

# Price & Value Assessment Guidance

## Credit Broking Service

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**Disclaimer:** *This document is an example of a structure for a Price and Value Assessment for a retailer as the manufacturer of their credit broking service. This has been developed based on the rules and guidance set out in PRIN 2A of the Handbook and the Financial Conduct Authority Finalised Guidance (FG22/5).*

*Lenders will have provided you with manufacturer information on their credit products, as you are a distributor. This template is provided for you to complete in addition to the lender information as you are the manufacturer of the credit broking service you offer. This template is not specific to individual firms and should be modified and adjusted to be appropriate for the service offered by your business.*

*Evolution Funding provides no warranty or representation of the adequacy or fitness for purpose of this document for any specific business or products/services.*

*Dealerships must satisfy themselves that their products and services, distribution strategy and supporting policies, processes (such as price & value policy/process) and communications will meet all the obligations of the Duty.*

**Please note that you are ultimately responsible for meeting all your regulatory obligations, including those under 'The Consumer Duty'.**

**The blue comments in this template are example content only and you must ensure you include what is relevant for your service. If you are a small business you may have limited content in some fields.**

### Top Tips

- Cross-reference your other policies and documents.
- Make sure your version is proportionate to the risks, benefits, costs and complexity of your service.

### Your Fair Value Assessment should include:

- Details of the service (or product).
- Implications for vulnerable customers.
- The costs to customers including monetary/non-monetary costs and how costs may vary by distribution channel.
- Your costs – Including operating and revenue, margin and volume details where appropriate.
- A Market Comparison.

<b>Product name</b>	<b>XXXXX Motors Credit Broking Service</b>
<b>Date of assessment</b>	
<b>Assessed/reviewed by</b>	
<b>Approved by</b>	
<b>Product provides fair value?</b>	
<b>If "NO" to the above, what immediate actions are being taken?</b>	<b>Yes/No</b>

## Details of the Product or Service

<p><b>Product/Service type</b> What type of product is this?</p>	<p><b>E.g. Credit Broking Service for consumer credit.</b></p>
<p><b>Product/Service details</b></p>	<p><b>Example wording for introducer using evolution platform:</b> A credit broking service between the retail customer and our panel of lenders or brokers, that uses technology to facilitate consumer motor finance applications, by distributing financial products to a panel of lenders, across the credit spectrum.</p> <p>You should call out specific elements to your service, such as:</p> <ul style="list-style-type: none"> <li>• Quotation</li> <li>• Any pre-eligibility checks.</li> <li>• Application</li> <li>• Signing and execution of the agreement.</li> <li>• Post sale support – including any customer service and resolutions department you have.</li> <li>• Any other relevant elements to your offering.</li> </ul>
<p><b>Product/Service features &amp; benefits</b></p>	<p><b>What are the main features of the service and how customers can use it?</b> This can include non-financial benefits such as customer service, service features, customer support etc.</p> <p><b>Example wording:</b> Provide regulated consumer credit agreements through panel of lenders/brokers (including hire purchase, Personal Contract Purchase (PCP) and conditional sale.</p> <p><b>How do you support the 4 outcomes in the service that you offer?</b> <b>How do you explain your service?</b> <b>How do you quote customers.</b> Do you show customers all available products for them to make an informed decision.</p> <p><b>Consumer Understanding</b> – How do you make sure the customer has received all the required information? This could be built into your journey or supported by your lender or broker (e.g. adequate explanations; IDD; privacy notice; complaints information). This should include customers who may need additional support or could be vulnerable.</p> <p><b>Consumer Support:</b> What signposting do you give customers, either face to face or online for additional support either pre or post sale. Do you have a customer services team etc. This can include external sources of support, for example if they could be vulnerable.</p>

