



Finance

Kia Finance

Summary Reference Guide

Financial Promotions

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Introduction

Regulation of all consumer credit and consumer hire, including financial promotions (advertising) transferred to the Financial Conduct Authority (FCA) on 1 April 2014. All financial promotions must demonstrate compliance under the FCA regulations.

The Consumer Credit (Advertisements) Regulations 2010 have been incorporated into the FCA Handbook together with some of the Office of Fair Trading guidance under Section 3 of the Consumer Credit Sourcebook, known as CONC. CONC contains rules and guidance; however, guidance should be treated as a rule and not as an optional requirement. With the move to regulation by the FCA, standards have been raised and the FCA are taking a stronger line on compliance.

The overarching FCA rule in place, CONC 3.3.1, requires financial promotions to be “**clear, fair and not misleading**”. There is a greater degree of active policing and enforcement via proactive monitoring of adverts across all media, together with reviews of complaint data including complaints received via the FCA financial promotions hotline.

A firm must ensure that each communication and each financial promotion:

- Is clearly identifiable as such
- Is accurate
- Is balanced and, in particular, does not emphasise any potential benefits of a product or service without also giving a fair and prominent indication of any relevant risks
- Is sufficient for, and presented in a way that is likely to be understood by, the average member of the group to which it is directed, or by which it is likely to be received; and
- Does not disguise, omit, diminish or obscure important information, statements or warnings.

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The rules and guidance on financial promotions can seem complicated and carry the risk of heavy fines, the loss of your interim permission/FCA authorisation or in extreme circumstances, imprisonment if your financial promotions do not conform.

This guide is a summary and is designed to help you make sense of the regulatory requirements for financial promotions featuring automotive finance. It's an easy to use reference guide covering the key do's and do not's to try to help you avoid the risk of breaching the regulations.

This guide is applicable to Kia Finance products and covers retail credit financial promotions only. This guide does not include guidance on hire financial promotions (Contract Hire and Leasing). Please ensure you seek independent legal advice should you have any queries regarding hire financial promotions.

Before you release any form of financial promotion you should seek independent legal advice.

1. General Financial Promotions Guidelines

The FCA rules (CONC) on financial promotions are discussed in detail throughout this guide.

Please ensure you seek independent legal advice should you have any queries and before you publish any financial promotions under these regulations.

There are a number of other regulations and guidelines that also apply to all advertisements including financial promotions. These include:

- The Consumer Protection from Unfair Trading Regulations 2008
- The Business Protection from Misleading Marketing Regulations 2008
- CAP Code and BCAP Code (“Advertising Codes”)

1.1 Trading Practices

The Consumer Protection from Unfair Trading Regulations 2008 and the Business Protection from Misleading Marketing Regulations (together the “Regulations”) apply to all forms of advertising including the advertising of credit and hire to both consumers and businesses. They make it a necessity to ensure that all customers are treated fairly and honestly at all times. Therefore, from the first contact with the customer to the completion of the sale and beyond, the following guidelines must be adhered to:

- Never provide customers with information that could be misleading
- Ensure all key and relevant information (including all exclusions) is included when providing an offer
- Never sell aggressively
- Never try to persuade a customer to act against their will
- Ensure that all financial promotions convey all the relevant information, truthfully and comprehensively, to enable customers to make their decision without any risk of undue influence or deception

1.2 False or Misleading

Effective from 2 November 2016, the requirement that the communication must be clear, fair and not misleading has been upgraded from guidance to a rule. CONC 3.3.1 will therefore now read:

A firm must ensure that each communication and each financial promotion:

- Is clearly identifiable as such;
- Is accurate;
- Is balanced and, in particular, does not emphasize any potential benefits of a product or service without also giving a fair and prominent indication of any relevant risks;
- Is sufficient for, and presented in a way that is likely to be understood by, the average member of the group to which it is directed, or by which it is likely to be received; and
- Does not disguise, omit, diminish or obscure important information, statements or warnings.

