



Partner Finance

Guide to the New Consumer Lending Regulations

Frequently Asked Questions

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The content of this pack is intended to provide answers to frequently asked questions regarding 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.

If your query is not answered by this document please call our dedicated new regulations hotline on **08448 111 644**.

This document is provided for the use of clients of Barclays Partner Finance only and may not be relied upon by anyone else. These questions and answers further explain some of the regulatory and systems implications for clients of Barclays Partner Finance in 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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A. Advertising

1. What will Barclays Partner Finance do to ensure that client's advertising will be compliant with the new lending regulations?

Advertisers are fully responsible for the content of their advertisements. This applies even where the advertisement includes references to third party products – as may be the case when referring to Barclays Partner Finance products. Barclays Partner Finance will be producing additional guidance and examples of adverts that you may wish to use to help you be compliant with the new regulations.

2. The new regulations require all Barclays Partner Finance clients to indicate in advertising and other documents the number of lenders they work with. Is there an expectation that clients display the names or logos of these lenders on all adverts going forward?

It is sufficient to communicate the number of lenders – there is no regulatory requirement to include lenders' names or logos. An example statement could read as follows: "Finance provided from a panel of x lenders."

Other lenders may want you to name them in your advertisements. If this is the case and you also want to name Barclays Partner Finance or if you just want to name Barclays Partner Finance please contact your Barclays Partner Finance Sales Manager.

3. If the credit related advertising that I am booking now will still be running after 1st February does this advertising need to be compliant with the new lending regulations?

Until the 31st January 2011 any credit advertising must be compliant with the current advertising rules - the 2004 Advertising Regulations. Advertising compliant to the new regulations must only be used from the 1st February 2011 onwards. You are not allowed to comply with the new rules (i.e. to use a representative example) prior to 1 February 2011. In practice this means that advertisements featuring credit will need to change overnight on 31 January 2011.

There are limited exceptions that allow some old style advertising to be continued until the end of February 2011 (e.g. in the Yellow Pages).

4. Does credit related advertising that is being booked now but will not be released prior to 1st February 2011 have to be compliant with the new lending regulations?

Yes, all advertising that will be published after 31st January 2011 must adhere to the new advertising regulations – even if this advertising is booked prior to that date.

5. What are the consequences of advertising that is not compliant with the new advertising regulations?

Any non-compliant advertising may be subject to the standard penalties for failure to comply with the advertising regulations. More detailed information about these penalties and advertising-related regulations can be obtained from the Office of Fair Trading and the Advertising Standards Authority.

6. What are the consequences of clients acting as credit intermediaries but not declaring their degree of independence to a customer after 20th January 2011?

The new regulations require all Barclays Partner Finance clients to tell customers the number of lenders they work with in point of sale documentation (from 20th January 2011) and advertising (from 1st February 2011). Point of sale documentation could be for example sales and product brochures, business cards or simple compliment slips.

Failure to comply with this new requirement could result in the customer challenging the fairness of their loan. In addition this would breach your contract with Barclays Partner Finance and if Barclays Partner Finance suffers a loss as a result, it could seek to bring a claim against you.

7. I do not produce any credit product documents prior to providing the customer with the loan application. Where should I disclose the number of lenders I work with?

This declaration can be on any document which is handed to the customer at the point of first discussing credit. Ideally, this would be a document related to credit products however; it could be a business card or compliment slip.

B. Changes to the Loan Application Process

8. Barclays Partner Finance may require clients to obtain details of *monthly rent* as part of the loan application process. In shared properties, is this the amount of rent *contributed by the customer individually* to the total amount of monthly rent or alternatively the *total amount of rent owed according to the flat rental lease*?

The purpose of capturing monthly rent payments is to better understand the customer's disposable income as only this can be used to repay the credit applied for. For this purpose, it is the monthly rent the customer is expected to pay under normal circumstances. In shared properties, this would be the individual monthly contribution as opposed to the total rent payment owed under the tenancy agreement.

9. What is the format of the income field on ICENET (open text field or selection of income bandings)?

There is no change to the income field on ICENET; the exact value of the income must be entered. There is no option to select an income banding.

