

Consumer Duty Finance Lease Product Guide



Document Owner	Jon Maycock, Commercial Director
Reviewer	Jennifer Bodey, Director of Compliance & Conduct Risk
Approver(s)	Propel Commercial Management Committee
Last Review Date	26/04/2023
Version Control	V1 04 2023

1. Product specification

1.1 Product overview

Propel Finance provides asset finance to UK business customers to acquire equipment and vehicles. Propel offers its Finance Lease product to both regulated and unregulated business customers.

A Finance Lease is a type of rental product that lets businesses use an asset by paying rent for an agreed fixed or minimum period. The customer agrees to rent the asset for a set period and makes regular rental payments. At the end of the contracted period the customer may choose to either continue renting the asset, return the asset to the owner, or their agent, or potentially replace it.

Propel may agree at the outset of the agreement to enter into an agreed Sales Agency arrangement, whereby an agent is appointed to sell the asset at the end of the agreement, with an agreed distribution of the sales proceeds between the parties. Such distribution will be agreed in writing before inception of the agreement, will be made clear to all parties and will be subject to Propel's approval and discretion.

Key features of Propel's Finance Lease product are outlined below:

- Fixed rate business-to-business asset finance
- Term: Typically 36 months – 60 months, but other terms may be agreed subject to the distribution channel and asset type
- Deal size: £10,000 - £2million (Please note that Propel may apply a lower minimum ticket threshold for specific Vendor relationships)
- Typical APR (Annual Percentage Rate) range based on customer and asset risk – please refer to Propel's Price & Value Assessment for further information
- Security required: Asset and potential guarantees (personal or corporate)
- Repayment Structure: Equal payments
- Repayment Frequency: Typically monthly or quarterly
- Deposit: Flexible initial deposit options, Propel can fund up to 100% of the purchase price
- Title: Propel will obtain title to the asset either directly from a supplier's invoice or, through Asset Refinance (Sale and Leaseback) if the asset is already owned by the customer. This depends on how long the customer has owned the asset (subject to a maximum of 3 months for Sale and Leaseback)
- The primary location of the asset must be in the UK

1.2 Needs the product is designed to meet

Propel's Finance Lease product is designed for business customers leasing equipment or vehicles for business purposes; where they want to spread the cost of using the asset over time and do not wish to own the asset at the end of the contractual period.

Cash flow management: Leasing equipment can help businesses conserve cash for other critical expenditures, such as operational expenses or expansion plans.

Flexibility: Leasing allows businesses to acquire equipment without the need for a large upfront payment; and the lease terms can be customised to suit the specific needs of the business.

Up-to-date technology: Leasing equipment can enable businesses to access the latest technology and enables easy upgrades.

Tax advantages: Lease payments may be tax-deductible as operating expenses, which can help reduce a business's tax liability.

Maintenance and repair coverage: Many equipment leasing agreements include maintenance and repair services, which can help businesses avoid unexpected costs and downtime.

Reduced risk: Equipment leasing can help businesses mitigate the risk of equipment obsolescence, as they can simply return the equipment at the end of the lease term and lease newer equipment instead.

Asset Refinance (Sale and Leaseback): For unregulated agreements only, a customer may use the product to refinance an existing asset to release additional cash for business investment.

1.3 Product suitability

A Finance Lease is a comparatively simple and transparent credit product designed to suit a wide range of customers.

Propel's Finance Lease product is suitable for:

- UK business customers (including partnerships and sole traders) where the asset is primarily for business use
- Customers who match Propel's affordability requirements and can comply with the product's terms and conditions
- Customers with a UK based bank account to make repayments by direct debit in the name of the company financing the agreement

Propel's Finance Lease product is not suitable for:

- Retail consumers
- Customers with a poor credit history, who are currently facing or have recently experienced financial difficulties or who do not have sufficient income to cover their expenses and meet their repayment obligations

Propel's Finance Lease product is less suitable for:

- Customers who wish to make multiple payments using methods other than direct debit. Although one-off payments such as a card payment over the phone or a cheque may be accepted, there will be a fee charged for this

1.4 Product target market

Propel serves UK business customers, including partnerships and sole traders, who will mainly use the assets for their businesses. Their target market does not include retail consumers.

Propel's target market is not restricted by sector, except for any exclusions specified in Propel's Credit Policy.

It may also be influenced by the length of the customer's trading history, as outlined in Propel's Credit Policy.

1.5 Packaged product considerations

Propel does not offer packaged products.

1.6 Co-manufactured product considerations

Propel does not offer co-manufactured products.

1.7 Product benefits and risks to customers

Benefits of Propel's Finance Lease product

- Customers can access the best equipment for their needs in an affordable way
- Fixed interest rates and fixed rentals make budgeting straightforward
- A Finance Lease may be cheaper or easier to arrange than other debt alternatives (due to the security provided by the asset)
- Leaves other funding options (such as overdraft options) free to use for other purposes
- Payments can be tailored to the customer's cashflow (e.g. seasonal payment profiles)
- Simple application process with swift decisions and funds typically made available within 24 hours of receiving the completed documentation
- Customer support model with access to an account manager and dedicated customer service team
- Ability to inform/ensure the customer is informed at all stages of the application either directly by Propel or by the Distribution Partner

Risks of Propel's Finance Lease product

Overall, a finance lease can be an useful financing option for businesses. However, it is important for customers to carefully consider the risks and benefits of this type of financing before entering into a lease agreement.

