

Sales Process

California Car & Commercials Limited follow the below process to ensure the strict rules of the FCA are put into practice with every customer looking at any type of financial service or product.

These rules include the following within the Consumer Credit Sourcebook (CONC) within the FCA Handbook outlining the requirements for selling Consumer Credit products:

- Communicate with all customers in a way that is clear, fair, and not misleading
- Ensure that customers understand who they are dealing with and what level of service they will be provided with
- Take reasonable care to ensure the suitability of any advice given
- Ensure that customers fully understand what they are buying
- Set professional business standards which are adhered to

(This list is not exhaustive)

This document outlines the regulatory requirements with regard to undertaking regulated consumer credit activities. It provides guidance on what is incorporated into face to face and telephone sales processes to ensure sales are made in a compliant manner and that customer detriment is avoided. Consideration of the FCA's consumer duty outcomes must be made at all points of the customer journey.

It is the responsibility of Mario Di Fazio, to oversee this process and ensure that all employees are aware of their responsibilities.

This process applies to all sales staff.

Customer Types

A customer is defined as anyone who is a borrower or a prospective borrower. Essentially, there are 3 main types of customer:

- Commercial customers
- Retail customers
- Mixed-Use customers

Customer types should not be confused with product types e.g., commercial customer and commercial products are **not** the same thing.

Commercial Customers

The FCA defines a commercial customer as someone (or a company) who are acting within their trade or profession. Examples include:

- A Partnership
- Limited Liability Partnership
- PLC
- Limited Company
- Mr/Mrs XXX, trading as...
- Mr/Mrs XXX, a farmer, leasing an agricultural vehicle

The key here is that the customer must be purchasing the regulated product in relation to their trade or profession. For example, an Area Salesman looking to lease a car through their business would be

deemed to be a commercial customer. However, a private person looking to obtain a vehicle through a Hire Purchase agreement, would be classed a retail customer.

Retail Customers

The FCA defines a retail customer as any natural person (For example: the relevant pronoun – Mr, Miss, Ms, Lord, etc) who is acting for purposes outside of their trade, business, or profession.

Mixed-Use Customers

Customers who act in the capacity of both a retail and commercial customer are known as “Mixed-Use Customers.”

They are usually small traders and be treated as a commercial customer **UNLESS** it is not clear in which capacity they are acting.

The Sales Process

The sales process is essentially broken down into 4 broad regulatory stages:

1. Status Disclosure
2. Assessment of Demands & Needs and Eligibility
3. Disclosure of Material Facts – SCCI
4. Arrangement of Finance

This applies to **all** customer types, and it is essential all staff of Progress Motor Group Limited are aware of what they can and cannot say when selling regulated products on behalf of the business.

Step 1: Status (Initial) Disclosure and Scope of Service

In line with the FCA's regulatory requirements, California Car & Commercials Limited are required to include regulatory disclosures on websites, financial promotions and other documentation provided to customers in relation to the arrangement of a regulated finance product.

In line with CONC 4.2.5, all customers must be provided with an Initial Disclosure Document (IDD). This **must** include:

- The name of California Car & Commercials Limited and the address
- That we are authorised and regulated by the FCA and that the customer can check this on the FCA register
- The scope of the service we provide (i.e., whether the customer will receive advice)
- Whose products we offer – one finance provider or from a range of finance providers?
- Whether the customer will have to pay a fee for the services offered
- That the customers data will be provided to third party providers, including details of which providers, for the sole purpose of obtaining finance
- The process for making a complaint and the availability of the Financial Ombudsman Service

There may be instances when a finance arrangement may be started as telesales but concluded face-to-face. (For example, where the customer lives a long distance away and requires conditional approval for finance before the vehicle is ordered).

For finance arrangements initiated over the telephone, there are 2 scenarios that can be followed, depending on whether the customer agrees to receive limited information.

If the customer agrees to receive limited information verbally, the information that must be provided is as follows:

1. The name of the sales agent, California Car & Commercials Limited and the purpose of the call
2. Details about the service that can be provided by us, i.e., we are a credit broker
3. Whether the customer will have to pay a fee for the services offered
4. The possibility of other fees that may be payable
5. Details on the cancellation rights and their right to withdraw
6. That other information is available on request

If the customer does not agree to receive limited information, the full information as set out in the IDD, must be provided verbally to the customer.

