is for customers who have taken out a consumer credit loan with a Finance and Leasing Association (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 2006 edition. It will cover all consumer credit, hire or lease agreements entered into on or after 1 February 2012. 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 apply to all existing agreements taken out before 1 February 2012.

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 (including secured, unsecured and short-term loans);
-  variable-rate loans;
-  revolving credit loans (including catalogue and home shopping);
-  motor loans - including loan, hire purchase, lease, personal contract purchase or any other variation
-  loans to pay insurance premiums.

The Code also covers insurance taken out to pay off some or all of your loan (known as payment protection insurance (PPI) and guaranteed asset protection insurance (GAP)). Insurance products are also regulated by the Financial Services Authority.



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



This Code does not cover:

- first mortgages (loans to buy a home) for residential property;
- current accounts and overdrafts;
- 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 the FLA Business Finance Code (available from the FLA – see helpful information, section 4).

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 and **'we'** means the FLA member.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



# About the FLA

The 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 cards.

The FLA Lending Code 2012 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 of the FLA. These companies will meet the standards set out in this Code, and the FLA monitors their performance in doing so as set out in section 1F.

## Legal requirements

The law gives you specific rights and protection when taking out consumer credit. These cover:

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

Other rights cover loans taken out over the phone or on the internet (this is known as distance selling) and the fairness of contracts (covered for example, by the Unfair Terms in Consumer Contracts Regulations 1999).

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



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



### How the FLA can help

The FLA can deal with a complaint you may have against one of its full members. Section 1E explains what the FLA will do.

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

### Contact details

#### The Finance & Leasing Association

Imperial House

15-19 Kingsway

London

WC2B 6UN

Phone: **020 7836 6511**

Fax: **020 7420 9600**

Website: **[www.fla.org.uk](http://www.fla.org.uk)**

The code is available at **[www.lendingcode.org.uk](http://www.lendingcode.org.uk)**

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT





# 1.

## General commitments

This section applies to all members when lending to consumers.

	Page
<b>1A</b> Key commitments	<b>10</b>
<b>1B</b> <b>Information and marketing</b>	<b>11</b>
<b>1C</b> Lending you money	<b>15</b>
<b>1D</b> <b>Difficulties in paying</b>	<b>17</b>
<b>1E</b> Complaints	<b>23</b>
<b>1F</b> <b>Monitoring and compliance</b>	<b>26</b>
<b>1G</b> Data protection and confidentiality	<b>28</b>



### INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

### GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

### SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

### GLOSSARY OF TERMS

### HELPFUL INFORMATION

### CREDIT ASSESSMENT



# 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) and the Equality Act 2010;
- have regard to relevant Office of Fair Trading (OFT) Guidance;
- 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 OFT and the Financial Services Authority (FSA)) and organisations that handle complaints (such as the FLA and the Financial Ombudsman Service);
- consider cases of financial difficulty sympathetically and positively;
- follow any guidance notes that the 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.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



# 1B Information and marketing

## Before you take out a loan

**1B.1** Before you take out a loan, you will receive:

- 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 and all our communications with you will also be 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.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



### 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** Sometimes we may change our terms and conditions, but only if your agreement 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. We will also notify you of the change within 30 days.
- If the change is to your disadvantage, we will always give you at least 30 days' notice before making the change. This may be by, for example, advertisements in the press, information on websites or notices in branches and will be appropriate for the way in which we provide loans. If your original loan is for 30 days or less, we will give you notice as soon as possible.
- If the change is to your disadvantage, at any time up to 60 days from the date of the notice you may, if a suitable alternative product is available, switch your account with us or close it without having to pay us any financial penalty (due to the change) 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 summary of the changes and make available a full copy of the new terms and conditions.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



### 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. If we send you unsolicited promotional emails you will be able to 'unsubscribe' from receiving these offers by email.
- 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** All our advertising and promotional material will comply with relevant advertising legislation and industry codes of practice such as the Consumer Credit (Advertisement) Regulations 2010 and the Committee of Advertising Practice Codes. You can get copies of these codes from the contacts listed in 'Helpful Information' (section 4) of this code.



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



### Publicising this Code

- 1B.17** When you take out a loan, we will confirm in writing that we are a member of the FLA and that we follow the FLA Lending Code.
- 1B.18** Whenever you ask, we will confirm that we are a member of the FLA and follow the FLA Lending Code, copies of which are freely available.
- 1B.19** You can get details of FLA members on the FLA's website or by contacting the FLA.



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



# 1C Lending you money

## Applications

- 1C.1** We will make sure that all loan applications 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 whom to contact if you want us to review our decision. If we refuse your loan application and information obtained from a credit reference agency (CRA) search contributed to our decision, we will give you the contact details of the CRA if you want to get a copy of the information the CRA has about you.

## 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 CRAs.

## 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.



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



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.



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT





# 1D Difficulties in paying

- 1D.1** If you fall behind with your payments, we will let you know the options available to you.
- 1D.2** We will deal with cases of financial difficulty (if you cannot afford to repay 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.
- 1D.3** We may also contact you if we think you may be at risk of payment problems to consider possible ways to help you, taking into account your circumstances.

## How we can help each other

- 1D.4** 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.5** If you are in financial difficulties, we will:
- explain what our procedures are and let you know the options available to you;
  - give you a telephone number for a member of our staff or our specialist team who can consider your options with you;
  - take into account money you tell us you owe to other lenders and any other commitments you tell us about;

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



- 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's Code or the OFT's Debt Collection and Debt Management Guidance - see section 4 - Helpful information, as well as the standards for handling financial difficulties set out in this Code);
- 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). This includes if you have made an arrangement but it is insufficient to meet our minimum requirements for a repayment plan;
- 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 whom you have asked to act on your behalf, with your authority, unless those people behave unreasonably. If we do contact you directly when such an authority is in place, we will explain why we are doing so;

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



- give the same consideration to repayment plans whether you use a debt-counselling organisation or a 'self-help' approach (for example, where you are suggesting a repayment plan);
- explore different options with you for repaying what you owe. We will keep any repayment arrangement under review and we will not ask you to increase your repayment unless your financial situation has improved;
- advise you if we sell your debt to a third party and who they are. We will do this before they begin any collections activity and we will always choose firms which agree to follow the Credit Services Association's Code or the OFT's Debt Collection and Debt Management Guidance, as well as the standards for handling financial difficulties set out in this Code. When we advise you of this change, we may do this jointly with or via the third party.