A firm must ensure that, where a communication or financial promotion contains a comparison or contrast, the comparison or contrast is presented in a fair and balanced way and is meaningful.

The Regulations, CONC and the Advertising Codes set out numerous aspects that must be complied with and some of these key points are highlighted:

- Financial promotions must not contain any statements which are unclear, unfair, false or misleading about the product specification, price or goods.
e.g. if free insurance is only available when finance is obtained with Kia Finance then this fact must be stated, otherwise a customer may be led into believing that they are entitled to free insurance if they buy a vehicle for cash.
- All minimum finance deposit requirements that are more than 10% must be stated clearly in the body copy.
- The available duration options of the contract must be stated in the small print if there is not a specific representative example applied.

e.g. Body copy: available over 25 months

- Where the term is exceptional, unusual or choice of terms is restricted it must be stated in the body copy.
- Are there any restrictions?

e.g. If the offer is only available to certain people or with a certain derivative of car then this must be made clear in the financial promotion as part of the main body copy.

- Additional vehicle costs. The total cost of the vehicle shown for any financial promotions must be included in all monthly payment or finance example calculations. This is to include metallic paint, accessories, etc.
- Any environmental claims must be based the whole life time of the product and absolute claims must be highly substantiated.
- The benefit of safety claims to the consumer must not be exaggerated.

1.3 Photographs and images

- The car featuring in the financial promotion should always be the one pictured. This includes the cost of metallic paint and any accessories.
- Finance examples displayed must be for the vehicle pictured, not a different specification derivative.
- Vehicles pictured must be to UK specification and right hand drive.
- Financial promotions (including radio and television advertisements) must ensure there is no indication of excessive speed and that driver and passenger are observing all safety requirements, such as wearing a seatbelt.
- Financial promotions must not condone or encourage unsafe driving.

2. Content of Financial Promotions

Understanding the basics

All financial promotions must:

1. Comply with the CONC, the Consumer Credit Act 1974 and all other applicable legislation.
2. Be clear, fair and not misleading.
3. Use plain language that is easy to understand.
4. Be easily legible.
5. Radio, television or cinema financial promotions must be clearly audible and the text / wording that is on screen has specific separate requirements – ensure you seek independent legal advice should you have any queries and before you publish any financial promotions using these media.
6. Specify who is making the financial promotion including their full trading name, legal entity name (as set out in the financial services register) and postal address which will be that of the dealer in cases where they are releasing the advert.
7. In addition to point 6, specify the identity of the lender, for example Kia Finance RH1 1SR.

Key Points:

- ✓ **Headline** must be clear and not misleading – be aware of using any item that would then result in a full representative example being required. (see section 3.2 below)
- ✓ **Vehicle image and cost** must match the offer shown
- ✓ **Body copy** describing the vehicle and offer must be clear and not misleading – again be aware of using any item that would then result in a full representative example being required. (see section 3.2 below)
- ✓ **Body copy** must include an incentive to take finance when including a Representative APR only. Otherwise a full representative example must be used
- ✓ **Body copy** must state the finance product being promoted **if the offer is available on only one product type**: e.g. Conditional Sale
- ✓ **Finance examples** must outline key finance details (see section 3.4 below)
- ✓ **Dealership trading name and address** must be shown in all adverts as the “name of advertiser”
- ✓ **Minimum financial promotion Small Print** – see also section 5 below:

- **Must include:** T&Cs apply. Subject to status. 18s or over. Guarantee may be required. Kia Finance, RH1 1SR.

