



**Liberty Leasing**

The Asset Finance Specialist

## Distribution Strategy Process

### Document Control

<i>Owner</i>	<i>Paul Sheedy, Commercial Director</i>
<i>Reviewer</i>	<i>Liberty Board of Directors / Compliance Officer</i>
<i>Approver(s)</i>	<i>Liberty Board of Directors</i>
<i>Last Review Date</i>	<i>N/A</i>

### Version Control

<i>1.0</i>	<i>April 2023</i>

### Related Policies / Documents

<i>Price and Value Assessment Process</i> <i>Consumer Duty Policy</i> <i>Product Governance Process</i> <i>Record Keeping Policy</i>	<i>Vulnerable Individuals Policy</i> <i>Credit and Lending Policy</i> <i>Arrears and Repossessions Policy</i>
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## **Distribution Strategy**

### **1. Purpose**

Liberty Leasing Limited puts delivering good outcomes for retail customers at the heart of its business practices.

Our approach to the design and communication of our Distribution Strategies for our products aims to support us meeting our obligations under Principle 12 of the FCA's Principles for Businesses to ensure that we deliver good outcomes for retail customers. It is designed to support our compliance with the rules and guidance in PRIN 2A of the FCA Handbook together with the guidance published by the FCA in FG 22/5.

As a manufacturer of products which are distributed to retail customers, we are required to ensure that we avoid causing foreseeable harm to retail customers and that we provide support and clarity of communication to our customers to enable them to meet their needs.

One element of this is to ensure that we have designed and maintain (through periodic reviews or in response to identified challenges or issues) an appropriate distribution strategy for each of our products. By appropriate we mean for the intended target market. We must communicate information about the distribution strategy for each product to distributors in our distribution chains.

### **2. Content of and approach to distribution strategy**

As a manufacturer of products which are distributed to retail customers, we must identify a target market of customers in respect of each of our products / services. The target market is a group (or several groups) of customers sharing common features whose characteristics, needs and objectives the product is or will be designed to meet.

In identifying the target market, we must consider the needs of customers with characteristics of vulnerability. Particularly, we must consider whether the product or service (including its distribution arrangements) could cause harm for any group of customers. We are required to ensure that our products are appropriately designed to take account of the needs, characteristics, and objectives of all groups within the identified target market.

We must then develop a distribution strategy which is appropriate for the target market, considering the appropriateness of potential distribution channels, the associated customer journeys and the potential for customer harm or poor outcomes associated with each.

### **3. Distribution strategy requirement**

We must have a documented distribution strategy in respect of each product:

- (i) before the product is brought to market (where the product is a new product); or
- (ii) before 30 April 2023 if the product is an existing product which is not a closed product at that point in time.

Thereafter, we must review and update the distribution strategy for each product:

- (i) at least annually; and
- (ii) at the point we make any significant adaptation of a product (including the distribution arrangements or strategy for it)\*; or
- (iii) at any point we become aware through our data and monitoring, of our distribution channels or interactions with our customers of a risk that the product may not be meeting the needs of or being appropriately distributed to the target market in accordance with the distribution strategy.

\*We define a significant adaptation of a product as material changes in the overall price, benefits and / or terms and conditions and changes to for e.g.:

- servicing approach
- communication
- any policies / processes directly impacting the product and consumer outcomes
- distribution arrangements and / or channels

#### **4. Sharing information with distributors**

We are required to make all appropriate information available to the distributors we work with to enable them to:

- understand the characteristics of the product or service;
- understand the characteristics of the target market;
- consider the needs, characteristics and objectives of any customers with characteristics of vulnerability;
- identify the intended distribution strategy for the product; and
- ensure the product / service will be distributed in accordance with the distribution strategy to the target market.

In sharing information with distributors, we must ensure that we comply with all applicable requirements of:

- Data Protection Legislation, including the Data Protection Act 2018, together with guidance published by the Information Commissioner's Office; and
- Competition law including without limitation the Competition Act 1998, the Enterprise Act 2002, together with guidance published by the Competition and Markets Authority.

To achieve this, we must populate an External distribution strategy form in respect of each product which is distributed via distributors (rather than directly by us) and supply a copy to them for review. This summarises the information contained in our internal distribution strategy for each product.

## **5. Grouping products together**

When developing and maintaining our Distribution Strategies, we may group similar products together where both the target market and the products are sufficiently similar (and as such the risks of harm and poor outcomes). This might be the case, for example, where we have a range of substantially similar products within a particular category, in respect of which the product design, delivery, costs and benefits are broadly comparable and directed at the same target market.

