*Responsible Lending Law*

# ***Training Manual***

## ***Advisers***

AVANTI | FINANCE

# *Responsible Lending Law Training Manual*

## ADVISERS

### INTRODUCTION

#### ABOUT US

Avanti Finance Limited is a New Zealand owned finance company. Since 1989, we've helped nearly 100,000 New Zealanders by providing finance to buy a car, pay a bill or buy a home.

#### OUR VALUES

At Avanti we live and breathe our values. We put people first and treat everyone we deal with as individuals with unique circumstances, because we know that sometimes "life happens". We are relentlessly helpful in everything we do. And we believe that we're not just here to support our customer's finances but provide them with tools to support their lives. We do what's right too, holding ourselves to the highest ethical standards. This is a responsibility we take very seriously.

#### RESPONSIBLE LENDING LAW

An important part of living our values is making sure we're acting as a responsible lender. This means doing everything that we do in a way which complies with Responsible Lending Law.

#### ADVISERS

This training manual (**Manual**) is for you, the advisers who work with us. It explains how to make sure you comply with Responsible Lending Law when introducing our products to customers and it applies to all of our products, including personal loans and property loans, as well as to the credit-related insurances we finance. However, for property loans, some of the obligations which you would carry out will be carried out by a solicitor instead (and we have noted where this is the case). Remember that, regardless of the type of product, you will always be responsible for making sure that the product is 'suitable' for the customer.

#### THIS MANUAL AND THE PROCEDURES

Your chosen aggregator group has committed that you will comply with this Manual under its agreement with us.

### RESPONSIBLE LENDING LAW

#### WHAT IS RESPONSIBLE LENDING LAW?

When we say Responsible Lending Law, we mean the Credit Contracts and Consumer Finance Act 2003 (CCCFA), as recently amended, together with the Responsible Lending Code (RLC), which includes guidance about how to comply with the CCCFA.

#### WHAT'S IT FOR?

Responsible Lending Law is designed to make sure that consumers are treated fairly by lenders when they borrow money, and that they:

- are offered finance and insurance products which are suitable for them;
- are offered finance and insurance products which they can afford;
- are able to make informed decisions about whether to borrow or take up insurance; and
- are treated ethically and responsibly at all times, even when payment or other problems arise.

#### LENDER RESPONSIBILITY PRINCIPLES

The lender responsibility principles are at the core of the CCCFA.

The overarching lender responsibility principle is that every lender *'must exercise the care, skill and diligence of a responsible lender at all times'*.

This principle applies from before a contract is entered into right throughout the loan life cycle.

The other lender responsibility principles are more specific and are each explained in more detail in the following sections of this Manual.

#### MORE INFORMATION

You can find a copy of the CCCFA here and a copy of the RLC here. If you want to learn even more, the CCCFA Regulations are here.

## APPLICATION

#### WHEN DOES RESPONSIBLE LENDING LAW APPLY?

Responsible Lending Law only applies:

- when a lender is lending to an individual (as opposed to a company or family trust); and
- when the credit is to be used for personal, domestic or household purposes (like buying a family home, a car for personal use or a washing machine).

#### WHICH AVANTI PRODUCTS DOES IT APPLY TO?

Any non-business Avanti product will generally by covered by Responsible Lending Law. This includes our home loans, car loans and personal loans.

#### DOES IT ALSO APPLY TO INSURANCE PRODUCTS?

Yes. It's important to remember that any insurance that we finance under a loan agreement, even if it's not provided by us, will also be covered by Responsible Lending Law. When we say credit-related insurance in this Manual, we mean credit-related insurance and repayment waivers. There are some special rules about selling credit-related insurance which are covered in the 'Credit-Related Insurance' section of this Manual.

#### CONSEQUENCES OF NON-COMPLIANCE

We're committed to complying with Responsible Lending Law because we believe it's the right thing to do. But it's important to remember that non-compliance can also have serious consequences:

- penalties are $200,000 for an individual and $600,000 for a business for each offence; and
- the Court can also award statutory damages, which can add up very quickly if the claim involves multiple customers.

The Commerce Commission is committed to strictly enforcing Responsible Lending Law.