Step 2: Assessment of Demands & Needs and Eligibility

The golden rule is that the customer must be provided with sufficient information about what any finance product will and will not do, to be able to make an informed decision about whether that product is right for them.

In relation to consumer credit transaction, it is unacceptable to:

- Offer any incentive for the customer to enter any regulated agreement quickly or immediately
- Encourage the customer to consolidate other debts where California Car & Commercials Limited ought to know that is not in the customer's best interest. For example, California Car & Commercials Limited should not encourage the consolidation of negative equity where it could be more beneficial for a customer to exercise their Voluntary Termination rights

Eligibility

Our sales process confirms a customer's eligibility to enter into a regulated contract. However, common sense checks should be undertaken to see whether the customer would be unable to enter into the agreement. For example, if the consumer declared low affordability would a high-rate finance agreement be appropriate?

Misrepresentation

The finance provider will use the information provided by the customer to assess the risks of providing the product and to determine whether or not to accept the customer. It is therefore imperative that the customer is made aware of this and the consequences of not disclosing all relevant information. Customers must therefore be made aware of the consequences of non-disclosure as part of the sales process.

Affordability for Consumer Credit

Lenders are required to establish affordability for all regulated products. However, California Car & Commercials Limited, as brokers, have a responsibility to take into consideration any information that we are aware of, or ought reasonably to be aware of, when assessing the appropriateness of arranging a finance product.

Where this relates to consumer credit additional considerations apply:

- Consider any existing or future financial agreements the consumer may have
- Consider any future change in circumstances of the consumer e.g. redundancy, maternity leave etc
- The customer's credit history

- The vulnerability of the consumer
- That repayments are sustainable without undue difficulties

In establishing affordability lenders may require California Car & Commercials Limited to obtain evidence of affordability by the consumer.

Assessment of Demands and Needs

In arranging finance, California Car & Commercials Limited provide a customer with information on products which meet their needs. Questions assess:

- Whether the purchase is for a commercial vehicle
- Details of any part exchange (including negative equity)
- How frequently the customer changes vehicles
- Whether the customer would like to defer a large amount of the loan until the end of the finance agreement
- Answers provided by the customer are used to identify the most suitable product(s) for their needs

Where customers decide that the identified finance product is not appropriate, the sales executive should determine the reasons for this and document changes accordingly. For example, they may decide that, on consideration, they do want to defer a large amount of the loan until the end of the agreement.

The finance product must then be agreed by the customer before proceeding with the sale. Sales Executives must not change the product without providing the customer with a suitability document which demonstrates that the new product meets their demands and needs.

Step 3: Disclosure of Material Facts

As part of the sales process customers must be provided with sufficient and appropriate information about the product to allow them to make an informed decision.

As a minimum they should be provided with the following information:

- Additional status disclosure
- The name of the provider
- The type of product
- The cost of any optional extras
- Duration of the agreement
- Payments – initial, final, and monthly
- APR
- Any additional fees, e.g., option to purchase fee or acceptance fee
- Consent to provide information to finance providers
- How to make a complaint
- Customers must be given sufficient time to understand the documentation and make an informed decision before agreeing to proceed

Step 4: Arrangement of Finance

Once the customer has agreed the documentation provided, then the customers details should be provided to the recommended finance provider for them to assess the application. Note that the finance provider may require additional information, including income and outgoings, to make a full assessment and provide a decision.

Should the application be successful, then sales agents should proceed with concluding the sale and providing the post-sale information detailed below. If the application is rejected, then sales agents can submit an application to another provider. However, sales agents should identify the reason for the rejection and attempt to select a provider who will be appropriate for the customer's circumstances. Sales agents should not just keep making applications as these will be recorded on the customer's credit record, thus reducing their credit rating.

Provision of Post-Sale Information

Following conclusion of the sale the customer should be provided with:

- Confirmation of the product, including a breakdown of the total amount paid
- Details of the product provided
- Full product wording containing all the terms and conditions
- Details on how to end the agreement early, including right to withdraw and voluntary termination rights (if applicable)
- Details on how to complain and the right to refer complaints to the Financial Ombudsman Service (FOS)
- A Copy of the agreement, however this copy does not have to be signed by the customer

Right to Withdraw

For a credit agreement there is no right to cancel unless it is a true distance contract, or the finance provider has failed to adhere to the terms of the agreement (CONC 11.1.2). However, there is a right to withdraw, without penalty, within 14 days with full repayment made within 30 days. These rights will be detailed in their finance agreement.

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