However, we should not group products or services together where this could impair our ability to assess the appropriateness of the arrangements for distribution of each product or service adequately.

Where a product is intended to be provided with one or more other products (as part of a package) we should consider the appropriateness of the distribution strategy for the whole package, as well as the individual product.

## **6. Products where we work with one or more co-manufacturers**

Liberty does not currently work with any co-manufacturers.

## **7. Monitoring our distribution strategies**

If a product or service is causing foreseeable harm to customers, not meeting their needs or does not provide or ceases to provide fair value to customers, we must take action.

Such circumstances could arise because of the product being distributed other than in accordance with the distribution strategy or to the Target Market. Should this occur, we must take appropriate action to mitigate and prevent harm, for example, by suspending, adjusting, or amending the distribution strategy to ensure the product is distributed to the Target Market (taking such action as is necessary in relation to distributors). We must also, where appropriate, remediate any harm caused to existing retail customers.

## **8. Distributor obligations**

Distributors must maintain, operate, and review product distribution arrangements for each product that they distribute (whether a new or existing product).

These arrangements must avoid causing (and, where applicable, mitigate) foreseeable harm to retail customers, support the proper management of conflicts of interest (particularly in

relation to remuneration arrangements) and ensure that the needs, characteristics, and objectives of the target market have been appropriately considered and taken into account.

Under PRIN 2A.3.16 R our distributors need to ensure that they can obtain sufficient, adequate, and reliable information from us about each of our products that they distribute to enable them to:

- (1) fully understand the characteristics of the product, including its main features, benefits, terms, obligations, conditions and risks;
- (2) understand the identified target market (and particularly the common features which link the customers whose characteristics, needs and objectives the product is or will be designed to meet);
- (3) consider and respond appropriately to the needs, characteristics and objectives of any retail customers in the target market with characteristics of vulnerability;
- (4) identify the intended distribution strategy for the product (to ensure that their own distribution arrangements for the product remain in line with our distribution strategy\*); and
- (5) ensure that the product will be distributed in accordance with the needs, characteristics and objectives of the target market.

\*Where the distributor sets up or implements a specific distribution strategy to supplement our distribution strategy for a product, this must be consistent with our intended distribution strategy for the product and the identified target market.

Distributors are required to regularly review their distribution arrangements for our product to ensure that they remain appropriate and up to date. When completing these reviews, they must verify that they are only distributing the product to the identified target market.

Upon receipt of a request from us, distributors are required to provide us with appropriate and relevant information about the distribution of our products to support our product reviews and assessments. This may include, but may not be limited to, information on sales, customer feedback and information on the regular review of their product distribution arrangements.

Where a distributor identifies an issue following a review, it must make appropriate amendments to the product distribution arrangements and where harm has been identified, take appropriate action to mitigate the situation and prevent any further harm. It shall also promptly inform all relevant persons in the distribution chain about any action taken.

## **9. Governance/sign-off and approval**

The distribution strategy must be:

completed by: Paul Sheedy, Commercial Director

with support from: Legal & Compliance

reviewed by: Liberty Board of Directors and & the Compliance Officer

approved by: Liberty Board of Directors

## **10. Record keeping**

Our distribution strategy for each product must be retained in accordance with our Record Keeping Policy and Procedures. We must also retain version control of our distribution strategy in line with our Consumer Duty Policy and product governance arrangements.

## **11. Review of approach**

Our approach to developing, monitoring and testing our strategies for distributing our products and services should not be static.

Our Product Approval Process (including this Distribution Strategy Process document) should be subject to periodic review at intervals of not more than one year, or more frequently in response to significant changes in customer outcomes, our products, our distribution networks, market conditions, business operations, industry practice or the regulatory landscape.



## INFORMATION FOR DISTRIBUTORS

**Distribution Strategy for Personal Loan first published on 26 April 2023, last reviewed on 26 April 2023.**

### Product Information

<b>Product Characteristics</b>	<p>This product is a fixed-sum unrestricted use credit agreement regulated by the Consumer Credit Act 1974.</p> <p>Unsecured loans are offered with a value of between £1,000 and £10,000 (indicative) with a term of between 12-60 months, repayable in equal monthly instalments of capital and interest.</p> <p>A dedicated Liberty Account Manager is assigned upon receipt of a proposal (where introduction via a broker) or following direct contact from a customer from point of proposal and throughout the lifetime of the agreement where necessary.</p> <p>A dedicated Customer Relationship team are also available via telephone and email Monday to Friday 0900 to 1730 for general customer queries including requests for information, repayment concerns and early repayment / settlement queries.</p>
<b>Product Suitability</b>	<p>The product 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. It is a fixed sum loan for individuals repayable in monthly instalments. It is not suitable for customers seeking a revolving or multiple draw down facility, or customers who require a long period for payment deferral.</p>
<b>Product Risks</b>	<p>Late or missed payments or a change in customer circumstances can have an adverse impact on the customer, including increasing the overall cost / duration of borrowing and negatively impacting their report at CRAs, which may make accessing other credit more difficult / expensive for them in future.</p> <p>Liberty may take legal proceedings to recover sums due and pass on reasonable costs in enforcing our rights.</p>



