

# Financial Promotions Guide V2 2019

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## Disclaimer

This guide has been designed to help our dealer network understand the regulatory requirements for financial promotions.

The information provided in this guide is for reference and guidance only, and is based on our interpretation of the requirements in Chapter 3 of the FCA Consumer Credit Sourcebook (CONC).

**It is your responsibility to ensure all your communications and advertisements follow the requirements set out by the Financial Conduct Authority.**

**By not conforming to the FCA rules and guidance, you may be subject to consequences such as fines or the loss of your FCA authorisation.**

# What is a financial promotion?

The Financial Conduct Authority (FCA) definition of a financial promotion is:

“An invitation or inducement to engage in investment activity that is communicated in the course of business.”

While this is a broad definition, this guidance focusses on the advertising of consumer credit, and applies to all types of financial promotions that you may use.



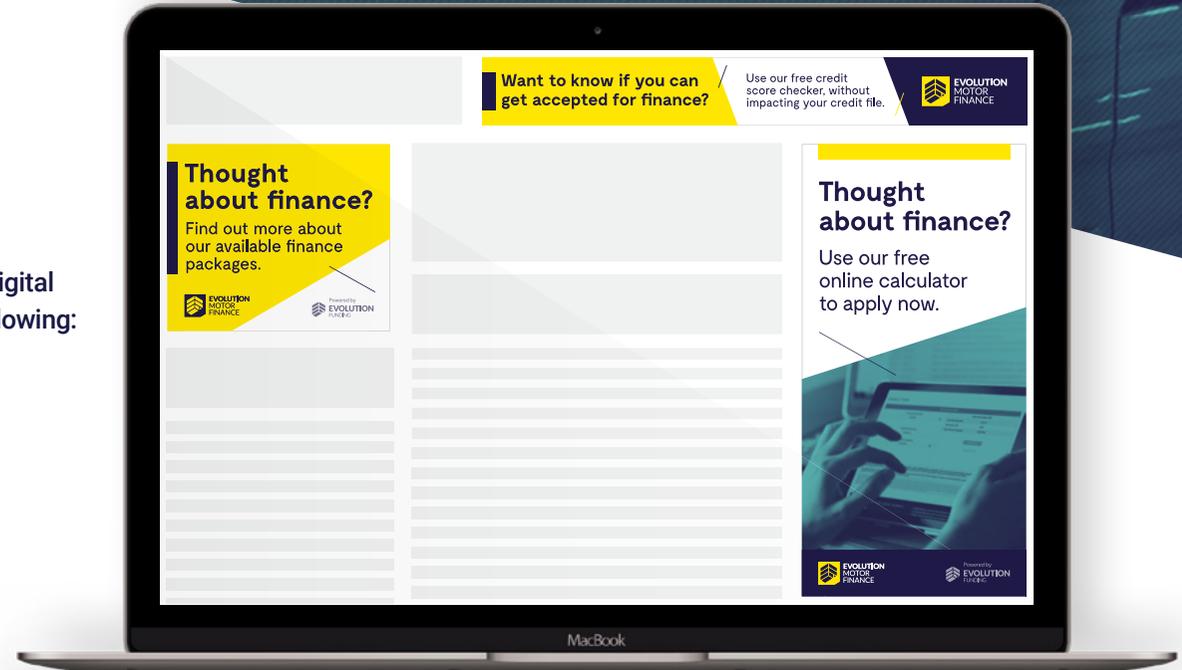
This includes all 'traditional' promotions:

- ✓ Point of sale advertising
- ✓ Outdoor advertising
- ✓ Leaflets and brochures
- ✓ Pop up advertising
- ✓ Posters
- ✓ Radio/television
- ✓ Newspapers/magazines



The same guidance applies to all digital promotions, which includes the following:

- ✓ Websites
- ✓ Pay-per-click advertising
- ✓ Banner advertising
- ✓ Social media marketing, e.g. Facebook, Instagram
- ✓ Email marketing
- ✓ SMS campaigns



# Who are the regulators?

The following authorities are responsible for regulating advertising, communications with consumers and financial promotions.



The **Financial Conduct Authority (FCA)** is the conduct regulator for financial services firms. Their main aim is to improve how financial markets and firms work. The FCA are responsible for regulating consumer credit advertising – they set out the rules and guidance on financial promotions in Chapter 3 of CONC.



The **Advertising Standards Authority (ASA)** is the UK's advertising regulator. The ASA is responsible for applying the Advertising Codes written by the Committee of Advertising Practice (CAP) and Broadcasting Committee of Advertising Practice (BCAP).



The **Competition and Markets Authority (CMA)** work to promote competition for the benefit of consumers, both within and outside the UK. They aim to make markets work well for consumers, businesses and the economy. The CMA are responsible for enforcing consumer protection legislation.

While the FCA sets out the rules and guidance on financial promotions in CONC Chapter 3, there are other regulations and guidelines that apply to ALL advertisements:

- ✓ The Consumer Protection from Unfair Trading Regulations 2008.
- ✓ The Business Protection from Misleading Marketing Regulations 2008.
- ✓ The UK Advertising Codes - UK Code of Non-broadcast Advertising and Direct and Promotional Marketing (CAP Code) and UK Code of Broadcast Advertising (BCAP Code).

# Content of financial promotions

This guidance will cover the requirements in CONC, in particular Chapter 3, which lays out the rules for financial promotions.

Chapter 3 of CONC can be found here:

CONC - Chapter 3



# Clear, fair and not misleading

Number 7 of the FCA Principles of Business states:

“A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.”

**A financial promotion should be:**

- ✓ Clearly identifiable as a financial promotion;
- ✓ Accurate;
- ✓ Balanced, with the benefits and risks/exclusions given equal importance;
- ✓ Easy to understand and read/hear, using plain language;
- ✓ Not misleading, and provide all important information so that the customer can make a fully informed decision;
- ✓ Clear on who is making the financial promotion; if the financial promotion relates to credit broking, it should also identify the lender (if it is known).

# What is a representative APR?

This is the Annual Percentage Rate (APR) that you would reasonably expect at least 51% of credit agreements to be entered into as a result of the promotion, at the date the promotion is advertised.

