

Chapter 6A

Product specific rules



6A.5 Retail premium finance: disclosure and remuneration

Other requirements in the Handbook

6A.5.1 **G** This section does not affect the application of other requirements in the *FCA Handbook* applying to *firms* in relation to a *regulated credit agreement*.

Pre-contract information

R In good time before the conclusion of a *policy* including on any *renewal*, a *firm* offering *retail premium finance* in relation to that *policy* must give the *customer*:

- (1) price information about:
 - (a) the total cost of the *policy* if purchased without *retail premium finance*;
 - (b) the total cost of the *policy* with *retail premium finance* including costs of, or associated with, the *retail premium finance*; and
 - (c) any difference in the costs in (a) and (b), alongside each other;
- (2) a description that the use of *retail premium finance* arrangements will be more expensive for the *customer* compared to paying for the *policy* upfront;
- (3) details of any difference between the duration of the *policy* and that of the *retail premium finance*; and
- (4) where the price information is presented on any basis other than annually, an explanation alongside that information of any difference between the total price to be paid by the *customer* when buying with or without *retail premium finance*.

6A.5.3 **R** The information in **ICOBS 6A.5.2R** must be communicated:

- (1) in a way that is accessible and which draws the *consumer's* attention to it as key information; and
- (2) in accordance with **ICOBS 4.1A**.

Active election

6A.5.4 **G** For the purposes of ■ ICOBS 6A.2.1R, providing the *customer* with the choice between paying monthly or annually will not be sufficient to show the *customer* has made an active election to obtain the *retail premium finance*.

Premium finance related remuneration

6A.5.5 **R** A *firm* must not propose or arrange the use of any particular *retail premium finance* where that would be inconsistent with the *firm's* obligations in the *FCA Handbook*, including the *customer's best interest rule*, ■ SYSC 19F.2 or ■ CONC.

6A.5.6 **G**

- (1) *Firms* are reminded of their obligations elsewhere in the *FCA Handbook* including:
 - (a) *Principles* 1 and 6 to act with integrity and treat customers fairly;
 - (b) *Principle* 8 to manage conflicts of interest fairly, both between itself and its *customers* and between a *customer* and another *client*. This principle extends to the *remuneration* a *firm* receives including soliciting or accepting inducements where this would conflict with a *firm's* duties to its *customers*;
 - (c) conflicts of interest requirements in ■ SYSC 3.3 (for *insurers*) or ■ SYSC 10 (for *insurance intermediaries*);
 - (d) the *customer's best interests rule*, and ■ SYSC 19F.2 to ensure remuneration arrangements do not conflict with their duty to comply with the *customer's best interests rule*.
- (2) An inducement is a benefit offered to a *firm*, or any *person* acting on its behalf, with a view to that *firm*, or that *person*, adopting a particular course of action. This can include, but is not limited to, cash, cash equivalents, commission, goods, hospitality or training programmes.

6A.5.7 **G**

- (1) *Firms* should consider, at inception and then on a regular basis, their arrangements with providers or distributors of *retail premium finance* and whether they could give an incentive to act in a way that is inconsistent with the *customer's best interests rule* or otherwise could risk breaching any of the provisions referred to in ■ ICOBS 6A.5.6G above. For example, a *firm's* remuneration arrangements should not provide an incentive to offer *retail premium finance* having greater costs to the *customer* (including a higher *APR*) where another *retail premium finance* arrangement, better aligned with the *customer's* interests, is available to the *firm* in the market.
- (2) For the purposes of (1) a *firm* would be considering its arrangements with providers or distributors of *retail premium finance* on a regular basis where these arrangements are assessed as part of the *firm's* compliance with ■ PROD 4.2.35AR (for a *manufacturer*) or ■ PROD 4.3.6AR (for a *distributor*) to consider if these arrangements are consistent with providing fair value.
- (3) When considering its arrangements with providers or distributors of *retail premium finance*, both before entering into any arrangement and on a regular basis, a *firm* should be able to demonstrate:

- (a) how the arrangements provide a fair outcome for the *customer*; and
- (b) why that arrangement was selected.

For example, where the *firm* receives a greater level of remuneration, whether through a higher commission rate or otherwise, compared to other arrangements available to it, including any monthly payment arrangement where the price to the *customer* is not greater than where the policy is sold on a standalone basis, it will need to demonstrate how this selection was consistent with the *customer's best interests rule*.

- (4) Where the *remuneration firms* receive in relation to *retail premium finance* conflicts with the duty to comply with the *customer's best interests rule* they will need to take appropriate actions to address the situation including, where necessary, changing *retail premium finance* providers.

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