



Guide to the new consumer lending regulations

Barclays Partner Finance

January 2011

How to read this document

This presentation provides a high level overview of the regulatory changes.

Partner Finance

Guide to the New Consumer Lending Regulations

Additional Information

What are the new regulations?

With the objective of enhancing existing **consumer rights** and **bolstering consumer confidence** in the consumer credit market, a new consumer credit protection framework is being introduced. Complying with these regulations will provide an opportunity to embrace consumer protection and **lend more successfully**. The regulatory changes are driven by a number of initiatives:

- **Consumer Credit Directive (CCD)** – A European Union directive that is implemented in the UK and aims to increase consumer protection in the credit market. This must be complied with by 31st January 2011.
- **Irresponsible Lending Guidance (ILG)** – A document written by the Office of Fair Trading (OFT) containing over 150 guidelines addressing deceitful, oppressive, otherwise unfair or improper business practices. These new guidelines are already in effect.
- **Consumer White Paper for Store and Credit Cards** – Provides additional requirements for store and credit card product providers. This will be in effect by 31st December 2010.

Barclays Partner Finance will introduce new CCD compliant lending from **Thursday 20th January 2011**.

See Additional Notes
Page 4-5

For points of reference to the additional notes refer to the navy signpost.

Barclays Partner Finance's commitment

Barclays Partner Finance has a long and proud tradition as a responsible lender. A hallmark of our heritage is our commitment to serving the needs of our customers within the parameters of the applicable regulatory framework.

With this context, one of our priorities is to ensure that our business responds correctly to the recent regulatory changes from the EU's Consumer Credit Directive, the Office of Fair Trading's Irresponsible Lending Guidance and the Department for Business Innovation and Skills' White Paper for Store and Credit Card Lending.

We have reviewed all of the regulations and have chosen our responses to be fair for the customer while making every effort to minimise the impact on your business. This pack outlines these impacts and where we need your collaboration to support the spirit of responsible lending.

Please read this pack in order to understand what steps you and your company need to take in order to ensure we can continue to provide finance services to support your business. Please confirm your agreement either by accessing our webform or replying with the enclosed self-addressed envelope.

We look forward to continuing to support your business.

Ronnie Denholm, Managing Director

Content

This document summarises the significant regulatory and process changes that will affect your business from **20th January 2011**.

1. Introduction to the new regulations
 - What are the new regulations?
 - The key themes
2. What the new regulations mean for your business
 - Changes to advertising
 - Changes to the loan application process
 - Further new consumer rights
3. What happens next?
4. Glossary and Knowledge Checker

1. Introduction to the new regulations

What are the new regulations?

With the objective of enhancing existing **consumer rights** and **bolstering consumer confidence** in the consumer credit market, a new consumer credit protection framework is being introduced. Complying with these regulations will provide an opportunity to embrace consumer protection and **lend more successfully**. The regulatory changes are driven by a number of initiatives:

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Page 4-5

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The key themes

The regulations can be broken down into the following key themes:

- Ensure **advertising** is clear and not misleading
- Provide customers with an **adequate explanation** about their credit agreement
- Carry out responsible checks on a **customer's ability** to repay their loan considering affordability and creditworthiness
- Provide more **transparent** post contract information.

2. What the new regulations mean for your business

Changes to advertising

New advertising regulations will be implemented on **1st February 2011** and cannot be implemented before this. This will involve a change to the current advertising of consumer credit **across all advertising channels** such as print, television, radio, internet and telephone.

It is the clients responsibility to adhere to new advertising regulations.

In summary, the new advertising regulations require the following:

- Use of plain and intelligible English
- Being easily legible / clearly audible
- Provide a representative example
- A clear indication that clients work exclusively with either one or more lenders.

The requirement to provide a representative example

If the advert includes interest rates, fees or charges relating to finance, **a representative example** must be provided and cover the following:

- the rate of interest
- any fees or charges
- the total amount of credit
- a representative APR
- the cash price
- any required advanced payment
- the duration of the agreement
- the total amount payable
- the amount of each repayment.

Changes to advertising

Requirement to disclose the extent of independence in advertising

The new regulations require all Barclays Partner Finance clients **to indicate in advertising** and **documentation** the **number of lenders they work with**.

This knowledge ensures customers know how much of the market they have been given access to through a credit intermediary before applying for a loan.