10. What are clients expected to do if the customer discloses something at the point of sale which may indicate they won't be able to repay their loan without undue difficulty?

Clients must always inform Barclays Partner Finance about any information they obtain from a customer that may have an adverse effect on the customer's ability to afford the credit. This should either happen during the loan application process or at any time after the loan agreement has been signed and such information becomes known.

11. What are the consequences for clients if they submit loan applications without the signed client compliance confirmation form?

All loan applications will be checked by Barclays Partner Finance. Any loan applications that are submitted without a signed client compliance sheet will not be progressed or funded. In these cases, clients will be contacted by the fulfilment team and asked to rectify the situation.

12. Would it make sense to ask the customer to sign and confirm that they have received an adequate explanation about their loan?

Customers cannot be asked to confirm that they have received an adequate explanation as the regulations assume that a customer cannot judge what would make an explanation adequate.

Some lenders may ask clients to sign a confirmation about other aspects of the loan application process however Barclays Partner Finance will not be requiring you to do so.

13. How are clients expected to deal with customers who refuse to provide their annual gross income?

For sales where income capture is mandatory customers must be advised that their loan application cannot be progressed without their annual gross income. It will be mandatory to provide income for loan values over an agreed threshold; if it is not provided the loan application will not proceed. You will be notified of the loan threshold from time to time.

Customers who refuse to provide any income information should be told the reasons the information is needed – for more information please see the following question.

14. How can I improve my customer's understanding of why the details of their income are necessary for their loan application to proceed?

Large loans are a significant financial commitment. Barclays Partner Finance is a

responsible lender and as such where appropriate we will request income.

Capturing income is an important part of assessing if a customer can afford to repay the loan. It is in the customer's own interest to provide this information as it will allow a better assessment of their ability to afford to repay the loan to be made. This may help stop them from taking on debt which they cannot afford.

15. What are the consequences if clients don't ask the customer about their earnings for sales where the income capture is mandatory?

It will be mandatory to provide the annual gross income for loan values over an agreed threshold. If the information is not provided, the loan application will not progress.

16. Do clients need to verify the customer's income?

The client must ensure that customers provide accurate values of their annual gross income. Barclays Partner Finance may request income verification from the customer.

17. The new document "Important Information about Your Loan" covers very similar information to the "Pre-contractual Credit Information" (PCCI). Why are clients required to share with and explain to the customer both documents?

Both documents must be provided to the customer as they serve different purposes.

"Important Information about Your Loan" is to provide the customer with product specific "adequate explanations" about their loan before they sign the credit agreement. This new step in the loan application process is to ensure the customer fully understands key product features.

The PCCI provides basic loan information in a standard format making it easier for the customer to compare the offered loan product with other lending products. All lenders will use this format to provide the standard information to customers.

18. Can clients use the new loan documents when the customer is not present at the point of sale?

Yes, provided that all the relevant stages of the application are completed and this is confirmed by the client completing the Client Compliance Confirmation.

19. Is it required that a sales representative or BPF adviser is present when the customer has to re-sign a revised loan agreement as part of the snagging process?

The new regulations do not require an adviser to be physically with the customer throughout the sales process. If a loan agreement is snagged and

needs to be re-signed this could be for a number of reasons. If for example, incorrect monthly repayments have been included on the agreement. In this circumstance a new agreement can be prepared and sent to the customer through the normal channels.

20. On the PCCI form, there are two boxes labelled 'credit intermediary address'. Under which circumstances would there be two credit intermediaries?

Two credit intermediaries are involved in the sales process in instances where a credit broker 'intermediates' between the retailer and the lender (Barclays Partner Finance). In these instances, if both parties are credit intermediaries, the broker and retailer have to be stated on the PCCI form.

21. How will partial early settlements made by the customer impact the remaining loan arrangements?

If customers make a partial early settlement an interest rebate will be calculated and the total outstanding balance will be reduced. The same monthly repayments will be made over a reduced loan term.

22. What is the minimum age for sales representatives to complete the finance sales process with the customer and sign the newly introduced client compliance confirmation?

The minimum age is 18 years.

23. Is it required that all customers whose loan application is declined by Barclays Partner Finance receive a "decline letter"?

