



Startline Motor Finance Ltd

Information for Distributors

Startline – Personal Contract Purchase

April 2023

Online Brokers

Overview

This summary document is being provided to you as distributor (also referred to as introducer) 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, considered private & confidential, and should not be provided to customers or other 3rd parties save for advisors.

Summary of our Assessment

Startline has assessed that:

- Our Startline – Personal Contract Purchase product continues to meet the needs, characteristics, and objectives of customers in 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.

Product Information

Product Characteristics

Product Type

Fixed Rate CCA Regulated Hire Purchase Agreement with a Sales Option which provides the additional option for the customer to return the vehicle to Startline at the end of the agreement without any further liability (subject to vehicle condition and mileage restrictions), or to pay the Sales Option amounts (commonly referred to as a 'balloon payment') and purchase the vehicle.

Product Customer Credit Cohorts

Startline offers two customer interest rate levels, within this product, based on customer credit profile. This document applies equally across both.

Quality+

This is Startline's core lending offering, applicable to lower credit-risk, near-prime customers.

Finishline

This is Startline's secondary lending model, applicable to higher credit-risk, near-prime customers. Finishline attracts a higher interest rate which is proportionate to the increased credit risk.

Product Lending Parameters

Advance (Amount of Credit)

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| | <ul style="list-style-type: none"> • Minimum £4,000, Maximum £25,000 <p>Term of Agreement</p> <ul style="list-style-type: none"> • Minimum 24 months, Maximum 49 months <p>Repayment Method</p> <ul style="list-style-type: none"> • Direct Debit <p>Deposit</p> <ul style="list-style-type: none"> • No minimum • Maximum 25% <p>Vehicle Age</p> <ul style="list-style-type: none"> • Maximum 5 years old at start of agreement • Maximum 9 years old at end of agreement <p>Loan to Value</p> <ul style="list-style-type: none"> • Maximum 110% <p>Vehicle Type</p> <ul style="list-style-type: none"> • New or used cars & lifestyle commercial vehicles <p>Mileage</p> <ul style="list-style-type: none"> • Maximum mileage at start of agreement 60,000 • Annual mileage minimum 8,000, maximum 18,000 <p><u>Sale Option</u></p> <ul style="list-style-type: none"> • The Sale Option is a monetary value, set by Startline, with reference to an estimated future value of the vehicle factoring in the agreement term and estimated annual mileage. This value is scheduled to be paid on the final month of the contract term, along with the option fee, should the customer wish to acquire title to the vehicle. • The customer has 2 options available at the end of the agreement; <ul style="list-style-type: none"> • Option 1 keep the vehicle – <i>the customer can opt to pay the final payment (Sale Option) on the due date and retain the vehicle, after which they will become the legal owner. Excess mileage charges are not applicable if they have exceeded what was contractually agreed.</i> • Option 2 hand the vehicle back – <i>the customer can choose to hand the car back to Startline after all normal monthly payments have been made and not pay the Sales Option. Any excess mileage above the contracted mileage will be charged at the agreed excess mileage rate.</i> <p><u>Product Benefits</u></p> <ul style="list-style-type: none"> • Personal Contract Purchase spreads the cost of a vehicle purchase for a period up to 49 months. • Personal Contract Purchase provides the option for the customer to return the vehicle to Startline at the end of the agreement without any further liability (subject to vehicle condition and mileage restrictions.) This mitigates any potential asset residual value risk for the customer. • Alternatively the customer can pay all sums including the Sales Option and Option Fee, and will then own the Vehicle. • Monthly repayments are typically lower than a standard Hire Purchase agreement on a like for like basis. • Repayments are fixed at the outset of the agreement and are not subject to interest rate fluctuation - this means the customer will know exactly how much it will cost to finance the vehicle, allowing them to budget appropriately. • The customer has the right to withdraw from the finance agreement within 14 days of entering into it. |
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| | <ul style="list-style-type: none"> • The customer has the right to early settle the agreement at any time and receive an associated rebate of interest (in line with The Consumer Credit (Early Settlement) Regulations 2004). • The customer has the right to partially settle the agreement at any time. • The customer has the right to Voluntary Terminate the agreement at any time (hand the vehicle back) with the requirement to pay half of the total amount payable under the agreement. Nothing further is payable, subject to the condition of the vehicle and any arrears owing. • The customer has rights to be provided with certain information periodically or on request such as the credit agreement, statements of account. |
| <p>Product Suitability</p> | <p>The product is suitable for customers seeking to purchase a vehicle and spread the costs over a period so it is affordable to them. As the payments are fixed each month (save for the final Sales Option), 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> <p>Repayments are made by Direct Debit so it will only be suitable for customers with a bank account. The product is therefore less suitable for customers who wish to make multiple payments other than by Direct Debit.</p> <p>The product delivery and post-contract servicing benefits from a number of technology-driven offerings, such as online self-service. Some customer communications are sent via email and SMS message (in addition to postal mail).</p> <p>It may not be suitable for customers with a particularly poor credit history, who are or have recently experienced financial difficulty or have insufficient clearance between their income and expenditure to meet the repayment obligations.</p> <p>It may also not be suitable for customers with a particularly good (prime) credit history, where Startline would expect them to attract a finance approval from a 'prime' lender with an associated interest rate.</p> <p>It may be less suitable for customers who want to own the vehicle at the end of the term unless they have sufficient funds to pay the Sales Option.</p> <p>Insurance and maintenance are the responsibility of the customer and it isn't included as part of this product (unlike some leasing products).</p> |
| <p>Product Risks</p> | <p>Notable risks for customers;</p> <ul style="list-style-type: none"> • 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 Credit Reference Agencies (CRAs), which may make accessing other credit more difficult/expensive for them in future. • If the customer is unable to maintain repayments, they may lose their right to use the vehicle, through either cooperative or un-cooperative vehicle return. • Startline may take legal proceedings to recover sums due and pass on reasonable costs in enforcing our rights. • If the customer exceeds the agreed mileage, this will result in additional costs. |
| <p>Target Market Information</p> | |