Target Market Information	
<b>Target Market and Shared Characteristics</b>	<p>The target market is broad and focused on individuals seeking short and medium term (1-5 years) unrestricted use loans for a range of potential purposes, who will be able to afford to make repayments sustainably and who won't be harmed by the product.</p> <p>The target market is limited to UK residents with a UK bank account, who are seeking a cash loan for a range of purposes (which are not directly harmful or indicative of affordability issues).</p> <p>Whilst the overarching target market is broad, when considering the product features and distribution strategy, we expect the main demand to emanate from people with some previous experience of utilising credit products, between the ages of 25-60 and in employment.</p> <p>Due to our positioning in the marketplace, we can consider those with more challenging credit profiles.</p>
<b>Vulnerable Customers</b>	<p>In respect of distribution and product sales, customers with limited financial experience, whose first language is not English, or who have a mental capacity limitation may be more susceptible to not fully understanding the product, its risks and its benefits and making informed purchasing decisions. During the lifetime of the product the above customer groups may continue to be at risk of not receiving full benefits or incurring extra costs.</p> <p>In addition, customers who experience a temporary or permanent change in their circumstances (including loss of employment, incapacity, bereavement or other) may be at risk.</p> <p>The two distribution strategies utilised at Liberty take account of these considerations through the due diligence carried out in the broker on-boarding process and during the information gathering and underwriting process where a customer comes to Liberty direct.</p>





## Distribution Strategy for Hire Purchase first published on 26 April 2023, last reviewed on 26 April 2023.

### Product Information

#### Product Characteristics

This product is a hire purchase agreement regulated by the Consumer Credit Act 1974. It is designed to provide credit for the financing of general goods (CCTA document number HPA 1.0) or motor vehicles (CCTA document number HPM 1.0). The goods are purchased by Liberty with the credit repayable by the customer in equal monthly instalments of capital and interest over short-medium terms.

The amount of credit offered is between £10,000 - £50,000 (figures are indicative) with a term of between 12-60 months. Where the customer wishes to purchase the goods then they may do so by paying the option to purchase fee at the end of the agreement.

A dedicated Liberty Account Manager is assigned upon receipt of a proposal (where introduction is via a broker) or following direct contact from a customer from point of proposal and throughout the lifetime of the agreement where necessary.

A dedicated Customer Relationship team are also available via telephone and email Monday to Friday 0900 to 1730 for general customer queries including requests for information, repayment concerns and early repayment / settlement queries.

#### Product Suitability

The product is suitable for customers where it is affordable, it meets their needs, they are able to comply with its terms, understand and benefit from its features and the product is not likely to cause them harm.

Repayments are primarily made by direct debit so it will only be suitable for customers with a bank account and associated debit card. It is a comparatively simple and transparent credit product so will suit a wide range of customers seeking credit for the financing of either general goods or motor vehicles. As the payments are fixed each month it may be more suited to customers with regular income and / or savings to ensure that they are able to meet each monthly payment in full when due.

It is not suitable where the borrower wishes to exercise significant flexibility in respect of the timing and / or amounts of repayments. It is not suitable for customers looking for interest free credit and it may not be suitable for refinancing existing borrowing.