- A Finance Lease can be more expensive than buying the asset outright. This is because the asset finance provider must recover the full cost of the asset, plus interest and any additional fees, over the lease term
- Obligation to maintain the asset: Under a Finance Lease, the customer is typically responsible for maintaining the asset and ensuring it remains in good condition
- Early settlement fees apply
- The Finance Lease agreement must be settled in full if the customer loses possession of the asset during the term of the agreement
- The customer decides the suitability of asset and must do their own due diligence to ensure that the asset and the supplier are appropriate to their needs
- The agreement is secured against the asset, therefore if payments are not received the asset will be repossessed. Propel may take legal proceedings to recover sums due and pass on reasonable costs in enforcing its rights
- If the customer pays the agreement late or fails to pay, it can have negative consequences for them. This can include increasing the cost and duration of borrowing overall, as well as having a negative impact on their credit report with credit referencing agencies. This may make it more difficult and expensive for the customer to access other forms of credit in the future

2. Customer considerations

2.1 Statutory rights & protections

Regulated Lease Agreements

Lease Agreements with sole traders, partnerships with only 2 or 3 partners and / or unincorporated associations are likely to be regulated by the Consumer Credit Act 1974 unless (i) the total credit or rentals (including VAT) payable over the minimum or fixed term is more than £25,000; and (ii) the goods are wholly or predominantly for business purposes.

In addition to the lease agreement terms, Propel provides customers with pre-contract information requirements.

Although customers do not have a statutory right to early settle, Propel allows customers to settle regulated lease agreements early and receive a rebate on future interest due.

Unregulated Lease

Lease Agreements will be unregulated if the business exemption applies.

Although customers do not have a statutory right to early settle, Propel allows customers to settle unregulated lease agreements early and receive a rebate on future interest due.

2.2 Quality of product and customer communication

The Finance Lease offered by Propel is a commonly used and accepted product in the market.

Propel is highly regarded for its service proposition, which features its application and decision making technology platform, Propeller, and its dedicated customer service team.

Propeller is Propel's proprietary front-end application and decision-making engine. It has been designed to interface with the company's distribution partners.

Propeller is accessible 24/7 and facilitates a fast application process, swift decisions, electronic document processing with e-signatures, and real-time updates on the customer journey for the distribution partner. This technology, coupled with the company's account relationship model, enables Propel to provide high-quality service to its customers.

After the agreement has been activated, servicing is led by our dedicated customer service team and enables direct contact with distribution partners via telephone or email. All written communications are routinely reviewed to ensure that they are clear, fair and not misleading and therefore accessible to the Propel customer base.

2.3 Customer understanding: limitations and risks associated with the product

Propel provides its Finance Lease product in a competitive market with multiple providers which ensures customer choice. Propel follows standard industry practice by disclosing to the customer through the agreement that commission may be paid by Propel, but does not disclose the amount payable.

Regulated Lease agreements do not require a statement of APR (Annual Percentage Rate). This can make it difficult to compare such agreements across product types, except for a comparison of monthly rentals. However, this may include additional factors such as commission and, therefore, it may not be a direct like-for-like comparison.

The Consumer Credit Act and other supporting legislation heavily dictate the content of the documentation. However, some of the required terms may be difficult for some customers to understand. To overcome this issue, Propel offers clear explanations of its products and provides enhanced support to ensure that customers understand the risks and limitations associated with the product. When Propel provides quotes directly to the customer, they are transparent and use plain English to make it easy for customers to understand. Where a Distribution Partner is responsible for presenting the quote to the customer, they are required to ensure that the quotes meet the required standards. Propel's documents contain important information such as the fixed monthly/periodic payments, the total amount repayable, and the term.

2.4 Customer considerations: vulnerability

Vulnerable customers may face difficulties in understanding the product and/or comparing it with similar products, which may affect their ability to assess the product's risks or benefits and make informed purchasing decisions.

This could continue throughout the term of the product. If customers experience a change in their circumstances, including financial difficulties, they may face risks associated with missing or making late payments.

3 Product testing and customer satisfaction

Propel regularly reviews its pricing in line with a range of benchmarks, including key market indices such as term Sonia rates and other market intelligence.

Propel reserves the right to contact customers periodically to test its product is performing as expected; and that customers are receiving clear information in advance of entering into agreements with Propel. Propel will do this through customer satisfaction surveys, monitoring of distributors complaints statistics as it relates to customers introduced to Propel and through its Trust Pilot reviews.

Get in touch

For more details

Call: 01633 982922

Email: contact@propelfinance.co.uk

For more information, visit www.propelfinance.co.uk

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