The representative APR must be shown as “% APR” and used with the word “representative”.

You must be able to show that the rate quoted is representative, as explained above. If you deal solely with Evolution Funding, then your Account Manager should be able to help you.

## Show your working:

If you have 100 finance customers, your rep APR is not the average rate. If you listed the 100 customers from lowest APR at the bottom to highest APR at the top, your rep APR would be the one that number 51 received. So 51% of your customers got that, or a lower, APR.



# When must a representative APR be shown?

As per CONC 3.5.7R (1), a financial promotion must include the representative APR if it:

- ✓ States or implies that credit is available to people who might otherwise think their access to credit is restricted.
- ✓ Includes a favourable comparison with another person, product or service, whether the comparison is clear or implied.
- ✓ Includes an incentive to apply for credit, or to enter into an agreement where credit is provided.

## Examples of ‘trigger’ wording:

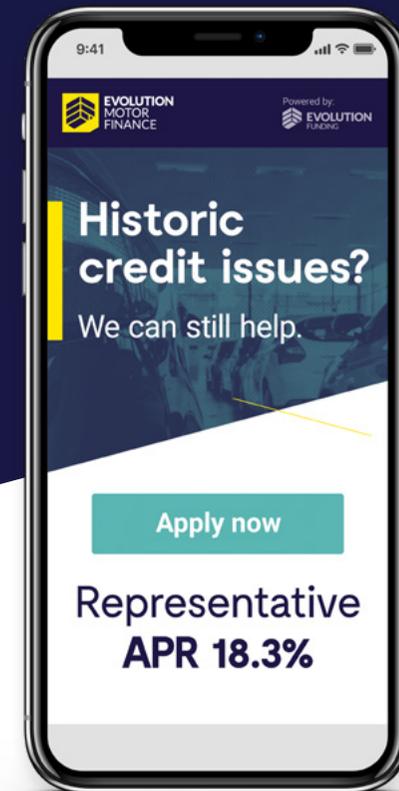
|  |                         |   |
|--|-------------------------|---|
| “Been refused credit?”                                     | “Lowest rates ever”     | “Zero deposit required”                 |
| “Struggle to get credit?”                                  | “Lowest rates until...” | “Quick and easy application for credit” |
| “Do you have CCJs and find it difficult to obtain credit?” | “Lower rates than...”   | “Buy now, pay later”                    |

The representative APR shouldn’t be less prominent than any of these ‘triggers’ or statements, as well as any details of the credit offering.

## For example:

If the monthly payment is displayed in larger or bolder text than the representative APR, this would be breaking CONC 3.5.7R.

Compliant



# What is a representative example?

This shows consumers the typical costs associated with a product being advertised. From this, they can work out whether it is affordable or suitable for them.

(1) CONC 3.5.5R states clear rules that it must include certain information:

- (a) The rate of interest - whether it is fixed, or variable, or both. It needs to be expressed as a fixed or variable percentage, applied on an annual basis to the amount of credit drawn down;
- (b) The nature and amount of any other charge included in the total charge for credit;
- (c) The total amount of credit;
- (d) The representative APR;
- (e) If the credit is in the form of a deferred payment for specific goods, services, land or other things, the cash price and the amount of any advance payment;
- (f) The duration of the agreement;
- (g) The total amount payable;
- (h) The amount of each repayment of credit.

(2) The information needed in (1) must be what we accurately think at time of promotion to be representative, and that these representative figures are expected to be entered into as a result of the promotion.

For example – if your average balance to finance is £8,000, your representative example should not be for a £25,000 balance.

The representative example must be:

- ✓ Clear, concise and prominent;
- ✓ Accompanied by the words “representative example”;
- ✓ Presented in full with equal prominence (e.g. size, colour, position);
- ✓ Given no less prominence than any information about the cost of credit, or any incentives in the promotion.

EXAMPLE of a representative example:

Compliant 



Buy now from just  
**£580.34**  
Per month

Representative  
**APR 8.9%**

(h) ←

HP Representative Example

Range Rover Evoque

|  |            |            |
|--|------------|------------|
| Cash price   |            | £31,252    |
| Deposit  | ←----- (e) | £3,000     |
| Total amount of credit   | (c) -->    | £28,252    |
| 48 monthly payments  | ←----- (f) | £580.34    |
| Total charge for credit (including £10 option to purchase fee) | (b) -----> | £6,578.40  |
| Total amount payable   | (g) -->    | £37,830.40 |
| APR representative   | ←----- (d) | 8.9%       |
| Annual rate of interest (fixed)                                | (a) -----> | 8.9%       |

£

EVOLUTION MOTOR FINANCE

Powered by: EVOLUTION FUNDING

# When must a representative example be shown?

If your financial promotion shows a **rate of interest**, e.g. 9.9% APR, or an amount relating to the **cost of credit**, e.g. £325 per month, with the exception of the representative APR, a full representative example must be shown within your promotion.

These are called 'triggers', for example:

|                                 |                                  |
|---------------------------------|----------------------------------|
| Buy now from as low as 6.9% APR | Buy now from just £199 per month |
| Interest free for 6 months      | Finance from 3.5% PAF            |

