

Chapter 8

Tools for personal current account customers

8.3 Eligibility tool

Application

- 8.3.1** **R** (1) This section, apart from ■ BCOBS 8.3.2R, applies to a *firm* in relation to a trading name if:
- (a) 70,000 or more personal current accounts are held with the *firm* under that trading name; and
 - (b) the *firm* offers personal current accounts other than excluded accounts under that trading name.
- (2) ■ BCOBS 8.3.2R applies to a *firm* that this chapter applies to: see ■ BCOBS 8.1.4R, ■ BCOBS 8.1.5G and ■ BCOBS 8.1.6G.

- 8.3.2** **R** A *firm* must not publish a tool that purports to perform the function of an eligibility tool as described in ■ BCOBS 8.3.3R(1) unless the *firm* complies with the *rules* in this section as though the *firm* were a *firm* to which this section (apart from this *rule*) applied in respect of that tool.

Publishing an eligibility tool for arranged overdrafts

- 8.3.3** **R** (1) A *firm* must make available a tool that enables a potential *banking customer* to obtain an indication tailored to the individual circumstances of that *banking customer* of the likelihood that the *firm* would offer an arranged overdraft of a particular amount to that *banking customer* if the banking customer opened a personal current account with the *firm* ("the eligibility tool"):
- (a) for each trading name to which this section applies; and
 - (b) beginning on the day one year after the first time 70,000 or more personal current accounts are held with the *firm* under that trading name.
- (2) A *firm* must make the eligibility tool available continuously and in an easily accessible location on the website for each trading name in respect of which this section applies except in the circumstances provided for in (3).
- (3) A *firm* that offers personal current account opening services exclusively through a mobile telephone application may instead make the eligibility tool required under this *rule* available through that mobile telephone application, but must refer prominently on its website to the availability of the tool through that application.

- (4) A *firm* should choose how and where to make the eligibility tool available so as to be consistent with how the *firm* ordinarily communicates with its *customers* and select a method most likely to come to the attention of its *customers* and potential *customers*.
- (5) The eligibility calculator or the reference to it must be published on the *firm's* website alongside the information required to be published under ■ BCOBS 4.4.12R.
- (6) A *firm* must either:
 - (a) present the eligibility tool together with the cost calculator required under ■ BCOBS 8.2; or
 - (b) include in close proximity to the eligibility tool a prominent indication of the existence of the cost calculator required under ■ BCOBS 8.2 and a link enabling a *banking customer* to access that cost calculator.

8.3.4

R

The eligibility tool must be accompanied by a prominent statement that:

- (1) the output of the eligibility tool is dependent on the accuracy of the information input by the *banking customer*;
- (2) the output of the eligibility tool is indicative only and does not guarantee that the *banking customer* will be offered an arranged overdraft of the amount selected or at all;
- (3) any overdraft offered by the *firm* will depend upon a full eligibility assessment that may affect whether the *banking customer* is able to obtain an arranged overdraft and of what amount; and
- (4) use of the eligibility tool will not adversely affect the *banking customer's* credit file.

Inputs to the eligibility tool

8.3.5

R

- (1) The eligibility tool must allow the *banking customer* to input or select the level of arranged overdraft that the *banking customer* wants to obtain an indication of likelihood of eligibility for.
- (2) The eligibility tool may require the *banking customer* to:
 - (a) input such personal details as the *firm* specifies; and
 - (b) consent to the *firm* conducting a *credit reference agency* search in respect of the *banking customer* of a kind that will not leave evidence of an application on the *banking customer's* credit file.
- (3) The eligibility tool must enable a *banking customer* to assess eligibility for different overdraft amounts on the same occasion without re-entering other information.
- (4) The eligibility tool may limit the amount that can be entered under (1). Any limit imposed by the tool must be no lower than:
 - (a) £5,000; or

(b) (if lower) the largest credit limit that the *firm* is willing to offer to any *banking customer* by way of arranged overdraft associated with a personal current account.

8.3.6

G

- (1) A *firm* is not required to provide a continuous range of inputs for the level of arranged overdraft that the *banking customer* wants to obtain an indication of likelihood of eligibility for. If a *firm* chooses not to provide a continuous range of inputs it should ensure that it makes available sufficiently granular options that are representative of the levels of arranged overdraft that it offers in practice.
- (2) A *firm* that chooses to limit the amount that can be entered under ■ BCOBS 8.3.5R(1) should make clear to *banking customers* whether that amount represents the maximum overdraft they may be eligible for and, if not, whether and how the *banking customer* can find out about their eligibility for a greater overdraft amount.