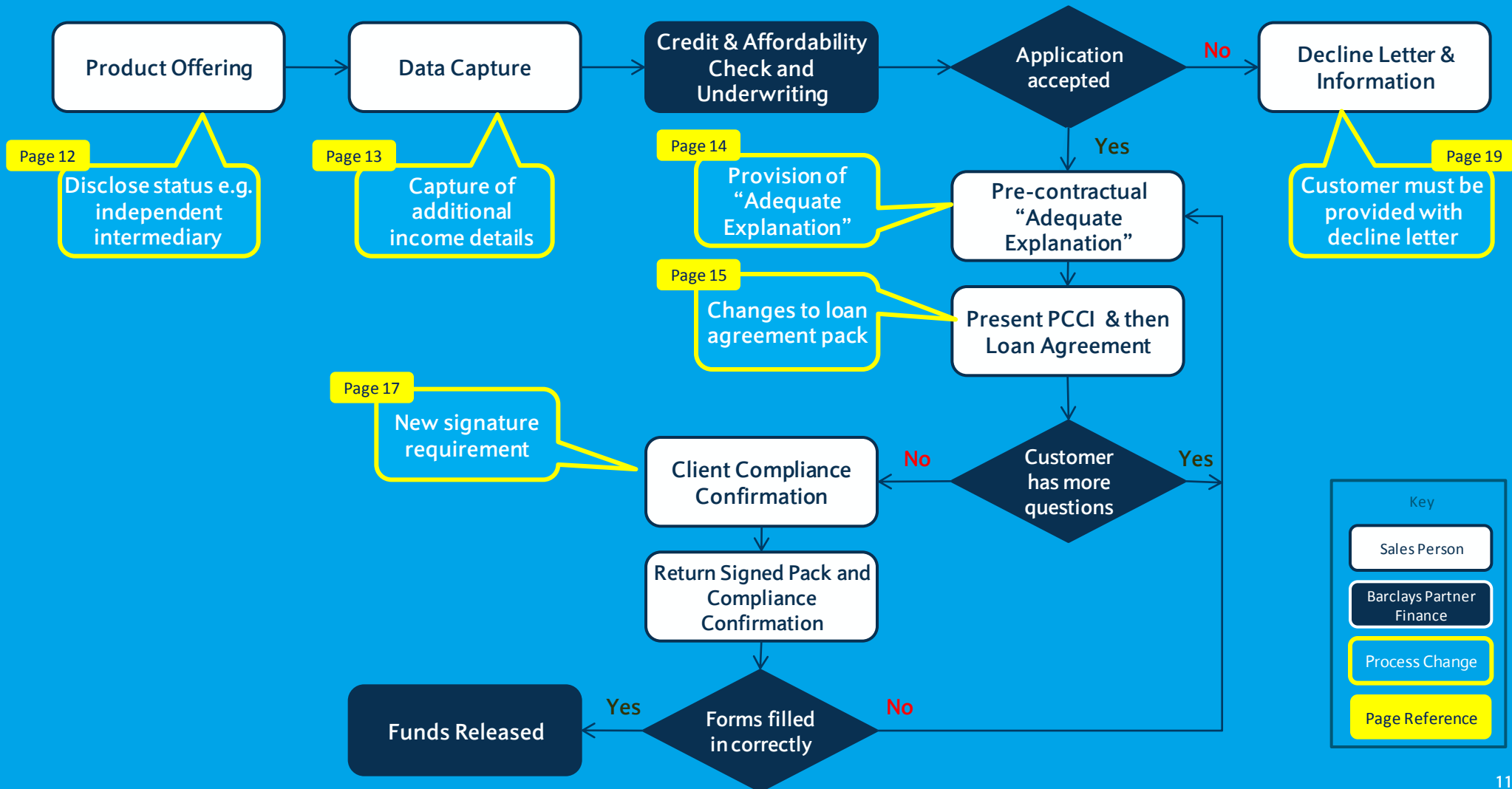
Barclays Partner Finance will be performing monitoring of compliance to ensure this is happening.

Barclays Partner Finance expect all clients to act as credit intermediaries as they work only with a limited number of lenders when providing customers with loan offers.

Please raise any queries about this directly with your Barclays Partner Finance Sales Manager.