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| <p>Target Market</p> | <p>Startline operates in a section of the consumer motor finance market, referred to as near prime. The target customer base for the near prime section of the market are those customers who generally have been unable to secure funding for their finance proposal with main prime lenders but meet Startline’s near-prime lending criteria.</p> <p>Startline operates through introducers who are a subset of a well-defined target market chosen from the top 200 franchised motor dealer groups, top 50 independent dealer groups, specialist online brokers and traditional brokers in the UK. All introducers are authorised and regulated by the Financial Conduct Authority. Startline does not market directly to customers and only operates through the introducers.</p> <p>Proposals from private individuals are sourced through the introducers and are subsequently underwritten by Startline. For accepted proposals where the customer chooses to proceed, the business will finance the vehicle purchase and the individual will enter into a regulated agreement with Startline.</p> <p>Startline provides a service focussed solution, acting as an extension to prime lending panels that can increase car sales whilst providing an improved customer experience. Currently, Startline does not actively attempt to retain existing customers at the end of the agreement; those who fulfil the terms of the agreement may be able to attract finance from prime lenders in the future.</p> <p>The product is not designed for customers;</p> <ul style="list-style-type: none"> • Who fall outside the target credit segment of near-prime. • Who are looking to acquire title to the asset at the commencement of the finance agreement. • Who are looking to sell the asset without settling the agreement. |
| <p>Shared Characteristics</p> | <p>All product characteristics are shared across both Quality+ and Finishline Product Customer Credit Cohorts.</p> |
| <p>Vulnerable Customers</p> | <p>Given our near-prime target market, our customer base may have a higher inherent risk of financial vulnerability when compared to prime customers – this is mitigated by our bespoke credit scoring, affordability matrices, staff training and controlled reporting and monitoring of vulnerable customers.</p> <p>We may also encounter customers with a range of vulnerabilities, driven by health, life events, resilience and capability.</p> <p>These customers may be at additional risk of (i) applying for a product which is not suitable for them; (ii) struggling to understand the product benefits and risks and make an informed decision on them; (iii) struggling to manage and perform their obligations under the product and realise its benefits; (iv) adverse changes in their circumstances which could impact all of the above factors; and (v) customers who are at greater risk of harm as a result.</p> <p>While we have processes in place to support customers through the life of their agreement, we remain reliant on our introducers to provide the necessary support and information to ensure customer understanding throughout the customer sales journey in order that the customer can make an informed choice in relation to the product.</p> |