**1D.6** If we are aware you have a long-term health difficulty, we will:

- 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.7** You must tell us as soon as your personal circumstances change if these have an effect on your income.

#### **Debt and Mental Health**

**1D.8** If we are aware that you have a mental health problem, we will:

- work with any debt-counselling organisation and health and social care professionals acting on your behalf if you ask us to;

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



- give you reasonable time (for example, 28 days) to collect and submit relevant evidence you want us to look at when deciding the most appropriate action for dealing with your financial difficulties;
- consider any information you or the person you have authorised to act on your behalf gives us on a Debt and Mental Health Evidence Form (DMHEF);
- refer to the debt and mental health good practice guidelines produced by the Money Advice Liaison Group;
- record relevant information about you on your account so that our staff can deal with you appropriately. We will only do this with your explicit consent and in line with the requirements under the Data Protection Act 1998. We will inform you how your information will be used and for what purposes; and
- only take court action to recover what you owe as a last resort and when it is appropriate and fair to do so.

**1D.9** 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.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



**Paragraphs 1D. 10 to 1D. 17 apply to customers with a credit card, store card, personal loan (unsecured), variable rate loan or revolving credit loan<sup>1</sup>**

### Breathing Space

**1D. 10** If you are making a genuine effort to agree a repayment plan using either a debt-counselling organisation or a 'self-help' approach (for example, you are suggesting a repayment plan), we will not contact you or take any action to recover the money you owe us for 30 days. We will confirm with you or your adviser how your account will operate during the 30-day period. If you or your adviser provides us with clear evidence that real progress is being made in reaching a repayment plan, but work has not yet concluded, we will extend the breathing space for an additional 30 days.

### Token Offers and Write Offs

**1D. 11** We will accept token offers if you can show that you have no surplus income left to pay your 'non-priority' debts and there is a real prospect that your circumstances will get better. If we consider that your personal and financial circumstances are exceptional and unlikely to get better, we may consider (as well as other options) writing off or not pursuing part or all of your debt. If you ask us to write off your debt and we do not consider it appropriate, we will write to you with our reasons. If we accept token offers or write off your debt, this may be recorded as a default by the credit reference agencies.

### Interest & Charges

**1D. 12** We will consider reducing or stopping interest and charges if you can show us you are in financial difficulties and unable to meet the repayments on your loan. Interest and charges will not continue to be taken if this would lead to the repayment period becoming excessive taking into account the type of loan and your circumstances. We will base our decision on your lack of ability to repay and if we do not allow concessions we will explain why if you ask us to.



<sup>1</sup> Paragraphs 1D.10 to 1D.17 will apply to personal loans to buy a motor vehicle from 1 June 2012

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



### Consolidation Loans

**1D.13** If we provide a consolidation loan to you when you are in financial difficulties, the monthly payments will not exceed the total monthly payments of the debts being consolidated except in exceptional circumstances, for example where you currently have a repayment holiday or an interest-free period which will end shortly.

### Common Financial Statement (CFS)

**1D.14** If you have debts with many lenders, a debt-counselling organisation may complete a Common Financial Statement (CFS) (or an 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.

**1D.15** We will only challenge a repayment offer based on expenditure falling within the figures of the CFS if we have reasonable cause to believe that the amount of your income and expenditure may be incomplete or inaccurate.

**1D.16** Where a personal loan was used to purchase an asset – for example – a motor vehicle, we may draw to your attention that you may wish to consider selling the asset to reduce your personal loan commitments.

**1D.17** We follow the CFS Creditor Good Practice Checklist which promotes clear communication between lenders and their customers. A copy can be found at [www.lendingcode.org.uk](http://www.lendingcode.org.uk)

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



# 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 information will also be available on our consumer website, if we have one.

This procedure includes details of the complaint-handling services we use – the FLA Conciliation and Arbitration Scheme and the Financial Ombudsman Service.

## Internal procedures

- 1E.2** If you want to make a complaint, you should contact us first using our complaints 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.

If you ask us to and provide us with suitable authorisation, we will speak to a member of your family, a friend or a debt-counselling organisation acting on your behalf about your complaint.

- 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.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



- 1E.4** We will acknowledge your complaint within five business days of it being received by our Complaints Department. 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 the FLA, you may phone them on 020 7836 6511 or get the relevant information from [www.lendingcode.org.uk](http://www.lendingcode.org.uk).
- 1E.6** As a first step, the FLA will refer your complaint to our Chief Executive (or a nominated representative), who will make sure that we investigate it and send a response to you.
- 1E.7** If you are still not satisfied, the FLA will try to conciliate (help you reach an agreement) up to the time the matter is resolved 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 receive your complaint (either directly or from the 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);
    - are offering redress without accepting the complaint; or
    - reject the complaint (giving reasons why we are doing this), or

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT





- 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 indicate 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.



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



# 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 the FLA. The FLA will also visit us periodically to carry out checks on how we comply with the Code.
- 1F.2** This Code is monitored by the FLA Lending Code Group and serious breaches can be referred to the FLA Disciplinary Panel.
- 1F.3** These groups are made up of independent representatives and FLA members and both have independent Chairmen. The Lending Code Group produces an annual report, which the FLA can send to you if you ask. A copy of the report is also available at [www.lendingcode.org.uk](http://www.lendingcode.org.uk).
- 1F.4** The Lending Code Group recommends the action that the 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;
  - requests for written explanations;
  - meetings to discuss the matter; and
  - referral to the Disciplinary Panel.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



**1F.5** The Disciplinary Panel is independent of the Lending Code Group. The Panel looks at matters referred to it by the Lending Code Group where a serious breach of the Code has taken place or where our actions have resulted or may result in serious consumer detriment or reputational damage to the Code. Action taken by the Panel can include:

- written warnings to members;
- recommendations as to future conduct; and
- referral to the FLA Board.