See Additional
Notes Page 6-10

Changes to the loan application process



Obligations before product offering

Requirement to disclose the extent of independence in product documents

As credit intermediaries all Barclays Partner Finance Clients must **disclose the number of lenders they work with**.

This must occur in at least one piece of **credit product documentation** for customers prior to the loan application.

Barclays Partner Finance expect all clients to act as credit intermediaries as they work only with a limited number of lenders when providing customers with loan offers.

See Additional
Notes Page 17-18

Requirement not to charge customers any credit fees

You must not charge the customer any fee for your services related to the provision of credit.

Requirement to be named in PCCI and Terms and Conditions

Barclays Partner Finance will include your name and address in the Pre-Contract Credit Information (PCCI) and also in the customer's terms and conditions.

Failure to comply with this could lead to the loan agreement being unenforceable without a court order.

Changes to data capture

All lenders must get a **better understanding of the customer's ability to afford the loan** before approving their application.

Barclays Partner Finance is committed to responsible lending and will continue to use numerous **tools** including **external** (such as credit reference agencies), **internal** (past loan performance) and **customer data** (such as employment status and income) to support our decisions. The level of information required will be appropriate to the lending requested.

Barclays Partner Finance will expect you to collect the customer's income

- There will be a 'Gross Annual income' field on all new loan applications
- It will be mandatory to fill in this field for loan values over an agreed threshold, if it is not filled in the loan application **will not progress through the system.**

See Additional Notes
Page 16

The applied loan threshold will be specific to your business as advised by your BPF Sales Manager.

Rental cost should be captured if a customer identifies themselves as a tenant

- On the system the new field 'Monthly Rent Payment' will only display if the Residential Status is 'Tenant'
- The new field will be rolled out in stages through different channels.

Adequate explanation

Customers must receive a product specific “adequate explanation” about their loan before they sign the credit agreement. This is a **new step** in the loan application process.

Key points covered

- How much the customer will have to pay
- Where the total amount to be paid can be found in the agreement
- The features of the agreement which may make the credit unsuitable for particular types of use
- The features of the agreement which may have an adverse effect on the customer
- Consequences of failing to make the right payments at the right times
- How and when the ‘right to withdraw’ can be exercised and what the effects are.

How to provide this

- Use the sheet “**Important Information About Your Loan**” as a guide
- This new sheet will contain product specific information
- **Explanation should be given verbally and be easy to understand**
- The customer must be present and their requirements taken into account
- Encourage the customer to consider the information provided
- Offer a copy for the customer to take away
- You must give the customer the opportunity to ask questions about the proposed credit agreement
- Be sure that the **customer has understood the agreement** they are signing up to.

See Additional
Notes Page 10-12

Changes to the loan agreement pack

Barclays Partner Finance's loan agreement pack will change to ensure compliance with the new regulations. The new loan application pack will include:

Important Information about your Loan (Adequate explanation)

Pre-Contract-Credit Information (PCCI)


Revised Loan Agreement

Client Compliance Confirmation

- The revised loan agreement pack will be available through the usual channels from 20th January 2011. Your Barclays Partner Finance Sales Manager can provide more information.
- This will supersede the current agreement pack and is the only pack that should be used.
- The pack will be tailored to the financial product being sold.

Revised pre-contractual information

The revised Pre Contract Credit Information (PCCI) will be based on the Standard European Consumer Credit Information (SECCI) and contain **information specific to the financial product** being offered.

