



# 1<sup>st</sup> Loan Financial Promotions Policy

## What is a Financial Promotion?

The Financial Conduct Authority (FCA) defines a Financial Promotion as, ‘an invitation or inducement to engage in financial activity that is communicated in the course of business.’

The essential elements for a financial promotion are;

1. That it must have the purpose or intent of leading a person to engage in financial and be promotional in nature;
2. It must seek or persuade the recipient to engage in financial activity, this is an objective test that should be applied and considered; and
3. Would a reasonable observer, taking account of all the circumstances at the time the communication was made;
  - a) Consider that the communicator intended the communication to persuade or invite the recipient to engage in financial activity or that was its purpose; or
  - b) Regard the communication as seeking to persuade or incite the recipient to engage in financial activity?

A financial promotion is therefore, any communication made to clients or prospective clients that is intended to lead, ultimately, to an agreement to engage in financial activity.

The regulator and current legislation does not define invitation or inducement. However, an invitation is a communication that directly invites a person to take a step that will result in them engaging in financial activity and an inducement is described as a link in a chain where the chain is intended ultimately to lead to an agreement to engage in financial activity.

## Communicating with Clients

The FCA’s Conduct of Business Sourcebook outlines the requirements for promoting financial products and services. A key rule is that a financial promotion must be fair, clear and not misleading.

Financial Promotions can be in ‘real time’ (i.e. communicated now through interactive dialogue) or ‘non-real time’ and may include:

- |   |   |
|---|---|
| Group/Client Presentations (pictorial or verbal).                                       | Communications by employers to their employees;                         |
| Banner advertisements;  | Decision trees;   |
| Web links;  | Mail shots;   |
| Social networking sites, forums, blogs and iPhone applications;                         | Product/Service Brochures, Factsheets, Structured Products Term Sheets; |
| Personal illustrations;   | Sales aids;   |
| Written Correspondence;   | Performance Tables;   |
| General advertising in magazines, newspapers, journals, websites, television and radio; |   |

This list is not exhaustive; for further guidance please consult the FCA.

A communication that merely informs or educates will not normally be a financial promotion, on the understanding it is not written in a way to induce the recipient of the communication to engage in financial activity with 1<sup>st</sup> Loan.

## Why do Financial Promotions matter?

Effective advertising encourages customers to find out more about a firm's products and services and may prompt them to buy the product or take up the service. Financial services products can be complex to understand and potential customers rely on financial promotions as their main or sole source of information on which to base their financial decisions.

Promotions that fail to be fair, clear, and not misleading can pose material risk, as they could lead the customer to buy the wrong product, with unfortunate outcomes for all parties.

## 1st Loan Commitment

1<sup>st</sup> Loan aims to ensure all its financial promotions comply with the FCA guidelines

Promotions for the products we market on our website:

- are fair, clear and not misleading
- give a balanced impression of the products and services we market
- are displayed in such a way that important warnings or statements are not disguised or diminished

## Fairness

Products and services are usually marketed to attract as many customers as possible. This can lead to products being marketed in a way that's unfair, for example by:

- using misleading headlines
- making unfair comparisons
- displaying important information only in the small print, or
- not displaying the risks of a product or service prominently enough

**At 1<sup>st</sup> Loan, we are committed to ensuring that we**

- do not use misleading headlines
- do not make unfair comparisons
- display important information in bold or highlighted text
- display the risks of a product or service prominently

## Clarity

At 1st Loan, we think about what people both want and need to know. We aim to provide a sufficient amount of information and the right type of information.

We aim to be clear about the product or service that we market so that customers can make an informed decision. For example, if it is a loan, what the Representative APR is

We take into consideration that

- people have different levels of understanding about financial products
- people who are not in the financial services industry usually won't understand financial jargon or technical terms

The broker we introduce our clients to are clear about any:

- charges
- penalties (e.g. if someone wants to pay back a loan early)
- risks (e.g. if changing financial circumstances make repayments difficult to meet)
- key conditions associated with an offer (e.g. if someone has to pay a certain monthly amount into their bank account to qualify for a loan)

We aim to make sure our website is appropriate for, and likely to be understood by,

- Our specific target audience – i.e. people looking for a loan, and
- anyone else coming across our website

## Do not mislead customers

1<sup>st</sup> Loan and the broker we introduce customers to will have more knowledge of the product or service than the person buying it. Bearing this in mind, we and the broker:

- ensure that promotions are balanced and not give too much prominence to the benefits associated with a product without also highlighting the relevant risks
- do not 'cherry pick' data about a product or service
- do not create unrealistic expectations

1<sup>st</sup> Loans is committed to making sure customers are not given misleading information so that unrealistic expectations are created:

For example, we will not

- tell customers that they will get loan interest rates that turn out to be smaller than those you'll actually get
- use headlines that imply attractive rewards, when in reality such rewards are only achievable in limited circumstances

## Systems and controls

We use systems and controls to make sure that:

- people designing and approving promotions understand the rules
- promotions remain clear, fair and not misleading over time
- we monitor promotions and keep adequate records
- we review complaints and apply lessons learned to future promotions