BEXHILL

INSURANCE PREMIUM FUNDING

LEND TO YOUR CUSTOMERS TO FINANCE THEIR INSURANCE PREMIUMS WITHOUT RISK

WE ENABLE YOU TO MAKE EXCELLENT PROFITS FROM FINANCING YOUR CUSTOMER'S INSURANCE PREMIUM WITHOUT RISK

For over 20 years we have helped 100s of businesses to lend to their customers

We are unique in providing the regulation, credit checking, collections, software, accounting and cash required to enable businesses to lend to their customers. It is a simple process if you have the right advice and guidance. We are here to provide you with that advice and guidance.

Many of our clients make more from lending to their customers than any other part of their business.

Please contact us to find out how simple we can make it for you to lend to your customers and obtain the benefits of owning and operating a lending business. Please note that as we will look after all the regulatory aspects of your business you do not need any regulation to lend to your customers.

We are listed on London Stock Exchange, are backed by large institutional shareholders and have liquidity from leading financial institutions.

We look forward to working with you.

Ravi Takhar

Co-Founder & CEO

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BEXHILL

We have a number of options for you to lend to your clients:

Option A

You rely on our FCA permissions to lend to your customers.

Option B

You obtain full FCA regulation to lend to your customers.

BEXHILL

Option A – Lend to your Customers, using our regulatory permissions in 3 simple steps.

We have supported a number of our clients who wish to lend to their customers. The Clients wish to benefit from the enhanced service they can provide to their customers and the enhanced profits they can make from lending, but do not wish to take on a regulatory obligation of being a lender.

We have created a be-spoke and exclusive method of enabling our clients to provide finance to their customers without any regulation.

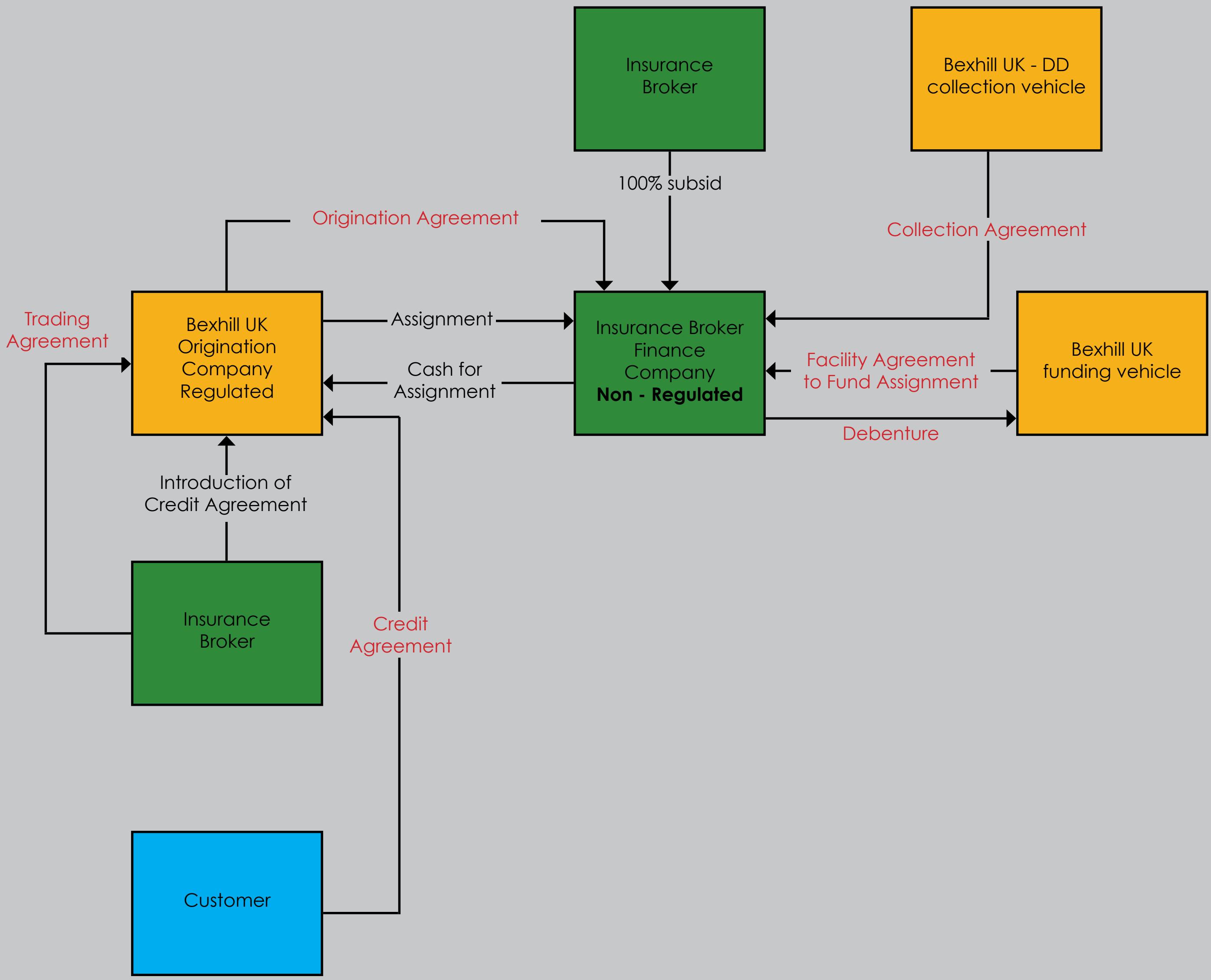
You will need to take the following **3** simple and quick steps to start lending to your customers:

1. **Set up a limited company with a bank account.**
2. **Enter into Trading and Funding Agreements with Bexhill.**
3. **Receive training on Bexhill finance system. Our system is simple and designed for non-finance individuals to input simple details of the finance to be provided to their customers.**
4. Input details of finance agreements to customers into Bexhill system.
5. Bexhill carries out all necessary credit and affordability checks.
6. If the customer passes credit and affordability checks finance is approved to the customer.
7. Bexhill system provides documentation for your finance company to lend through Bexhill.
8. You decide how you would like to provide the finance. Through your own resources or through Bexhill.
9. If required, Bexhill will provide the finance to you for your customers goods or services.
10. Bexhill will collect the finance agreement instalments on a monthly basis from your customers by direct debit.
11. The Bexhill finance system, will provide all accounting and reporting required for you to manage your finance business.

That's all it takes, **3** simple steps for you to be lending to your customers.

We have helped 100s of businesses to lend to their customers and materially increase their profits. Some of our clients earn more from their finance business than from selling their goods or services. We would be delighted to help you to take control of the finance aspects of your business and look forward to hearing from you.

Non Regulated Finance Company Structure



1. Insurance Broker introduces Customer to Bexhill UK regulated entity
2. Bexhill UK enters into Credit Agreement with Customer
3. Bexhill UK transfers benefit of Credit Agreement to Insurance Broker's Non-Regulated Finance Company
4. Bexhill UK provides collection services and funding to insurance Broker's Non-Regulated Finance Company

Option B – Obtain full FCA permission to lend to your customers

We can guide you through the FCA permission process.

You will require a full Regulatory Business Plan (the “RBP”) and documentation to support the RBP.

We set out a full template plan, which you can utilise for your FCA application.

Insurance Broker Finance
Business Plan

Table of Contents

1. Executive Summary

1. Business Lines

Insurance Broker Finance ("IBF") is planning to be a finance company, which lends predominantly in the UK insurance premium finance market.

IBF plans to provide finance to insurance brokers and the clients of insurance brokers, to enable the clients to spread the cost of their insurance premiums ("IBF Insurance Business"). IBF plans to provide finance to limited companies, partnerships and consumers. IBF therefore requires regulation by the FCA for its insurance premium finance consumer credit business.

IBF will have the benefit of a software system to enable it to enter the details of the prospective borrower and the amount of credit to be provided to the prospective borrower. The software system will produce the pre-contract information and credit documentation to be sent to the client.

IBF has not yet commenced business, but plans to establish itself as a respected and well recognised player in the UK insurance premium finance market.

IBF intends to commence business in the UK in 2021.

2. Business Plan

IBF plans to write insurance premium finance, where it sees huge potential, due to the size of the UK insurance premium finance market.

3. Market

Insurance Premium Finance

The UK insurance premium finance market is estimated to be worth over £5 billion per year. It is estimated that 50% of the general insurance market could be financed. The potential market is therefore over £10 billion per year and represents huge growth potential for players in the market. The largest originators are Premium Credit and Close Brothers Premium Finance. Both these companies each originate approximately £2 billion of business per year.

4. Why IBF has advantages over the existing players?

IBF will offer competitive interest rates to its clients who are not being provided with high levels of client service from the existing players in the market.