 Pre-Contract Credit Information (Standard European Consumer Credit Information)	
1. Contact details	
Creditor Address Telephone number(s) Web address	Citicredit Finance Services Limited, trading as Barclays Partner Finance Barclays Partner Finance, PO Box 2501, Cardiff CF22 0FF 0344 211 2000 www.barclayspartnerfinance.com
Credit intermediary	[insert name]
Address	[insert address]
Credit intermediary	[insert name]
Address	[insert address]
2. Key features of the credit product	
The type of credit:	Loan
The total amount of credit: <small>(This means the amount of credit to be provided under the proposed credit agreement or the credit limit).</small>	[insert Amount of Credit]
<small>Financing and other credit should be provided.</small>	You must pay the advance payment shown on the credit agreement to the supplier before we provide the credit. You will provide the credit by paying the total amount of credit to the supplier in payment or partial payment of the cash price of the goods/services shown below. We will do so as soon as you have signed the credit agreement or at such later time as the supplier has accepted the goods/services to you.
The duration of the credit agreement:	From the date of the credit agreement until the last monthly repayment is payable which is () months or, if you have opted to take GAP insurance, () months in each case commencing on the date we advance the credit.
Repayments:	You will pay one monthly repayment of () followed by () monthly repayments of () followed by one final monthly repayment of () . If you have opted to take GAP insurance you will make one further payment of () .
The total amount you will have to pay: <small>This means the amount you have borrowed plus interest and other costs.</small>	[insert Total Amount Payable]
The proposed credit will be used to the supply of specific goods or the provision of a service.	[insert make and model of goods]
Description of goods/services:	[insert make and model of goods]
Cash price:	[insert price of goods]
3. Costs of the credit	
The rates of interest which apply to the credit agreement:	[insert interest rate]
Annual Percentage Rate of Charge (APRC): <small>This is the total cost expressed as an annual percentage of the total amount of credit. The APRC is there to help you compare different offers.</small>	[insert APRC]
Special offers:	
Any other costs deriving from the credit agreement:	If you exercise the right to change the date on which your repayments are due you will pay interest for the period by which a repayment is postponed and our fee of £10.00. If you use a repay in both and wish to change the date on which you make

The PCCI contains 5 sections:

- Contact details
- Key features of the credit product
- Cost of the credit
- Other important legal aspects
- Additional information in case of distance marketing of financial services.

How to provide the PCCI:

- **The completed PCCI must be provided before the customer signs the credit agreement**
- The customer must be given the opportunity to take the PCCI away in order to compare alternative loan offers
- If the customer wishes to proceed straight to the conclusion of the agreement they can.

See Additional Notes
Page 12- 13

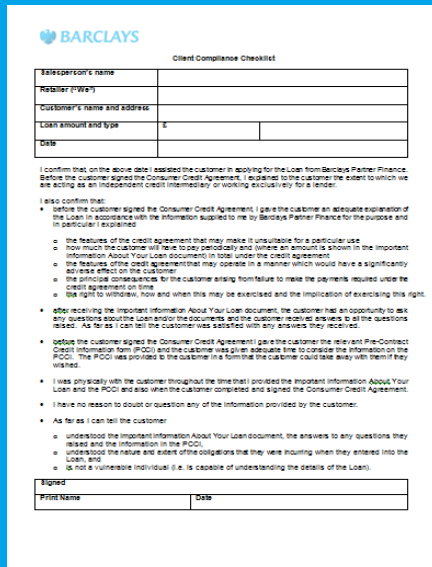
Client compliance confirmation

For each credit application that you send to Barclays Partner Finance you will be required to return a signed Client Compliance Confirmation form.

The client compliance confirmation ...

... details the steps you must have completed before the customer signs the credit agreement:

- Provided Adequate Explanation by using the form “Important Information about your Loan”
- Given customer the PCCI to take away
- Given customer the opportunity to ask questions about the loan agreement and provided satisfactory answers
- Provided customer with details to contact Barclays Partner Finance for further information and explanation
- Confirmed that the customer does not expect any change to their circumstances that will adversely affect their ability to make repayments to the loan



BARCLAYS
Client Compliance Checklist

Salesperson's name	
Salesperson's role	
Customer's name and address	
Loan amount and type	
Date	

I confirm that on the above date I assisted the customer in applying for the Loan from Barclays Partner Finance. Before the customer signed the Consumer Credit Agreement, I explained to the customer the extent to which we are acting as an independent credit intermediary or working exclusively for a lender.

I also confirm that:

- before the customer signed the Consumer Credit Agreement I gave the customer an adequate explanation of the Loan in accordance with the information supplied to me by Barclays Partner Finance for the purpose and in particular I explained:
 - the features of the credit agreement that may make it unsuitable for a particular use
 - how much the customer will have to pay periodically and (where an amount is shown in the Important Information About Your Loan document) in total under the credit agreement
 - the features of the credit agreement that may operate in a manner which would have a significantly adverse effect on the customer
 - the principal consequences for the customer arising from failure to make the payments required under the credit agreement on time
 - the right to withdraw, how and when this may be exercised and the implication of exercising this right.
- after receiving the Important Information About Your Loan document, the customer had an opportunity to ask any questions about the loan and the documents, and the customer received replies to all the questions raised. As far as I can tell the customer was satisfied with any answers they received.
- before the customer signed the Consumer Credit Agreement I gave the customer the relevant Pre-Contract Credit Information form (PCCI) and the customer was given adequate time to consider the information on the PCCI. The PCCI was provided to the customer in a form that the customer could take away with them if they wished.
- I was physically with the customer throughout the time that I provided the Important Information About Your Loan and the PCCI and also when the customer completed and signed the Consumer Credit Agreement.
- I have no reason to doubt or question any of the information provided by the customer.
- As far as I can tell the customer:
 - understood the important information about your loan document, the answers to any questions they raised and the information in the PCCI;
 - understood the nature and extent of the obligations that they were incurring when they entered into the Loan; and
 - is not a vulnerable individual (i.e. is capable of understanding the details of the Loan).

