

Fair Value Assessment: Hire Purchase

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Foreword

This summary document is designed to support you in fulfilling our responsibilities under PRIN 2A.4.15R and PRIN 2A.3.12 R (2).

Its purpose is to support you to comply with your responsibilities under PRIN 2A.3.16 R and PRIN 2A.4.16 R.

Please note that you are responsible for meeting your obligations under 'The Consumer Duty'.

This information is for intermediary use only and should not be provided to customers.

Product

Description:

Advantage Finance offer a Hire Purchase product, designed to provide finance to private UK customers to assist in the purchase of cars, caravans, motorcycles and light commercial vehicles in the non-prime market. We (the lender) provide a fixed sum advance, allowing the customer to purchase their chosen vehicle, with or without a deposit.

The product offers fixed monthly repayments over a fixed term. The vehicle will be owned by Advantage Finance until the final payment, when the "option to purchase fee" is paid. At this point, ownership of the vehicle will be transferred to the customer.

The offering is made to a section of the public for whom mainline finance from high street banks and manufacturer lenders is not available due to impaired credit scores. Such cases could be caused by adverse life events. Such examples include job loss, illness or the breakdown of a relationship. In product provisioning, the customer would be able to demonstrate that they are over their life event and on an upward path.

Our product is distributed through a trusted network of introducers including car and finance brokers and car dealerships.



Design:

- ✘ Simple regulated Hire Purchase (HP) agreement
- ✘ The product aims to serve the needs of non-prime customers aspiring to finance motor vehicles.
- ✘ Creditworthiness, Affordability and Anti-Money Laundering assessments undertaken as part of the onboarding process
- ✘ Loans are available from £2,000 to £20,000
- ✘ Payment terms can be spread across the duration of the agreement (typically 18 - 72 months dependent of the lend and age of vehicle at the inception of the agreement)
- ✘ Fixed monthly repayments by direct debit
- ✘ Fixed rate of interest for the duration of the loan
- ✘ No late payment fees for customers in arrears
- ✘ No ongoing mileage restrictions upon inception
- ✘ No final balloon payment
- ✘ Upon payment of the final Option to Purchase fee the customer will own the vehicle outright

Target Market Assessment

- ✘ Full UK driving license required
- ✘ Minimum age at start of the agreement – 22 years old
- ✘ Maximum age at the end of the agreement – 67 years old
- ✘ Residency type (minimum UK address history is 36 months)
 - Homeowner
 - Council tenant
 - Private tenant
 - Living with parents
- ✘ Minimum of 12-month employment history (full/part time)
- ✘ Minimum monthly take home pay £1500
- ✘ Employment exclusions:
 - Taxi Driver
 - Private Hire
 - Uber Driver
 - Chauffeur
 - Retired
 - Unemployed (or any variation – Homemaker etc)

Characteristics of Target Customer

Our hire purchase product range continues to meet the needs, characteristics and objectives of customers in the following identified target markets:

- ✘ Non-prime customers with previous credit issues, who are now financially stable and require a vehicle to fulfil their normal mobility needs
- ✘ Existing and previous AFL customers who are now financially stable with a need for a vehicle
- ✘ Customers who wish to spread the cost of a large purchase over affordable monthly payments

Our product is **not** designed for customers:

- ✘ Who are non-UK residents
- ✘ Who wish to hand the vehicle back at the end of the term
- ✘ Who wish to lease the vehicle
- ✘ With current financial instability
- ✘ Who have a strong credit history
- ✘ Who are retired or without sufficient income to satisfy their credit obligations
- ✘ Who are under 22 years old
- ✘ Who cannot afford the monthly repayments, or anticipate changes to their circumstances that may negatively affect them

Customers with Characteristics of Vulnerability

Our product is designed for non-prime customers who have experienced previous credit problems that restrict their access to mainstream lenders, but now have the financial capacity to service their debts - which is likely to include some customers with characteristics of vulnerability or who will experience vulnerability over time. These vulnerabilities could include one or more of the following triggers:

