

Consumer Duty Distribution Guide Broker



Document Name	Propel Broker Distribution Guide
Version Control	V1 04 2023
Date of Last Review	26/04/2023
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Reviewer(s) and Approver(s)	Jennifer Bodey, Director of Compliance & Conduct Risk Propel Commercial Management Committee
Distribution Channel	Broker

1. Distribution Arrangements

1.1 Distribution arrangements: overview

Propel provides asset finance to UK business customers to acquire equipment and vehicles. Propel's products are distributed to customers by a range of selected brokers. Propel does not offer customers advice, but a broker may provide such guidance. Customers may therefore benefit from their ability to compare Propel's products with those of its competitors.

Customer understanding is an integral part of creating an environment in which customers can pursue their financial objectives. Propel maintains control over the product information provided to the customer (such as rates, minimum/maximum term, minimum/maximum loan amount, APR etc). Brokers, on the other hand, have the discretion to filter and present Propel's products to customers, subject to compliance with regulatory obligations.

Brokers introduce customers to Propel either from Propel's Broker Portal - Propeller, or direct API (Application Programming Interface) from the distributor's system or by email. Once a customer has applied to Propel, the customer journey from the point of enquiry and initial data submission onwards is controlled by Propel and follows a standard process.

Rather than engaging with introducers that charge fees to their customers, Propel only works with brokers that are eligible to receive a commission (calculated as a percentage of the advance amount provided to the customer).

The range of commission is typically between 1-5% of the advance for Hard Asset transactions; and 3-10% of the advance for Soft Asset transactions. These commission levels must be included in the customer pricing in line with Propel's Price and Value Assessment, to ensure that fair value for the customer is maintained.

1.2 Unsuitable/inappropriate distribution arrangements

The product is not suitable for distribution by brokers not directly contracted by Propel. It is not suitable for retail customers and should not be sold in a customer's home. The product is not to be packaged with other finance/insurance products. If the product is to be offered with any element of inducement, this should only be done after consultation and explicit agreement with Propel.

1.3 Overview of Broker channel operation

Propel partners with FCA authorised brokers, that are contracted on standard Trading Agreements.

Propel receives proposals typically through its technology platform, Propeller, or through email. These proposals outline the finance requirement for the assets that a customer wishes to obtain.

Propel's credit team reviews the application and notifies the broker of the credit decision. If the customer is approved for finance, they complete documentation with Propel that clearly outlines the terms of the asset finance agreement.

Propel receives the equipment invoice from the supplier of the equipment through the broker. Following Propel's Know Your Customer (KYC), Know Your Supplier (KYS) and other regulatory checks, Propel pays the Supplier.

When the agreement has been activated, Propel issues a Welcome Pack to the customer.

Propel makes any commission payment due to the broker at the same time that the supplier payment is made; and the deal is activated in Propel's systems.

1.4 Benefits of the Broker channel

By using an independent commercial finance broker, who will typically work with a wide range of finance providers, customer choice may be enhanced - expanding the options available.

By engaging with a finance broker, customers can usually reduce the amount of time they spend researching suitable finance options at an appropriate price point.

The customer journey is defined by agreed service expectations with the broker, enabling timely & appropriate decisions and quick access to funds (typically on the same day).

1.5 Limitations/risks of the Broker channel for customers

Since few brokers are "whole-of-market" intermediaries, there is no guarantee that customers will be presented with the most optimal or cost-effective option available.

Customers do not have direct access to updates about their application; and rely on brokers for information about progress.

Propel's business hours are Monday to Friday, from 9am to 5pm, with customer support only available during those hours.

1.6 Considerations for vulnerable customers

Propel's Broker channel does not have a direct relationship with the customer at the onboarding stage; and therefore cannot have full visibility or knowledge as to whether a vulnerable customer has been identified & appropriately assessed at the point of application. Brokers are required through their regulated permissions to identify vulnerable customers and inform Propel at the introduction stage.

Post-activation, identification of vulnerable customer characteristics is undertaken by Propel employees through several in-life customer contact points.

Propel has documented and implemented a vulnerable customers policy, provides vulnerable customer training, and has appointed vulnerable customer champions.

1.7 Identification and management of conflicts of interest

Propel has established and implemented robust ethical walls, policies & procedures to prevent conflicts of interest across its distribution channels and to ensure customer choice is not restricted.

Propel recognises that brokers are eligible to earn commission that may impact customer pricing. Propel therefore monitors broker activity and customer complaints carefully.

1.8 Propel specific requirements on Brokers

Propel's appointed brokers must be FCA regulated. There is a comprehensive onboarding process for brokers, while all brokers are screened according to Propel's onboarding policy and are subject to ongoing monitoring requirements.

To ensure compliance with the FCA's Financial Promotions regulations and Propel's own Financial Promotions Policy, any broker wishing to promote Propel or its products in written form must undergo review and approval by Propel's Marketing Director.

1.9 Propel resilience and recovery arrangements

Propel has robust resilience and recovery arrangements in place, supported by Business Continuity and Disaster Recovery policies & processes.

2. Monitoring of Broker Channel

2.1 Overview of governance and monitoring arrangements

Propel regularly monitors and reviews the performance of its broker partners in line with the legal contract between the parties.

Propel operates a robust governance structure, where the performance of its partnerships is reported both through specific partner governance meetings and through its Commercial Management Committee, with delegated authority from Propel's Board of Directors. The performance assessment of each of its partnerships includes but is not limited to: commercial performance, regulatory oversight and conduct review - including assessing that the partnership is ensuring fair and good customer outcomes across all customers referred to Propel; and that all parties are operating in compliance with required standards and all regulatory requirements.

Propel reserves the right to remove access for a distributor to any of its products where it believes that good customer outcomes and fair value are not being achieved.

2.2 Intervention and escalation

As outlined above, each broker's performance is monitored monthly to assess that customers are receiving fair value. This assessment will include:

- application acceptance and conversion statistics to monitor that Propel's products are being offered to the correct target market
- customer arrears and delinquency statistics to ensure that the correct affordability assessments are made
- complaints data and insights to ensure that Propel's products are being adequately explained, with no distortion or inducements impacting the customer outcome

Where the incidence of the above causes any level of concern, Propel will undertake the following course of action at its discretion:

1. Investigate the issues and present the facts to the broker partner
2. Agree on a resolution with a specified remedy period
3. Where there is a repeated incidence of these issues, Propel may choose to restrict the broker partner's access to any element of its product set, including but not limited to any of its Regulated or Unregulated products for a period of time
4. Where agreed remedies are not achieved or if issues persist, Propel reserves the right to terminate the relevant trading agreement in line with the provisions of the contract

Propel's Commercial Management Committee will govern any intervention or escalation.

Get in touch

For more details

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