**1F.6** The most serious punishment for not keeping to the Code is to be expelled from the FLA.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



# 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. If you ask us to, we will tell you the name of the CRAs we use and you can contact them if you want to get a copy of the information they hold about you.
- 1G.2** In some cases, customers may be charged different interest rates when applying for a loan depending on their individual circumstances. In these cases, if we provide a quotation of the likely interest rate, we will be transparent about the availability of this service. If you ask for a quotation of the likely interest rate, we will:
- as industry best practice, provide you with a quotation and any credit search undertaken will not be recorded as a full application search; or
  - inform you if we do not offer a quotation and that if you proceed an application search will be registered at the CRA.
- 1G.3** We will tell you when we plan to inform the CRAs that you have an account and how you run that account.
- 1G.4** If we are legally entitled to do so, we may give default 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.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



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.5** 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. We will also give you an explanation about how the default information might have an effect on your ability to get a loan in the future.

### Confidentiality

- 1G.6** 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.7** 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.



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



## Information

- 1G.8** 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.9** If we record or monitor phone conversations, we will tell you this.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



# 2.

## Specific commitments

	Page
<b>2A</b> Suppliers of goods and services	<b>32</b>
<b>2B</b> <b>Brokers</b>	<b>33</b>
<b>2C</b> Store cards	<b>34</b>
<b>2D</b> <b>Credit cards</b>	<b>41</b>
<b>2E</b> Personal loans – secured and unsecured	<b>50</b>
<b>2F</b> <b>Variable interest rate loans</b>	<b>54</b>
<b>2G</b> Revolving credit loans	<b>56</b>
<b>2H</b> <b>Motor finance loans</b>	<b>59</b>
<b>2I</b> Loans to pay insurance premiums	<b>61</b>
<b>2J</b> <b>Payment protection insurance and guaranteed asset protection insurance</b>	<b>63</b>



### INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

### GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

### SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

### GLOSSARY OF TERMS

### HELPFUL INFORMATION

### CREDIT ASSESSMENT



## 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.

### INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

### GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

### SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

### GLOSSARY OF TERMS

### HELPFUL INFORMATION

### CREDIT ASSESSMENT





## 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 fit, proper and able and licensed under the Consumer Credit Act 1974; and
  - make the broker aware of the principles of this 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;
  - refuse to deal with, or end any relationship with, a credit broker who is not fit, proper and able, or who fails to act in line with this Code; and
  - report any known relevant criminal conviction of a credit broker to the Office of Fair Trading and to the 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 you have.



### INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

### GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

### SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

### GLOSSARY OF TERMS

### HELPFUL INFORMATION

### CREDIT ASSESSMENT



## 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** No individual sales staff will directly benefit from offering or selling store cards. This will ensure that all applications are dealt with impartially.<sup>2</sup>
- 2C.2** You will not be offered a retail discount or other equivalent benefit (for example, free gifts, credits or discount vouchers) which is redeemable on the initial purchase or within the first seven days as an incentive to take out a store card. New store cards will be promoted using the credit features and on-going benefits of the account (such as the ability to collect loyalty points and obtain discounts or special offers on future purchases).<sup>3</sup>
- 2C.3** Staff providing store cards will go through a standard good practice training scheme so that you will benefit from consistent good service when applying for a store card.<sup>4</sup>
- 2C.4** Before you enter into 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 (including introductory 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 [www.lendingcode.org.uk](http://www.lendingcode.org.uk).
- 2C.5** Before you enter into a credit agreement for a store card, we will also provide you with information on the following:
- If we want to use any information about transactions on your store card account for marketing purposes;

<sup>2</sup> This paragraph will come into force from 1 April 2012.

<sup>3</sup> This paragraph will come into force from 1 April 2012.

<sup>4</sup> This paragraph will come into force from 1 October 2012.

### INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

### GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

### SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

### GLOSSARY OF TERMS

### HELPFUL INFORMATION

### CREDIT ASSESSMENT



- How interest is calculated and charged. For example, if it is charged on the full balance on your statement or only on the balance after you have made your monthly repayment;
- The interest rates applicable to different types of transactions and how you will be told about changes in interest rates;
- How your monthly payment will be applied to any outstanding balance due to different types of spending on your card, such as on promotional offers;
- The difference between being the principal cardholder and an additional cardholder and that the principal cardholder will be responsible for all spending (including by additional cardholders) and is responsible for making the repayments on the card;
- An explanation of recurring transactions; and
- How to make sure you pay on time if you are sending a cheque in the post or by making automated payments.

### Making repayments

**2C.6** When you make repayments on your store card, we will apply your repayments to the most expensive parts of the store card balance first. When allocating your repayments, we will apply them to, at least, the transactions on your statement.

**2C.7** If you have a fixed-sum credit plan agreement within your store card, the payments on this plan will be paid off first. Any extra payment you make will then repay the amounts on your statement with the highest interest rate first.

### Minimum repayments<sup>5</sup>

**2C.8** If you took your store card out after 31 March 2011, the minimum amount you will have to pay back each month will always cover at least:

<sup>5</sup> Where a card lender applies interest for a period which covers more than one month (eg, in the case of a buy now, pay later agreement or where interest is backdated on the expiry of the balance transfer deal), the level of the interest component within the minimum payment for any month should be proportionate to the period over which the lender accrues the interest.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



- 1% of the amount outstanding on your statement less the current month's interest and fees (but not fees for services such as balance transfers or cash advances);
- the amount of the interest set out on the statement;
- any default fees or charges; and
- any annual fee which may be charged (whether as a single sum, in 12 equal instalments or another method).

We will also follow the industry agreement developed by the FLA and The UK Cards Association under which we will contact you if you have, without good reason, made frequent minimum or low repayments.