## Details of the Product or Service

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<b>Are you a co-manufacturer of the Product/Service?</b>	<b>If yes – who and what is the other firm’s involvement, what elements of your service are they responsible for and how does this benefit your customers?</b>
<b>Target market</b>	<p><b>Who is your target market?</b> <b>Are there any groups or customers you target?</b> If so, what are their characteristics. For example, poor credit customers.</p> <p><b>Example wording:</b> The target market is focused on individuals from across the credit spectrum, who want to purchase a vehicle from us and who will be able to afford to make the repayments sustainably and who won't be harmed by the product.</p> <p>Our target market end consumer is:</p> <ul style="list-style-type: none"><li>• A private individual who is UK resident aged 18+ years.</li><li>• Sole traders and partnerships with 3 partners or less which must be located in the UK.</li><li>• Limited company based in the UK.</li><li>• All who have expressed interest in use and ownership of a new, pre-registered or used vehicle.</li></ul>
<b>Suitability</b>	<p><b>Example wording:</b> The service is suitable for customers where it meets their needs, they can understand and benefit from its features and the product is not likely to cause them harm.</p> <ul style="list-style-type: none"><li>• Consumer wants to spread the cost of large purchases.</li><li>• Employed/self-employed or can prove a source of income.</li><li>• Individuals or corporate consumers seeking to finance the purchase of a car, LCV, motorcycles or motorhome.</li><li>• Consumers who want to keep consistent monthly payments, with (PCP) or without a lump sum payment at the end of the agreement.</li><li>• Consumer wants to take title of the vehicle once all monthly instalments and the option to purchase fee has been paid.</li><li>• Consumers who like to have an optional or low deposit requirement.</li><li>• Consumers who like to have no mileage restrictions (HP and conditional sale only).</li></ul>

<p><b>Quality of the product or service</b></p>	<p><b>How does your credit broking service compare to your competitors? For example, the customer experience, speed, USP.</b></p>
<p><b>Limitations/risks of the product or service</b></p>	<p><b>Example wording:</b></p> <ul style="list-style-type: none"> <li>• Customers who are purchasing a vehicle from your business within the known parameters of your lender panel (e.g. age and mileage).</li> <li>• Customers who have a credit profile within the risk appetite of your panel of lenders/brokers.</li> <li>• Limitations are higher where the customer is deemed a higher risk with a lower credit profile.</li> </ul>
<p><b>Any other factors relevant to the nature of the service, its benefits and risks?</b></p>	<p><b>Not price and cost – but what other benefits? Are you a trusted business or brand recognised by consumers? Is it a growing market with increasing demand. Do you use any innovation to deliver your service...etc...</b></p>

## Offering Fair Value for Vulnerable Customers

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<p><b>Vulnerable customers in the target market</b></p>	<p><b>Example content (you should alter the below to reflect your business and consider the FCA's 4 drivers of vulnerability).</b></p> <p><b><u>Treating vulnerable consumers fairly   FCA</u></b></p> <p>This includes:</p> <ul style="list-style-type: none"> <li>• Customers with limited financial experience.</li> <li>• Customers whose first language is not English.</li> <li>• Customers who have a mental capacity limitation.</li> <li>• Those who may be more susceptible to not fully understanding the service offering and be able to make an informed decision.</li> <li>• A temporary change in their lives (loss of employment, incapacity, bereavement etc.)</li> <li>• Low income</li> <li>• Low financial resilience</li> <li>• High Cost of living pressures</li> <li>• Lower levels of financial literacy</li> <li>• More susceptible to financial-related stress and anxiety.</li> </ul>
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<p><b>What mitigants are in place?</b></p>	<p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>• Offering additional tailored support to all customers when required (give details on how).</li> <li>• Sign posting customers for additional support on website and during dealings.</li> <li>• Do you have a vulnerable persons policy?</li> </ul> <p><b>As a result all customers receive fair value through our service. This includes vulnerable customers, who through the mitigation, policies and processes we have in place, are appropriately managed and not materially less likely to receive fair value. This is kept under review.</b></p>
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## Costs

