

A man and a woman are sitting at a table, looking at each other. The man is wearing glasses and a blue shirt, and the woman is wearing a light blue shirt. They appear to be in a professional setting, possibly a meeting or a discussion. The background is blurred, showing a window with a grid pattern.

## 2024 Product Review & Fair Value Assessment

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Consumers & 'Micro' Businesses  
in the Tax Sector





# Information on Finance for Consumers and ‘Micro’ businesses in the Tax Sector

The Financial Conduct Authority (FCA) Consumer Duty requirements set a higher standard of consumer protection across financial services and requires firms to put the customer first. Consumer Duty sets out different requirements for firms who manufacture and distribute products.

## Who are manufacturers and distributors?

- **Manufacturer:** Firms that create, develop, design, issue, manage, carry out, operate, or underwrite a product or service, i.e. for instalment finance this is us, Premium Credit.
- **Distributor:** Firms that offer, sell, recommend, advise on, propose, arranges, deals, or provide a product or service, i.e. for instalment finance this is you, our distributor.

## What is Consumer Duty and why are we sharing the below information with you?

Consumer Duty requires us, as a **manufacturer**, to share product and Fair Value information with you, the **distributor**, to enable you to meet your own obligations under the Consumer Duty if you are regulated by the Financial Conduct Authority (FCA). Further information on the Consumer Duty can be found on the FCA website.

As Consumer Duty is only applicable to regulated Credit Agreements, we acknowledge that the majority of your customers may not fall under this definition (please note the FCA definition in the key product information below).

Premium Credit has undertaken a Product Review and Fair Value Assessment as the manufacturer of this product in accordance with our obligations under Consumer Duty. We have used all available data relevant to this product as part of this review, and in line with the policy statements and guidance from the FCA including PS22/9 and FG22/5 to distributors.

In this document, we are providing you with the information that is required as per PRIN 2A.3.12.R (2) and (3) on the product and product approval process, and PRIN 2A.4.15.R on the outcome of our Fair Value Assessment.

## Product Review and Fair Value Assessment Timeline

<b>Date of most recent Product Review and Fair Value Assessment:</b>	<b>July 2024</b>
Date of next Product Review and Fair Value Assessment:	July 2025

## The conclusions of the Product Review and Fair Value Assessment

1. The product meets the identified needs, characteristics and objectives of the target market (Product Review).
2. Our distribution strategy remains appropriate (Product Review).
3. The product provides Fair Value to the customers for which the product is intended.

Whilst we have some customers paying higher APR's (typically over 30%), we have clear action plans in place with our distributors to validate that the product still represents Fair Value. This is a shared responsibility with our distributors.



# Key Product Information for Consumers and ‘Micro’ businesses in the Tax Sector

<b>What is this product?</b>	<ul style="list-style-type: none"><li>• Our Product is a running credit agreement providing the customer in the target market with a line of credit specific to the Tax funding, which are paid directly to HMRC.</li><li>• The repayment period is up to 12 months.</li><li>• This product has various iterations in the form of propositions to fit our relevant target markets.</li><li>• All consumers are in scope, as well as any small businesses that fit the FCA description, which is aligned with the Consumer Credit Act: “Individual Sole traders, Partnerships of 2-3 people, or other unincorporated bodies such as clubs and societies unless the loan is over £25k and wholly or mainly for business purposes” we have defined this cohort as “Micro”.</li></ul>
<b>What customer need does this product satisfy?</b>	<ul style="list-style-type: none"><li>• This proposition enables Consumers and ‘Micro’ businesses to spread the cost of their Tax bills over several instalments, to help improve their cash flow rather than in one lump sum.</li></ul>
<b>Who is the product designed for?</b>	<ul style="list-style-type: none"><li>• Consumers and ‘Micro’ businesses who need to pay their tax bills may wish to spread the cost of their tax owed across convenient monthly instalments.</li><li>• Customers that do have the available funds and choose to spread the cost for convenience.</li><li>• Customers that do not have available funds to pay the premium in full, who would otherwise rely on other credit products with a higher APR than our Product, such as credit cards, overdrafts or other higher interest borrowing.</li><li>• Customers that are UK based, aged over 18 and are introduced to us via a FCA regulated distributor.</li></ul>
<b>What are the product limitations?</b>	<ul style="list-style-type: none"><li>• Product must be sold via our distributor network and linked directly to an underlying product.</li><li>• In general, funds are advanced to the distributor not the customer. In very limited circumstances, mainly to reduce operational risk, payment may be made directly to the customer.</li></ul>



<b>Are there any customers where this product is not appropriate?</b>	<ul style="list-style-type: none"> <li>• Consumers based outside of the UK.</li> <li>• Consumers who are under 18.</li> <li>• Consumers who are bankrupt or otherwise prohibited from borrowing.</li> <li>• Consumers who do not have a UK bank account for Direct Debit collection.</li> <li>• Consumers who cannot afford the monthly repayments.</li> <li>• Customers unable to meet their repayments out of income or savings.</li> </ul>
<b>Vulnerable customers</b>	<ul style="list-style-type: none"> <li>• Customers with characteristics of vulnerability are within the target market. The objectives of those customers are consistent with those of non-vulnerable customers. Vulnerable customers can benefit from the product in the same way as non-vulnerable customers.</li> <li>• We record customer vulnerability either when alerted by the customer, or by a third party (partner, family member, charity), under eighteen types of vulnerability groupings which include financial (job loss, cost of living, financial crime, low financial understanding, etc.) and non-financial (e.g. critical illness, bereaved, mental health, divorced or separated, learning difficulties, learning disability, mental capacity, drug/alcohol problems, breathing space, etc.).</li> <li>• We recognise the needs of vulnerable customers are likely to vary, especially in the current economic climate, and often require additional measures to ensure good outcomes. In addition to the standard controls and checks in place, we also have clear vulnerability processes supported by staff training for all colleagues (i.e. front and back of house) throughout the lifecycle of our offering, and staff have authority and discretion to offer flexible solutions including waiving missed payments and improve customer outcomes. These controls and checks cover how we interact with vulnerable customers including the relationship with the distributor, how we identify, record and adjust for vulnerabilities, and how we continue to improve going forward. We can and do apply forbearance measures when required, and our staff have the authority and discretion to offer flexible solutions and outcomes.</li> </ul>
<b>What is Premium Credit's role in the distribution of this product?</b>	<ul style="list-style-type: none"> <li>• Premium Credit is the manufacturer.</li> <li>• Operating as a regulated consumer credit lender.</li> <li>• Onboarding of customers including any assessment of creditworthiness including an affordability assessment.</li> <li>• Meeting applicable regulation around AML and KYC.</li> <li>• Providing systems to the distributor to facilitate the provision of our product.</li> <li>• Providing customer documentation and adequate information in a reasonable time to enable the distributor to meet their objectives.</li> <li>• Distributor distributing the product has all the necessary information to understand the value that the product is intended to provide to the customer.</li> <li>• Collecting payments from customers and making payments to distributor.</li> <li>• Supporting customers, including those with vulnerabilities.</li> <li>• Providing oversight of distributors.</li> </ul>



<b>Which channels is the product distributed through?</b>	<ul style="list-style-type: none"> <li>• Premium Credit never sells premium finance directly to consumers.</li> <li>• This proposition is distributed through its network of a panel of approved commercial finance broker distributors who provide finance brokerage services using face to face, telephony and digital channels, who wish to offer an alternative means of payments for their customers.</li> </ul>
<b>What are manufacturer and distributor sharing obligations?</b>	<ul style="list-style-type: none"> <li>• Manufacturer must provide adequate information in good time to enable distributors to meet their own obligations.</li> <li>• Distributor must obtain sufficient, adequate, and reliable product information from the manufacturer.</li> <li>• Distributor must, upon request, provide relevant information, including, where appropriate, sales information, information on cancellations, and information on the regular reviews of their distribution in a timely manner.</li> </ul>
<b>What further action should distributors take to ensure the product represents Fair Value to the end customer?</b>	<ul style="list-style-type: none"> <li>• If distributors are authorised by the FCA and add any commission to the Premium Credit net rate they should ensure that the commission rate they set for instalment finance is in accordance with their own pricing policy and delivers fair price and value outcomes.</li> <li>• As the distributor of our product alongside other products, including the tax service, only the distributors can see the total value chain for the customer. As a result of this they must ensure that the commission rate they set for finance is in accordance with their own pricing policy and delivers fair price and value outcomes.</li> <li>• When assessing the level of commission, they should consider carefully the work done in distributing finance, both operationally through staff costs (sales calls, payment queries and finance reconciliations) and systems costs. They may also want to consider the impact of any bad debt generated by cancellations and the income required to offset this.</li> <li>• Documenting how they use our product information and applying it to their sales activities to support them to demonstrate that they act to deliver good customer outcomes. This could include the training they provide to their teams about our finance products they sell, how they should be sold and who they should be sold to. All training must be documented, take place regularly and must be frequently reviewed and updated.</li> <li>• Documenting how they will regularly review how they sell their products, and what action they will take to prevent causing foreseeable harm, ensuring that customers can use our product as anticipated.</li> <li>• Notify Premium Credit if there are any concerns around the total Fair Value Assessment when all elements are considered. These could include the total APR paid, the level of fees or commission, or where small premiums lead to higher APR's.</li> <li>• Distributors should always ensure that when offering our product, it meets the needs of the underlying customer, and continue to ensure that all disclosures about benefits, costs, risks, and limitations, including the fact that finance makes tax services more expensive, are in place in line with regulatory requirements that allow the customers to make informed decisions about whether the product meets their needs when choosing instalment finance.</li> <li>• If contacted by your Premium Credit Business Manager in respect of Fair Value provide all reasonable information, and work with us to evidence your conclusion that the additional cost of distribution doesn't affect the Fair Value of the product.</li> </ul>





<b>What data/information is available for distributors to support their understanding of our product and Fair Value Assessment?</b>	<ul style="list-style-type: none"><li>• There is data available at individual distributor level which benchmarks the total cost of instalment finance against peer groups.</li><li>• Trading agreements hold key information on pricing and clarity on responsibilities of both the distributor and Premium Credit.</li><li>• Our Regulatory Guide provides information for our distributors “engaged in the introduction of customers” to us as to the standards expected of them by both Premium Credit and the FCA, when they are dealing with actual or prospective borrowers. These standards provide information and set out several ways that you can comply with your legal and regulatory obligations. Please contact us if you require the latest guide.</li></ul>
<b>Who should you contact with any questions or request for data?</b>	<ul style="list-style-type: none"><li>• Your Premium Credit Account Manager.</li></ul>





# Outcome of the Product Review and Fair Value Assessment for Consumers and ‘Micro’ businesses in the Tax Sector

When completing our Product Review and Fair Value Assessment we used all relevant information about the product, along with information from our distributors. Where factors were deemed to be an outlier to our review, we investigated with our distributor to ensure that our product delivers value for the customer.


Product governance arrangements are in place to ensure we deliver good outcomes for our end customers to ensure products remain fit for purpose, designed to meet the needs of the end customers for whom they are intended and represent Fair Value.

Our findings are summarised below:

Assessment Area	Key Indicators and Measures	Summary Outputs and Actions
Product Performance	<ul style="list-style-type: none"><li>• Target market review</li><li>• Customer volumes</li><li>• Credit quality</li><li>• Cancellations</li><li>• Bad debt</li></ul>	<ul style="list-style-type: none"><li>• Our assessment of product performance confirmed that our product is performing as expected, meets the needs of the identified target market, and represents Fair Value.</li><li>• For each Proposition we produce a one-page Proposition Summary as well as a Value Proposition guide that enables Premium Credit staff to understand the target market, key benefits, competition and key statistics for each Proposition. This is updated on a yearly basis with the next revision due in Q4 2024.</li></ul>
Product Value (including price)	<ul style="list-style-type: none"><li>• Average deal size</li><li>• Net service rate</li><li>• Commission</li><li>• Fees &amp; Charges</li><li>• Market benchmarking</li></ul>	<ul style="list-style-type: none"><li>• Our assessment of product value confirmed that our net service charge represents Fair Value, and we can evidence the net service charge is reasonable relative to the benefits provided.</li><li>• Our distributors are responsible for setting any commission rate they receive for instalment finance which sets the final gross sell out rate and APR charged and must satisfy themselves that their remuneration is commensurate with the value and the cost of the services provided as a distributor of this product.</li><li>• The product provides customers with the convenience and benefit of being able to spread the cost of their product. This benefit is significant to customers who cannot afford or do not wish to pay for their product in one lump sum payment and will support monthly budget planning.</li></ul>





Assessment Area	Key Indicators and Measures	Summary Outputs and Actions												
Distribution Value	<ul style="list-style-type: none"><li>Review of distribution strategy</li><li>Distributor value add assessment</li><li>Relationship management and monitoring</li><li>Compliance oversight</li></ul>	<ul style="list-style-type: none"><li>We have identified further actions with a small subset of distributors that are underway to ensure Fair Value in conjunction with good customer outcomes, can be clearly evidenced where our assessment has identified customers who pay higher APR’s (typically over 30%).</li><li>Our assessment of how our product is distributed confirmed that our distributors are presenting the product to customers clearly and consistently and represents Fair Value.</li></ul>												
Service Value	<ul style="list-style-type: none"><li>Customer satisfaction</li><li>Net Promoter Score</li><li>External review ratings</li><li>Complaints (including FOS)</li><li>First contact resolution</li></ul>	<p><b>Customer complaints</b></p> <ul style="list-style-type: none"><li><i>Definition:</i> Reportable customer complaints per 100,000 loans written. This is supplemented by the total number of reportable complaints made to the Financial Ombudsman (‘FOS’).</li><li><i>Performance commentary:</i> Our focus on customer journeys and customer compliance results in a low number of complaints. In addition, regular interactions with the FOS to understand their approach results in a low number of complaints referred to the FOS. Of those referred, four were upheld in favour of the customer in 2023 (six in 2022 and two in 2021).</li></ul> <table><tr><td></td><td>2023</td><td>2022</td><td>2021</td></tr><tr><td>Customer complaints per 100,000 loans</td><td>329</td><td>272</td><td>331</td></tr><tr><td>Complaints referred to FOS</td><td>62</td><td>20</td><td>22</td></tr></table> <p><b>Trustpilot score</b></p> <ul style="list-style-type: none"><li><i>Definition:</i> An overall measurement of customer satisfaction based on reviews received on Trustpilot.com, based on time span, frequency and Bayesian average of the reviews.</li><li><i>Performance commentary:</i> Our customer satisfaction level is stable at 4.5 (2022: 4.5), which reflects the critical nature of our products for our customers, the efficient customer onboarding journey, and our strong compliance culture. Reviews 69,392 – ‘Excellent’ score  4.5</li></ul>		2023	2022	2021	Customer complaints per 100,000 loans	329	272	331	Complaints referred to FOS	62	20	22
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