There is widespread dissatisfaction with the "take it or leave it" approach of the existing players in the UK market. The market has fallen from over 7 insurance premium finance lenders in 2007 to only 3 current lenders.

5. Risks

IBF perceives that the following risks will arise from its business lines as Principal Lender and Credit Broker:

- Accumulation – Insurance brokers will not move from their existing financing arrangements with the existing players. Management is confident that there are a significant number of insurance brokers who would be only too willing to move from the existing providers if a competitive financing offer from a service-based finance company enters into the UK market;

- Management – IBF's management team has many years experience of insurance premium finance.

- Financing – IBF will have adequate liquidity to fulfil its business plan either from its shareholders or other 3rd party liquidity providers.

- Equity – IBF will have sufficient capital invested by the shareholders. This equity will be sufficient to fund the growth of the business.

- Credit – IBF will conduct a full credit and affordability reviews on each borrower prior to lending;

- IT software – The sophisticated software used by IBF is fundamental to the business and has been created, developed and is managed in the UK.

6. Summary Financials –

A current Balance Sheet, 12 months cash flows, 12-month profit and loss account and a post 12-month balance sheet for IBF are all set out in Appendix 1.

7. Contact

CEO
[ ]

Telephone – []
Mobile – []
Email – []

The Appendices to this Business Plan contain the following:

Appendix 1 – Financials
Appendix 2 – Analysis of Premium Finance Companies in the UK market

2. <u>The Market</u>

The Insurance Premium Finance Market

The traditional model for insurance premium funding businesses in the UK is for a finance company to provide finance to a client of an insurance broker for the purpose of financing the client's insurance premium payment. Finance is provided for both personal lines insurance and commercial lines insurance in the UK, typically over a 10-to-12-month period.

Where a finance company lends to a borrower for the financing of a personal lines policy e.g. a personal motor car, the finance company usually has full rights of recourse against the borrower and the insurance broker selling the insurance policy to the borrower.

Where a finance company lends to a borrower for the financing of a commercial lines policy e.g. public liability insurance for a small business, the finance company usually has full rights of recourse against the borrower only.

The overall size of the general insurance market is estimated to be approximately £25 billion per year. The overall size of the insurance premium finance market is estimated to be £5 billion per year. It is estimated that 50% of the general insurance market could be financed. The potential market is therefore over £10 billion per year and represents huge growth potential for players in the market.

There are circa 4000 insurance brokers operating in the UK general insurance market. Of this population of insurance brokers circa 2000 have a gross written premium ("GWP") of £1m or less i.e. a relatively small to medium size ("SME") enterprise. SME insurance brokers are not critical to the business of the existing principal lenders and are therefore not provided with the high levels of service that they deserve. IBF will provide high levels of service to SME insurance brokers.

The premium finance market has historically seen low bad debt levels. This is exemplified by the bad debt experience of one of the largest players in the market of only 0.03 % on its personal lines business and 0.47% on its commercial lines business.

The finance is generally paid to the insurance broker for onward settlement of premiums to the insurance company. The insurance broker may obtain an introduction fee in return for the finance business it introduces to the finance company. The broker's fee is usually added to the base rate of the finance provider, for example if the finance company's base rate is 5% and the broker charges its client 7%, the broker will earn a commission of 2%. The commission is payable by the finance company on its financing of the relevant loan.

IBF will provide finance at a rate of circa 14% to the clients of Insurance Brokers. Insurance Brokers may add a commission to the rate charged to the client. Any Insurance Broker trading with IBF will be required to disclose that it is exclusively offering finance from IBF and that it is being paid a commission by IBF. The Insurance Broker will also inform its client that it is free to obtain finance for its insurance premium from any 3rd party in the market.