	<p>It may not be suitable for customers who have insufficient clearance between their income and expenditure to meet the repayment obligations. The product may be less suitable for customers who have high variations in their monthly income and expenditure. However, one-off payments may be accepted by methods other than direct debit, such as card payment over the phone. The product is therefore less suitable for customers who wish to make multiple payments other than by direct debit.</p>
<p><b>Product Risks</b></p>	<p>Late or missed payments or a change in customer circumstances impacting a customer's ability to afford / manage the credit can have an adverse impact on the customer, including increasing the overall cost / duration of borrowing and negatively impacting their report at CRAs, which may make accessing other credit more difficult / expensive for them in future. In accordance with the terms of the agreement, we may repossess the goods under the agreement and / or take legal proceedings to recover sums due and pass on reasonable costs in enforcing our rights.</p>
<p><b>Target Market Information</b></p>	
<p><b>Target Market and Shared Characteristics</b></p>	<p>The target market is focused on sole traders and partnerships of two or three partners (where the amount of credit does not exceed £25,000) and individuals (unless the HNW exemption applies) seeking short and medium term (1-5 years) credit for the financing of either general goods or motor vehicles, who will be able to afford to make repayments sustainably and who won't be harmed by the product. It is limited to UK residents with a UK bank account who are seeking to hire goods with the option to purchase once all payments have been made.</p> <p>When considering the product features and distribution strategy, we expect the main demand to emanate from people with some previous experience of utilising credit products, between the ages of 25-60 and in employment, possibly through their business (sole trader or partnership of two or three persons where the relevant conditions are satisfied).</p> <p>Due to our positioning in the marketplace, we can consider those with more challenging credit profiles.</p>
<p><b>Vulnerable Customers</b></p>	<p>In respect of distribution and product sales, customers with limited financial experience, whose first language is not English, or who have a mental capacity limitation may be more susceptible to not fully understanding the product, its risks and its benefits and making informed purchasing decisions. During the lifetime of the product the above customer groups may continue to be at risk of not receiving full benefits or incurring extra costs.</p>



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In addition, customers who experience a temporary or permanent change in their circumstances (including loss of employment, incapacity, bereavement or other) may be at risk.

The two distribution strategies utilised at Liberty take account of these considerations through the due diligence carried out in the broker onboarding process and during the information gathering and underwriting process where a customer comes to Liberty direct.



## Distribution Strategy for Hire (Lease) first published on 26 April 2023, last reviewed on 26 April 2023.

### Product Information

#### Product Characteristics

This product is a hire agreement regulated by the Consumer Credit Act 1974 for use by sole traders or partnerships consisting of two or three persons (where the agreement is entered into for the business purposes of the hirer and the Primary Lease Period rentals do not exceed £25,000), and individuals.

It is a leasing agreement (CCTA document number LAA 1.0) under which Liberty will purchase the goods on the customer's behalf and the customer will hire the goods from Liberty by paying equal monthly rentals during the Primary Lease Period and during the Secondary Lease Period (the first and final Primary Lease Period rentals and Secondary Lease Period rental amounts may differ).

The total advance amount ranges between £10,000 - £50,000 (figures are indicative) with a term of between 12-60 months.

A dedicated Liberty Account Manager is assigned upon receipt of a proposal (where introduction is via a broker) or following direct contact from a customer from point of proposal and throughout the lifetime of the agreement, where necessary.

A dedicated Customer Relationship team are also available via telephone and email Monday to Friday 0900 to 1730 for general customer queries including requests for information, repayment concerns and early repayment / settlement queries.

#### Product Suitability

The product is suitable for customers where it is affordable, it meets their needs, they can comply with its terms, understand and benefit from its features and the product is not likely to cause them harm.

Repayments are primarily made by direct debit so it will only be suitable for customers with a bank account and associated debit card. It is a comparatively simple and transparent product which will suit customers seeking to hire goods. As the payments are fixed each month, the product may be more suited to customers with regular income and / or savings to ensure that they are able to meet each monthly payment in full when due.



	<p>It may not be suitable for customers who have insufficient clearance between their income and expenditure to meet the repayment obligations. The product may be less suitable for customers who have high variations in their monthly income and expenditure. However, one-off payments may be accepted by methods other than direct debit, such as card payment over the phone. The product is therefore less suitable for customers who wish to make multiple payments other than by direct debit.</p> <p>It is unlikely to be suitable for customers who wish to own the goods at the end of the Primary Lease Period.</p>
<p><b>Product Risks</b></p>	<p>Late or missed payments or a change in customer circumstances impacting a customer's ability to afford / manage the credit can have an adverse impact on the customer, including increasing the overall cost / duration of borrowing and negatively impacting their report at CRAs, which may make accessing other credit more difficult / expensive for them in future. In accordance with the terms of the agreement, we may repossess the goods under the agreement and / or take legal proceedings to recover sums due and pass on reasonable costs in enforcing our rights.</p>
<p><b>Target Market Information</b></p>	
<p><b>Target Market and Shared Characteristics</b></p>	<p>The target market is focused on sole traders and partnerships of two or three partners (where the agreement is entered into for the business purposes of the hirer and the Primary Lease Period rentals do not exceed £25,000), and individuals, who are seeking to spread the cost of hire over a short or medium term (1-5 years) and who will be able to afford to make repayments sustainably and who won't be harmed by the product. It is limited to UK residents with a UK bank account.</p> <p>When considering the product features and distribution strategy, we expect the main demand to emanate from people with some previous experience of utilising credit products, between the ages of 25-60 and in employment, possibly through their business (sole trader or partnership of two or three persons where the relevant conditions are satisfied).</p> <p>When considering the product features and distribution strategy, we expect the main demand to emanate from people with some previous experience of utilising hire products, between the ages of 25-60 and in employment, possibly through their business (sole trader or partnership of two or three persons where the relevant conditions are satisfied).</p> <p>Due to our positioning in the marketplace, we can consider those with more challenging credit profiles.</p>



**Vulnerable Customers**

In respect of distribution and product sales, customers with limited financial experience, whose first language is not English, or who have a mental capacity limitation may be more susceptible to not fully understanding the product, its risks and its benefits and making informed purchasing decisions. During the lifetime of the product the above customer groups may continue to be at risk of not receiving full benefits or incurring extra costs.

In addition, customers who experience a temporary or permanent change in their circumstances (including loss of employment, incapacity, bereavement or other) may be at risk.

The two distribution strategies utilised at Liberty take account of these considerations through the due diligence carried out in the broker on-boarding process and during the information gathering and underwriting process where a customer comes to Liberty direct.



**Distribution Strategy Information for all Liberty Products**

**Distribution Strategy**

Liberty products are distributed via two channels: (1) through a range of brokers; and (2) through direct customer approach to Liberty.

Customers are not provided with advice from Liberty, but where the introduction is via distributors and intermediaries, they may benefit from the ability to compare and contrast our products with those of competitors.

Distributors and intermediaries have discretion (subject to compliance with regulatory obligations) as regard how they filter and present our products to customers. However, we control the product information supplied (such as rates, min / max term, min / max advance amount, APR etc).

Distributors and intermediaries introduce customers through contacting their dedicated Liberty Account Manager; this may be via telephone, email, or face to face. Once a proposal has been underwritten and an offer letter containing Liberty's terms has been accepted by the customer, Liberty are in control of the customer journey. Customers who apply directly to Liberty follow the same journey from the point the customer accepts Liberty's terms.

Where a broker refers a customer Liberty pays a commission to the approved broker on each product entered into at a maximum of 3% of the advance. Liberty does not work with any fee charging distributors (i.e., those charging fees to customers).

Leads generated for our direct journey are predominantly through word of mouth / recommendation and the website. Where a financial promotion in the form of image advertising is used, a strict sign off process is followed, with final sign off by the Legal Director. We sign-off all financial promotions for our direct-products.

**Prohibited Sales**

Targeting customers whom the product is unsuitable for by virtue of their indebtedness, poor credit history, age, health, disability, or any other reason (2.2.2G).

**Appropriateness: Conduct Risk and Fair Value**

**Remuneration Arrangements**

Where a broker is involved, a commission may be payable to that broker at a maximum of 3% of the advance. The rationale behind paying such commissions is to remunerate the broker for their work and time.

**Conflicts of Interest**

There may be a conflict between:



	<ul style="list-style-type: none"> <li>broker commission and the product, mitigated by capping commission at 3% of the advance for all Liberty offered products and through the internal monitoring of Liberty approved brokers.</li> </ul>
<b>Provider Assessment of Fair Value</b>	Please refer to Liberty's Fair Value Assessment document.
<b>Miscellaneous Information</b>	
<b>Requirements of Distributors</b>	<ul style="list-style-type: none"> <li>Completion of broker audit questionnaire.</li> <li>Compliance with all FCA rules and guidance where applicable and where a proposal is accepted by Liberty's underwriters, broker to provide the customer with Liberty's offer letter.</li> <li>Sharing of any specific complaints from customers with Liberty.</li> <li>Acting in the best interests of the customer concerned at all times.</li> </ul>
<b>Monitoring and Review</b>	<p>The distribution strategy and performance of it shall be kept under continuous review through the regular Liberty internal sales meetings.</p> <p>Regular meetings between the Liberty Account Managers and the Commercial and / or Managing Director and between the Customer Relationship team and the Commercial Director and / or Managing Director where any feedback / concerns will be raised.</p> <p>Liberty will share with brokers any relevant complaints data / other information with regards to the performance of the distribution strategy.</p> <p>The performance of the distribution strategy forms a part of ongoing product review under Liberty's product governance.</p>
<b>Contact Point/ Further Questions</b>	Where the distributor has any questions in relation to Liberty's products or identifies any concerns in relation to a product offered by Liberty including but not limited to the target market and fair value then the matter should be escalated to the Commercial Director, Paul Sheedy or, in his absence, the Legal Director, Laura Roberts.

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