

PACKAGED BANK ACCOUNTS INSTRUMENT 2012

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 138 (General rule-making power);
 - (2) section 156 (General supplementary powers); and
 - (3) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 31 March 2013.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Insurance: Conduct of Business sourcebook (ICOBS) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Packaged Bank Accounts Instrument 2012.

By order of the Board
26 July 2012

Annex A

Amendments to the Glossary of definitions

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

<i>packaged bank account</i>	an arrangement under which a <i>firm</i> provides a <i>retail banking service</i> as part of a package which includes access to other goods or services, whether or not a fee is charged.
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Annex B

Amendments to the Insurance: Conduct of Business sourcebook (ICOBS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

Eligibility to claim benefits: general insurance contracts and pure protection contracts

- 5.1.1 G (1) In line with *Principle 6*, a *firm* should take reasonable steps to ensure that a *customer* only buys a *policy* under which he is eligible to claim benefits.
- (2) If, at any time while *arranging a policy*, a *firm* finds that parts of the cover apply, but others do not, it should inform the *customer* so he can take an informed decision on whether to buy the *policy*.
- (3) This guidance does not apply to policies arranged as part of a packaged bank account.

Eligibility to claim benefits: payment protection contracts

- 5.1.2 R (1) A *firm* arranging a *payment protection contract* must:
- (1) (a) take reasonable steps to ensure that the *customer* only buys a *policy* under which he is eligible to claim benefits; and
- (2) (b) if, at any time while *arranging the policy*, it finds that parts of the cover do not apply, inform the *customer* so he can take an informed decision on whether to buy the *policy*.
- (2) This rule does not apply to payment protection contracts arranged as part of a packaged bank account.
- 5.1.3 G (1) For a typical *payment protection contract* the reasonable steps required in the first part of the eligibility *rule* are likely to include checking that the *customer* meets any qualifying requirements for different parts of the *policy*.
- (2) This guidance does not apply to payment protection contracts arranged as part of a packaged bank account.

Eligibility to claim benefits: policies arranged as part of a packaged bank account

- 5.1.3A R A firm arranging policies as part of a packaged bank account must:
- (1) take reasonable steps to establish whether the customer is eligible to claim each of the benefits under each policy included in the packaged bank account which must include checking that the customer meets any qualifying requirements to claim each of the

benefits under each *policy*; and

- (2) inform the *customer* whether or not he would be eligible to claim each of the benefits under each *policy* included in the *packaged bank account* so that the *customer* can take an informed decision about the arrangements proposed.

5.1.3B R A *firm* must make a record of the eligibility assessment and, if the *customer* proceeds with the arrangements proposed, retain it for a minimum period of three years from the date on which the assessment was undertaken.

5.1.3C R Throughout the term of a *policy* included in a *packaged bank account*, a *firm* must provide the *customer* with an eligibility statement on an annual basis. This statement must set out any qualifying requirements to claim each of the benefits under the *policy* and recommend that the *customer* reviews his circumstances and whether he meets these requirements.

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Suitability guidance for protection policies

- 5.3.2 G (1) In taking reasonable care to ensure the suitability of advice on a *payment protection contract* or a *pure protection contract* a *firm* should:
- (1) (a) establish the *customer's* demands and needs. It should do this using information readily available and accessible to the *firm* and by obtaining further relevant information from the ~~customer~~ *customer*, including details of existing insurance cover; it need not consider alternatives to policies nor *customer* needs that are not relevant to the type of policy in which the *customer* is interested;
- (2) (b) take reasonable care to ensure that a *policy* is suitable for the *customer's* demands and needs, taking into account its level of cover and cost, and relevant exclusions, excesses, limitations and conditions; and
- (3) (c) inform the *customer* of any demands and needs that are not met.
- (2) This guidance does not apply to *payment protection contracts* or *pure protection contracts* included in a *packaged bank account*.

Suitability of advice on policies included in a packaged bank account

- 5.3.2A R In taking reasonable care to ensure the suitability of advice on a *policy* included in a *packaged bank account*, a *firm* must:
- (1) establish the *customer's* demands and needs by using information readily available to the *firm* and by obtaining further relevant information from the *customer*, including details of existing

insurance cover; it need not consider alternatives to *policies* nor *customer* needs that are not relevant to the type of *policy* in which the *customer* is interested;

- (2) take reasonable steps to establish whether each *policy* included in the *packaged bank account* is suitable for the *customer's* demands and needs, taking into account its level of cover and cost, and relevant exclusions, excesses, limitations, and conditions;
- (3) inform the *customer* of any demands and needs that are not met; and
- (4) explain to the *customer* its recommendation and the reasons for the recommendation.

5.3.2B R A *firm* must make a record of the suitability assessment, the recommendation given and the reasons for the recommendation and, if the *customer* proceeds with the recommendation, retain it for a minimum period of three years from the date on which the recommendation was made.

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Schedule 1 Record keeping requirements

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Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...				
<u>ICOBS 5.1.3BR</u>	<u>Eligibility</u>	<u>Details of whether the <i>customer</i> is eligible to claim each of the benefits under each <i>policy</i> included in the <i>packaged bank account</i></u>	<u>Date of eligibility assessment</u>	<u>3 years</u>
<u>ICOBS 5.3.2BR</u>	<u>Suitability and recommendation given</u>	<u>Details of whether each <i>policy</i> included in the <i>packaged bank account</i> is suitable for the <i>customer's</i> demand and needs, the recommendation given and the reasons for the recommendation</u>	<u>Date of recommendation</u>	<u>3 years</u>