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| | Introducers should continue to comply with their obligations to ensure they treat customers in vulnerable circumstances fairly. |
| Distribution Strategy Information | |
| Distribution Strategy | <p>The product is distributed through introducers who are a subset of a well-defined target market chosen from the following;</p> <ul style="list-style-type: none"> • Top 200 UK franchised motor dealer groups • Top 50 UK independent motor dealer groups • Specialist UK online brokers • Other UK traditional brokers <p>Introducers have discretion (subject to compliance with regulatory obligations) as regard how they filter and present our products to customers. However, we control the Product Lending Parameters and Product Customer Credit Cohorts (detailed above) supplied (such as rates, min/max term, min/max loan amount, APR etc).</p> <p>Startline expects introducers to correctly ensure the product is suitable for the customer needs, in particular ensuring that the customer is not suitable for prime lending prior to proposing to Startline.</p> <p>It is crucial that introducers ensure the customer understands the difference between this product and others such as HP and do not solely focus on monthly repayment amounts.</p> <p>Distributors introduce customer proposals to Startline via direct API from their own or a 3rd party system (including Startline's portal) and manage the sale of the product being responsible for ensuring all relevant legal and regulatory requirements are met.</p> |
| Prohibited Sales | As noted above, Startline products should not be sold to customers who qualify for more favourable terms through an introducer's wider lending panel. |
| Prohibited Distribution Methods | The product is not suitable for distribution by distributors Startline are not directly contracted with. |
| Appropriateness: Conduct Risk and Fair Value | |
| Remuneration Arrangements | <p>Startline works with introducers on one of two remuneration models;</p> <ul style="list-style-type: none"> • Single APR price point with fixed commission (% of advance), or • Rate for risk with fixed commission (% of advance) (<i>rate applied determined by Startline with reference to customer credit score</i>) |
| Conflicts of Interest | Having reviewed the potential for conflicts of interest, Startline does not believe there are any within our distribution model. |
| Provider Assessment of Fair Value | Startline has conducted a full fair value assessment of the product taking into account the costs and interest charged and is comfortable that the products represent fair value. |

Miscellaneous Information

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| <p>Requirements of Distributors</p> | <p>The distributor should maintain an appropriate distribution strategy, sales process and procedures and records of monitoring and review including root cause analysis and all such information should be made available by Introducers to Startline upon request.</p> <p>Distributors must support Startline to resolve customer complaints in a timely manner, in particular where the vehicle is rejected and the agreement must be unwound.</p> |
| <p>Monitoring and Review</p> | <p>Startline will distribute regular management information to its introducers to help ensure the product is only being sold to the target market. This will include data covering;</p> <ul style="list-style-type: none"> • Agreement unwinds • Early settlements within the first 3/6/9/12 months • Complaints including Sales Process and Vehicle Quality Issues • Voluntary Terminations • Portfolio Credit Performance • Customer survey results • Annual Mileage distribution <p>This will be supplemented with root cause analysis, review and discussion with introducers to support the monitoring process.</p> <p>In addition, Startline will conduct periodic introducer oversight in addition to regular performance meetings.</p> |
| <p>Escalation</p> | <p>The introducer should escalate if they have any concerns around the product and its distribution, which may include;</p> <ul style="list-style-type: none"> • Identification that the product is not providing fair value. • Identification that the product is not being correctly distributed to the target market and any remedial action an introducer intends to take in light of such failure • Identification of any other reason the Introducer thinks the product isn't suitable for the target market. |
| <p>Contact Point/ Further Questions</p> | <p>Gregor Sutherland Chief Operating Officer gregor.sutherland@startlinemotorfinance.com</p> |