# [Name of firm] Affordability Policy

This policy has been set up to comply with the Consumer Credit Sourcebook and in particular CONC 5 Responsible Lending.

**Affordability**

Affordability checks should be in place for every credit agreement to ensure that only consumers that can afford a loan can get a loan.

Before making a regulated credit agreement the firm must undertake a reasonable assessment of the creditworthiness of the customer:-

The assessment must be based on information obtained from a customer where appropriate and a credit reference agency where necessary.

Any credit worthiness assessment will depend on:-

* The type of credit
* The amount of credit
* The cost of the credit
* The financial position of the customer at the time of seeking the credit.
* The customer’s credit history including any indications that the customer is experiencing financial difficulties or has in the past
* Existing financial commitments known to the firm
* Any future financial commitments
* Any future changes in circumstances which could reasonably be expected to have a significant financial adverse impact on the customer
* The vulnerability of the customer.

The primary responsibility for ensuring affordability lies with the firm that is lending the money however, where a credit broker is providing advice or a recommendation to a borrower the credit broker should have due regard to whether the product is affordable and whether there are factors suggesting that it may not be suitable for that customer.

This is not an obligation to proactively assess creditworthiness or affordability. It is about **NOT IGNORING** evidence suggesting that the credit is unsuitable or unaffordable.

**In line with CONC 5.4 Conduct Of Business Credit Brokers [Name of firm] will:-**

1. In giving explanations or advice or in making recommendations always pay due regard to the customer’s needs and circumstances.
2. In complying with 1) above pay due regard to whether the credit product is affordable and whether there are any factors that we know of or reasonably ought to know that may make the product unsuitable for that customer.

As a firm it is not our intention to offer customers access to credit where this is not in their best interests or where it will lead to unaffordable borrowing. At all times it is the intention of this firm to comply with the FCA’s principles for Business which includes principle 6: ***to pay due regard to the interests of our customers and treat them fairly*** *and principle 12:* ***a firm must act to deliver good outcomes for retail customers.***

We recognise that affordability is not a separate issue to creditworthiness. Affordability is part of assessing creditworthiness. With commercial customers, where considered appropriate, we will assess their credit rating however, with consumers we will take a much more holistic and individual approach discussing various payment options including instalments.

**Responsibilities**

Where the instalments are provided by the insurer [name of firm] acknowledges that the insurer takes on the responsibility for assessing affordability.

With premium finance firms, up to a certain limit, we are expected to assess affordability. The risk of credit not being sustainable directly relates to the amount of credit granted and the total charge for credit relative to the customers financial situation.

In our dealings the risk of credit not being sustainable is low as:-

* No credit agreement we offer exceeds 10 payments.
* No credit agreement interest rate we offer exceeds XX% (XXAPR) Fill in the maximum amounts charged.

Our firm uses the following sources of information to assess creditworthiness:-

1. With longstanding customers we are happy to rely on our own records to assess credit worthiness.
2. In some circumstances or with new customers we may conduct a credit search / rely on a credit reference agency report as stated in our TOBA. However, if we do feel this is necessary we will discuss this with the client.
3. Or we may rely on the information provided by the client.

**Monitoring**

Quarterly we will assess any defaults to understand whether our procedures are proportionate to the risk faced and whether our policies and procedures are effective in mitigating the risks of unaffordable borrowing and ensuring that customer are treated fairly.

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