# Can I show other finance examples within the promotion?

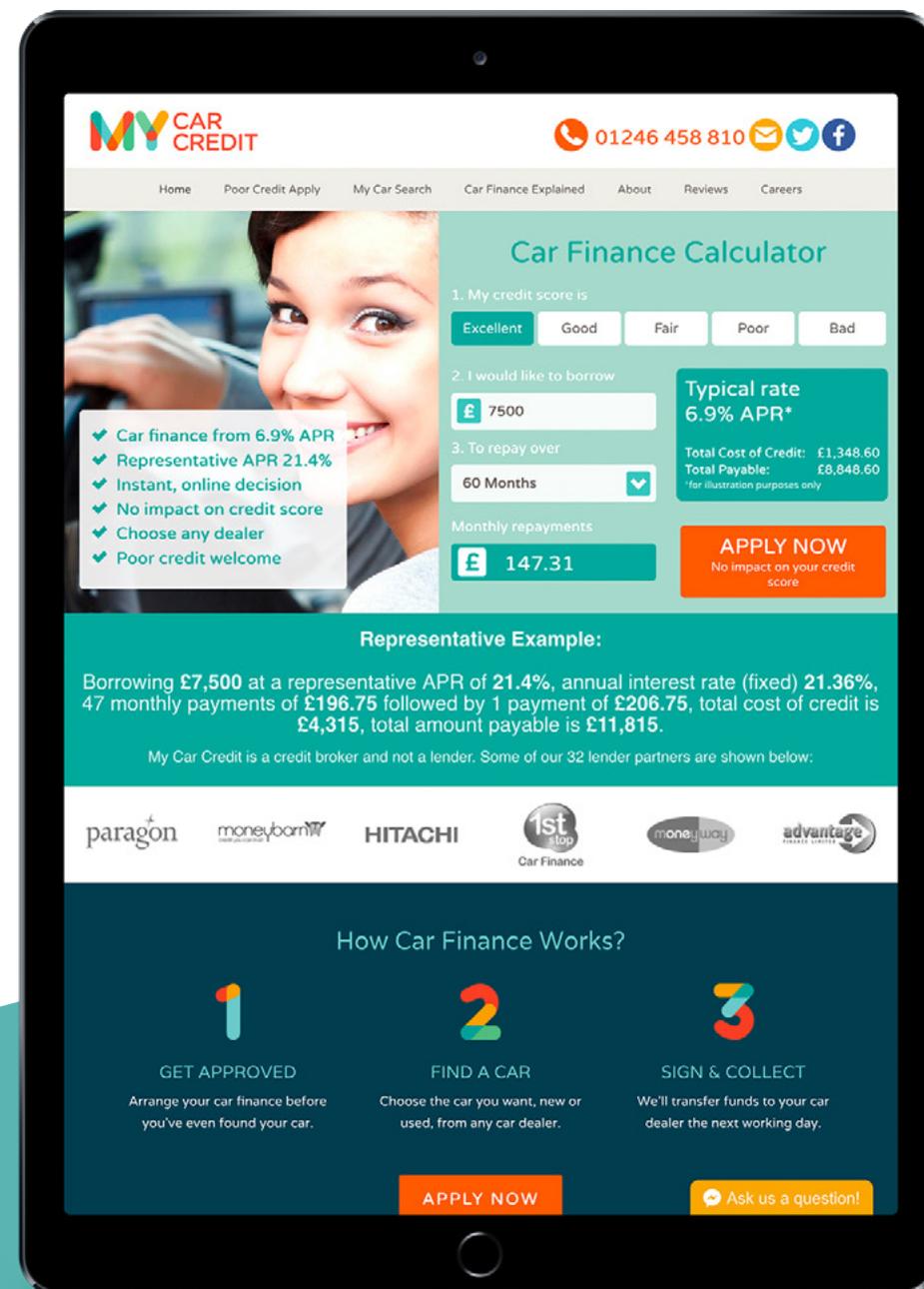
You can include other finance examples, but these must be less prominent than the representative example, and clear that they are for illustrative purposes only.

To include another example, you need to make sure:

- ✓ There is only one representative example;
- ✓ The representative example is more prominent than the other finance examples;
- ✓ All other finance examples are labelled differently, e.g. "HP finance example", "PCP finance example".

The finance examples include at least:

- ✓ Number and amount of monthly payments;
- ✓ Deposit;
- ✓ Optional final payment;
- ✓ Term of agreement, which needs to be shown in the terms and conditions;
- ✓ If it's a PCP - contract mileage and excess mileage charges also needs to be in the terms and conditions.



# What is meant by 'prominence' in financial promotions?

The FCA states under CONC 3.2.3G:

“Information or a statement included in a financial promotion or communication will not be treated as prominent unless it is presented, in relation to the other content of the financial promotion or communication, in such a way that it is likely that the attention of the average customer to whom the financial promotion or communication is directed would be drawn to it.”

The financial promotion needs to be **clear, fair and not misleading** to the customer group that the promotion is directed at.

Consideration should be made to the layout of the financial promotion, e.g. positioning and size of text, background and colour.

As per CONC 3, the representative APR and examples must be at least as prominent as any incentive to take out finance within the promotion.

'Apply' incentive messages larger text size than the rep APR

Text on image - difficult to read

EXAMPLE ad:

Non-compliant 



EXAMPLE ad:

