

Company Vehicle Solutions Guide to Treating Customers Fairly

Treating Customers Fairly (TCF)

Treating Customers Fairly (TCF) has been the cornerstone of financial regulation for consumer credit for some time. The FCA has made it clear that this principle will be given higher urgency in terms of enforcement. The FCA requires that all businesses it regulates comply with their provisions on Treating Customers Fairly (TCF) and on embedding good consumer outcomes into all parts of their business culture.

There are no tick boxes, no absolute guidelines – it is a business principle that the FCA expects regulated entities to adopt at a deep cultural level. This guide is a high-level overview of how to fulfil the FCA's requirements on TCF.

Introduction

TCF is about putting responsibility on dealers to deliver a fair outcome to their consumer. It is not however, intended to be restrictive on the business.

TCF is not the same as treating customers 'nicely' or providing customer satisfaction. Instead, it is designed to ensure the business puts the interests of the customer at the heart of their business, as well as the integrity of the market.

TCF is found in Principle 6 of the FCA Handbook which explains that *"a firm must pay due regard to the interests of its customers and treat them fairly"*. TCF is also tied to 4 of the 11 guiding principles:

- Principle 1 – A firm must conduct its business with integrity
- Principle 7 – A firm must pay due regard to the information needs of its clients and communicate information to them in a way that is clear, fair and not misleading
- Principle 8 – A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client
- Principle 9 – A firm must take reasonable care to ensure that the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgement

TCF then is about far more than just the actual customer experience in your dealership. It is an important aspect of all areas of your business. The concepts of TCF should be in every step of sales process, from staff training to the information and financial products supplied to the customer, as well as resolving any subsequent issues, which a customer has.

What does the FCA want?

It must be understood this is not a rigid area, there is no one way in which TCF must be met. The FCA has offered some broad-brush guidance on how to meet the TCF requirements. Dealers should:

- a) Give the customer what they have paid for – ensure that the customer fully understands the product(s) offered
- b) Do not take advantage of the customer
 - a. Avoid pushy sales tactics
 - b. Do not sell inappropriate products
 - c. Do not allow the priorities of the finance suppliers to unduly influence the sale of a product
- c) Offer the customer suitable products/services
- d) Do your best to resolve problems/mistakes as quickly as possible
- e) Show flexibility, empathy and consideration in dealing with customers

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- f) Use plain English and be clear, ensuring the customer understands exactly what they are being offered:
 - a. Terms and conditions should be as clear and easy to understand as possible
 - b. Significant exclusions/terms should be highlighted
 - c. Use plain English

Using these principles, dealerships are expected to meet the FCA's six outcomes for consumers:

- **Outcome 1:** Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.
- **Outcome 2:** Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.
- **Outcome 3:** Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.
- **Outcome 4:** Where consumers receive advice, the advice is suitable and takes account of their circumstances.
- **Outcome 5:** Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.
- **Outcome 6:** Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

What can you do?

While it would be possible to compile a huge list of things dealerships could do to ensure TCF principles are followed, this is unnecessary. The best approach is to take a principled approach!

- Take the core messages of honesty, integrity and fairness and apply them to any customer situation.

You must ensure there are appropriate processes in place to ensure TCF is delivered and have a system in place to review TCF on a regular basis, identifying any shortcomings. These are important forms of Management Information (MI) and MI is a key part of the monitoring process that the FCA expects to be followed.

Process Controls and Record Keeping

The following outline the key areas, which should be considered as forming part of a good TCF approach in the showroom. For these areas, it is important to keep records to demonstrate that:

- Sales processes have been established
- Training undertaken to ALL customer facing sales staff and updates as appropriate
- Each sale has evidence to show a good process took place

Promotional material

- Are sales and marketing material (digital copy, ads, brochures, posters, direct mail) written using plain English?
- Are jargon terms (e.g. 'APR') fully explained?
- Is the APR provided to the customer the same as that advertised on-line or in adverts? If not why not? Are they a customer with a poor credit record for example?
- Are all the charges made clear?
- Have you tested the promotional material with a non-expert?

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Sales Process

- Has product training been provided for the products you're offering to all staff and has this been recorded?
- Are you clear about any customer group these products wouldn't be suitable for?
- Have you discussed several finance product options with the customer or just one?
- Are you satisfied that your customer can afford the product now and in the foreseeable future?
- Have you asked the customer whether they understand the documents you've provided?
- Are you satisfied that the customer understands the benefits and risks of the product they're buying and the associated costs?
- Are you satisfied that your customer agreements are clear and understood?

Please note this is an indicative rather than exhaustive list!

Management Information (MI)

The FCA requires that MI is collected to review TCF and prove that it is being delivered. MI is data and information gathered on processes and procedures within the dealership.

MI must be collected in a timely fashion to enable the dealership to react to problems as they occur. For similar reasons it should be collected in a consistent manner so that trends can be observed and dealt with. It is important that the information gathered be accurate, so the dealership is not acting on false information and it should be relevant to TCF to ensure efficient delivery of TCF.

The principles of good MI include:

- The MI should not focus on how well the dealership is doing in delivering the TCF outcomes (such as CSI) rather it is a measure of the processes which are taking place
- Some TCF MI will already exist – there is no need to create a huge range of MI. Current MI may incidentally be TCF MI or existing MI may be capable of being developed to encapsulate TCF MI
- MI on customer satisfaction (such as CSI) may be indicative of fairness but it does not necessarily demonstrate fairness. Customers can be satisfied with unfair treatment or dissatisfied with fair treatment
- MI is not simply a way of recording things it is designed to be used to measure performance and identify potential problems with TCF processes