### Credit limit changes

**2C.9** At any time, you may:

- ask for a lower credit limit;
- refuse any credit limit increase we may offer to you;
- tell us that you do not want to have a credit limit increase at all in the future; and
- ask for a credit limit increase.

If you exercise any of these rights, it will not prevent you from asking for a credit limit increase at a later date.

**2C.10** If you want to ask for a lower credit limit or refuse a credit limit increase, we will make it as easy as possible for you to do so by offering you automated forms of communication (such as online or an automated telephone system), or you can speak to us direct.

**2C.11** Before we increase your credit limit on your store card, we will undertake a sound and proper credit assessment in the ways outlined in section 5.



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



**2C.12** If we want to give you an increase to your credit limit and you have not asked us for this, we will always give you at least 30 days' notice of this increase. We will send this notice to you separately from your statement and it will include the following information:

- the current credit limit;
- the new increased credit limit;
- that you have the right to reject the credit limit increase and how you can do this; and
- that we will not treat you any differently if you decide to reject the credit limit increase.

If you need a temporary or emergency credit limit increase, we will not give you this notice.

**2C.13** From time to time, we will review your credit limit using, for example, credit reference agency (CRA) data and information we have on how you have managed your account. If we reduce your credit limit, we will notify you and let you know how you can contact us if you want to discuss any concerns you may have about your store card.

### Automated payments

**2C.14** We will provide you with online capability to set up an automated payment (which is not lower than the minimum payment and not higher than the full payment) to reduce what you owe. For example, you could send this instruction by email if we have already agreed to receive instructions in this way.

### Interest rate increases

**2C.15** We will always give you at least 30 days' notice before making interest rate increases and the notice will include the following information:

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



- the current interest rate;
- the new increased interest rate;
- an indication of the impact of the increase using a generic or personalised example; and
- that you can reject (within the 60 days set out in the notice) the increased interest rate and pay off what you owe at the current interest rate. We will remind you during the 60 days that you can do this and this reminder may be included on or with your statement. The notice will make it clear if the 60 day rejection period runs at the same time as the 30 day notice period.

If we offer alternative lending products, we may also provide you with the option to transfer what you owe to such a product at the existing (or lower) rate of interest.

**2C.16** If the interest rate increase will apply to all our customers (general re-pricing), the notice may be sent at the same time we send your statement. If the interest rate increase will only apply to some of our customers (risk-based re-pricing), the notice will be sent separately from your statement. If you ask, we will explain why the interest rate is being increased and provide you with an industry standard explanation of how store card re-pricing works.

**2C.17** If you reject the interest rate increase;

- we will close your store card account; and
- you can pay off what you owe at the existing rate of interest over a reasonable period which we will agree with you.

#### **Selecting accounts for interest rate increases**

**2C.18** If you have complied with the terms and conditions of your account, we will not increase your interest rate:

- within the first 12 months of you having the store card (for risk-based re-pricing); or
- more often than 6 monthly, other than in exceptional circumstances (for risk-based re-pricing and general re-pricing)

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



**2C.19** We will not increase your interest rate if we are aware that:

- you have currently missed two or more payments;
- we have agreed a repayment plan; or
- you are in serious discussion with a debt-counselling organisation and they have told us about this.

We will comply with the industry's *Statement of Principles on Credit and Store Card Re-Pricing*. A copy can be found at [www.lendingcode.org.uk](http://www.lendingcode.org.uk).

**2C.20** We will make current store card interest rates available via at least one of the following:

- A telephone helpline;
- A website;
- Notices in branches or stores; or
- By asking staff

### Statements

**2C.21** 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.22** 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.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



**2C.23** We will make sure your minimum repayment covers more than that month's interest.

**2C.24** We will tell you when an introductory promotional interest rate on your store card is about to come to an end.

### Cards

**2C.25** 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.26** 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.

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.



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT





# 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 enter into 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 (including introductory 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 [www.lendingcode.org.uk](http://www.lendingcode.org.uk)).
- 2D.2** Before you enter into a credit agreement for a credit card, we will also provide you with information of the following:
- If we want to use any information about transactions on your credit card account for marketing purposes;
  - How interest is calculated and charged, for example, if it is charged on the full balance on your statement or only on the balance after you have made your monthly repayment;
  - The interest rates applicable to different types of transactions, for example, purchases and cash transactions and how you will be told about changes in interest rates;
  - How your monthly payment will be applied to any outstanding balance due to different types of spending on your card, such as on promotional offers;
  - The difference between being the principal cardholder and an additional cardholder and that the principal cardholder will be responsible for all spending (including by additional cardholders) and is responsible for making the repayments on the card;
  - An explanation of recurring transactions; and
  - How to make sure you pay on time if you are paying by sending a cheque in the post or by making automated payments.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



### Making repayments

- 2D.3** When you make repayments on your credit card, we will apply your repayments to the most expensive parts of the credit card balance first. When allocating your repayments, we will apply them to, at least, the transactions on your statement.
- 2D.4** If you have a fixed-sum credit plan agreement within your credit card, the payments on this plan will be paid off first. Any extra payment you make will then repay the amounts on your statement with the highest interest rate first.

### Minimum repayments<sup>6</sup>

- 2D.5** If you took out your credit card after 31 March 2011, the minimum amount you will have to pay back each month will cover at least:
- 1% of the amount outstanding on your statement less the current month's interest and fees (but not fees for services such as balance transfers or cash advances);
  - the amount of interest set out on the statement;
  - any default fees and charges; and
  - any annual fee which may be charged (whether as a single sum, in 12 equal instalments or another method).

We will also follow the industry agreement developed by the FLA and the UK Cards Association under which we will contact you if you have, without good reason, made frequent minimum or low payments.

### Credit limit changes

- 2D.6** At any time, you may:
- ask for a lower credit limit;
  - refuse any credit limit increase we may offer to you;
  - tell us that you do not want to have a credit limit increase at all in the future; and
  - ask for a credit limit increase.

