

## **Consumer Duty Product Review including Fair Price and Value Assessment**

**Product name: Regulated Fixed Term Rental Agreement**

**Produced: 26/4/23**

The new FCA Consumer Duty principle required firms to act to deliver good outcomes for retail customers, with the aim of bringing into place “higher and clearer standards of consumer protection.”

Tower Leasing Limited is a UK registered company providing own book funding with the support of brokerage facilities which enable companies across the UK to acquire capital equipment through leasing. We create an opportunity for businesses to manage their cash flow whilst being able to secure the latest assets and technology which enables our customers to stay competitive within the market. Our services also provide the capability to deliver additional funding to support business growth.

We specialise in partnering with equipment suppliers to offer a finance option as an alternative to outright purchase along with a range of finance solutions aimed at business development and growth. We are committed to providing SMEs with a tailored and flexible finance solution to meet their needs, understand their business and support their current and future projects and investments enabling more confidence in the marketplace.

This product review and fair value assessment sets out Tower’s financial product, Tower’s role in the manufacture and distribution of those products and the assessment of fair value, taking into account the FCA principles on fair value assessment in particular.

### **1. Retail Customers**

One of the crucial points to Consumer Duty is who falls under the definition of “retail customer”. The definition of “retail customer” depends on which sector a firm falls into, and therefore which sourcebook is followed. For Tower Leasing Limited, with full credit broking permissions, this is the Consumer Credit sourcebook (CONC)

Tower’s customer base is commercial entities (Business to Business (B2B)). With the majority of transactions being non regulated, it is our understanding that they fall outside of the scope of Consumer Duty. However, we recognise that a small percentage of our customer base consists of smaller business’ (Sole Trader, Partnership of 3 or less partners, small charities & working men’s clubs) which fall under the retail customer description with regards to Consumer Duty and therefore we are looking into the application of the Consumer Duty in this regard.

### **2. Tower Leasing Limited as a Manufacturer**

Tower understands that under Consumer Duty we are classified as a manufacturer due to being responsible for the creation, development, design, issue and underwriting of a proportion of our financial products. We also have the ability to retain agreements on our own book, for commercial reasons, or choose to assign them to other funders through our strong relationships with 25+ funding lines.

This document has therefore been constructed on the understanding that Tower fulfils the criteria of manufacturer with regards to the lease and financed equipment products.

### 3. Summary of our assessment

We have assessed that:

- Our Rental Agreement product range continues to meet the needs, characteristics, and objectives of customers in the identified target market.
- The intended distribution strategy remains appropriate for the target market.
- The product provides fair value to customers in the target market (i.e. the total benefits are proportionate to total costs).

### 4. Product characteristics & benefits

Tower's product offering is based on long standing financial products for commercial entities to acquire equipment. (Consumer Credit Agreements) Our documentation is typically dual purpose, so they are presented within the CCA guidelines and by our legal team to ensure they are compliant with contract law.

We have defined the following product falling within the scope of Consumer Duty as:

- Fixed Term Hire Agreement

This product is designed to meet the needs of the target group, most notably to enable companies across the UK to acquire capital equipment through leasing. The product features and criteria are designed to support these needs:

- Allowing our customers so get the equipment based upon needs, not just when budgets allow;
- Benefiting from tax advantages as payments are tax deductible;
- Allowing our customer to keep up with the latest technology with the ability to upgrade at any time throughout the lease period;
- Structured lease payments to suit customers' needs and allowances;
- Protect existing credit lines by using leasing as an alternative funding facility;
- Keeping cash flow within the business rather than handing over a lump sum for a depreciating asset;
- Spreading the cost of purchases in line with the return on the investment; and
- Spread the cost of the VAT which is paid in instalments rather than as a lump sum up—front.

## 5. Target market assessment and distribution strategy

This target market assessment matrix segments the target customers for the Product, recognising their different needs to enable you to tailor the services you provide when you distribute the Product.

<p>UK Regulated Business looking to acquire capital equipment through fixed term leasing.</p>	<p>Available through Direct and Intermediary* channels.</p> <p>Applications can be through Tower direct sales, Tower approved Appointed Representatives and Tower approved equipment suppliers.</p> <p>This product is sold by Tower in line with FCA regulations on a non-advised basis. It is suitable to be sold face to face or remotely.</p>	<ul style="list-style-type: none"> <li>• Access to capital equipment through a leasing option.</li> <li>• To fix their costs for a defined fixed period.</li> <li>• To repay the capital by the end of the fixed period lease term.</li> <li>• Ability to upgrade at any time throughout the lease period.</li> <li>• Ability to settle the lease early without incurring early settlement fees.</li> </ul>
<p>*Intermediary distribution through:</p> <ul style="list-style-type: none"> <li>• Tower Leasing’s directly authorised Appointed Representatives; and</li> <li>• FCA Regulated Equipment Suppliers approved by Tower Leasing who are ultimately responsible for meeting their obligations under ‘The Consumer Duty’.</li> </ul> <p>All intermediaries are subject to an approval process with us.</p>		

## 6. The Product is not designed for customers who:

- Are not a UK Business. (i.e. Private, individual consumers)
- Are severely credit impaired borrowers.
- Do not meet our lending or credit criteria.
- Customers who are looking to own the asset at the end of the hire period.

