



Borrowing Money?

A Code of Practice for Consumer Lending

Sponsored by the Jersey Consumer Council

and supported by the

Citizens Advice Bureau

Jersey Financial Services Commission

Jersey Trading Standards Service

Jersey Bankers Association

Lending organisations and related bodies

Foreword

In December 2005 the Jersey Financial Services Commission (JFSC) organised a meeting of representatives of local financial institutions, Trading Standards Service, Citizens Advice Bureau and the Jersey Consumer Council with the objective of drafting a 'cross- industry, voluntary code of practice in order to improve the consumer lending environment'.

The JFSC regulates deposit-takers under the Banking Business (Jersey) Law 1991, its oversight of regulated entities extending to all activities, including lending. However, there is very little consumer protection for borrowing from Jersey lenders as we have no equivalent of the UK Consumer Credit Act.

The Consumer Lending Steering Group was formed from the original attendees of the December meeting and joined over the coming year by other interested parties. By June of 2007 the Group had agreed the basic wording of a code of practice and a 'user friendly' version was then produced.

This code has the support of the majority of Jersey lenders and sets standards of good lending practice so that individuals can enter into borrowing agreements with their eyes open, aware of the facts, conscious of their responsibilities and, most importantly, aware of the true costs.

On behalf of the Steering Group I commend the code to you.

Senator Alan Breckon

Chairman

Jersey Consumer Council

The Code

This is a voluntary code of practice with the key aims of:

- enabling Jersey consumers to be fully aware of, and understand, the terms under which they are borrowing money;
- enabling Jersey lenders, brokers and financial advisers to obtain the right information to ensure that credit is not advanced where the ability to meet repayment might be in doubt; and
- promoting responsible lending.

The Code sets standards of good lending practice, which are followed as a minimum by those institutions subscribing to it. These standards seek to ensure that Jersey consumers are treated fairly and that the opportunities for taking on excessive financial commitments are reduced.

Subscribers are listed on page 6. If you are considering borrowing from a non-subscriber to this code, it is suggested that you may wish to obtain similar information.

Scope

The Code applies to formally agreed lending to Jersey consumers, which includes personal loans, mortgages, hire purchase agreements and overdrafts. The subscribers will also apply the Code's standards to lending arranged via third parties, whether those parties are subscribers or not. The Code does not apply to business borrowing nor does it apply where the sum to be borrowed is £500 or less.

Our commitment to you

We will always inform you of, and explain, key information when providing you with credit facilities or a written quotation so you have all the facts needed to make a properly informed choice. This will always include:

| | |
|---------------|---|
| Amount | the full amount you will be borrowing. |
| Term | for how long you will be borrowing and how this could change. |

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| Repayment | the total amount you will repay including interest and any other charges. |
| Repayments | the number of repayments you will make, how often and how these could change. |
| Interest rate | the actual interest rate being charged and, if this is not fixed, how it is worked out. |
| Interest charge | the total amount of interest charged and, if it is changed, how and why. |
| Fees and charges | all non-interest charges payable and, if not fixed, how they can be incurred. |
| Cancellation early repayment | or your rights to cancel the agreement or repay a loan earlier than planned and any charges that might be applied as a result. |
| Insurance costs | any proposed additional cost for taking insurance cover will be shown separately. |
| Insurance disclosures | before you take out payment protection insurance, we will help you decide if the policy suits you by giving you: <ul style="list-style-type: none"> ● the name of the insurer; ● what you will be covered for; ● the total cost; ● key benefits; ● cancellation rights and costs; ● any exclusions; ● how to make a claim; and ● who to contact. |
| Joint account holders and guarantors | if you have a joint account, or enter into a liability with another person, we will tell you your individual rights and responsibilities. |

If you are not provided with any of the above, please ask.

Marketing and Annual Percentage Rate (APR)

In all forms of advertising and marketing material where repayments are quoted, we will show clearly a typical Annual Percentage Rate (APR). We will also clearly indicate in all lending related advertising issued in Jersey that we abide by the Code of Practice for Consumer Lending.

Upon request, the APR for a particular credit facility will always be given to you, together with the other information detailed above. In addition to the interest payable, the APR will also take into account other related charges to be added to the initial debt. Certain charges paid separately (that are not added to the initial debt) will not be included in the APR calculation. APR is a useful tool for comparing the cost of credit but you should consider all aspects of the credit facility, including costs excluded in the APR, and the total amount repayable over the life of the loan, before choosing the right one for you.

Other key commitments to you

We will act fairly, reasonably and responsibly in all our dealings with you and help you when you need information and guidance.

We will provide written terms and conditions of your borrowing agreement and any other appropriate information on aspects of your indebtedness to us. These will set out your rights and responsibilities clearly and in plain language.