<sup>6</sup> Where a card lender applies interest for a period which covers more than one month (for example, in the case of a buy now, pay later agreement, or where interest is backdated on the expiry of a balance transfer deal), the level of the interest component within the minimum payment for any month should be proportionate to the period over which the lender accrues the interest.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



If you exercise any of these rights, it will not prevent you from asking for a credit limit increase at a later date.

**2D.7** If you want to ask for a lower credit limit or refuse a higher credit limit, we will make it as easy as possible for you to do so by offering you automated forms of communication (such as online or an automated telephone system) or you can speak to us direct.

**2D.8** Before we increase your credit limit on your credit card, we will undertake a sound and proper credit assessment in the ways outlined in section 5.

**2D.9** If we want to give you an increase to your credit limit and you have not asked us for this, we will always give you at least 30 days' notice of this increase. We will send this notice to you separately from your statement and it will include the following information:

- the current credit limit;
- the new increased credit limit;
- that you have the right to reject the credit limit increase and how you can do this; and
- that we will not treat you any differently if you decide to reject the credit limit increase.

If you need a temporary or emergency credit limit increase, we will not give you this notice.

**2D.10** From time to time, we will review your credit limit using, for example credit reference agency (CRA) data and information we have on how you have managed your account. If we reduce your credit limit, we will notify you and let you know how you can contact us if you want to discuss any concerns you have about your credit card.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



### Automated payments

**2D.11** We will provide you with online capability to set up an automated payment (which is not lower than the minimum payment and not higher than the full payment) to reduce what you owe. For example, you could send this instruction by email if we have already agreed to receive instructions in this way.

### Interest rate increases

**2D.12** We will always give you at least 30 days' notice before making interest rate increases and the notice will include the following information:

- the current interest rate;
- the new increased interest rate;
- an indication of the impact of the increase using a generic or personalised example;
- that you can reject (within the 60 days set out in the notice) the increased interest rate and pay off what you owe at the current interest rate. We will remind you during the 60 days that you can do this and this reminder may be included on or with your statement. The notice will make it clear if the 60 day rejection period runs at the same time as the 30 day notice period.

If we offer alternative lending products, we may also provide you with the option to transfer what you owe to such a product at the existing (or lower) rate of interest.

**2D.13** If the interest rate increase will apply to all our customers (general re-pricing), the notice may be sent at the same time we send your statement. If the interest rate increase will only apply to some of our customers (risk-based re-pricing), the notice will be sent separately from your statement. If you ask, we will explain why the interest rate is being increased and provide you with an explanation of how credit card re-pricing works.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



**2D.14** If you reject the interest rate increase;

- we will close your credit card account; and
- you can pay off what you owe at the existing rate of interest over a reasonable period which we will agree with you.

#### **Selecting accounts for interest rate increases**

**2D.15** If you have complied with the terms and conditions of your account, we will not increase your interest rate:

- within the first 12 months of you having the credit card (for risk-based re-pricing) or
- more often than 6 monthly, other than in exceptional circumstances (for risk-based re-pricing and general re-pricing).

**2D.16** We will not increase your interest rate if we are aware that:

- you have currently missed two or more payments;
- we have agreed a repayment plan; or
- you are in serious discussion with a debt-counselling organisation and they have told us this.

We will comply with the industry's Statement of Principles on Credit and Store Card Re-Pricing. A copy can be found at [www.lendingcode.org.uk](http://www.lendingcode.org.uk).

**2D.17** We will make current credit card interest rates available via at least one of the following:

- A telephone helpline
- A website
- Notices in branches or stores; or
- By asking staff



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



## Statements

**2D.18** 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.19** 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.20** 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 allocation of 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

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



- 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.21** We will make sure your minimum repayment covers more than that month's interest.

**2D.22** 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.23** 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.24** We will send your PIN (personal identification number) to you alone and we will send it separately from your card.

**2D.25** 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.26** 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.27** 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 with gross negligence.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



**2D.28** 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, unless we can show you have acted fraudulently or with gross negligence.

**2D.29** Unless we can show that you have acted fraudulently or with gross negligence, 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;
- if someone else uses your card details without your permission for a transaction where the cardholder does not need to be present;
- if someone else uses your card details without your permission and the card has not been lost or stolen;
- 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. This will only apply if your account has been wrongly debited; 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 PIN, password and selected personal information.

**2D.30** 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).

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT





## Credit card cheques

### 2D.31 We will:

- only provide credit card cheques if you ask us to;
- ask for a separate request from you each time credit card cheques are required; and
- limit the number of cheques provided on each occasion to three, or if less, the number you have requested.

### 2D.32 Each time we send you credit card cheques, we will tell you:

- the fee for each cheque,
- whether there is an interest free period and that credit card cheques do not provide the same level of consumer protection compared to using a credit card.

### 2D.33 We will not send you credit card cheques if:

- you are in arrears or over your credit limit;
- you have limited scope to borrow more or you are at your credit limit;
- you have opted out of receiving them; and
- there may have been a fraud carried out on your card or it has been lost or stolen.

### 2D.33 We will not send you credit card cheques with a pre-completed amount.

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.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



# 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 section also covers short-term loans which allow you to borrow a small amount of money over a short period of time.

This does not include revolving credit loans (see section 2G).

## Statements<sup>7</sup>

- 2E.1** 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.2** If your statement has an entry which seems to be wrong, you should tell us as soon as possible so we can sort it out.

## Secured personal loans

Sections 2E.3 and 2E.4 apply only if your agreement is for a loan secured on your home.

- 2E.3** We will comply with the Office of Fair Trading's guidance on Second Charge Lending and the Pre-Action Protocol for Possession Claims 2011. A copy of these documents can be found at [www.lendingcode.org.uk](http://www.lendingcode.org.uk).
- 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.

<sup>7</sup> This section will apply to personal loans to purchase a motor vehicle from 1 June 2012.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



### 'Buy now pay later' schemes

Sections 2E.6 and 2E.7 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); or
- home improvements – in which case the start date for repayments will not be more than 12 months from the date the work is completed.
- 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;

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



- 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).

### Short Term Loans

**2E.9** We will tell you the total cost of your short-term loan (including fees and charges) before you apply. This will be clearly displayed in addition to the Annual Percentage Rate.