## 7. Customers with characteristics of vulnerability

The Product is designed for the business-to-business consumer credit market, which may include some individuals with characteristics of vulnerability or who will experience vulnerability over time.

Regulated customers (Sole Traders, Small Partnerships, churches, small charities) may be less likely to have a comprehensive understanding of consumer credit leases or the consumer credit market. Therefore, they may require additional support to ensure they understand the information being presented to them and the implications of the arrangement they are entering into to reduce the risk of harm occurring.

Although our business is conducted B2B, vulnerabilities may present themselves in the individuals that we deal with within the customer’s business.

We have in place a framework to achieve good outcomes for vulnerable customers, which includes:

- Education and training for our staff to ensure they have the appropriate skills and experience to recognise and respond to the needs of vulnerable customers;
- Suitable customer service provision and communications;
- Flexible policies, where appropriate, to support vulnerable members; and
- Monitoring to ensure we continue to meet and respond to the needs of customers with characteristics of vulnerability.

As an Intermediary you should continue to comply with your obligations to ensure that you treat customers in vulnerable circumstances fairly.

Please contact us if you need any further information about how we support the needs of all our customers in relation to the product.

## 8. Customer service & Complaints

Tower also provide additional services which are ancillary to the rental agreement products. These include administrative services, outbound communications in relation to the product and the provision of a dedicated customer service team who are available to assist any inbound communication.

In the event of receiving any complaints relating to the product, these are handled directly by Tower's customer services team who investigates and responds to complaints in line with regulatory timeframes set by the FCA and ensure consistency of service.

Our complaints recording system is embedded into the CRM allowing for all complaints to be automatically generated as a case to be worked by the customer service team and allowing for MI to be produced, recorded and reviewed on an ongoing basis.

## 9. Our assessment of value

The Fair Value Assessment is designed to ascertain whether our products provide fair value to customers in the target market, both now and for a reasonably foreseeable period.

**Fair value:** relationship between the overall price to the customer and the quality of the product(s) and/or services provided.

**Reasonably foreseeable period:** Depends on the expected length of time a customer in the target market will keep the product (Fixed & Minimum term), including where it is reasonably expected that a customer may upgrade the equipment.

The FCA's definition of 'fair value' does not specify a range of prices or even a numerical approach as to how it should be calculated. Fair value is defined in the rules as being where the amount paid for a product is reasonable relative to the benefits provided by a product.

Tower's assessment framework is not simply limited to price. Our objective is to ensure that we continue to manufacture and market products of a suitable quality, to make sure that we are actively taking all necessary steps to assist our customers by having products which meet their needs, and to be able to demonstrate these points to customers, external stakeholders, and regulators. We have developed a comprehensive and robust assessment process which evaluates several aspects of our business to determine the value of our leasing product. This analysis is used to ascertain whether the Product delivers fair price & value for customers.

The outcomes of the assessment process are presented to the Board, allowing for challenge and further investigation before we sign-off the outcomes and share the summary of our assessment with you.

Our fair value assessment has considered the following:

<b>Benefits</b>	The range of features that the product provides, the quality of the product, the level of customer service that is provided and any other features that the product may offer.
<b>Price</b>	The interest rates, fees and charges customers pay for the product, comparable market rates, and non-financial costs associated with operating the product. Prices will vary depending on the assessment of the customer's credit risk and have been benchmarked against other funders offering the same products in order to validate our pricing strategy, compared to market best practices and other pricing models. In doing so we believe that the fees we charge our customers are of fair price and value.
<b>Costs</b>	The cost of processing and activating the agreement. The cost of funding the product. The cost of administering the product over the term of the agreement. Tower have reviewed the total overheads associated with operating our products by the volume of agreements to provide us with a total cost from which to assess that the price customers pay for the product is of fair price and value and proportionate to the cost per agreement.
<b>Limitations</b>	Any limitations on the scope and service we provide or the features of the product, in conjunction with the terms and conditions of the agreement.

### Results of our assessment

As a result of the product governance review undertaken in relation to this product, we can confirm:

- That the product remains consistent with the needs of the identified target market.
- That the product remains consistent with the Fair Value Assessment
- That the product distribution strategy remains appropriate.

**Date Fair Value Assessment Completed: 26<sup>th</sup> April 2023**

**Expected date of next Assessment: 26<sup>th</sup> April 2024**