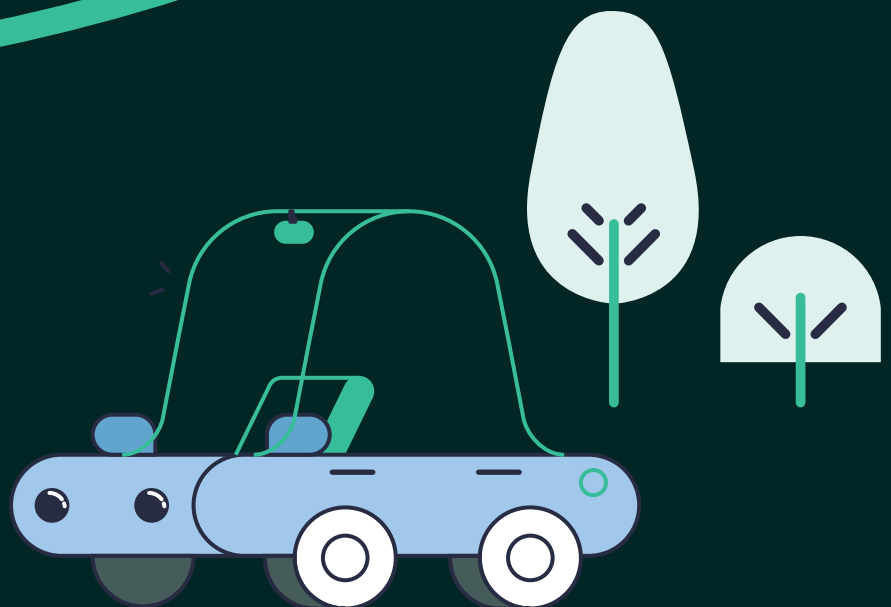




# Navigating Consumer Duty

Communicating finance  
to your customers



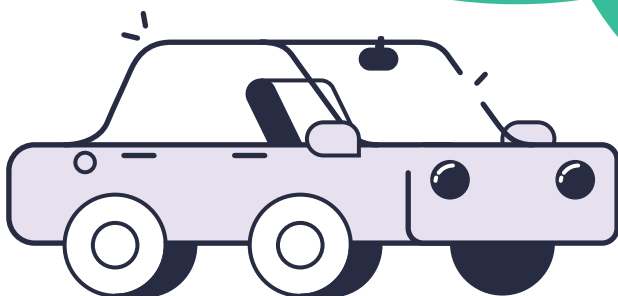
## A helping hand

Consumer Duty is now in force, changing the way we all do business. Complying with this new legislation can be particularly challenging for smaller independent dealers, many of whom wear multiple hats, with time and resource constraints.

One of the biggest challenges is the need to communicate finance to customers clearly and transparently through every step of the car-buying journey.

### So what does good communication look like?

We've put together this guide to offer you some pointers. It doesn't replace professional advice – you'll still need to make sure you're getting the right advice from your compliance advisors. But hopefully it will help you on your way – and enable your business to thrive in this new era.



# Communicating clearly, at every stage



## Online research

### The journey starts here

This is the customer's first touchpoint with you. They've decided they want a new car. So, they start to look around. Maybe they see one of your adverts or look at your website. Or maybe they read a newsletter you've sent out.

### What to consider

This is your chance to get off to a good start in the way you communicate with your customers. How?

- 1** Make sure you got the basics in place. Check that your website includes:
  - Your FCA number
  - Complaints policy
  - Status disclosure, if applicable.
  - Privacy Policy
  - Details of the fees and commission you charge
- 2** Check that you're registered with the [Information Commissioner's Office](#). This will give you permission to store customer data.
- 3** Review the information on your website and adverts to make sure it's transparent. For example, do the financial examples on your website meet the requirements of CONC or are they misleading because they would only apply to a small proportion of potential customers?

- ❏ Review the language you're using. Is it clear and accessible? Or, are you using financial and contractual jargon that customers might not understand? Our extensive communication testing for consumer duty shows that many customers, particularly the younger demographic, struggle to understand financial terminology and calculations. A recent article in *MotortradeNews* confirms these findings. It reports on a study by Ford Credit that shows that:
  - 50% of 18–24-year-olds don't know what the interest rate on their car loan is
  - one in ten consumers admit they can't confidently explain key financial topics.

With this in mind, look at how you can simplify things. For example, could you say 'amount after deduction' rather than 'net sales proceeds', 'give up' rather than 'surrender' and 'missed payments' rather than 'arrears'? If you do need to use legal terms, give a clear definition of what they mean.