**2E.10** Before completing an application, we will remind you that short-term loans should be used for short-term financial needs and not for long-term borrowing.

**2E.11** We will:

- not encourage you to extend the amount you owe for another term or promote extensions to the term of your loan;
- only consider extending the term of your loan if you ask us to and after we have carried out a sound and proper credit assessment;
- clearly explain any additional cost of extending the term of your loan and require you to repay any fees, charges and interest before the term of your loan is extended; and
- limit the number of times you can extend the term of your loan to a maximum of three occasions.

**2E.12** We will tell you the full name of our company providing the loan.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



## Guarantees

**2E.13** If we accept a guarantee or other security from someone for your liabilities (legal responsibilities under the agreement), we may, with your consent, 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 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.



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



## 2F Variable rate loans

This section will apply to you if your agreement is for a variable rate personal 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** 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.1) 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.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).

**2F.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.

### INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

### GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

### SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

### GLOSSARY OF TERMS

### HELPFUL INFORMATION

### CREDIT ASSESSMENT



## Guarantees

**2F.4** If we accept a guarantee or other security from someone for your liabilities (legal responsibilities under the agreement), we may, with your consent, 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 account;
- **section 2A** for commitments relating to any goods and services you may 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.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



# 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, for example, when buying from a catalogue or home shopping).

- 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.
- 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 (where applicable):
- 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);

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT





- 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, with your consent, provide information about your loan to the person giving the guarantee or other security, or to their legal adviser. We will also:

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



- 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 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.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



# 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 insurance products).

- 2H.1** 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.2** The dealer will also ask you to show them your driving licence. If your driving licence is a photocard licence, the dealer may ask to see the counterpart too. The security features of your driving licence will be checked manually or electronically in the showroom to verify its authenticity. A copy of your driving licence may be kept by the lender as part of your application. In the same way that many shops check whether banknotes are valid using a UV lamp, so the dealer may 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.

## Statements

- 2H.3** To help you manage your account and check entries on it, we will send you 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.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.



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



## Guarantees

**2H.5** If we accept a guarantee or other security from someone for your liabilities (legal responsibilities under the agreement), we may, with your consent, 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.

**2H.6** If at any point we need to repossess the vehicle due to non-payment, we will use professional agents who have agreed to comply with the FLA Code of Conduct on Vehicle Recovery.<sup>8</sup>

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.

<sup>8</sup> This paragraph will come into force from 1 June 2012.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



## 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 (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 fit and proper, able and regulated by the 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 to, or who fails to act honestly or in line with this Code; and
  - report any known relevant criminal conviction of any broker who is not fit and proper, able and regulated by the FSA.
- 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.



### INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

### GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

### SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

### GLOSSARY OF TERMS

### HELPFUL INFORMATION

### CREDIT ASSESSMENT



### Running your account

- 21.5** We will give you a schedule of repayments at the start of the loan.
- 21.6** 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.
- 21.7** 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.



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



## 2J Payment protection insurance (PPI) and guaranteed asset protection insurance (GAP)

This section applies to you if you have bought payment protection insurance (for example, to cover some or all of your payments if you become sick or unemployed) or guaranteed asset protection 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 (for contact details see Helpful Information, section 4).
- 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.

### INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

### GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

### SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

### GLOSSARY OF TERMS

### HELPFUL INFORMATION

### CREDIT ASSESSMENT



# 3.

## Glossary of terms

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

### INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

### GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

### SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

### GLOSSARY OF TERMS

### HELPFUL INFORMATION

### CREDIT ASSESSMENT





### Agreement

A credit, hire or lease agreement with a member of the 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 a different but an equivalent format. 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 the FLA (or arranged by an FLA member as part of a lending exchange), other than for business purposes, regardless of the amount.

### Consumer Credit Act 1974

The Consumer Credit Act 1974 (as amended).

### 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 brokers are defined in section 145(2) of the Consumer Credit Act 1974.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

1A Key commitments

1B Information and marketing

1C Lending you money

1D Difficulties in paying

1E Complaints

1F Monitoring and compliance

1G Data protection and confidentiality

## SPECIFIC COMMITMENTS

2A Suppliers of goods and services

2B Brokers

2C Store cards

2D Credit cards

2E Personal loans - secured and unsecured

2F Variable interest rate loans

2G Revolving credit loans

2H Motor finance loans

2I Loans to pay insurance premiums

2J Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



### **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 lenders 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 the FLA or 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.

### **Fixed-sum credit plan agreement**

For example, an instalment loan on a store or credit card under which the consumer undertakes to pay regular fixed instalments over a certain period.

### **Guaranteed asset protection insurance (GAP)**

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. In some cases, GAP insurance might cover the actual amount on the original invoice to buy the vehicle.



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



### 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 (PPI)

PPI covers some or all of the loan payments when one or more of the following occurs:

- Accident or sickness
- Unemployment
- Redundancy
- Death

The main benefits, exclusions and eligibility conditions will vary.

### Priority Debts

A debt where your failure to pay could lead to the loss of one or more of the following:

- Your home (eg, rent, mortgage, secured loans)
- Your liberty (eg, council tax, child support maintenance, income tax, court fines);
- Your utility supplies (eg, water, gas, electricity); or
- Your essential goods or services (eg, a cooker, a fridge or the means to travel to work.

### Guarantee

A promise given by a person called the 'guarantor' to pay your debts if you do not pay them.

### Interest-option products

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

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

1A Key commitments

1B Information and marketing

1C Lending you money

1D Difficulties in paying

1E Complaints

1F Monitoring and compliance

1G Data protection and confidentiality

## SPECIFIC COMMITMENTS

2A Suppliers of goods and services

2B Brokers

2C Store cards

2D Credit cards

2E Personal loans - secured and unsecured

2F Variable interest rate loans

2G Revolving credit loans

2H Motor finance loans

2I Loans to pay insurance premiums

2J Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



## Loan

A type of finance provided by FLA members which includes:

- store cards;
- credit cards;
- personal loans (including secured, unsecured and short-term 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 the FLA. You can get a list of these from the FLA, or see the website [www.lendingcode.org.uk](http://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 you 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 you to use in confirming your e-mail or home address.