Compliant 



Easy to read, matching the same text size as the incentive messages

Same colour text for incentive message and rep APR

# Restricted expressions

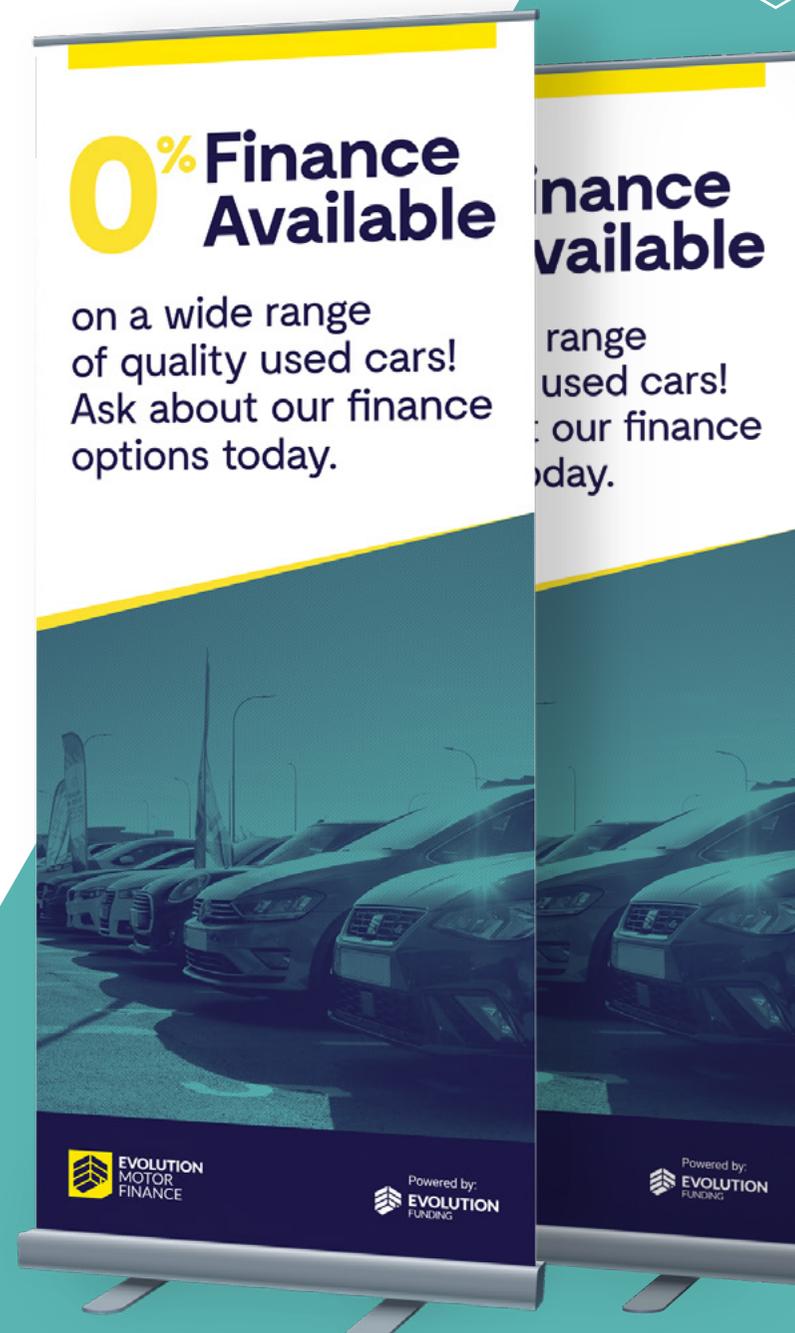
As per CONC 3.6.8R, the following words and expressions are restricted, and should only be used in line with the guidance below.

| Word or expression  | Restriction   |
|---|---|
| "Interest free"   | Can only be used where there are no interest charges or fees of any kind.   |
| "No deposit"  | Can only be used if there is no advance payment of any kind.  |
| "Loan guaranteed", "pre-approved", "no credit checks" or any similar expression | Can only be used where the agreement is free of any conditions regarding the credit status of the customer.                       |
| "Gift", "present" or any similar expression                                     | Can only be used where there are no conditions which would require the customer to repay the credit, or return the financed item. |
| "Weekly equivalent" or any similar expression or other periodical equivalent    | Can only be used if weekly payments or other periodical payments are provided for under the agreement.                            |

## 0% finance

There are different rules where a financial promotion is completely free from interest or charges for the term of the agreement. **You can promote 0% finance without triggering the need for either a representative APR or representative example.**

Promotions of interest-free products still have to follow other regulations though (please see page 3), and must remain clear, fair and not misleading for consumers.



## Contact address on financial promotions

You must include your name and postal address unless:

- ✓ It is made via television or radio broadcast;
- ✓ Where the promotion is a point of sale item displayed on the retailer's premises which aren't intended for customers to take away, e.g. showroom banners or posters;
- ✓ The promotion includes the name and postal address of a credit broker;
- ✓ The FCA may ask you to substantiate any claims you make in your advertising, so be prepared for this and make sure you could provide evidence if required, e.g. low rates, competitive rates, etc.

## Eligibility criteria and status disclosure

You need to make the following clear within your financial promotions:

- ✓ Finance is subject to application and status – you can't state or imply that credit is available regardless of the customer's financial circumstances or status.
- ✓ Who is eligible to apply for finance and any restrictions to making an application, such as age or employment status, e.g. "Terms and Conditions apply, over 18s only".

**As a dealer sending finance applications to Evolution Funding, you will be acting as a credit broker and must also comply with the rules under CONC 3.7 regarding status disclosure.**

In any financial promotion you must:

- ✓ Make it clear that you act as a credit broker and not a lender;
- ✓ You must state your company's full legal name as it appears in the Financial Services Register;
- ✓ Specify the existence of any financial arrangement you have, e.g. commission paid to you.

**<Dealer trading name>** is a trading style of **<dealer legal name>**.  
**<Dealer legal name>** are authorised and regulated by the Financial Conduct Authority for credit brokerage. Our FCA number is **<FCA number>**. Finance subject to status. Terms and Conditions apply. A guarantee may be required. Over 18s only. PLEASE ENSURE YOU CAN AFFORD THE REPAYMENTS FOR THE DURATION OF A LOAN BEFORE ENTERING INTO A CREDIT AGREEMENT. We work with a number of carefully selected credit providers who may be able to offer you finance for your purchase. We are only able to offer finance products from these providers and they may provide an incentive to us to do so. Prices, offers and information correct at the time of publishing. **<Dealer legal name>** is a credit broker and not a lender.

# Digital promotions non-compliance



The FCA have shown increased focus on the digital promotions posted by motor finance firms on social media platforms.

In their November 2018 regulation round-up publication, the FCA highlighted they were aware of occasions when motor finance firms weren't complying with CONC 3 rules.

