

Product Specification: Personal Loan (High APR)

1. Enabling the customer to borrow an amount that they can afford

This section includes features that enable the customer to consider whether a loan is appropriate for them and whether they can afford the repayments for the loan.

- 1.1 The product provides the customer with the ability to understand the amount of repayment for different periods and amounts.
- 1.2 The product provides the customer with a tool to work out whether they can afford to repay the loan (e.g. a budget planner) designed appropriately for the customer.
- 1.3 The product specifically enables the customer to consider the total amount of debt, including the new loan that they will need to service if the loan is approved.

2. Enabling the customer to easily make repayment, including paying early.

This section includes features that enable the customer to make a payment easily and reminders to do so if appropriate. The objective is to make it as easy as possible for the customer to make a repayment. For some customers, repaying early will reduce worry and reduce vulnerability to a change in circumstance.

- 2.1 The product allows the customer to repay early without a fee or charge.
- 2.2 The product has encouragements to repay early, such as reminders that this is possible during the life of the loan.
- 2.3 The product encourages the customer to set the payment date so the loan payment is taken shortly after income has been received
- 2.4 The product encourages the use of a direct debit or standing order or some other automated regular payment mechanism e.g. payroll deductions to make the regular payment.

3. Ensuring efforts are made to help the customer act in their best interests if the customer has experienced a change in circumstances

This section includes features designed to ensure that the customer takes action at the earliest time if they face difficulty. It considers how the customer is treated given that their circumstances may have changed and the way in which the customer is supported.

- 3.1 A customer that misses a payment is encouraged to take action if they are finding payment difficult.
- 3.2 The customer is offered a plan to repay at an affordable level at the earliest opportunity.
- 3.3 Customers are made aware of the possibility of a revised repayment plan prior to a missed payment due to financial difficulty.

4. Establishing a connection between the loan and savings as an alternative

This section includes features that provide a connection between using income for savings and using it to repay a loan. A savings ability/habit may be developed as a result of these features.

- 4.1 Encourage an element of saving simultaneously with the debt repayment to encourage the saving habit and provide an incentive to further saving when the loan is completed.
- 4.2 On making the final payment the customer is encouraged to use either all or a proportion of the available money for regular savings.

5. Consolidation Loans

This section includes features designed to ensure that a consolidation loan is used to repay existing debts and to encourage the customer to use the money available from interest saving to reduce their debts.

- 5.1 Payment is made direct to the lender for loans that are being refinanced, unless there are reasons not to do so, and the customer is encouraged not to incur further debt in a way that is effective (e.g. cancelling credit cards).
- 5.2 A tool is available to motivate customers to repay loans faster using the money available from the interest reduction post consolidation rather than to increase their borrowing.