We will make sure that all advertising and promotional material is clear, fair and does not mislead and, as responsible lenders/advisors, we will make sure that all applications are soundly and properly assessed.

Complaints procedure

We take complaints seriously and have established procedures for dealing with them fairly, speedily and constructively. If you complain, you will be told straight away what these procedures are. If your complaint directly relates to compliance with this Code then you may take such an issue to the Trading Standards Service which may investigate complaints relating to this Code.

Credit Reference Agencies (CRAs)

A CRA is an organisation that holds personal credit records. Most financial lenders, and all subscribers to this Code, provide regularly updated information to CRAs. When you apply for an account we will tell you that we may use a CRA to research your credit history. These searches will be recorded.

You will also be told that we plan to tell CRAs that you have an account with us and how you run that account. We and other lenders may use that information to assess future applications and to prevent or detect fraud or money laundering and/or to trace debtors.

You should be aware that if you do not meet the obligations of any agreement, the availability of this information to other lenders may have a serious effect on your ability to obtain credit in the future.

You have the right to apply to the CRAs for details of what information is held about you and to query such data if you believe it is incorrect.

Guarantees and security

Where we take guarantees or other forms of security, we will notify the guarantors / security providers at a reasonably early stage if there is a likelihood of claims being made upon them.

Where your home is required as security for the lending, we will ensure that you are aware that it will be at risk if you are not able to repay the loan.

Your commitment to us

We are committed to acting in a responsible manner. We do not wish to place any customer in a position that is likely to cause financial difficulty. Your application will receive a proper and sound credit assessment which may require you to provide certain information about you and your financial affairs.

You may need to provide details of:

- all other loans or borrowings that you already have;
- all other regular and known financial commitments e.g. rent, mortgage repayments and maintenance obligations; and
- total monthly income (identifying what you are certain of receiving and any variables e.g. overtime or commission) and committed / necessary expenditure.

This will help us to identify the income you have available to service the proposed borrowing. When providing this information, you should ensure that you do not underestimate your outgoings and allow enough for emergencies. You must not conceal any facts that may materially affect your application. An example budget planner for recording this information is provided herein and is also available on the States of Jersey web site shown on page 7.

Financial hardship

You should tell us straight away if your financial circumstances change, so affecting your ability to repay any of your financial obligations.

We will consider cases of financial difficulty sympathetically and positively. The sooner you discuss any problems with us, and the more you tell us about your full financial circumstances, the easier it will be to find a workable solution. In doing so, we will always try to make sure that you are left with enough money to pay reasonable day-to-day expenses.

If you are in financial difficulties, we will tell you where you can get free financial advice. If you ask us to, we will work with the Citizens Advice Bureau (CAB). The CAB may complete a financial statement on your behalf which we will consider as the basis for negotiations with you in drawing up a debt management plan.

This Code

The subscribers to this Code are committed to applying its requirements and values in their day-to-day activities. We believe that this will be of considerable benefit to Jersey consumers.

Current subscribers

A

Acorn Finance

B

Bagot Road Garage Limited

Bank of India, Jersey Branch

Barclays Bank plc, Jersey Branch

Barclays Private Clients International Limited

Bel Royal Motor Works Limited

Black Horse Offshore Limited

C

Cherry Godfrey Insurance Services Limited

Close Finance (CI) Limited

D

Derek Warwick Honda

F

Future Group

H

HSBC Bank International Limited

HSBC Bank plc, Jersey Branch

I

Investec Bank (Channel Islands) Limited

L

La Motte Ford

Lloyds TSB Offshore Limited, Jersey Branch

M

Mortgage Shop Plus

P

Pegasus Financial Services Limited

R

Rightcar Jersey

Royal Bank of Canada (Channel Islands) Limited

S

Skipton International Limited

The Code and the list of subscribers may be amended from time to time and the latest version will always be available on the States of Jersey web site at:

- www.gov.je/tradingstandards/consumerlending

Hard copies of the Code are available from:

- Jersey Trading Standards Service, 9-13 Central Market, St Helier
- Jersey Citizens Advice Bureau, St Paul's Gate, New Street, St Helier
- Jersey Consumer Council, 16 Royal Square, St Helier

and from all subscribers.

Consumer Lending Steering Group

Senator Alan Breckon - Jersey Consumer Council

Advocate Stephen Crane - Backhurst Dorey & Crane

Derek de Gruchy - Black Horse Finance

David Fisher - Jersey Financial Services Commission

Martin Fricker - Lloyds TSB

Jo Jenkins - HSBC

Francis Le Gresley - Citizens Advice Bureau

Trevor Le Roux - Trading Standards Service

Steven Royle - EQR Finance

Peter Seymour - The Mortgage Shop

Mark Sumner - Jersey Financial Services Commission

Peter Tabb - Jersey Motor Trades Federation