

# Chapter 11

## Fees



11.1 Application and purpose

Application

11.1.1 **R** This chapter applies to a *firm* in relation to *funeral plan provision* and *funeral plan distribution*.

Purpose

11.1.2 **G** *Principle 6* requires a *firm* to pay due regard to the interests of its *customers* and treat them fairly. A *firm* is also under an obligation to comply with the *customer's best interests rule* and, as a consequence of this sourcebook's *customer* communication requirements, to communicate information to *customers* in a clear, fair and not misleading way. This chapter reinforces these requirements by preventing a *firm* from imposing *fees* which amount to profit.

Instalment payment fee

11.1.3 **R** ■ FPCOB 11.1.4R applies to a *firm* that charges an *instalment payment fee*.

11.1.4 **R** A *firm* must not impose an *instalment payment fee* on a *customer* unless it is equal to or lower than the aggregate of:

- (1) a reasonable pre-estimate of any costs incurred by the *firm* as a result of the *customer* paying in instalments rather than in a single payment; and
- (2) a reasonable pre-estimate of any lost investment gain which is a result of that *customer* paying in instalments rather than in a single payment.

11.1.5 **R** A *firm* must be able to objectively justify that the calculation of the *instalment payment fee* does not include profit above that which the *firm* would make, or which would have been generated by *trust arrangements* or *insurance-based investment products*, if the *customer* paid for the *funeral plan contract* in a single payment.

11.1.6 **G** For the purposes of ■ FPCOB 11.1.4R(2), 'lost investment gain' refers to a reasonable estimate of the difference between:

- (1) the investment return that instalment payments under an *instalment payment funeral plan* will make when invested under the *trust*

*arrangements or insurance-based investment products* over the period of time that instalments in that plan are agreed; and

- (2) the investment return that would have been expected from the *customer's* payment if the *customer* had paid for the *funeral plan contract* in a single payment at the date the *funeral plan contract* was entered into and that payment (less any charges or deductions the *firm* would ordinarily have made) had been invested under the *trust arrangements or insurance-based investment products* for the period of time used when estimating the amount in paragraph (1).

Other fees

11.1.7

R

A *firm* must ensure that any *fee*, other than an *instalment payment fee* or *FP distribution charge*, imposed on a *customer* is based upon a reasonable reflection of the costs incurred by the *firm*, in providing the service to which the *fee* relates, and not with a view to profit.