The main issues they found were:

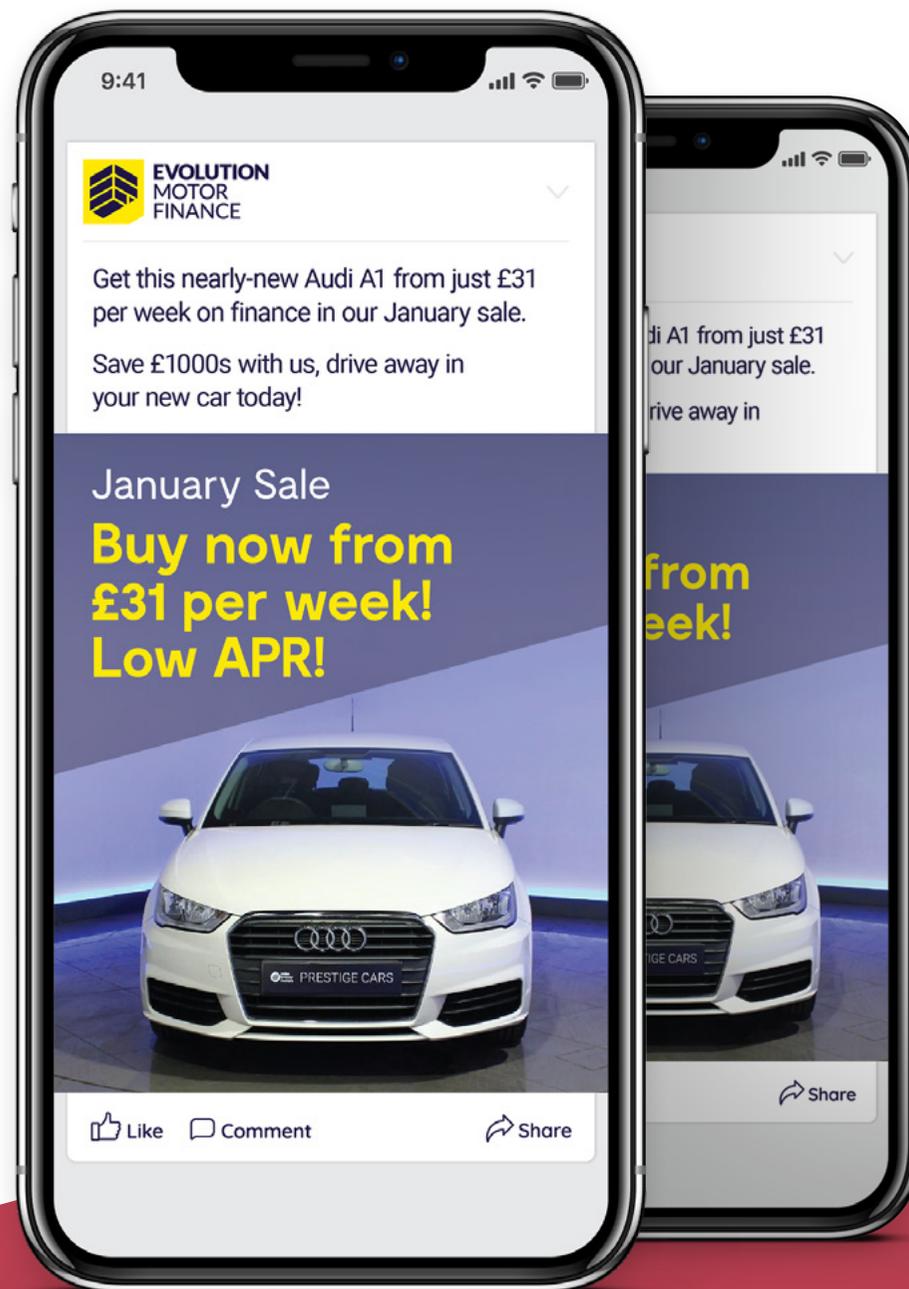
- ✗ Not displaying a representative example when triggered;
- ✗ Not making the representative APR prominent;
- ✗ Not mentioning the legal name of the firm;
- ✗ Not displaying, or a lack of prominence of the credit broker agreement;
- ✗ Displaying monthly costs for a vehicle without showing whether this is based on a credit or hire agreement.

View the November 2018 regulation round-up by the FCA:

[FCA - Regulation round-up](#)

EXAMPLE post:

Non-compliant



# Digital promotions

## things to consider



Consideration should be made to the following issues when advertising financial promotions on social media:

- i** Any character, space or time limitations imposed by the platform (e.g. 280 characters on Twitter);
- i** Providing a balanced view of the risks and benefits of the product/service being advertised;
- i** Promoting complex features of a product or service;
- i** If possible, having a link within the post to more comprehensive information about complex features, but still keeping the promotion compliant.

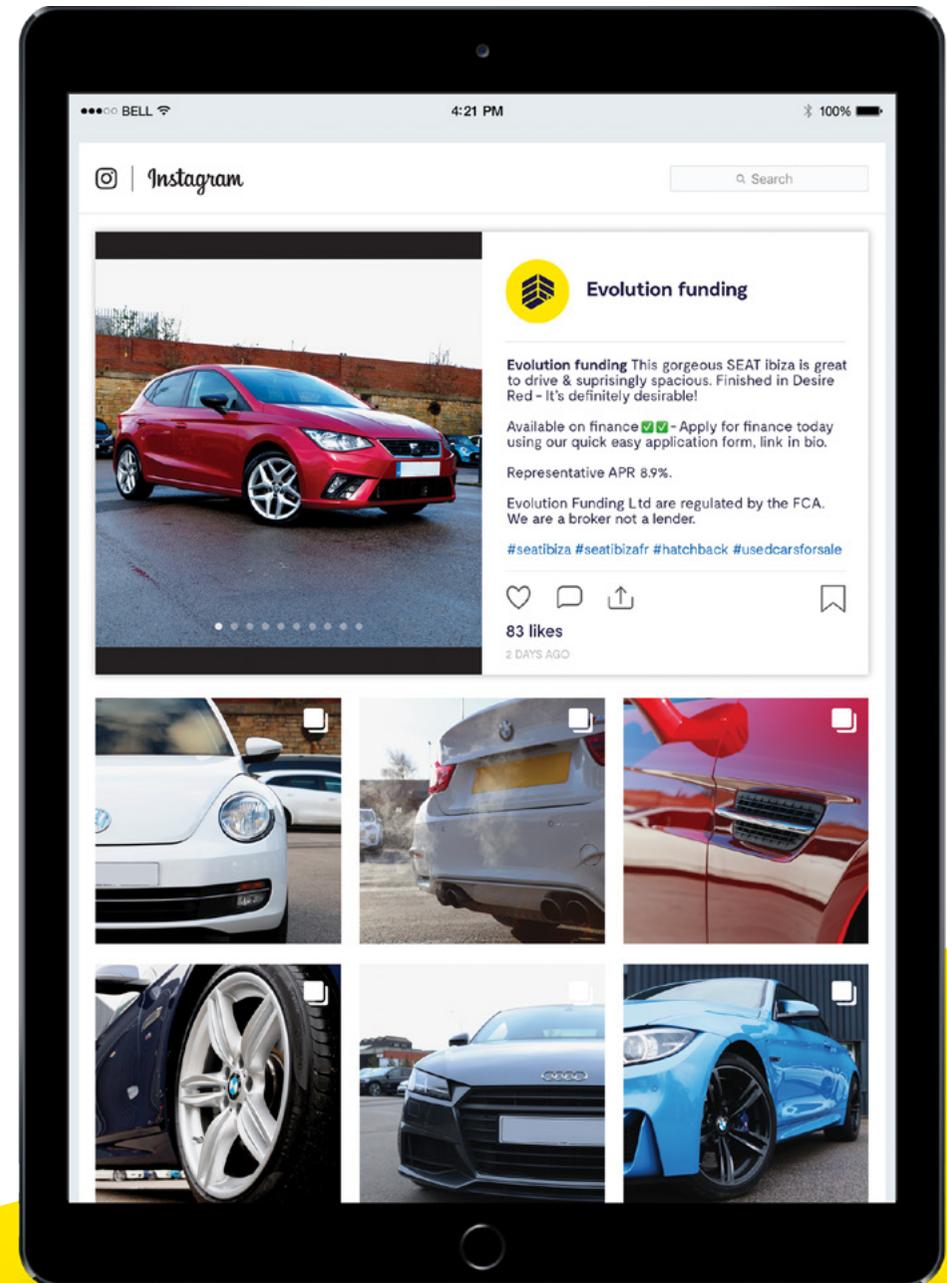
As communications can reach a wide audience very rapidly, it's also important to consider whether the original communication will remain clear, fair and not misleading should it be seen by a non-intended recipient.