8.3.7

R

A *firm* must not, without the *banking customer's* consent, use the information input into the eligibility tool by the *banking customer* for any purpose other than:

- (1) generating the output of the eligibility calculator;
- (2) monitoring the accuracy of the eligibility calculator; or
- (3) monitoring, preventing and detecting financial crime.

Outputs of the eligibility tool

8.3.8

R

The output of the eligibility tool must be provided promptly and must:

represent a reasonable estimate by the *firm* of the probability that it would offer the *banking customer* an overdraft of the amount selected if the *banking customer* were to apply for it; and

be communicated in a clear, fair and not misleading way.

8.3.9

G

- (1) A *firm* may choose how to present the output of the eligibility tool, provided the format chosen is fair, clear and not misleading. For example, the output may be given as a percentage, a qualitative description or graphical representation.
- (2) The output should adequately represent the range of likelihood of approval. In particular any graphical representation suggesting a spectrum of likelihood of approval, such as a dial or an indicator along a bar, should represent the full range of likelihoods of approval ranging from certain refusal to certain acceptance, even if in practice no *banking customer* will fall at either extreme of the scale.
- (3) The probability of a *banking customer* being offered an overdraft should be assessed having regard to the proportion of *banking customers* who are similar to the *banking customer* by reference to the factors assessed by the eligibility tool whom the *firm* reasonably

expects would be offered an arranged overdraft of the amount selected.

Design and monitoring of the eligibility tool

8.3.10

R

- (1) A *firm* must have regard to its process for approving an overdraft for a *banking customer* when selecting the factors considered and process used by the eligibility tool to produce its output, but it is not required to duplicate that process.
- (2) A *firm's* eligibility tool must use only factors that:
 - (a) could have a significant impact on:
 - (i) the likelihood of the *firm* approving a *banking customer* for an arranged overdraft; or
 - (ii) the amount of arranged overdraft approved;
 - (b) can be assessed in an automatic manner; and
 - (c) can be assessed based on information that:
 - (i) is readily available to the *banking customer* and proportionate to require prior to a full application being made;
 - (ii) is readily available to the *firm*; or
 - (iii) the *firm* can readily obtain by conducting a *credit reference agency* search in respect of the *banking customer* of a kind that does not leave evidence of an application on the *banking customer's* credit file.
- (3) A *firm* should select the information it requires a *banking customer* to provide when using the eligibility tool, and the factors considered and process used by the eligibility tool to produce its output so as to achieve a proportionate balance between:
 - (a) the accuracy of the output of the tool; and
 - (b) the amount of information a *banking customer* is required to input.
- (4) A *firm* is not required to verify the accuracy of any information input by the *banking customer* into the eligibility tool.

8.3.11

G

- (1) A *firm* should approach the task of designing the eligibility tool in a proportionate, balanced and practical way so as to maximise the eligibility tool's utility to the *banking customers* who use it. A *firm* is not required to analyse every possible factor to produce the output of the eligibility tool.
- (2) A *firm* should only seek information from the *banking customer* or a *credit reference agency* where this is likely to have a significant impact on the likelihood of the *banking customer* being offered an arranged overdraft or on the amount of arranged overdraft offered to the *banking customer*.
- (3) A *firm* should have regard to the fact that the *banking customer* may be using the eligibility tool to compare a number of providers and

should avoid, where practical, requesting detailed information to an extent that is likely to discourage a *banking customer* from using the eligibility tool. A *firm* should consider whether less comprehensive information would be more appropriate for the purposes of the eligibility tool. For example, a *banking customer* is likely to be able to readily confirm their employment status or total income, but requiring a detailed breakdown of income and expenditure is likely to be disproportionate.

8.3.12

R

- (1) A *firm* must establish a process for monitoring the accuracy of the output of the eligibility tool.
- (2) A *firm* must review the factors considered and process used by the eligibility tool to produce its output whenever:
 - (a) there is a material change to the *firm's* policies or processes for approving an overdraft; or
 - (b) the *firm's* monitoring of the eligibility tool reveals that the eligibility tool's outputs deviate to a significant degree from those expected.

8.3.13

G

Examples of processes a *firm* could use to comply with **BCOBS 8.3.12R(1)** include:

periodically comparing the outcomes of samples of actual overdraft decisions with the outputs the tool would have generated for those *banking customers*; and

periodically sampling *banking customers* who used the tool and subsequently applied for a personal current account to assess whether approval decisions correspond to those expected if the tool was accurate.