

“Our aim is to make financial markets work well so that consumers get a fair deal. We supervise firms to make sure they act in the best interests of consumers and the market.”

Stated aim of the Financial Conduct Authority

In May an initial communication was issued by Hyundai Capital in respect of forthcoming regulatory changes affecting consumer credit and the market we operate in. At that time I promised to provide you with further updates as and when pertinent information became available, and now is such a time.

So what has been happening since that first communication some 8 weeks ago?

Whilst the FCA has focused time and resource on areas of the financial markets that it sees as causing most concern, including as you will no doubt have seen in the press ‘pay day lenders’, it has also been actively monitoring financial promotion (i.e. advertising) across all sectors of the industry. Many of you will have seen the recent article in AM online which featured examples of a number of Dealers contacted by the FCA in respect of their advertising. The message was clear. The FCA are proactively scanning both physical and digital medium with a view to bringing to account anyone who it sees as not advertising in a “clear, fair and not misleading” manner.

Mindful of the attention paid by the FCA in recent months to advertising, we at Hyundai Capital have made the development of our financial promotions guidelines a high priority item. To that end I am happy to announce that those guidelines have now been completed. Over the course of the next four weeks a number of workshops will be held with our colleagues at Hyundai and Kia and various agencies in order to provide a detailed update. Once those workshops have been completed the guide will be published and made available to you. I am sure you will welcome this initiative as it will make life simpler when designing local advertising campaigns and promotions that include financial elements.

Progress has also been made in respect of two other high priority issues touched on in our first communication, those being **sales process** and **commissions and incentives**

Sales process

I previously made mention that in order to deliver not simply a compliant, auditable sales process but also a good customer experience Hyundai Capital intended to develop a bespoke sales process tool that would interface directly with our existing point of sale finance platform, SOL. At the end of June, the project to deliver a video based, audio-visual product description tool commenced. This tool will also incorporate typical comparison quotations between our core products and, through a short series of questions, validate customer understanding of what has been presented and that a specific product has been chosen based on that understanding. I am truly excited by this development and am confident that we will bring it

Hyundai Capital UK Limited, 86 Station Road, Redhill, Surrey RH1 1SR.
Tel: 0173 730 8650. Email: contact@hyundaicapital.co.uk

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to market prior to 1st October. I believe it will not only meet regulatory requirements from a compliance perspective, but also positively help in the sale of finance. As a partner of Hyundai Capital we will bring this sales process tool to you at no cost as part of our business proposition.

Commissions and incentives

There has been much debate within Hyundai Capital on this topic over the past month, as we strive to maintain a commercially viable but also complaint commission structure. Under the principles set out by the FCA, in particular its desire to ensure the marketplace delivers 'good customer outcomes', it is our opinion that prevailing Difference in Charges (DIC) commission scales and Bonuses paid purely based on volume related targets, will not be deemed appropriate.

I can now report that we are in the process of finalising a draft commission scheme structure that we will share with a number of representative dealers during the early part of August in order to gain feedback. This feedback will be reviewed and, as appropriate, changes applied to our draft commission structure before we bring it to market.

I hope you have found the content of this communication to be clear and of use as we move towards full introduction of the new consumer credit regulations on 1st October. Hyundai Capital will continue to work with you as we transition in to the new regulatory regime. Please remember, however, that as you will be authorised by the FCA in your own right it is advisable that you gain your own legal advice on all matters relating to these new regulations.

Should you have any questions or queries please do not hesitate to contact your local Hyundai or Kia business development manager, and rest assured further updates will be brought to you in the coming weeks.

Kind regards,

A handwritten signature in black ink, appearing to read 'Stewart Grant'.

Stewart Grant
Managing Director
Hyundai Capital (UK) Ltd

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