## Revolving credit

An agreement where you can continue to receive cash, goods or services, up to an agreed credit limit, as long as you keep up repayments.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



### Security

A word used to describe valuable assets such as property described in title deeds, shares, life policies and so on which are 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.

### Self-Help

If you are in financial difficulties, a self-help approach would include you suggesting a repayment plan to us or working with a money adviser to use the CASHflow assisted self-help process.

### Short-term loan

An agreement where you can borrow a small amount of money (usually between £50 and £800) and repay the loan over a short period (typically one or two months).

### Store Card

A card which can be used to buy goods on credit from a particular store or group of stores. They may include a range of payment options including (but not limited to) buy now pay later and fixed payment plans.

### Writing, written

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

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

1A Key commitments

1B Information and marketing

1C Lending you money

1D Difficulties in paying

1E Complaints

1F Monitoring and compliance

1G Data protection and confidentiality

## SPECIFIC COMMITMENTS

2A Suppliers of goods and services

2B Brokers

2C Store cards

2D Credit cards

2E Personal loans - secured and unsecured

2F Variable interest rate loans

2G Revolving credit loans

2H Motor finance loans

2I Loans to pay insurance premiums

2J Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

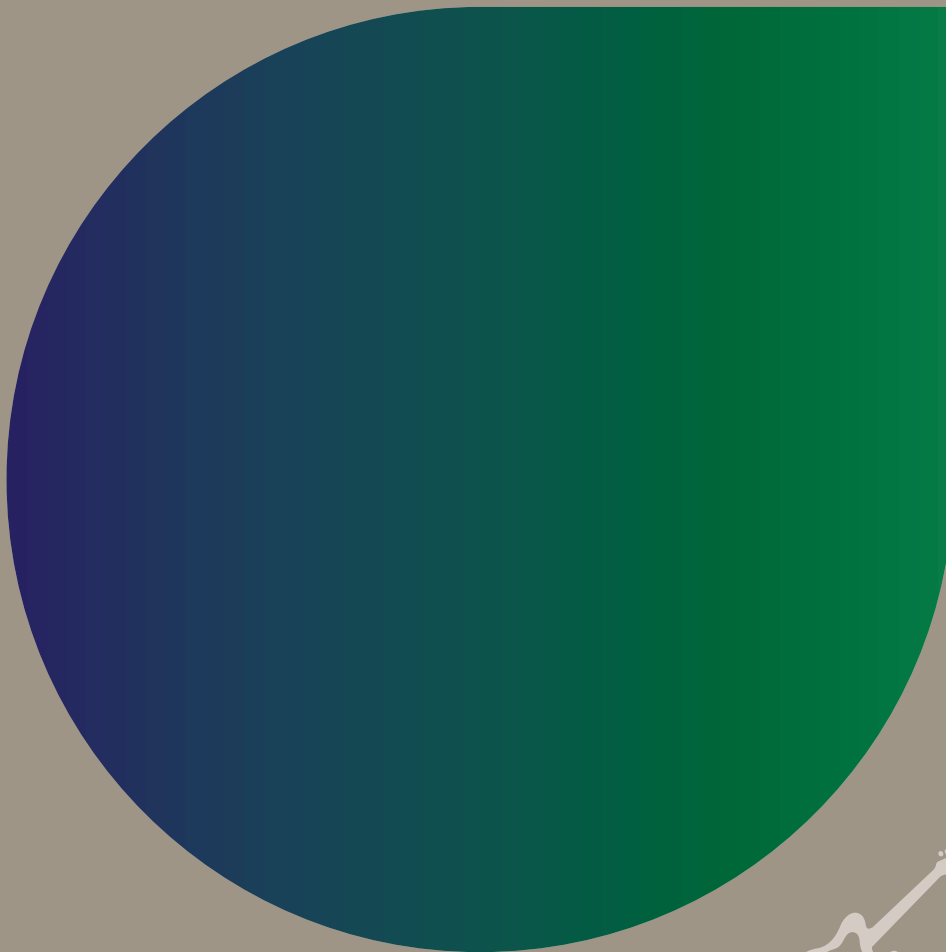
## HELPFUL INFORMATION

## CREDIT ASSESSMENT



# 4.

## Helpful information



### INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

### GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

### SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

### GLOSSARY OF TERMS

### HELPFUL INFORMATION

### CREDIT ASSESSMENT



### Copies of the FLA Lending Code

We will make copies of this Code available to you if you ask. You can also get copies from the FLA at [www.lendingcode.org.uk](http://www.lendingcode.org.uk).

### Other rules and codes of practice

You can get copies of:

- the UK Code of Non-broadcast Advertising, Sales Promotions and Direct Marketing, and the UK Code of Broadcast Advertising from the Advertising Standards Authority on 020 7492 2222 ([www.asa.org.uk](http://www.asa.org.uk)); and
- the Credit Services Association (CSA) Code on debt collection from the Credit Services Association on 0191 286 5656 ([www.csa-uk.com](http://www.csa-uk.com)).

### Financial Services Authority consumer helpline - 0845 606 1234.

Call charges may vary.

**Office of Fair Trading – 08457 22 44 99** Debt Collection guidelines are available at [www.oft.gov.uk](http://www.oft.gov.uk).

### FLA Business Finance Code - [www.fla.org.uk/business](http://www.fla.org.uk/business)

### 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](http://www.citizensadvice.org.uk).
- Call National Debtline on 0808 808 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 Advice4Debt Northern Ireland 0800 917 4607.
- Call Advice UK on 020 7469 5700.



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



- The Trading Standards Department of your local council (also known as the Consumer Protection Department). You can find their details in the Yellow Pages under the heading 'Consumer organisations'.
- If you are a student, contact the Student Welfare Officer at your students' union.

### 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. You can also order copies by going onto the credit reference agencies' websites. We will tell you which agency we use.

