

## **Are secured loans treating customers fairly?**

We operate in a world where most customers come to brokers with a “finance” or “credit” problem and are looking for help. They are struggling with “cash flow”, but often have an excess of assets over liabilities. In providing them with assistance and a “plan”, brokers are treating them well and meeting their need – but are they treating them fairly?

Most individuals and firms involved in the marketing, selling and recommendation of secured loan solutions also offer customers the benefits of protection via payment protection insurance. In offering this support, individuals and firms then need to be authorised under the Financial Services and Markets Act 2000, and enjoy regulation by the Financial Services Authority (FSA). In choosing to offer these insurance related services most firms are mindful of the requirements set out in ICOB, the Insurance Conduct of Business rules. However this also brings the responsibilities set out in the wider FSA rules.

Much has been said and written around Treating Customers Fairly, which is one of the eleven principles that must be adhered to by all authorised individuals and/or firms.

There are now two key dates set for all individuals and firms to demonstrate that they are “TCF”. All firms must have an agreed suite of Management Information that they are using to measure their TCF outcomes in place by the end of March 2008. In addition, firms must be able to demonstrate that they have fully embedded TCF into their business practices and operations by the end of 2008. It is essential that all those advising in this area read the recent publications from the FSA on 26 July on TCF Culture and Management Information and the AFB’s new fact sheet on TCF.

The recent fines imposed on Hadenglen and their Chief Executive, give some indication of the lengths firms need to go to in monitoring their TCF MI, although the fines did not cover breaches of the TCF principle. However the fact that the firm were unaware that 95% of all loans were covered by PPI and that 45% of all claims were rejected by the product provider were relevant facts. The lack of any relevant MI to bring these facts to management attention was a key issue in demonstrating a lack of effective control.

MI should be more than complaints data and cover a wide scope of the “operation”. Starting with market and product selection, it should follow the entire sales and servicing process. The data and information should even allow a firm to be able to demonstrate how they select the PPI products they sell.

For those of you struggling to come to terms with this – the new fact sheet available to AFB members on our web-site will help. Ignoring this is not to be recommended as the FSA see this as a key initiative in raising standards across industries.

It is up to each and every individual to be able to demonstrate how they fit into the TCF plan for their company.

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