Signed	
Print Name	Date

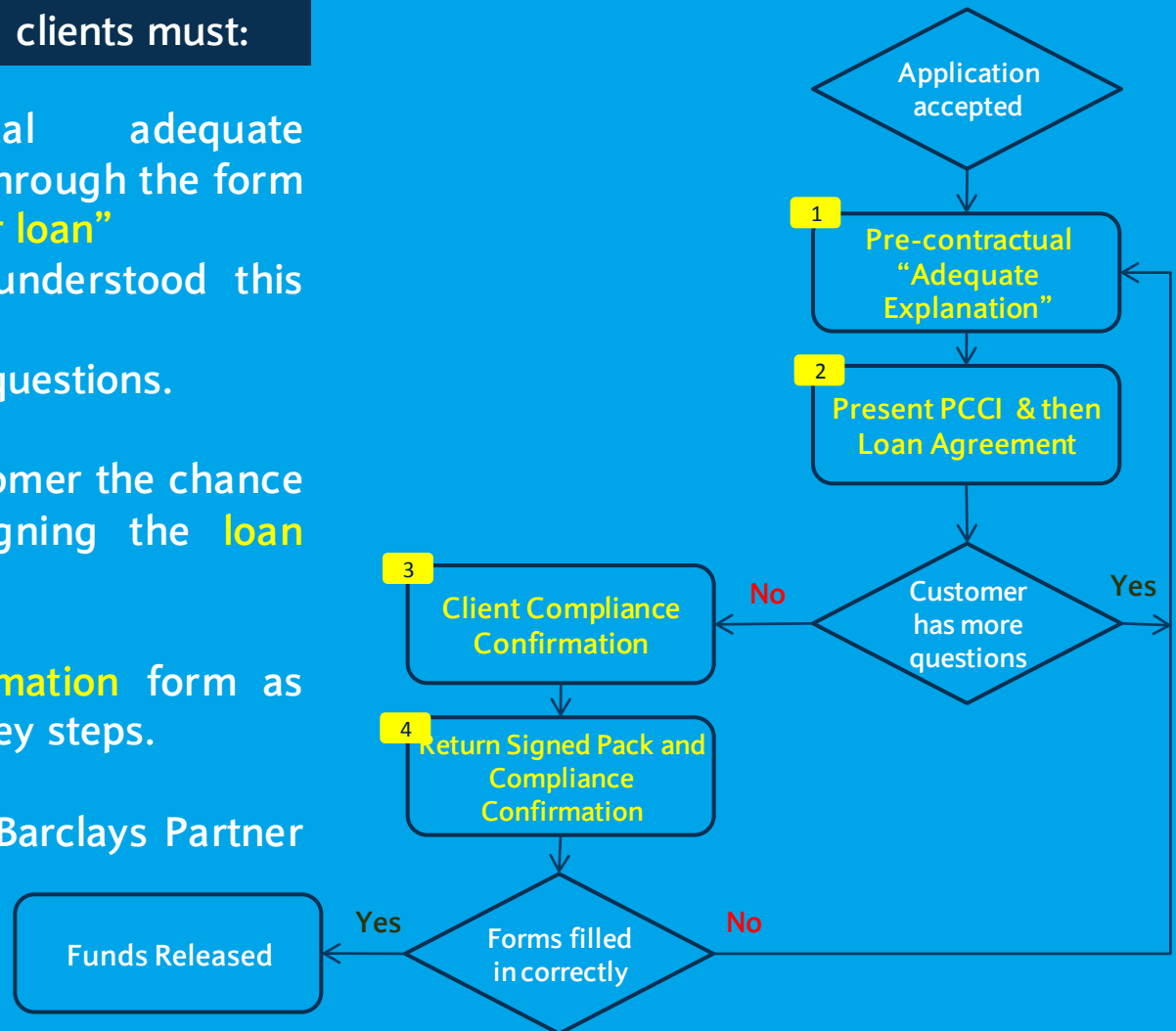
See Additional Notes
Page 10-12

... confirms that you have taken those steps
 ... must be signed by the salesperson
 ... must be sent to Barclays Partner Finance as part of the customer agreement pack.