Health	Life Events	Resilience	Capability
Physical disability	Caring responsibilities	Low or erratic income	Low knowledge or confidence in managing financial matters
Severe or chronic illness	Bereavement	Over-indebtedness	Poor literacy or numeracy skills
Hearing or visual impairments	Income shock	Low savings	Low English language skills
Poor mental health	Relationship breakdown	Low emotional resilience	Poor or non-existent digital skills
Low mental capacity or cognitive disabilities	Ex-offenders, care leavers, refugees	Lack of support structure	Learning impairments
Addiction	Domestic abuse		Little or no access to help and support

Intermediaries should continue to comply with their obligations to treat customers in circumstances of vulnerability fairly and should contact us if they believe a customer to be displaying any of the above triggers at the point of inception.

Features and Benefits

- ✘ Our product is available to consumers who are excluded from prime motor finance
- ✘ We offer a convenient e-sign process with visual aids
- ✘ We can spread the cost of our product over affordable monthly payments
- ✘ We provide the ability for our customers to pay weekly by arrangement
- ✘ Customers can settle early to reduce overall costs
- ✘ Customers can apply partial settlements with lump sums to reduce overall cost
- ✘ Customers will own the vehicle outright when all payments and the option to purchase fee has been paid
- ✘ We provide tailored forbearance options for customers in financial difficulty
- ✘ We have a UK-based call center with dedicated Customer Service and Support teams
- ✘ Customers have the right to Voluntarily Terminate their agreement. By exercising this right the customer will be required to return the vehicle and pay any outstanding liability as set out in s100 of the Consumer Credit Act 1974.

Limitations and Exclusions

- ✘ AFL will only provide finance to customers in our target market
- ✘ Maintenance of the vehicle associated with the agreement is the responsibility of the customer
- ✘ Missed payments could have severe consequences, including the repossession of the vehicle, legal proceedings and damage to a customer's credit profile
- ✘ Customers may not take the vehicle outside UK for more than 30 days without consent
- ✘ Customers must keep the vehicle correctly taxed and insured
- ✘ Customers must keep the vehicle in their possession
- ✘ Where the vehicle is classified as a write-off, all sums due from the insurer at the point of payout should be applied to the outstanding settlement figure in the first instance
- ✘ Customers may not use the vehicle for hire or reward



**We see more
than your score.**

For motor finance that looks beyond a number, we give you the advantage.

Vehicle Exclusions

Vehicles Type:

Our product will **not** be provided for use with the following types of vehicles:

- ✘ Large executive vehicles
- ✘ High performance “supercars”
- ✘ Motorcycles not listed in Glasses Guide
- ✘ Quad Bikes
- ✘ Caravans not designed for touring use
- ✘ Q plated vehicles

Mileage:

- ✘ The vehicle mileage at start of the agreement should be no more than 100,000 and 120,000 (depending on Tier Mix)

Age:

- ✘ The Maximum age of the vehicle at start of the agreement should be no more than
 - 14 years (up to an advance of £5000)
 - 15 years (over an advance of £5000)

Final Comments and Declaration

Following our review process, we have assessed that:

- We are satisfied that our product range (Hire Purchase) continues to meet the needs, characteristics, and objectives of customers in the identified target market.
- All relevant aspects of Vulnerability have been considered during the design, distribution and servicing of our product.
- The intended distribution strategy remains appropriate for the target market.
- The Product provides fair value to customers in the target market (i.e., the total benefits are proportionate to total costs).

Our assessment does not take into consideration any fees, charges, or other costs you require the customer to pay to you for any products or services you provide that are separate, or in addition to the product or services we provide. You are responsible under the Consumer Duty for assessing those products or services.

If you believe that the customer is not receiving fair value in respect of our product or services, we ask that you inform us at the earliest opportunity.



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