In 2015 the FCA released a statement confirming their legal power to ban any financial promotions they deem unclear, unfair or misleading:

**FCA - Power to Ban**

EXAMPLE post:

Considerations **i**



# Digital promotions being compliant



As with other types of financial promotions, when using digital promotions you need to:

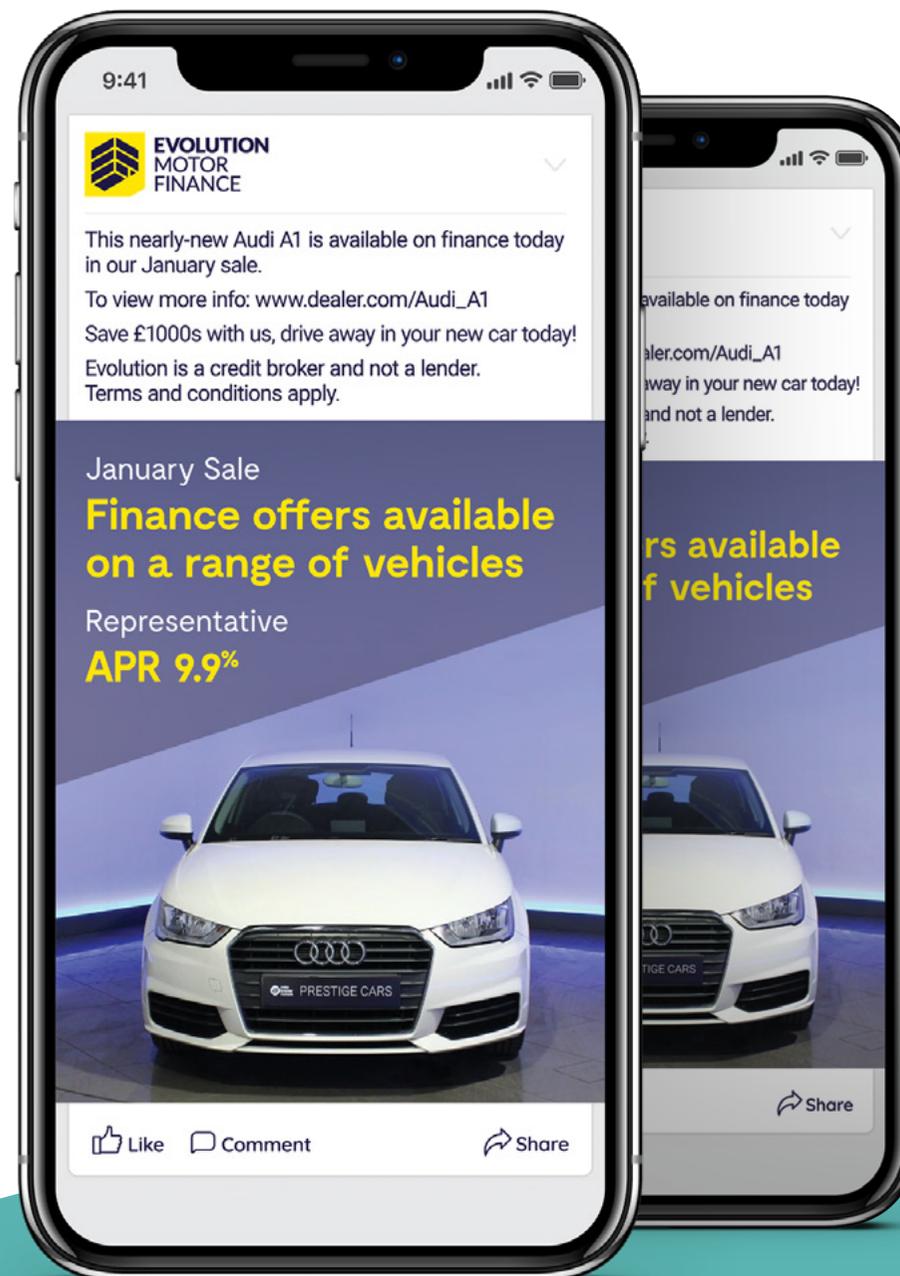
- ✓ Include all finance figures together on the same page – you can't show a monthly payment that directs you to another page showing a representative example, or split the figures across different frames;
- ✓ Show the representative APR with at least the same prominence as the incentive given within the promotion;
- ✓ Ensure the representative APR given is accurate and representative of at least 51% of what customers responding to the promotion would receive;
- ✓ Include the phrase "terms and conditions apply" on any banner advert – full terms and conditions must also be one click away and the banner have a clear call to action;
- ✓ State that you are a credit broker and not a lender.