- ✓ **Dealer status disclosure** must be included prominently in the small print on dealer financial promotions: ***Dealer legal name*** [as it appears on the FCA Financial Services Register] **trading as *Dealer trading name* are a broker (not a lender) for the purposes of this financial promotion. We can introduce you to a limited number of carefully selected finance providers and may receive a commission from them for the introduction**

Resulting in:

Dealer legal name [as it appears on the FCA Financial Services Register] **trading as *Dealer trading name* are a broker (not a lender) for the purposes of this financial promotion. We can introduce you to a limited number of carefully selected finance providers and may receive a commission from them for the introduction.** Subject to status. T&Cs apply. 18s or over. Guarantee may be required. Kia Finance, RH1 1SR.

- ✓ **Deposits.** If a financial promotion is subject to a minimum deposit of more than 10% then this must be clearly stated:
 - As part of main body text unless it is part of the finance table.
 - If the deposit used in the quotation is greater than the minimum percentage you will need to state this in the main body text.
 - If the product has a zero deposit option then you do not need to state the deposit requirement in the promotion.
- ✓ **The monthly payment may only be shown without a full representative example where the Representative APR is 0%. In addition to the monthly payment, the term, deposit and optional final payment if PCP should be stated in the body copy. The Representative APR must have at least equal prominence to all other finance information**

Where the monthly payment is shown as above, in 0% APR cases without a full Representative example, reference to the excess mileage charges must be made in the small print:

e.g. Based on xxxx miles per annum; excess mileage charge of 14.9p per mile applies.

3. Using the Annual Percentage Rate (APR)

There are specific rules relating to how you quote, show and calculate a Representative APR.

3.1 What is the Representative APR?

The Representative APR is the rate at or below which that the advertiser reasonably expects at least 51% of customers who enter into credit agreements made as a result of the financial promotion to have. The advertiser should be able to demonstrate how the decision was made and on what assumptions and that this was reasonable. As a result, this is a rate that should only be calculated in consultation with Kia Finance.

3.2 When to show the Representative APR:

The Representative APR must be included in any financial promotion which:

- Indicates that credit is available to persons who might otherwise consider their access to credit restricted; or
- Indicates that the terms are more favourable than those available from any other source or in any other case, for example if they are available for a limited period of time or are the best in the market place; or
- Includes an incentive to apply for or enter into the credit agreement (e.g. a free gift, cash back, free insurance, deposit contribution or a reference to the speed or ease of gaining credit etc.) The incentive must only be available to people entering into credit and not also available to people paying cash.

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3.3 The Representative APR must be:

- shown as “**XX.X% APR Representative**” or “**Representative XX.X% APR**”
- accompanied by word “Representative” (either before or after “XX.X% APR”)
- given at least equal prominence as any favourable term or other rate of charge or incentive (the word “Representative” or letters “APR” do not need to conform to the same size and prominence regulations as the numerical rate and the percentage sign itself, but must remain clear and legible)

3.4 Understanding when a representative example is required

If the financial promotion contains any rate of interest or any figure relating to the cost of credit, e.g. a monthly payment and total amount payable, you are required to include all other specified finance information in a representative example (full table).

As 0% APR includes no cost of credit, this is the only time that a monthly payment may be shown without a full representative example. In addition to the monthly payment the term, deposit and optional final payment if PCP should be stated. The representative APR must be displayed with at least equal prominence than the payment, term, deposit and optional final payment.

The representative example contents should be based on the vehicle shown in the advert. If more than one vehicle is included, the representative example will be the example that you expect at least 51% of people to enter into as a result of the financial promotion (the offer which you expect to have the highest take-up). See multiple products 3.6 for more information.

A representative example table must be headed by the product type and “representative example” and include all of the items listed below together with a product and vehicle description (e.g. Personal Contract Purchase representative example) :