Remember, even though we are ultimately responsible for complying with Responsible Lending Law, under our agreement with your chosen aggregator group, your aggregator group will be responsible to us if anything you have done or failed to do is the reason we've failed to comply.

## YOUR ROLE

#### INTRODUCING CUSTOMERS

As an adviser, it's critical that you understand our obligations under Responsible Lending Law. This is because, when you introduce a customer to us, you will do some of the things which we would otherwise do if we were providing the finance direct to that customer.

Those things are:

- providing potential customers with information about our products;
- making preliminary inquiries about a potential customer's requirements and objectives;

- collecting some of the information we need; and
- submitting applications on behalf of potential customers.

If an application is accepted by us, it also includes:
- making sure that the customer(s) understand the key features of the finance or credit-related insurance;
- other than for property loans, where this is handled by a solicitor - providing customers with copies of the loan agreement, insurance terms and all related documents in hard copy or by email (this is called initial disclosure); and
- in some cases, arranging for the loan agreement and any other documents we need to be signed and returned to us.

Responsible Lending Law applies to each of those activities.

### OUR RELATIONSHIP

It's important to remember, however, that when introducing customers to us you must never give a customer or anyone else the impression:
- that you are our agent or representative;
- that you are able to make promises or take action on our behalf;
- that you are able to provide financial advice on our behalf; or
- that you are able to hold or handle money on our behalf.

You must not, for example, give a customer the impression that you have any control over whether or not we accept their application.

### THE DETAIL

More detail about your role is included in the boxes in the following sections of this Manual.

### THE MAIN RULE

The overarching rule is that you should let us know straight away if you have any reason to believe that any customer is not receiving or might not receive a fair deal.

# ADVERTISING

### THE FAIR TRADING ACT

The general rules, contained in the Fair Trading Act (FTA), are that advertising can't:

- contain unsubstantiated representations; or
- be likely to be misleading or deceptive.

Those rules apply to all consumer advertising, of consumer finance, motor vehicles or anything else. Which means they apply to your business, whether or not you introduce customers to us.

### CCCFA GENERAL RULE

The CCCFA adds another layer to the general rules. Under the CCCFA, advertisements of consumer finance and credit related insurance can't contain unsubstantiated representations and can't be likely to be misleading, deceptive or confusing.
This is a high standard. It means an average member of the target audience, even one without any finance or insurance experience, should be able to easily understand the advertised offer.

### HEADLINE AND SPECIFIC RULES

The RLC sets out some headline rules to follow when advertising consumer finance and credit-related insurance and the CCCFA contains some more specific rules, all of which are summarised in the checklist in the Appendix.

### UNSUBSTANTIATED REPRESENTATIONS

Remember, if you need to make a claim, you must be able to back it up. For example, if you advertise a "great rate", you must be able to prove it is objectively a competitive rate in the market at the time you're advertising. If you make a claim, you must record your reasons for believing it. If you state a fact, you must make sure it's accurate and record your proof.

### INSURANCE

The same obligations which apply to advertising credit contracts also apply to credit-related insurance. Any advertising of credit-related insurance must be developed in conjunction with the insurer, based on their guidance or checked by them.

## YOUR ROLE

You may, from time to time, advertise consumer finance or credit-related insurance. If you do, you must follow these rules.

### ADVERTISING USING OUR NAME

Remember, if you advertise finance using our brand names or trademarks, you must only use marketing materials which are either:

- provided by us; or
- approved by us in writing before you use them.

### WEBSITE

This means, among other things, that you must have our approval before you use any of our brand names or trademarks, like the Avanti logo, on your website.

### GENERIC ADVERTISING

If you advertise finance or credit contracts generically, without using our brand names or trademarks, you must do so in a way which complies with the FTA, Responsible Lending Law and all other law which applies to that advertising.

CHECKLIST

Remember, you remain responsible for making sure your own advertising doesn't breach any law or standards, and you should take your own advice to make sure that's the case.
However, when advertising consumer finance, you can use the helpful checklists in the Appendix to make sure you're on the right track.

## SUITABILITY

### REASONABLE ENQUIRIES - SUITABILITY

One of the key lender responsibility principles is the obligation to make reasonable enquiries about a borrower's requirements and objectives, with the aim of assessing whether the finance is suitable for the borrower - i.e., whether it will meet those requirements and objectives.