Callcredit plc  
Consumer Services  
Team  
PO Box 491  
Leeds  
LS3 1WZ  
[www.callcredit.co.uk](http://www.callcredit.co.uk)

Equifax  
Credit File Advice  
Centre  
PO Box 1140  
Bradford  
BD1 5US  
[www.equifax.co.uk](http://www.equifax.co.uk)

Experian  
Customer Support  
Centre  
PO Box 8000  
Nottingham  
NG80 7WF  
[www.experian.co.uk](http://www.experian.co.uk)

### FLA Leaflets

The FLA publishes a range of leaflets on, for example, money advice, how to repay your loan early and how to understand your credit decision. These are available free of charge (see [www.lendingcode.org.uk](http://www.lendingcode.org.uk)).

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

1A Key commitments

1B Information and marketing

1C Lending you money

1D Difficulties in paying

1E Complaints

1F Monitoring and compliance

1G Data protection and confidentiality

## SPECIFIC COMMITMENTS

2A Suppliers of goods and services

2B Brokers

2C Store cards

2D Credit cards

2E Personal loans - secured and unsecured

2F Variable interest rate loans

2G Revolving credit loans

2H Motor finance loans

2I Loans to pay insurance premiums

2J Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

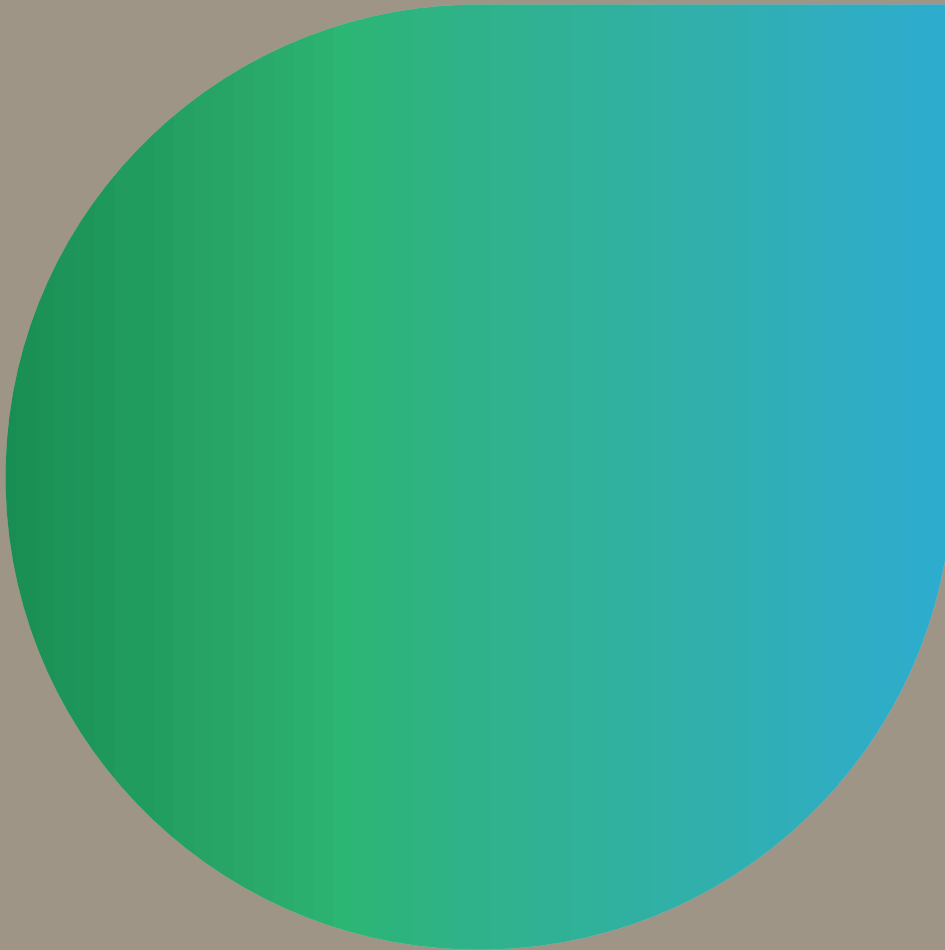
## HELPFUL INFORMATION

## CREDIT ASSESSMENT





# 5. Credit assessment



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection  
and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods  
and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans -  
secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay  
insurance premiums

**2J** Payment protection  
insurance (PPI) and  
guaranteed asset protection  
(GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



As responsible lenders, under this Code (section 1C.1) we must make sure that all loan applications go through a sound and proper credit assessment which assesses your ability to repay your loan in a sustainable manner. This assessment may look at a combination of:

- The type of loan and the amount of credit requested;
- your credit commitments and financial situation;
- 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;
- your personal circumstances and any changes in the future you have told us about;
- 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).

A credit-scoring system generally takes account of information you have given us, any information we may hold about you, and information from 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 follow the industry's Guide to Credit Scoring and provide the required explanations. FLA leaflet 'Your credit decision explained' explains how credit scoring works. You can get copies from us or the FLA.

## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans - secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay insurance premiums

**2J** Payment protection insurance (PPI) and guaranteed asset protection (GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT



## Finance & Leasing Association

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## INTRODUCTION

About the FLA

Legal requirements

How we can help

Contact details

## GENERAL COMMITMENTS

**1A** Key commitments

**1B** Information and marketing

**1C** Lending you money

**1D** Difficulties in paying

**1E** Complaints

**1F** Monitoring and compliance

**1G** Data protection  
and confidentiality

## SPECIFIC COMMITMENTS

**2A** Suppliers of goods  
and services

**2B** Brokers

**2C** Store cards

**2D** Credit cards

**2E** Personal loans -  
secured and unsecured

**2F** Variable interest rate loans

**2G** Revolving credit loans

**2H** Motor finance loans

**2I** Loans to pay  
insurance premiums

**2J** Payment protection  
insurance (PPI) and  
guaranteed asset protection  
(GAP) insurance

## GLOSSARY OF TERMS

## HELPFUL INFORMATION

## CREDIT ASSESSMENT