- **The amount of each repayment of credit** – need to show monthly payments and any other one off payments such as Optional Final Payment.
- **Deposit**–Customer deposit.
- **Deposit Contribution** – Any deposit contribution or allowance paid by the advertiser in addition to the customer deposit.
- **Total Deposit** – Customer and Contribution combined.
- **Cash Price** – The total cash price of the vehicle shown, including metallic paint and any additional costs,
- **Total Amount of Credit** – The amount of credit under the agreement.
- **Total Charge for Credit** – Details of any fees or charges included in the total charges. The nature of the charge and the amount should be stated for each charge e.g. interest/fees.
- **Optional Final Payment** – If Applicable and listed as “Optional Final Payment”
- **Total Amount Payable** – The amount of money the customer would pay under the agreement.
- **Rate of Interest per annum**– Must be expressed as a fixed or variable percentage, applied on an annual basis.
- **Duration of the Agreement** – Length of the agreement in months.
- **Annual Mileage** – anticipated annual mileage for PCP agreement
- **Excess Mileage Charge as pence per mile**
- **Representative APR**–the Representative APR must be shown in the finance table. This should be displayed as xx.x% APR Representative.

Representative Example templates:

Include vehicle description if not clear in body copy Conditional Sale Representative Example

36 Monthly Payments of	£239.00
Customer Deposit	£8691.00
On The Road Price	£17,295.00
Amount of Credit	£8,604.00
Interest Charges	£0.00
Total Amount Payable	£17,295.00
Fixed Rate of Interest	0% p.a.
Duration of Agreement	36 months
Representative APR	0% APR

Include vehicle description if not clear in body copy Personal Contract Purchase Representative Example

42 Monthly Payments of	£199.00
Customer Deposit	£3,569.00
Deposit Contribution	£1,250.00
Total Deposit	£4819.00
On The Road Price	£17,295.00
Amount of Credit	£12,476.00
Interest Charges	£1,925.50
Optional Final Payment	£6,043.50
Total Amount Payable	£19,220.50
Fixed Rate of Interest	3.04% p.a.
Duration of Agreement	43 months
Annual Mileage	9,000
Excess Mileage Charge per mile	14.9p
Representative APR	4.9% APR

3.5 Prominence

Prominence is deemed to be the amount that the item stands out to the customer. This includes colour, position, text size, capitalisation, underlining and bolding. This is not an exhaustive list.

When the Representative Example is included, all the required information should be clear and concise and must have at least equal prominence. Usually this is in the form of a table (as above) to ensure it is clear to the customer.

Cherry Picking:

- When a representative example is included, individual items within the table must not be shown outside of the table, either in the headline or copy. This repetition gives greater prominence to the cherry picked items, and the regulations state that all items in the representative example must be shown together, as a whole with equal prominence. Therefore, if you are showing a positive rate of credit e.g. 4.9% APR, all the financial information must be included in a full representative example only.
- **0% APR:** This is the only exception to the cherry picking rule above. As there is no cost of credit, information may be shown without the full representative example, however the prominence rules still need to be considered and the information shown here must still form part of the main body of the promotion – **The Representative APR must be of at least equal prominence to the payment, term, deposit and optional final payment.**

3.6 Multiple Products and Representative APR

- There can only be one Representative APR in a financial promotion which can make it difficult to advertise multiple products and APRs in one document / on one page.
- Displaying two or more vehicles with the same APR on one page; each offer must be compliant in its own right where **one Representative APR (the same figure may be repeated if the product and APR are the same) or example template must be shown** (see section 3 above)
- Displaying two or more vehicles with differing APRs on one page:
 - clearly separate each offer / vehicle
 - each offer must be compliant in its own right
 - **one Representative APR or example must be shown e.g. the representative APR must be of at least equal prominence than any other APR figure shown**(see section 3 above)
 - the word “Representative” can only be shown in the selected representative example
- Where multiple finance tables are shown, there must be one representative example. In addition:
 - clearly separate each offer / vehicle
 - each offer must be compliant in its own right
 - **one Representative APR or example must be clearly labelled as the representative example.** (see section 3.0)
 - the word “Representative” can only be shown in the selected representative example

As a result of the complexity of advertising multiple vehicles and APRs, the Representative APR is a rate that should only be calculated in consultation with Kia Finance.