Compliance confirmation – summary

In order to fulfil a loan application clients must:

- 1 • Verbally provide pre-contractual adequate explanation by talking customer through the form “**Important Information about your loan**”
 - Ensure that the customer has understood this information
 - Provide answers to any customer questions.
- 2 Present the **PCCI** and give the customer the chance to walk away with it before signing the **loan agreement**.
- 3 Sign the **client compliance confirmation** form as proof that you have completed the key steps.
- 4 Send the completed documents to Barclays Partner Finance.



Decline letter and information

If Barclays Partner Finance declines an application for credit wholly or partly on the basis of information received from a **credit reference agency (CRA)** then, at the same time as the consumer is told their application has been declined, they must be provided with the contact details of the relevant credit reference agency.

- When Barclays Partner Finance informs you that a consumers application for credit has been declined, and that decline is based on information obtained from a CRA, then we will also provide you with a letter for the consumer explaining that the decline is based on information from the relevant CRA.
- **This decline letter must be passed on to the customer** explaining their application has been declined; they will also be given the contact details of the CRA within the letter.

Further new consumer rights

There are also changes to the consumer rights during the lifetime of the loan.

14 day right to withdrawal

- This refers to the **right to withdraw from the credit agreement**, not the purchase of the product. The customer should therefore be directed to Barclays Partner Finance where his request for withdrawal will be processed.
- The customer can inform Barclays Partner Finance of their decision to withdraw **within 14 days from the day** after agreeing to the loan
- Customers must deal directly with Barclays Partner Finance to arrange repayment of the credit and interest due
- The usual commission retrieval process may apply.

Right to make partial early repayments

- New customer right to make any number of partial early repayments during the credit agreement
- Customers must deal directly with Barclays Partner Finance to arrange this and provide them with additional information
- Commission retrieval may apply.

3. What happens next?

Next steps ...

1. Please ensure you understand this pack and the accompanying notes and refer any questions to your Barclays Partner Finance Sales Manager
2. By **17th December 2010** you must respond to this pack in one of the following ways:
 - a. Log onto www.barclays-partnerfinance.com/lendingregulations.aspx and fill in the web form email
 - b. Place the wording of the enclosed confirmation note in an email and send to: lendingregs@barclays-loans.com
 - c. Complete and sign the confirmation note that is sent with this pack, place in the prepaid envelope and return to Barclays Partner Finance.
Please do not respond by fax.

You must confirm that you have accepted and understood this pack on behalf of your company in order to continue submitting customer loan applications to Barclays Partner Finance.

3. Please ensure the content has been distributed to relevant colleagues in your business or company.
4. From **Thursday 20th January 2011** all new credit applications must be compliant with the regulatory changes outlined within this document.
5. From **1st February 2011** advertising must adhere to new regulations.

Further Information

- For further information please contact your Barclays Partner Finance Sales Manager or log onto the following website:
www.barclays-partnerfinance.com/lendingregulations.aspx
- A copy of this presentation and the accompanying “Additional Notes” document can be downloaded from the website
- The website contains **frequently asked questions (FAQs)**. These will be **refreshed frequently** and we recommend that you refer to the FAQs on a regular basis for answers to any questions you may have.

4. Glossary and Knowledge Checker

Glossary

Term	Explanation
CCA	Consumer Credit Act – pre cursor to the new CCD regulations.
Client	Barclays Partner Finance business partners that offer their customers Barclays Partner Finance credit products in conjunction with their goods or services.
CRA	Credit Referencing Agency – agency providing centralised credit information
Customer	The term ‘customer’ is used in this document to refer to end-consumers that purchase goods or services from Barclays Partner Finance clients (Business Partners) and apply for credit. If a loan agreement gets concluded, the client’s customer also becomes a customer of Barclays Partner Finance.
PCCI	Pre-Contract Credit Information – prescribed pre-contract information in a designed format which makes it possible to compare credit across different lenders.
SECCI	Standard European Consumer Credit Information – synonymous with the PCCI.
Credit Intermediary	A credit intermediary is someone who carries out certain activities in relation to customers in return for financial consideration from the customer, lender or a third party.
Adequate Explanation	Level of pre-contract information that has to be explained to the customer in person, in order to make the transaction compliant and the customer aware of the agreement they are entering into.