Yes, whenever a loan application is declined the customer must be given a "decline letter" with contact information of the involved credit rating agency and of Barclays Partner Finance. This also applies for cases where the loan application has been submitted to multiple lenders and was successfully accepted by another lender.

24. What is the "decline letter" process?

The decline letter will be available to download from ICENET. It will replace the existing icebreaker letter and can be found under the section "Support Links". This decline letter is suitable for all customers and can be pre-printed and photocopied in preparation. Where possible the application number should be manually added onto the letter before this is handed out to the customer.

25. How should customers be provided with the decline letter in off-trade scenarios where customers are not present at the point of decision?

In this scenario a pre-printed copy can be left with the customer (alongside the signed manual loan agreement). When informing the customer that their application has been declined, clients should refer the customer to the decline letter.

Alternatively, a copy of the decline letter can be sent to the customer by filling in the letter head.

26. What is the purpose of the Client Compliance Confirmation sheet?

The new consumer rights granted under the CCD and elsewhere may allow a dishonest customer to subsequently challenge the enforceability of the loan. For example they may claim that they were not provided with an adequate explanation of the loan before they took it out.

Whilst this risk cannot be eliminated it can be managed. The Client compliance Checklist is designed so that, if challenged by or on behalf of a customer both BPF and our clients can demonstrate that, for a specific loan application, the proper process was followed. This gives maximum protection to all involved. The Checklist is not intended to create a future right of action against the salesperson or our client.

C. New consumer rights

27. What should clients do if a customer wants to withdraw from their loan agreement within the 14 day withdrawal period?

Customers who decide to withdraw from their loan agreement within the 14 day withdrawal period should be asked to contact Barclays Partner Finance customer service department. The right to withdraw from the loan does not give the customer a right to withdraw from the purchase agreement.

The existing cancellation process applies in cases where customers cancel their loan agreement on the grounds of a returned product. In these cases clients have to inform their contacts in Barclays Partner Finance.

28. Will Barclays Partner Finance charge interest to customers who withdraw from the loan agreement within the 14 day withdrawal period?

Barclays Partner Finance reserves the right to charge customers who exercise the right to withdraw from their loan agreement interest.

29. Will Barclays Partner Finance retrieve commissions paid to clients in cases where customers exercise their 14 day right to withdraw from the loan agreement?

Barclays Partner Finance reserves the right to retrieve commissions paid to clients when customers withdraw from their loan agreement within the 14 day withdrawal period. The commission retrieval process will be similar to the currently applied process when customers cancel their loan agreement.

D. Next Steps

30. How can clients check if their note stating that they have read and agreed to the content of the information pack has been received at Barclays Partner Finance?
- Clients can contact their Barclays Partner Finance Sales Manager, Client Service Manager or the Client Service Helpdesk to find out if their acknowledgement note has been received.
31. Some clients hold on to loan agreements that are signed by customers for a certain period before sending it on to Barclays Partner Finance. What is the latest date until which an agreement signed before the 20th January 2011 must be made available to Barclays Partner Finance?
- In these cases clients can submit agreements signed by the customer before the 20th January 2011. The loan will be valid as long as it is signed by the customer prior to the 20th.
32. How can clients order additional copies of the “*Guide to the new consumer lending regulations*” pack?
- Please request additional hardcopies through the normal stationery channels in the client service helpdesk.
Alternatively you can log on to www.barclays-partnerfinance.com/lendingregulations.aspx where you find the complete pack in soft copy.
33. Do clients need to print and retain a copy of the ‘*Important Information about Your Loan*’ and “*Pre-contractual credit information (PCCI)*” for their records or is it sufficient to print one copy for the customer?
- One copy of both documents for the customer is sufficient.
34. Are clients that don’t trade with any Barclays Partner Finance store cards affected by the additional requirements outlined in the “*Consumer White Paper for Store and Credit Cards*”?
- No, the White Paper regulations apply only for clients who trade in store and credit cards.
35. My questions have not been answered here – where do I go for more information?
- If you have read through the above and still have questions please call Barclays Partner Finance’ dedicated new regulations team on **08448 111 644** during usual business hours (Mon-Fri, 9.00-17.00).