4. Financial promotion on the Internet/email

4.1 General Guidance

- A financial promotion on the Internet is treated in the same way as any other type of financial promotion and has to comply with these guidelines on a stand-alone basis.
- Where a full finance table is included, all the financial information must be shown together as a whole and with equal prominence, with the Representative APR being the same size as these items, but with the Representative Example having at least equal prominence than any other piece of financial information or incentive.
- Each financial promotion will need to satisfy the requirements on a stand-alone basis. If the financial information is split and a “click through” to another page is used to view the rest of the required information, this would be considered a **breach of the regulations**.
- As a minimum the following small print must be included in internet financial promotions:

Dealer legal name [as it appears on the FCA Financial Services Register] **trading as Dealer trading name are a broker (not a lender) for the purposes of this financial promotion. We can introduce you to a limited number of carefully selected finance providers and may receive a commission from them for the introduction.** Subject to status. T&Cs apply. 18s or over. Guarantee may be required. Kia Finance, RH1 1SR.

- Sometimes, depending on the configuration of the screen, it may be necessary to scroll down to see all of the information. However...
 - All the information must still be shown together as a whole
 - Minimum finance small print must be included as shown above
 - You must not deliberately make it difficult for a user to see all the necessary information
 - Try and avoid the need to scroll where possible.

4.2 Digital Financial Promotions

Digital Financial promotions should be treated exactly the same as any other financial promotion and must be stand-alone compliant. However, when a financial promotion falls under one of the following categories of digital financial promotion (The “Restrictive Mediums”) Kia Finance chooses to replace its full finance small print with a sign post:-

- Mobile optimised digital banners
- Tablet optimised digital banners
- Single frame desktop digital banners
- Social media
- Sponsored search engine results

Whilst Kia Finance ensures that all other body copy requirements are adhered to in a Restrictive Medium the full finance small print is replaced with “T&Cs apply”. Kia Finance does this on the proviso that there is a) a fully compliant display of the offer on a linked landing page and b) full finance small print is displayed either one click away or via a pop up or light box within the promotion itself.

Kia Finance only adopts this approach for Restrictive Mediums where to include full terms and conditions would, in its opinion, undermine its efforts to achieve the FCA’s overarching principle of being clear, fair and not misleading.

If, as a result of spacing restrictions arising in certain digital media types, you are concerned that the inclusion of full finance small print might undermine the FCA’s overarching principle of being clear, fair and not misleading you should seek independent legal advice and explore what approaches you can take to address this.

5. Terms & Conditions / Small Print

Finance terms and conditions must always include the following:

- Name of the finance provider and postcode.
- Dealer adverts must always contain both the full legal entity name, trading name and address of the dealer via the dealer status disclosure shown below:
- **Dealer legal name** [as it appears on the FCA Financial Services Register] **trading as Dealer trading name are a broker (not a lender) for the purposes of this financial promotion. We can introduce you to a limited number of carefully selected finance providers and may receive a commission from them for the introduction.** Always include the following points:
 1. Subject to status
 2. Terms and conditions apply – may be abbreviated to **T&Cs apply**
 3. Guarantee may be required
 4. Applicants must be 18 or over – may be abbreviated to **18s and over**
- Offers eligibility, e.g. vehicle / derivative restrictions
- Length of offer – stating the finish date
- PCP clauses must be included for all PCP financial promotions where the optional final payment is stated (**e.g.** in a representative example or in the body copy for 0% APR financial promotions):

At the end of the agreement there are 3 options: (i) part exchange the vehicle, (ii) pay the Optional Final Payment to own the vehicle or (iii) return the vehicle. Further charges may be made subject to the condition or mileage of the vehicle.

Example small print:

Example 1: Conditional Sale with a representative table:

Retail sales only. Subject to availability at participating dealers only on vehicles registered between 1 October and 31 December 2016.