### ADDITIONAL INFORMATION

As well as the information we collect in the application - which includes the purpose of the loan and key features like the amount, term and payment frequency - there are a few additional things that we need to find out in order to make our suitability assessment.

- Fees and charges: We need to be sure that the borrower is aware of, and accepts, all fees and charges. This includes your fees, our fees and the fees for any insurance product. In the case of our fees, they must also be aware of, and must accept, that those fees will be added to the loan on drawdown (and that we will charge interest on them).
- Lump-sum payments: If the proposed repayment structure includes any lump-sum payments, we need to be sure that the borrower would prefer that to regular payments or, if not, whether another product or repayment structure might be more suitable.
- Refinancing: If the purpose of the loan is to refinance a customer's existing debt, we need to understand the borrower's objectives and make sure they are aware of, and accept, the likely costs of the refinancing (including the fees to be charged for the new borrowing, as well as any break fees or other costs which might be payable on repaying the existing borrowing).

## YOUR ROLE

When you introduce a customer to us, you will have the opportunity to make initial enquiries about the customer's requirements and objectives. In some cases this may be reasonably clear (where a customer needs to finance the purchase of a new car, for example) - or it might be a more iterative process (such as when a customer needs a home loan, but is not sure which competing features to prioritise).

### APPLICATION PROCESS

Working through the Avanti application process with a customer will capture most of the information we need to assess suitability, and you should always approach that exercise with the intention of drawing out as much information as possible which might be relevant. Remember, we can only confidently assess whether a product is suitable for a customer if the information in the application accurately reflects what the customer has actually told you about their requirements and objectives. So, you must never make assumptions about the type of loan or credit-related insurance which might suit them or make elections in the application which the customer has not asked for or agreed to.

### ADDITIONAL INFORMATION

Before you submit an application, we'll ask you to discuss the additional information covered above with the customer. In the case of property loans, we'll ask you to document those discussions in the application. For other types of lending, like personal loans, we'll ask you to confirm you've had those discussions in your signoff certificate.

EXAMPLE 1: Customer A is interested in consolidating a number of existing debts, including a fixed rate car loan and several credit cards, in order to reduce their overall outgoings. Before you submit their application, you should discuss their objectives in refinancing and the likely costs, which you should confirm they accept.

## AFFORDABILITY

### REASONABLE ENQUIRIES - AFFORDABILITY, BORROWERS

Another key lender responsibility principle is the obligation to make reasonable enquiries about a borrower's income, expenses and credit history, with the aim of assessing whether the loan is affordable for the borrower (i.e., that they will be able to make payments without suffering substantial hardship).

### REASONABLE ENQUIRIES - AFFORDABILITY, GUARANTORS

We're also required to make reasonable enquiries about a guarantor's ability to pay before we take a guarantee.

### HOW WE ASSESS AFFORDABILITY

We assess affordability using the financial information provided by you which supports the client's application and our affordability calculator, which has built in surpluses, buffers and adjustments to make sure that there is a margin when we calculate a customer's income and expenses.

### INCOME AND EXPENSES

The income and expenses information we need is included in the application form. Remember, we will separately verify all the information provided in the application using - among other techniques - bank 'scraping' technology and credit reporting information. Bank scraping technology allows us to validate and categorise a customer's expenses and income electronically. Credit reporting information will alert us if a customer has other debts they're not disclosing.

## YOUR ROLE

### COLLECT INFORMATION

As an adviser, you will conduct an initial affordability assessment before choosing Avanti as the client's lender of choice. When you work through the application process with the customer, you will collect the information we use to make the final affordability assessment and our credit decision. This includes collecting copies of the customer's bank statements, helping customers identify and record their income and expenses and discussing any upcoming changes with them. You should provide us with all the information you collect, including notes of your conversations with the customer.

### KEEP US INFORMED

You must encourage customers to be as open and honest with us as possible, bearing in mind that we will always separately verify what a customer tells us in an application. And you must always tell us if you have any reason to believe that any information provided by a borrower or guarantor, whether verbal or written, may be inaccurate or misleading (either on its face or because it omits information which might be relevant). Sometimes, an unwillingness to provide the information we need might indicate a customer is not being completely open.

### PRIVACY

Remember, before you provide any information to us, you must make sure the customer has signed a privacy consent authorising you to share their information (see the Privacy section of this Manual).

EXAMPLE 1: Customer A is interested in a personal loan. He mentions that he is planning to start his own business very shortly. You must pass that information on to us because it means that his current income probably won't be the correct basis of our affordability assessment.

EXAMPLE 2: Customer B is interested in buying a car. She currently has a company car, which she says she is about to lose as a result of a restructuring at work. You must pass this information on to us because it means that we should factor in the additional expenses Customer B is likely to incur, like petrol and servicing, into our affordability assessment.

EXAMPLE 3: Customer C would like to upgrade his car to a seven-seater as he is about to have his fourth child. He mentions he plans to take paternity leave to look after his family. You should pass this information on to us because it suggests his income might change and this will be relevant for our affordability assessment.

EXAMPLE 4: Guarantor E says she is planning to rely on income to make payments under the guarantee. We will need information about Guarantor E's income and expenses in order to assess whether the guarantee is affordable for her - i.e., whether she would be able to make payments under the guarantee, if it were to be called, without suffering substantial hardship.

# INFORMED DECISIONS

### INFORMED DECISIONS

Another of the key lender responsibility principles is the obligation to assist borrowers and guarantors to reach informed decisions about whether or not to borrow or give a guarantee and, in either case, to be fully aware of all of the implications of doing so. This includes making sure:

- that advertising complies with the standards (*see the Advertising section of this Manual*);
- that all agreements are in plain language and easy to understand;
- that all other information the borrower or guarantor sees is presented in a way which is not likely to mislead or confuse them; and
- that, if necessary, they're provided with information in another language.

### AVANTI'S DOCUMENTATION

With this obligation in mind, all of Avanti's customer-facing documents have been written in plain language so that they are clear, concise, and easy to understand. The key features of each loan are set out clearly on the front pages of each loan agreement before the general terms. The key features are things like the amount of the loan, the interest rate and the repayment structure, as well as key risks, like the fact that any secured property will be at risk if the borrower defaults and that a prepayment fee might be payable if the loan is repaid early.

## YOUR ROLE

As an adviser, your role is to make sure each borrower and guarantor fully understands what they're signing up to. To do that, you must comply with the following obligations. **The exception is where we require that some or all of the following obligations are carried out by a solicitor instead, which we will do for property loans (and we'll always be clear about this in our instructions to you).**

### KEY FEATURES

For borrowers, this means carefully explaining the key features of the loan agreement. The most effective way to do this is to talk through the key features one by one, making sure they understand each one and answering any questions they may have. You should give the borrower the opportunity to take away the loan agreement and read it carefully before making the decision to sign.

### GUARANTORS

For guarantors and co-borrowers, where the co-borrower is not receiving the benefit of the loan, this also means making sure they fully understand that they might be required to pay the full amount of the loan if the borrower defaults. If possible, you should explain this to them while the borrower is not present. Again, you should give the guarantor the opportunity to take away the loan agreement and guarantee, read it carefully and seek advice before making the decision to sign.

### INDEPENDENT LEGAL ADVICE

Where a party, like a co-borrower or guarantor, is not receiving the benefit of the loan, you should always recommend they take independent legal advice. Sometimes, we will make this a strict requirement - for example, if the guarantor is using their home as security or if you believe they may be vulnerable (see the Vulnerable Customers section of this Manual).

### INITIAL DISCLOSURE

Once you've explained the key features and the terms of the guarantee, you must make initial disclosure on our behalf. This means making sure that each borrower, co-borrower and guarantor is given a copy of the loan agreement, either by handing it to each of them or by sending it to them by email or post to an address they give you for that purpose.

RIGHT OF CANCELLATION

You should also make it clear to the borrower that they have the right to cancel the loan agreement if they change their mind and that they can do this by giving us written notice within 5 working days, if initial disclosure is made in person; within 7 working days, if disclosure documents are sent by email; and within 9 working days, if disclosure documents are posted.

EXAMPLE 1: Borrower A has asked Guarantor B to guarantee their car loan.  You attempt to explain the terms of the guarantee to Guarantor B, but it becomes clear that Guarantor B didn't previously understand, and is struggling with, the idea that a guarantor may be liable to pay the whole of the loan. You should let us know straight away, as we're likely to require that Guarantor B obtains independent legal advice.  Remember to record a summary of your conversation with Guarantor B.

EXAMPLE 2: Borrower C has been offered a fixed rate home loan.  As you’re running through the key features, Borrower C is surprised to learn that prepaying the loan early might incur a fee.  You should explain how our prepayment fees are calculated make sure Borrower C understands by asking questions to confirm their understanding.

## VULNERABLE CUSTOMERS

### GREATER CARE

Under the Code, we are required to take even greater care to make sure a customer is provided with finance which is suitable and affordable, and that they're able to make informed decisions, when a customer is vulnerable.

### WHEN IS A BORROWER VULNERABLE?

A customer will be vulnerable if we know, or ought to know, that:

- they are unlikely to understand their obligations, either as a borrower or a guarantor; and/or
- they appear to be under significant pressure either to borrow or to give a guarantee.

### EXAMPLES

A customer is likely to be vulnerable, for example:

- if they do not have a good understanding of English;
- if they do not have a basic understanding of financial matters;
- if they are being pressured by someone else to borrow or give a guarantee; or
- if they're under pressure to borrow to fund everyday necessities.

## YOUR ROLE

Your role is to be alert to any signs that a borrower or guarantor might be vulnerable, under pressure or otherwise might be unable to protect their own interests and pass that information on to us. If we know a borrower or guarantor does not have a good grasp of English for example, we can direct them to translation services which can help. If we know a guarantor is being pressured by a family member to give a guarantee, we can insist that the guarantor obtains independent legal advice, so that they fully understand the implications of giving the guarantee.

EXAMPLE 1: Borrower A is hoping to borrow to fund the purchase of a car but needs his mother as a guarantor. You become aware of a heated conversation between Borrower A and his mother when she expresses uncertainty about giving the guarantee. This is relevant information which you must pass on to us.

EXAMPLE 2: Borrowers B and C, a couple, are hoping to borrow money to purchase their first house. They are recent immigrants, and it becomes clear to you that they are not yet able to speak or read English well. This is relevant information which you must pass on to us. In order to make sure that Borrowers B and C are able to make an informed decision, we may direct them to a translation service.

EXAMPLE 3: Borrower D indicates that he is willing to guarantee his grandson's car loan but appears confused and disorientated when you speak with him on the phone. He declines independent legal advice, despite the fact that you strongly recommended he take it. This is relevant information which you must pass on to us. We will not accept a guarantee from Borrower D unless we are satisfied he is able to make an informed decision about whether to give the guarantee and to understand the implications of giving it.

# CREDIT RELATED INSURANCE

### REASONABLE ENQUIRIES, KEY FEATURES AND DISCLOSURE

The same obligations to make sure that the finance is suitable and affordable, and that borrowers are able to make informed decisions, also apply to credit-related insurance.

### WHAT IS CREDIT-RELATED INSURANCE?

Credit-related insurance is insurance associated with the finance: if we provide it, sell it, require it to be obtained from a particular insurer, or if we finance it under the loan agreement it is credit-related insurance.

**Note that this section is not relevant for property loans, as we do not provide, sell or finance house or mortgage insurance or require it to be obtained from a particular insurer.*

### ADDITIONAL INFORMATION

If a customer plans to apply for credit-related insurance, depending on the product they're applying for, before you submit their application, we'll ask you:

- Other insurance. We need to ask whether the borrower already has insurance in place which might cover the same risk (for example, whether any existing income protection insurance might cover loan repayments, making payment protection insurance redundant); and
- Ineligibility: whether their employment status, residency, or age may make them ineligible to claim some or all of the benefits under the proposed insurance (for example, if they fall outside the policy age cap).

## YOUR ROLE

When you introduce a customer to us, you will have the opportunity to make initial enquiries about the customer's requirements and objectives with respect to credit-related insurance. You will also be in a position to make sure they understand the key features of the proposed insurance and to make initial disclosure of the terms.

### APPLICATION PROCESS

Working through the insurance application process with a customer will capture most of the information we need to assess affordability and suitability of credit related insurance, and you should always approach that exercise with the intention of drawing out as much information as possible which might be relevant. Remember, we can only confidently assess whether a product is suitable for a customer if the information in the application accurately reflects what the customer has actually told you about their requirements and objectives. So, you must never make assumptions about the type of credit-related insurance which might suit them or make elections in the application which the customer has not asked for or agreed to.

### ADDITIONAL INFORMATION

If a customer plans to apply for credit-related insurance, before you submit their application, we'll ask you to discuss with them whether they have any existing cover for the same risk and make sure they're eligible to claim under the policy they're applying for.

We'll ask you to confirm to us that you've done so in your signoff certificate.

### OPTION TO PAY PREMIUM SEPARATELY

Although this option isn't available for our fees, you must always make it clear to the borrower that they can elect to pay any credit-insurance premium separately rather than having the premium added to the loan (in order to avoid paying interest on the premium).

### BE CLEAR ITS OPTIONAL

You should also be clear that, even if we require a car or a house to be insured, we never require that the insurance be obtained from a particular insurer and the customer is always free to look elsewhere.

### IN GENERAL

In general, the aim should be that each customer purchases insurance which makes commercial sense for them and that they're not paying a premium which seems excessive when measured against the risk the insurance covers.

### KEY FEATURES

Again, as an adviser, your role is also to make sure that the customer fully understands what they're signing up to. This means carefully explaining the key features of the insurance. The most effective way to do this is to talk through the key features one by one. The key features include the amount of the premium, the amount of the cover, the term of cover, the exclusions and any 'cooling off' period during which they can still change their mind.

### INITIAL DISCLOSURE

Once you've explained the key features, you must make initial disclosure on our behalf. This means making sure that each borrower is given a copy of the insurance contract, either by handing it to them or by sending it to them by email or post to an address they give you for that purpose.

EXAMPLE 1: Borrower A is 71 years old and has decided to borrow to fund a trip to see her grandchildren in Australia. She is interested in payment protection insurance, however the terms state that the insured must be under 69 years old in order to be eligible to make a claim. The insurance is therefore not suitable for Borrower A.

EXAMPLE 2: Borrower B is planning to borrow from us and elects to purchase payment protection insurance. You should let Borrower B know that she can choose to pay the premium separately or have it added to the loan. You should be clear that if she chooses to have the premium added to the loan we will charge interest on it.

## FEES, COMMISSION

Fees are a central part of the Responsible Lending Law - making sure they're reasonable and making sure they're properly disclosed to customers.

### OUR FEES

All of our fees are reviewed regularly to make sure they are 'reasonable'. We can't profit from fees, and we have to be able to show that each fee is set at a level that reflects our costs in carrying out the relevant activity. We must be able to show that an establishment fee, for example, compensates us for our costs in establishing a loan but no more.

## YOUR ROLE

### YOUR FEES

Since you're not the lender, your fees are not subject to the same strict rules. However, in keeping with the intent of the legislation, it is important to us, as a responsible lender, that your fees are still reasonable (taking into account your time and effort in performing the activities for which the fee is charged) and properly disclosed. From time to time we may impose a cap on the fee you charge for each transaction (to a limit of what we think should be 'reasonable' given the nature of the transaction).

### SECRET COMMISSIONS

Remember, you must always clearly disclose to a customer when you are receiving a commission on the finance or credit-related insurance, either from us or from an insurer - this applies even though the customers themselves don't pay the commission.

### KEY FEATURES - FEES

As part of explaining the key features of the loan agreement or credit-related insurance contract, you must clearly highlight the amount of each fee and what it's for. This includes our fees, your fees and the fees of any insurer.

### OPTION TO PAY SEPARATELY

Although this option isn't available for our fees, you must always give a borrower the option to pay your fees separately rather than having them added to the loan (in order to avoid paying interest on them). At the same time, you should make it clear that our fees will be added to the loan and we will charge interest on them.

EXAMPLE 1: Your business makes the decision to charge a flat fee for each loan transaction. Most loans you introduce are small, less than $5,000, but you charge a $750 fee for each one. This fee is unlikely to be reasonable and we may impose a Fee Cap.

EXAMPLE 2: Customer A is planning to borrow from us. Your fee is $150. You should let Customer A know that she can choose to pay your fee up-front or have it added to the loan. You should be clear that if she chooses to have your fee added to the loan we will charge interest on that $150.

## RECORDS

So that we are able to show how we have complied with Responsible Lending Law, we must both keep proper records of all CCCFA transactions and other activity required by the CCCFA.

## YOUR ROLE

### RECORDS

In order to make sure that we are able to do so, you must maintain detailed records of:

- each Transaction, including quotes, credit proposals, suitability assessments, disclosure documents and all file notes;
- each Customer file, including copies of the Customer's identification and their Privacy Consent;
- the reasonableness of your fees; and
- the Responsible Lending Law training you and your team have completed.

### LEVEL OF DETAIL

Those records must be sufficiently detailed to show how you have complied with your obligations under Responsible Lending Law.

### RETENTION

You must keep records for as long as you are required to do by law, and for at least seven years from the date they are created.

## COMMUNICATIONS

It is important that you keep us informed of any communications between you and any customer of ours, to the extent that those communications relate to their loan from us or their relationship with us.

In particular, you must let us know immediately if a customer has indicated they would like to exercise their right to cancel their loan.

## PRIVACY

Although privacy law isn't the focus of this Manual, in order to comply with Responsible Lending Law we will both collect, share, use and disclose the personal information of customers. It is critical that we both do so in accordance with the Privacy Act 2020.

## YOUR ROLE

### PRIVACY CONSENT

Before you send us any information about a customer, you must make sure that the customer has given you permission to collect their information and share it with us. They must also consent to how we plan to use and share that information, in particular the fact that we will share it with credit reporters (who will themselves keep that information and use and disclose it).

We have provided you with a form of privacy consent which covers all of the ways in which we might use and disclose a customer's personal information.

You must make sure that each customer has given consent in this form before you provide any information about them to us.

# APPENDIX: Advertising Checklist

## THINGS YOU MUST DO

| | |
|---|---|
| Is key information like interest rates and fees 'front and centre' in the main body of the advertisement? | ○ |
| Is all other key information prominent, clear, concise, intelligible and expressed in plain language? | ○ |
| Is information presented in a manner which reflects its importance to the target audience? | ○ |
| Is the fine print easily legible? | ○ |
| If you are advertising speed of approval, is it clear that approval is still subject to responsible lending criteria? | ○ |
| If you're advertising a regular repayment amount, have you also stated the total amount of payments (if you can work this out), the % annual interest rate and the term?<br>Regular repayment amounts are difficult to advertise in a way which complies with Responsible Lending Law unless you know the interest rate which will apply to the customer in advance. | ○ |
| Have you stated the amount of any lump sum payment, or, if you can't work it out yet, the way it will be calculated? | ○ |
| If you're advertising a rate, have you used the % annual interest rate? | ○ |
| Have you stated clearly whether the rate is fixed, variable or capped? | ○ |
| If the rate might vary depending on the borrower's risk, you'll need to advertise the *range of rates* which might apply and make it clear that the rate available to a particular borrower will depend on their particular circumstances (or similar wording). | ○ |
| Have you checked that the advertised rate or range you've used matches the rate(s) ordinarily available to customers who successfully apply for that product? You can't give a misleading impression of the rate which might be available. | ○ |
| Have you checked that any floating rate you're advertising is the current rate? | ○ |
| If the rate is fixed for an initial period but not for the whole term, have you stated that period and the rate that will apply afterwards? (If you don't know, state how it will be calculated or that a higher rate might apply.) | ○ |
| Have you clearly set out all fees the borrower will be required to pay? This includes establishment fees, PPSR registration fees and account management fees (but not default fees). | ○ |
| Have you stated that other fees may apply and included a web address or link to the latest fee schedule? | ○ |

## THINGS YOU MUST NEVER DO

| | |
|---|---|
| Never put key information in the fine print. | ○ |
| Never rely on customers referring to a website for other key information or being given other key information during the application process. | ○ |
| Don't use technical language and statistics (unless they would be easily understood by the average consumer). | ○ |
| Never put information which contradicts the main message in the fine print | ○ |
| Never include any statement that is likely to be misleading, deceptive or confusing, or that can't be substantiated. | ○ |
| Never give the impression that Avanti won't look into the borrower's circumstances. For example, never say things like: *No credit checks; Instant approval; Guaranteed acceptance; Bankrupt – okay; Bad credit history – okay.* | ○ |