



AUTO FINANCE

## Product Information Sheet

### Hire Purchase (“HP”)

#### Products & Services Outcome and Price & Value Outcome – Information for distributors of the Product

This summary document is being provided to you to fulfil our responsibilities under PRIN 2A.4.15R and PRIN 2A.3.12 R (2).

It is designed 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 ultimately responsible for meeting your obligations under ‘The Consumer Duty’.

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

#### 1. Summary of our assessment

We have assessed that our HP product:

- Continues to meet the needs, characteristics, and objectives of customers within the identified target market.
- 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).

This assessment does not include 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 these products or services, you must inform us.

#### 2. Product characteristics & benefits

The product is designed to meet the needs of the target group, in that it is designed to provide customers the ability to purchase a new vehicle and would like the option to own it outright at the end of the term. The product will only be provided to customers who satisfy CA Auto Finance UK Ltd’s (“CAAF”) affordability and creditworthiness criteria.



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HP is targeted at individual customers, not businesses, and is typically preferred for those customers who value product flexibility and the option of car ownership over a low price. The product features and criteria are designed to support these needs

**Key characteristics and benefits of HP are:**

Product Characteristics	Product benefits
<ul style="list-style-type: none"><li>- HP is aimed at customers who are looking for a straightforward finance agreement with the option to own the vehicle.</li><li>- Contracts operate by allowing customers to hire a vehicle for a fixed period with the option to own the vehicle at the end of the agreement, through the payment of a small “option to purchase fee”.</li><li>- These agreements are normally fixed cost, meaning that the APR (Annual Percentage Rate) is set before the contract begins.</li><li>- The loan period is also fixed – typically three to five years – and the finance agreement is secured against the vehicle.</li><li>- Customers are the ‘registered keeper’ of the vehicle and are responsible for insuring and maintaining it, but the finance company remains the legal owner until the full amount borrowed has been repaid including the option to purchase fee.</li></ul>	<ul style="list-style-type: none"><li>- Hire Purchase allows the customer to spread the cost of an asset over a longer period of time, making it more affordable to purchase.</li><li>- The interest rate on a Hire Purchase agreement is fixed for the duration of the contract, which means customers can budget effectively and avoid any surprises.</li><li>- Hire Purchase agreements can be tailored to customer specific needs, such as the length of the contract and the size of the deposit.</li></ul>



### 3. Target market assessment and distribution strategy

This target market assessment matrix segments the target customers for the Product, recognising their different needs to enable you to tailor the services you provide when you distribute the Product.

<b>Customer Circumstances, needs &amp; Objectives</b>	<b>Distribution Strategy</b>
<ul style="list-style-type: none"> <li>- Customers want to purchase a new vehicle and want the option to own it outright at the end of the term.</li> <li>- Customers who do not want to, or are unable to, purchase the car with their own capital or other financial arrangements.</li> <li>- Customers who satisfy CAAF's affordability and creditworthiness criteria (i.e.) customers who can afford the monthly payments.</li> <li>- Customers are private individuals / and are not businesses.</li> <li>- Customers meet CAAF's product eligibility criteria:               <ul style="list-style-type: none"> <li>o Age 18+</li> <li>o Hold a valid drivers licence</li> <li>o UK residents</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- HP financing is predominantly distributed through franchised and non-franchised car dealerships and brokers, who work with multiple lenders to find the best financing options for their customers.</li> <li>- Dealers and brokers are responsible for ensuring that products are provided to customers within the CAAF target market and eligibility criteria.</li> <li>- Dealers and brokers are responsible for ensuring that customers fully understand the product features, benefits, associated costs, and appropriately provide and disclose all relevant product information, literature and key product risks.</li> <li>- Dealers and brokers are responsible for identifying different customers' needs and vulnerabilities and appropriately adjusting their sales process to accommodate these needs, and report vulnerable customers to CAAF.</li> </ul>



### **Customers who are outside of Target Market:**

HP is less suited to:

- Business customers, or any customer who is not a private individual\*
- Customers who do not want the flexibility to change their vehicle more regularly (i.e. not keep the vehicle until the end of the credit agreement) or do not want to own their vehicle outright at the end of the term
- Customers who do not want to maintain their car in accordance with the contractual obligations
- Customers who do not satisfy CAAF's affordability and creditworthiness standards
- Customers who do not meet CAAF's eligibility criteria
- Customers who are on the Sanctions lists or fail AML checks

\*There may be circumstances where the product may be suitable for a business customer, subject to meeting CAAF's eligibility criteria.

## **4. Customers with characteristics of vulnerability**

The Product is designed for the defined target market above, which is likely to include some customers with characteristics of vulnerability or who will experience vulnerability over time.

Typical known customer vulnerabilities include, but are not limited, to:

- Mental health
- Physical health
- Bereavement reliance
- Power of attorney in place

Intermediaries should be conscious and cognisant of potential customer vulnerabilities for each customer with whom they engage. Dealers and brokers should continue to comply with their obligations to ensure that they treat customers in vulnerable circumstances fairly, and ensure staff are adequately trained to effectively deal with vulnerable customers in line with CAAF's policy and standards.

**Please contact us if you need any further information about how we support the needs of all our customers in relation to the Product.**

## **5. Our assessment of value**

We have developed a comprehensive and robust assessment process which evaluates several aspects of our business to determine the value of our HP product. This analysis is used to ascertain whether the Product delivers fair value for customers.

The outcomes of the assessment process will be presented to CAAF'S Board and Executive Committee on an ongoing basis, allowing for challenge and further investigation before products



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(and any relevant changes) are approved. We will share any relevant information of these assessments with you as required.

Our fair value assessment considered, but was not limited to, the following:

- The benefits and features of the product
- The total costs the customer may pay throughout the life of the product
- The costs to manufacture, distribute and service the product
- Any limitations and drawbacks of the product
- Any known risks of customer harm within the product
- Analysis of key information which may indicate a product is not providing fair value such as, but not limited to:
  - Complaints
  - Arrears
  - Early Terminations / Cancellations
  - Rights of withdrawals, etc.

### **Assessment Outcome**

Our assessment concluded that our products continue to deliver fair value for customers within the target market for which they are intended. This assessment was based on the historical and emerging data from key indicators such as complaints, rights of withdrawal, arrears, and customer feedback data.

There are no changes foreseen in the HP product offering at this stage. We will inform you on a periodic basis (annual as a minimum) whether any changes to the products are required and how these impact you.