Knowledge checker

Answer Key

- | | | | |
|-----|-------|-----|-----|
| 5.a | 6.a,b | 7.c | 8.b |
| 1.a | 2.a | 3.c | 4.a |

1. What does CCD stand for?

- a. Consumer Credit Directive
- b. Credit Card Dossier
- c. Customer Credit Document

3. What is the consumer white paper?

- a. A legal obligation to treat customer fairly
- b. An FSA initiative to reduce customer interest rates
- c. A framework of rights for credit and store card users

5. What changes will BPF implement to assess customer's ability to afford the loan at an application stage?

- a. The capture of gross income mandatory over agreed thresholds specific to your business
- b. The mandatory capture of net annual income for all loan applications greater than £12,000
- c. Credit reference agencies data must be made available

7. What does PCCI stand for?

- a. Post contract credit agreement
- b. Pre contract cost information
- c. Pre contract credit information

2. What is the Barclays Partner Finance implementation date for the regulatory changes?

- a. 20th January 2011
- b. 24th December 2010
- c. 31st January 2011

4. Why are the new regulations being implemented?

- a. To enhance existing consumer rights and bolster consumer confidence in the finance market
- b. To increase competition in the financial market
- c. To be aligned with the new FSA directives

6. What are the 2 new steps being introduced during the loan application process?

- a. The provision of 'adequate explanation' about the customer's loan
- b. Client compliance confirmation
- c. Credit and affordability check

8. Who needs to sign the client compliance confirmation?

- a. The customer
- b. The sales person of the retailer/ dealer
- c. The Barclays Partner Finance Sales Manager
- d. The Senior Manager of the retailer/ dealer

Knowledge checker

Answer Key

13.c 14.a,c 15.a,b,c 16.b,c
9.b 10.a,b,c 11.a 12.c

9. What does ILG stand for?

- a. International lending guidance
- b. Irresponsible lending guidance
- c. Irresponsible lent guide

11. The 14 day right to withdraw refers to ...

- a. the customer's right to withdraw from the credit agreement
- b. the customer's right to withdraw from the purchase of the goods or services
- c. the customer's right to return the product if unsatisfied

13. What must a customer be provided with if their application is declined on basis of CRA information?

- a. A decline letter with information of his credit score
- b. A verbal explanation of the decline reasons
- c. A decline letter with contact details of the relevant Credit Reference Agency (CRA)

15. What product features should a representative advertising example have?

- a. The total amount of credit
- b. A representative APR
- c. The cash price

10. Which contents are included in the new PCCI?

- a. Customer's contact details
- b. Key features of the credit product
- c. Cost of the credit

12. The PCCI must be presented to the customer at which stage?

- a. After the customer has signed the loan agreement
- b. Before providing the customer with adequate explanation
- c. Before the customer signs the loan application

14. How will you ensure the customer is provided with 'adequate explanations'?

- a. 'Verbally by using the 'important information about your loan' guide
- b. By getting a customer's to sign on the 'adequate explanation guide
- c. By providing the customer with time to raise questions

16. What is the best way to obtain further information when facing difficult customer queries?

- a. Make an educated guess and assumption
- b. Find latest information in regularly updated 'FAQ document' on the dedicated website
- c. Contact your BPF Sales Manager

The content of this pack is intended to provide a general guide to the Consumer Credit Directive and to the changes to the systems and process of Barclays Partner Finance that will be made as a result of the introduction of the Consumer Credit Directive, the OFT's Irresponsible Lending Guidelines and the Consumer White Paper. This pack is provided for the use of clients of Barclays Partner Finance only and may not be relied upon by anyone else. This pack explains the implications for clients of Barclays Partner Finance in respect of their dealings with Barclays Partner Finance as a result of these changes.

The content of this pack should not be regarded as constituting legal advice and clients are advised to seek specific advice on any particular problem or issue.

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