



# The FairLife Charity

Fair trading in finance



## Personal Loans

### The FairLife Pledge

The fair trading mark represents a pledge to price honestly and trade fairly with your customers. Any product or service displaying the FairLife Mark must be fairly traded and honestly priced within the constraints of the market:

- a) The provider must follow the spirit as well as the letter of any agreed regulator's rules and principles with an emphasis on treating customers fairly.
- b) The provider must adhere to agreed sources of profit as detailed in the PANA criteria below. Any extra fees or charges must be designed only to cover additional costs and not to generate additional profits.

In essence you agree to embrace good practice within the constraints of the market and to avoid poor practice which although legal is considered avoidable on a voluntary basis by your peers. Nothing in the FairLife initiative should put you at a commercial disadvantage.

### PANA criteria for personal loans to display the FairLife Mark

PANA stands for Peer Agreed and Nationally Approved meaning that the criteria have been agreed by a peer group of providers and approved by the FairLife Charity. The resulting standards combine fairness to the public with business practicality. PANA criteria evidence that FairLife-marked products and services meet the FairLife Pledge.

- 1) Communications and charging structures must be clear, fair and not misleading.
- 2) Loan fees or charges, other than the interest rate and any upfront fee, must be designed only to cover additional costs and not to generate additional profits (this excludes charges for additional borrowing or facilities).
- 3) If the interest rate charged exceeds 3% per month AND the customer may pay more in fees and interest than the amount they originally borrowed, the lender must be validated by a FairLife Agent to confirm that the interest rate charged is justified within the fair trading initiative.
- 4) Customers must be able to overpay their loan without charge by at least 10% per year and must be able to repay the entire loan early without facing a financial penalty in excess of reasonable costs.
- 5) The provider must be fair to customers with payment difficulties.
  - a. The provider must inform customers that they can get free debt advice.
  - b. The provider must not add fees or costs if debt is restructured due to payment difficulties.
  - c. No business area focused on supporting vulnerable customers must be a profit centre.
- 6) The provider must be fair to customers facing debt recovery. The provider must:
  - a. Inform the customer that they can get free debt advice.
  - b. If the debt is sold or fully outsourced to an external debt recovery firm the debt burden must be frozen at this point and not incremented further with interest, fees or costs (with the exception of court fees and costs). The frozen amount can include all interest and costs incurred by the provider up to this point.
  - c. Include the instructions in criterion 6 as part of the transaction if the debt is sold or passed on (unless passed to a FairLife registered debt recovery firm).

If peer agreement can be secured in the future the charity will seek to introduce standardised terminology. This will build public trust and help FairLife Schools, colleges and universities to teach financial education.

The FairLife Mark is a mark of integrity that can be awarded based on the provider's own declarations. The licensee may use the mark on any qualifying products and cancel at any time.

*The FairLife Mark is on your side*