## On the forecourt

### The journey moves on

Your customer now wants to visit a dealer, seek out your expertise, and maybe test-drive the car they're thinking about buying.

### What to consider

The customer's not yet at the point where they're ready to sit down and talk about finance in detail. Asking what their budget is will ensure that you're both on the same page and understand what cars are in their price range.

So, ask yourself whether your front-of-house team know how to communicate affordability to members of the public in terms they will understand. Do your staff give customers plenty of opportunity to ask questions? Do they know how to recognise vulnerable customers and slow down the sales process to make it easier for them to make informed decisions? Do you have an established process for recognising and managing vulnerable customers?

If the answer to these questions is 'no', you might want to offer document and offer training to improve skills at this stage. Third party compliance agencies may be able to help. You might also find it helpful to look at [guidance](#) from the Financial Conduct Authority on how to recognise and treat vulnerable customers. The UK Regulators Network has also produced these [top tips](#) on how to identify customers in vulnerable circumstances.



## Car finance negotiations

### The journey accelerates

Your customer is now ready to talk about finance in detail. They've seen a car they want to buy and are keen to know how much it's going to cost.

### What to consider

This is your chance to discuss different finance packages with your customer and give them all the information they need to make an informed decision.

You'll want to:

- Ensure its appropriate for that lenders target market. You can find this information in all the Standard Information Packs produced by every lender
- Make sure the packages you are proposing are affordable and sustainable
- Be ready to discuss the breakdown of costs in plain English – including any additional costs
- Talk through your Initial Disclosure Document, take your time when discussing your adequate explanations, making sure the customer understands what they're signing up to
- When required to do so, inform them of any commission, fees or any other remuneration earned
- Explain that if they don't make payments on time, this will impact their credit profile
- Tell higher risk customers they may have to pay a higher interest rate (which would have been identified after customer details are put through the finance system)

Once you've talked through everything and given the customer the chance to ask any questions, You could ask them to sign a document saying they have received the information required to make an educated decision.

You may also want to give the customer a written document (either by email or a hard copy) summarising the information you have discussed.



## Aftersales

### The journey approaches its end

Now is the time to discuss any aftersales costs.

### What to consider

Once you've agreed on an affordable finance package, you'll want to explain any aftersales costs.

- Explain exactly what's covered under the warranty, when it ends and who to contact. It's helpful to give the customer a high-level summary as well as full detail on what's covered.
- Be clear and transparent about any additional costs. For example, if they've asked for anti-scuff tyres, a special paint finish or other extras, make sure they know how much these will cost.





## Completing the finance package

### The journey ends... and a different one starts

You're almost there – in this final stage, it's important to maintain good relationships, not only for the sake of supplying excellent customer service, but to also enhance the opportunity of repeat business with your company.

### What to consider

- Make sure the customer is aware of their rights of withdrawal and who to approach if they have a service or vehicle quality complaint.
- Take the time to explain the customer's end of agreement options.
- Update the customer regularly with how much they've paid off/what they have left to pay.
- Keep the channels of communication open and be ready to deal with any post-sales queries promptly and efficiently.

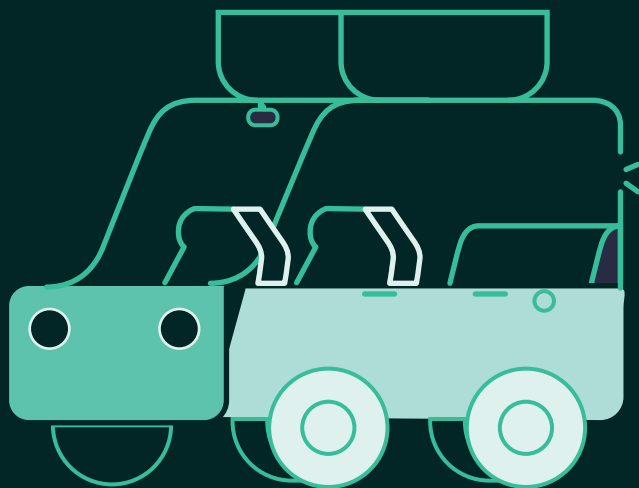


## A final suggestion

### Think of Consumer Duty as an opportunity as well as a challenge

As you can see, communicating clearly and transparently with your customers is not as challenging as it might appear.

Improving your customer's understanding as they travel through the car-buying journey strengthens your relationship with them and ultimately means they get the car that best meets their needs. So, not only are you fulfilling your compliance obligations but a happy customer is more likely to come back to your business as well as recommend it to others – and that can only really be a good thing in this new Consumer Duty era.



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