In Jan 2019 the FCA penned an open letter to CEOs of FCA-regulated firms, reminding them of their responsibilities relating to the use of financial promotions:

**FCA - Dear CEOs**

EXAMPLE post:

Compliant 



# Social media: Friend

## Is social media a must for your business?

We cover the different ways that running a successful social media account can add value to your dealership, as well as common pitfalls to avoid online.

Social media can be your friend when you:

-  **Engage with your customers –**  
Ask questions, run competitions and share interesting articles to open up a dialogue with your customers.
-  **Collect recommendations –**  
Build up your online reputation by sharing positive comments and happy customer handover photos, leading customers to leave positive reviews.
-  **Put a spotlight on your products –**  
Sharing compliant car ads and finance-first promotions can lead customers directly to your site, and sometimes directly to a sale!
-  **Show you care –**  
Respond to any questions, concerns and complaints promptly with a customer-first approach, and change the perception from negative to positive!

In 2015 the FCA published a finalised guidance on social media and customer communications:

**FCA - Finalised Guidance**

EXAMPLE post:

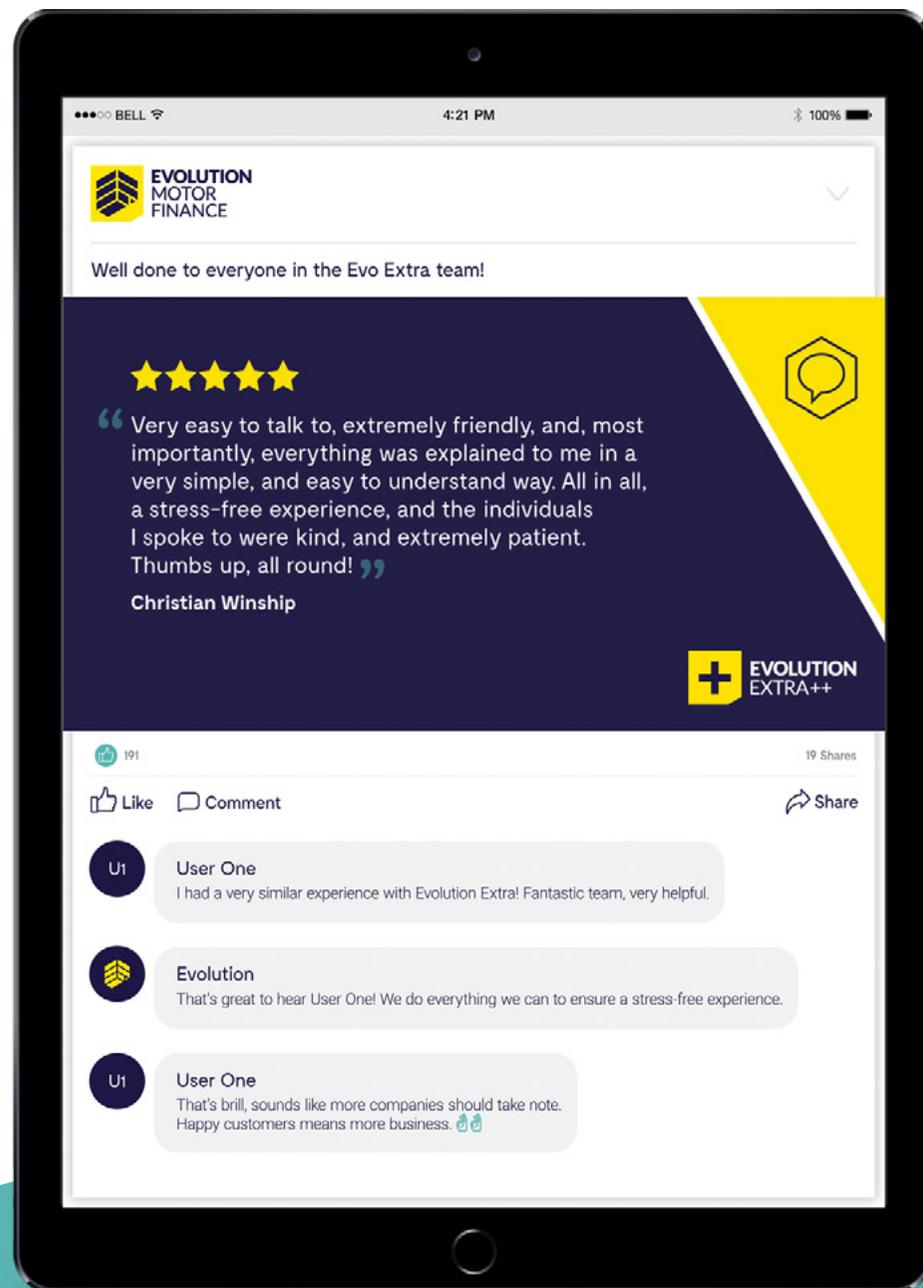
Friend 



Collect recommendations



Show you care



# Social media: Foe

## Is social media a must for your business?

We cover the different ways that running a successful social media account can add value to your dealership, as well as common pitfalls to avoid online.

**Social Media could cause big problems for your reputation. AVOID the following:**

-  **Posting non-compliant ads –**  
Ignoring FCA guidance online can mislead your customers and result in fines or loss of FCA authorisation.
-  **Starting a war of words –**  
Customer complaints can be difficult to handle, but engaging in a negative back-and-forth can seriously harm your reputation.
-  **Neglecting posting content –**  
Social media works best when you regularly communicate and engage with customers, so make time to focus on strategy, and create a schedule so you can stay frequently connected.

**Be aware of:**

-  **Staff misbehaving –**  
It isn't just your company accounts that can be used incorrectly - employee use of social media can have big repercussions for your business.

Staff sharing sensitive information about customer credit profiles, interacting rudely with prospective clients, and posting unapproved content relating to the dealership on sites like LinkedIn, can all be very harmful for your reputation; make sure all staff understand their responsibilities online.

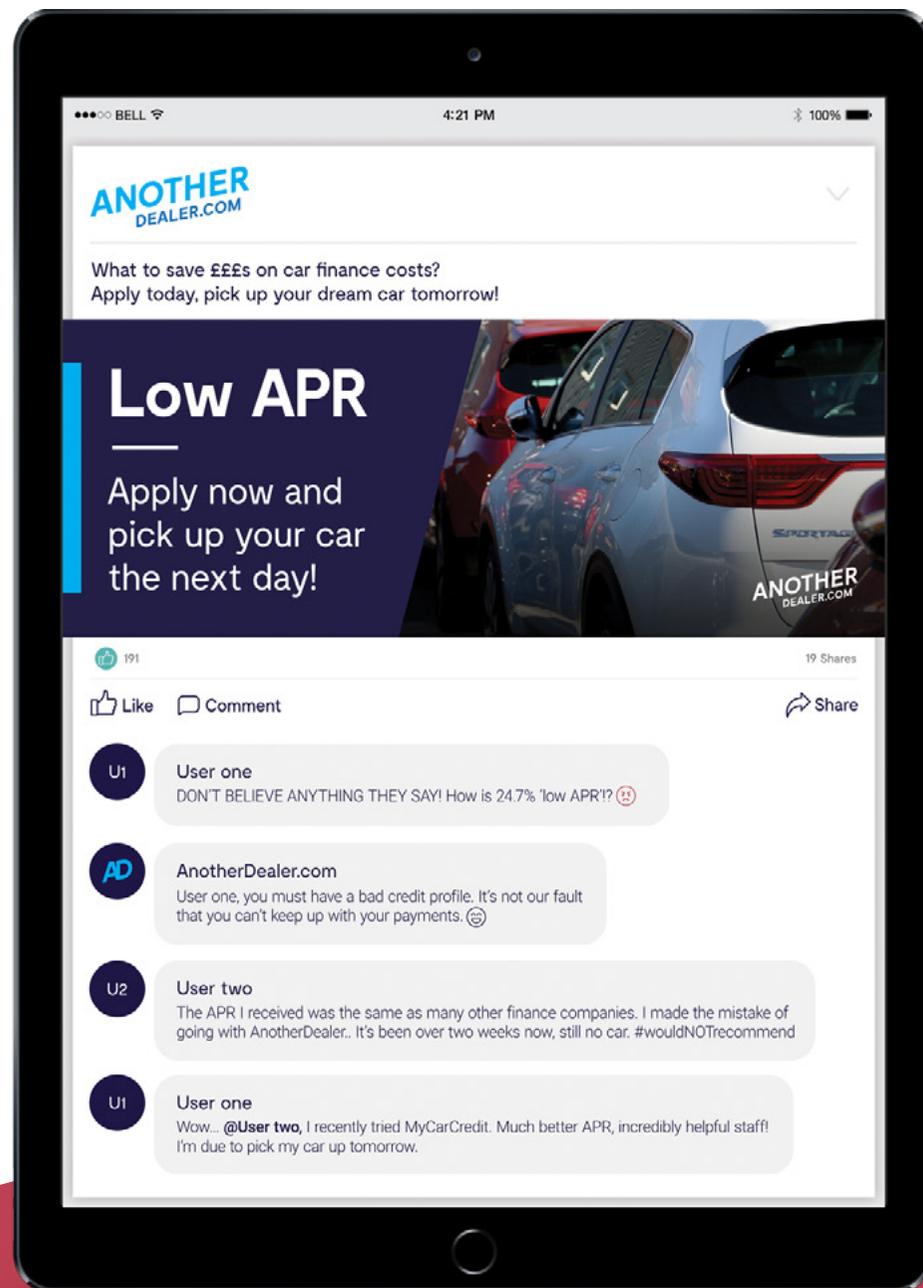


Non-compliant ad



Starting a war of words

EXAMPLE post:



# Financial promotions checklist

You've pulled together your ad, but you're still unsure if it is compliant?

**Have no fear** - use our handy checklist to make sure that the content and styling of your ad ticks all the boxes, and is appropriate to be used as a promotion in line with FCA rules.

If you're stuck on choosing a 'yes' or 'no' option, you can refer back to the relevant sections in this guide, which can help you with any changes.

**1** Is your promotion clear, fair and not misleading?

Yes - no changes are required  
No - make changes to the promotion  
Unsure? [Refer to page 04](#)



**2** Does your promotion include any 'triggers'?

Yes - your promotion must include a representative APR  
No - you don't need any additional information  
Unsure? [Refer to page 05](#)



**3** Does your promotion include an interest rate or an amount relating the cost of credit?

Yes - your promotion must include a full representative example and the postal address of the retailer (excluding Radio and Point Of Sale at the dealership).  
No - a representative example is not required  
Unsure? [Refer to page 07](#)



**4** Does your promotion show any other finance examples?

Yes - [Refer to page 07](#)  
No - you don't need any additional information



**5** Does the representative APR and representative example meet the prominence rules?

Yes - no changes are required  
No - make changes to the promotion to create equal prominence  
Unsure? [Refer to page 08](#)



**6** Does your promotion contain any restricted expressions?

Yes - make sure they follow the guidelines for use  
No - you don't need any additional information  
Unsure? [Refer to page 09](#)



**7** Is your status disclosure and eligibility criteria displayed clearly?

Yes - no changes are required  
No - make changes to the promotion  
Unsure? [Refer to page 10](#)



## Existing dealer?

Contact your Account Manager for more info.

## Interested in partnering up?

Contact [salesupport@evolutionfunding.com](mailto:salesupport@evolutionfunding.com).

 01246 458 800

 [compliance@evolutionfunding.com](mailto:compliance@evolutionfunding.com)

 [motorfinance.evolutionfunding.com](http://motorfinance.evolutionfunding.com)

 Thompson Close, Chesterfield, S41 9AZ

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