

The Fairbanking Mark
Personal Loan (High APR) Specification



Fairbanking Foundation

The Fairbanking Foundation is a charity dedicated to encouraging and helping financial providers to improve the financial well-being of their customers and as a result the UK public.

We do this through;

Research and Ratings Reports

Industry wide, independent surveys of retail products in the market or along retail themes.

Advice and Training

A programme of services to help financial services providers capitalise on Fairbanking research, coupled with the latest thinking in behavioural economics, to create products and processes that better serve customers.

Fairbanking Marks

The Fairbanking Mark certification scheme is a market leading programme accredited by the UK Accreditation Service (UKAS) for financial products in the UK. Its certification procedure is similar to bodies such as the British Standards Institute (the "kitemark").

The methodology to analyse product features and their impact on financial well-being has been developed into 9 product specifications.

- ▶ Credit Card
- ▶ Current Account with overdraft
- ▶ Current Account without overdraft
- ▶ Personal Loan
- ▶ Personal Loan (High APR)
- ▶ Regular Savings
- ▶ Childrens' Savings Accounts
- ▶ Mortgages
- ▶ Student Current Accounts

Fairbanking research, combined with industry expert input, has identified drivers of financial well-being and identified money management practices that help customers positively change behaviour. These findings have generated benchmarks for products against which to measure the customer financial well-being that the product offers.



As part of a Fairbanking Mark assessment, we will work with you to identify, validate and confirm whether your products meet our functional standards and, if they do, the Fairbanking Mark will be granted in either a three, four or five star version. As part of our assessment process we survey, either via telephone or online, your customers' reactions to specific features.

In addition to the features outlined, we also consider a number of fairness factors to ensure that the product adheres to the Foundation's principle of fairness. These factors vary by product but will include a review of your product specific complaints, ensuring interest charges and fees are at an acceptable market level and that there are no restrictive practices relating to the product.

The product features outlined in this specification form the basis for our Personal Loan (High APR) Fairbanking Mark assessment. To evaluate the potential for a Fairbanking Mark on your product, please either specify your answer by selecting Yes or No to the questions adding any relevant comments and submit the form. To contact our team to see how we can support you, please email us at info@fairbanking.org.uk.

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. Yes

No

Comments:

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. Yes

No

Comments:

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. Yes

No

Comments:

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. Yes

No

Comments:

2.2 The product has encouragements to repay early, such as reminders that this is possible during the life of the loan. Yes

No

Comments:

2.3 The product encourages the customer to set the payment date so the loan payment is taken shortly after income has been received.

Yes

No

Comments:

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.

Yes

No

Comments:

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.

Yes

No

Comments:

3.2 The customer is offered a plan to repay at an affordable level at the earliest opportunity.

Yes

No

Comments:

3.3 Customers are made aware of the possibility of a revised repayment plan prior to a missed payment due to financial difficulty.

Yes

No

Comments:

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.

Yes
No

Comments:

- 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.

Yes
No

Comments:

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).

Yes
No

Comments:

- 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.

Yes
No

Comments: