

Direct Sales of Credit Cards

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1. Introduction

Lenders take seriously their responsibility to market products fairly and transparently. Where third parties are involved staff should be well trained, provide clear information and avoid pressure selling.

The UK has one of the most competitive credit card markets in the world. Industry guidelines on direct sales of credit cards ensure that products are marketed appropriately within this competitive environment. They apply to face-to-face marketing of credit cards away from branch premises in, for example, shopping malls, football grounds or airports.

These guidelines are intended to provide a set of principles by which to ensure adequate training and vetting of third-party staff who are not employees of the card issuer or cobranded partner, but who are involved in product marketing and promotions. They are also intended to provide the principles by which to keep a reliable audit trail of sales promotions activity and the staff involved.

The guidelines stipulate that information is presented to customers in a transparent and straightforward fashion and that consumers are encouraged to borrow responsibly. The Credit Card Summary Box, terms and conditions and other relevant information must be available for potential customers to take away for consideration to prevent pressure selling. Additionally, these guidelines reinforce the message that stringent checks must be undertaken before credit is granted and make it clear that any third parties involved in marketing activities also have to be aware of their obligations to protect consumers.

These guidelines operate in conjunction with the Lending Code, other industry guidelines and the law to provide consumer protection, whilst encouraging a climate of healthy competition in the credit card market.

2. Direct Sales of Credit Card Best Practice Guidelines

2.1 Introduction

Card issuers recognise the importance of responsible lending and the need to ensure transparency when marketing and issuing credit cards and also the requirement to adequately explain the nature of such products.

The UK Cards Association has developed the following set of guidelines to cover direct sales situations in respect of credit cards.

The guidelines set out best practice to encourage a consistent approach across the industry to generic marketing of credit cards, but do not address in any way product design, innovation or differentiation. They are not legally binding. Any failure to follow them does not give rise to any right of action.

The guidelines reflect common credit card industry practices in respect of direct marketing. For the purposes of these guidelines direct sales in respect of credit cards is defined as being any face-to-face marketing activity undertaken by the card issuer, or their agent, away from the branch premises e.g. airports, exhibitions, special events and shopping centres.

The guidelines are not intended to cover direct sales involving card issuers' own staff or the staff of their co branding partners.

The guidelines are not intended to cover Internet, telephone or direct (mail-shot) marketing as these will be covered by other regulations and codes.

2.2 Contracted agencies

- Issuers should ensure that contracted agencies hold the appropriate regulatory licences and comply with relevant regulations (including Consumer Credit, Direct Marketing, Distance Selling, Consumer Protection from Unfair Trading and Data Protection Act 1998) applicable to the type of business they are contracted to carry out.
- Issuers should obtain satisfactory reassurances as to the integrity and licensing of any organisation carrying out activities on behalf of the agency i.e. where part of the direct sales process is sub contracted.
- The agency and the agency staff should be appropriately vetted prior to being available for direct sales promotions (the methods adopted are at the discretion of individual issuers).
- Issuers should ensure that the premises used by the third party and where sales are made satisfy necessary security, and other (e.g. health and safety), requirements.
- Appropriate agreements to define the legal relationship between all parties should be in place prior to any promotion, including trial periods.

2.3 Individual agents

- Training must be provided to all agents involved in a promotion or campaign prior to them dealing with prospective customers. Training should include, but is not limited to, brand awareness, product information and features and customer service. If agents are providing adequate explanations to customers on behalf of issuers, issuers will need to satisfy themselves that this will be done in compliance with the law.

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- All agents involved in a promotion must be issued with identification carrying issuer branding and should operate within the proximity of any promotional stand where present.
- Issuers should monitor the quality of performance in the field, implementing such procedures as necessary to rectify sub-standard work or client dissatisfaction. The manner by which audits are undertaken is at the issuer's discretion. However, if an agent has been contracted to discharge an issuer's legal obligation (e.g. provide adequate explanations), the issuer may wish to take a more stringent approach to the audit process.

2.4 Customer recruitment and application processing

- As part of the industry's commitment to responsible lending, pre-screening questions should be asked to ensure that the customer meets minimum criteria for consideration by the issuer (such as age).
- Application processing must be undertaken in full compliance with current regulatory requirements, such as pre-contract information (PCI) and adequate explanations provisions.
- Information such as terms and conditions, PCI and Summary Boxes, should be available for the customer to take away and read. Adequate explanations should also be available to take away and read unless provided verbally. In addition, agents should obtain some form of comfort that customers understand the explanations that have been provided.
- The customer's attention must be drawn to the nature of the application they are signing. The manner in which this is achieved is at the issuer's discretion.
- Robust processes must be in place in respect of the security of application forms at the close of each business day.
- Arrangements should be made for agents to send forms to a secure location as agreed by the issuer.

2.5 Other

- Issuers will deal with complaints promptly and through their formal complaints procedure as laid down within the Lending Code.
- Selection of venue, event and promotional material is a matter for individual issuer discretion but should take into account the reputation and integrity of the payments industry.

2.6 Effective Date

These best practice guidelines are effective from 1st January 2011.