<p><b>Standard financial costs</b></p>	<p><b>If you have a material influence over the price the customer:</b></p> <ul style="list-style-type: none"> <li>• Do you charge an admin fee for finance customers?</li> <li>• What are the APR ranges on offer.</li> <li>• What is the Representative APR you advertise?</li> </ul>
<p><b>Standard non-financial costs</b></p>	<p><b>Consider things such as:</b></p> <ul style="list-style-type: none"> <li>• Time for the customer to apply. This can be longer for some customers, such as rate for risk where additional checks are required and the approval process can be longer.</li> <li>• Are you clear to customers about the credit searches completed through your service, when this happens as if this will leave a foot-print on the customer's credit file (hard searches).</li> </ul>
<p><b>Cost differences linked to distribution channel</b></p>	<p><b>Consider:</b></p> <ul style="list-style-type: none"> <li>• Any differences, for example distance to face to face sales.</li> <li>• Explain why these are included in your fair value assessment.</li> </ul>
<p><b>Communication of costs</b> How are these costs communicated to the customer so that they are clearly understood?</p>	

<p><b>Expected total price</b></p>	<p>You need to document here what you have considered in determining that your service does offer fair value, including any costs incurred for your service. This could vary for different groups of customers.</p> <p><b>Consider in this section:</b></p> <ul style="list-style-type: none"> <li>• The scope of MI you have available.</li> <li>• A measure of the expected total costs you used to assess the value of the service you are offering against its features, benefits and limitations.</li> <li>• Consider any different groups.</li> <li>• MI you have from past performance of your credit broking service.</li> <li>• Show how you model to work out expected revenue/profit/loss (and therefore costs to customers) from a range of scenarios.</li> <li>• Consider averages.</li> <li>• Should include your rationale why you have included information in your assessment and make sure it has enough information to prove you offer customers fair value.</li> </ul> <p><b>Note:</b> This is an internal document that may contain commercially sensitive information. You may be asked by us to confirm you have assessed that your credit broking service does offer fair value, but we would not ask to have a copy of your full assessment. So make sure you fully include all information to prove your service offers fair value.</p>
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## Operating Investment, Costs and Margin

<p><b>Investment and operating costs</b></p>	<p><b>Consider including:</b> Any costs for product development, improving your service.</p> <p>What are your operating costs (premises, staff, equipment, websites, checks etc.)</p>
<p><b>Revenue/margin</b></p>	<p>How do you get revenue from the service? <b>Showing a reasonable profit against your overall costs and risks to the firm may help support your overall assessment of fair value.</b></p>
<p><b>Volume of business</b></p>	<p>Include actual and forecast volumes.</p>
<p><b>Any other information</b></p>	<p><b>Example:</b> Is your revenue earned used to subsidise other parts of your service?</p>

# Market Comparison

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<b>Market position</b>	<b>Include:</b> <ul style="list-style-type: none"><li>• Is it a competitive/growing motor finance market.</li><li>• Is there high demand.</li><li>• Is there a lot of choice available for consumers.</li></ul>
<b>Pricing, features and benefits of comparable competitor products</b>	What is driving the price offered. Are you competitively priced, with a similar offering to your competitors. If your service is more expensive then justify why (operating costs, risk profile, USPs etc.).
<b>Customer research/testing</b>	<b>As per the FCA's guidance you should include details of what you complete in the following area:</b> <ul style="list-style-type: none"><li>• Customer research,</li><li>• Testing</li><li>• Using internal data to assess whether a product or service provides fair value.</li></ul> <b>DON'T:</b> Rely solely on individual customers to consider whether the price provides fair value in relation to the benefits.
<b>Anything else relevant for you to demonstrate fair value</b>	<ul style="list-style-type: none"><li>• External assurance</li><li>• Awards.</li><li>• Independent reviews.</li><li>• Trade body associations.</li><li>• Any codes of practice.</li></ul>

## Overall Assessment Outcome and Rationale

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### Assessment Outcome

**Example wording:** Based on the information set out above, we consider the XXX Motors credit broking service provides fair value to retail customers.

### Assessment Rationale

- Give your rationale (from the key points in the document).
- Include details (and possibly copies) of the evidence and sources of information you used to make the assessment.