Dealer legal name [as it appears on the FCA Financial Services Register] **trading as Dealer trading name are a broker (not a lender) for the purposes of this financial promotion. We can introduce you to a limited number of carefully selected finance providers and may receive a commission from them for the introduction.** 4.9% APR representative available on Conditional Sale. Subject to status. T&Cs apply. 18s or over. Guarantee may be required. Kia Finance, RH1 1SR.

Example 2: Conditional Sale without a representative table (0% Deals):

Retail sales only. Subject to availability at participating dealers only on vehicles registered between 1 October and 31 December 2016.

Dealer legal name [as it appears on the FCA Financial Services Register] **trading as Dealer trading name** are a broker (not a lender) for the purposes of this financial promotion. We can introduce you to a limited number of carefully selected finance providers and may receive a commission from them for the introduction. 4.9% APR representative available on Conditional Sale. Subject to status. T&Cs apply. 18s or over. Guarantee may be required. Kia Finance, RH1 1SR.

Example 3: PCP Contracts with Optional Final Payment shown in representative table:

Retail sales only. Subject to availability at participating dealers only on vehicles registered between 1 October and 31 December 2016.

Dealer legal name [as it appears on the FCA Financial Services Register] **trading as Dealer trading name** are a broker (not a lender) for the purposes of this financial promotion. We can introduce you to a limited number of carefully selected finance providers and may receive a commission from them for the introduction. 4.9% APR representative available on Personal Contract Purchase. At the end of the agreement there are 3 options: (i) part exchange the vehicle, (ii) pay the Optional Final Payment to own the vehicle or (iii) return the vehicle. Further charges may be made subject to the condition or mileage of the vehicle. Subject to status. T&Cs apply. 18s or over. Guarantee may be required. Kia Finance, RH1 1SR.

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Example 4: PCP Contracts with Optional Final Payment shown in body copy, with no representative table (0% Deals):

Retail sales only. Subject to availability at participating dealers only on vehicles registered between 1 October and 31 December 2016.

Dealer legal name [as it appears on the FCA Financial Services Register] **trading as Dealer trading name** are a broker (not a lender) for the purposes of this financial promotion. We can introduce you to a limited number of carefully selected finance providers and may receive a commission from them for the introduction. 4.9% APR representative available on Personal Contract Purchase over. At the end of the agreement there are 3 options: (i) part exchange the vehicle, (ii) pay the Optional Final Payment to own the vehicle or (iii) return the vehicle. Further charges may be made subject to the condition or mileage of the vehicle. Based on XXXX miles per annum. Excess mileage charge of 14.9p per mile applies. Subject to status. T&Cs apply. 18s or over. Guarantee may be required. Kia Finance, RH1 1SR.

Example 5: Contracts where the Monthly Payment or Optional Final Payment is not shown:

Retail sales only. Subject to availability at participating dealers only on vehicles registered between 1 October and 31 December 2016.

Dealer legal name [as it appears on the FCA Financial Services Register] **trading as Dealer trading name** are a broker (not a lender) for the purposes of this financial promotion. We can introduce you to a limited number of carefully selected finance providers and may receive a commission from them for the introduction. 4.9% APR Representative available on Conditional Sale or Personal Contract Purchase. Subject to status. T&Cs apply. 18s or over. Guarantee may be required. Kia Finance, RH1 1SR.

VERY IMPORTANT – PLEASE READ

This guidance has been produced by Kia Finance for guidance only. We cannot accept any liability arising from the contents of this guidance. Dealers are strongly recommended to seek independent legal advice before publishing any form of financial promotions. Failure to comply with the Advertising Regulations could lead to prosecution and the withdrawal of FCA interim permission/authorisation. These notes are in summary form only, and in no way contain the full text of the regulations. Kia Finance, in producing these guidance notes, has only dealt with those aspects of the regulations that are relevant to the type of business transacted between Kia Finance, Dealers and customers. A full text of the Regulations can be obtained from the Financial Conduct Authority: <http://www.fca.org.uk/>