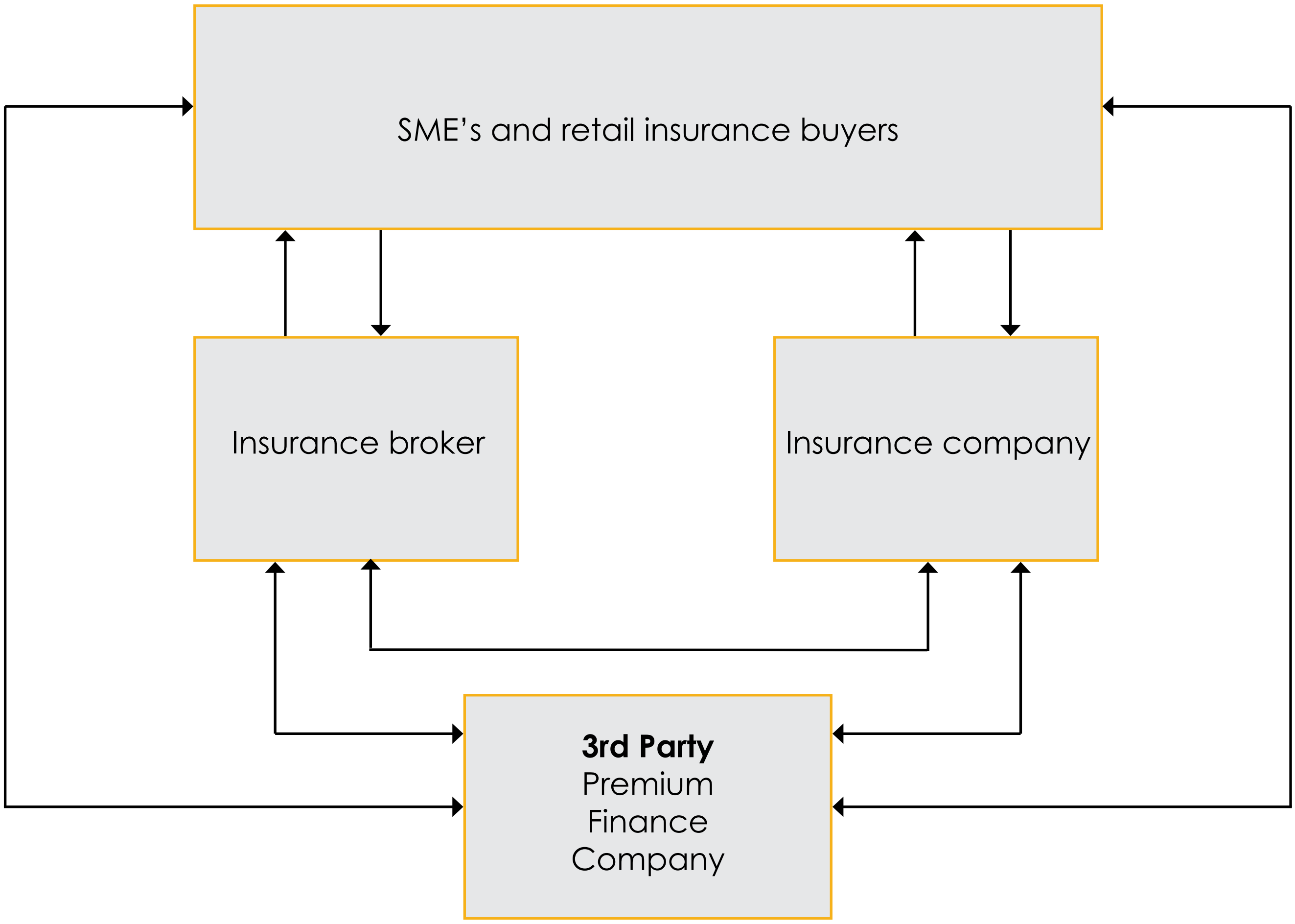
A new player entering the UK insurance premium finance market adopting the traditional approach to the market will face a number of high barriers to entry, including:

1. Inertia of Insurance Brokers – Insurance brokers are traditionally conservative by nature. If they have an existing finance arrangement, they will not be moved easily to another finance provider. A new player will therefore have to offer either substantially better commission terms, service levels or non-recourse terms to persuade a broker to even consider moving from its existing provider. A number of new players entering the market have found this is often a very difficult sell as even if it is able to offer a better deal, an insurance broker will normally try and obtain a better deal from its existing provider before moving to the new provider. This enables the existing provider to, on many occasions, find a better deal for its existing client. Management is confident that there will be a number of insurance brokers that will be willing to move to a new lender;

2. Infrastructure of Existing Players – The existing players in the market have large sales teams and operational structures. They are therefore able to offer high levels of sales support and service levels to the insurance broker community. A new player will need to incur a large spend to replicate these matters;

3. Funding Costs of Existing Players – Due to significant volumes of business conducted by the larger players in the market and their large financial institution parentage, the cost of funds of the existing players are very low. A new player in the traditional market will have great difficulty competing with the existing players on price alone. IBF has adequate liquidity to fulfil its business plan but will not compete on rate. IBF will seek to compete on service and creating a tailor-made relationship with the relevant insurance broker.

How The Traditional UK Market Works



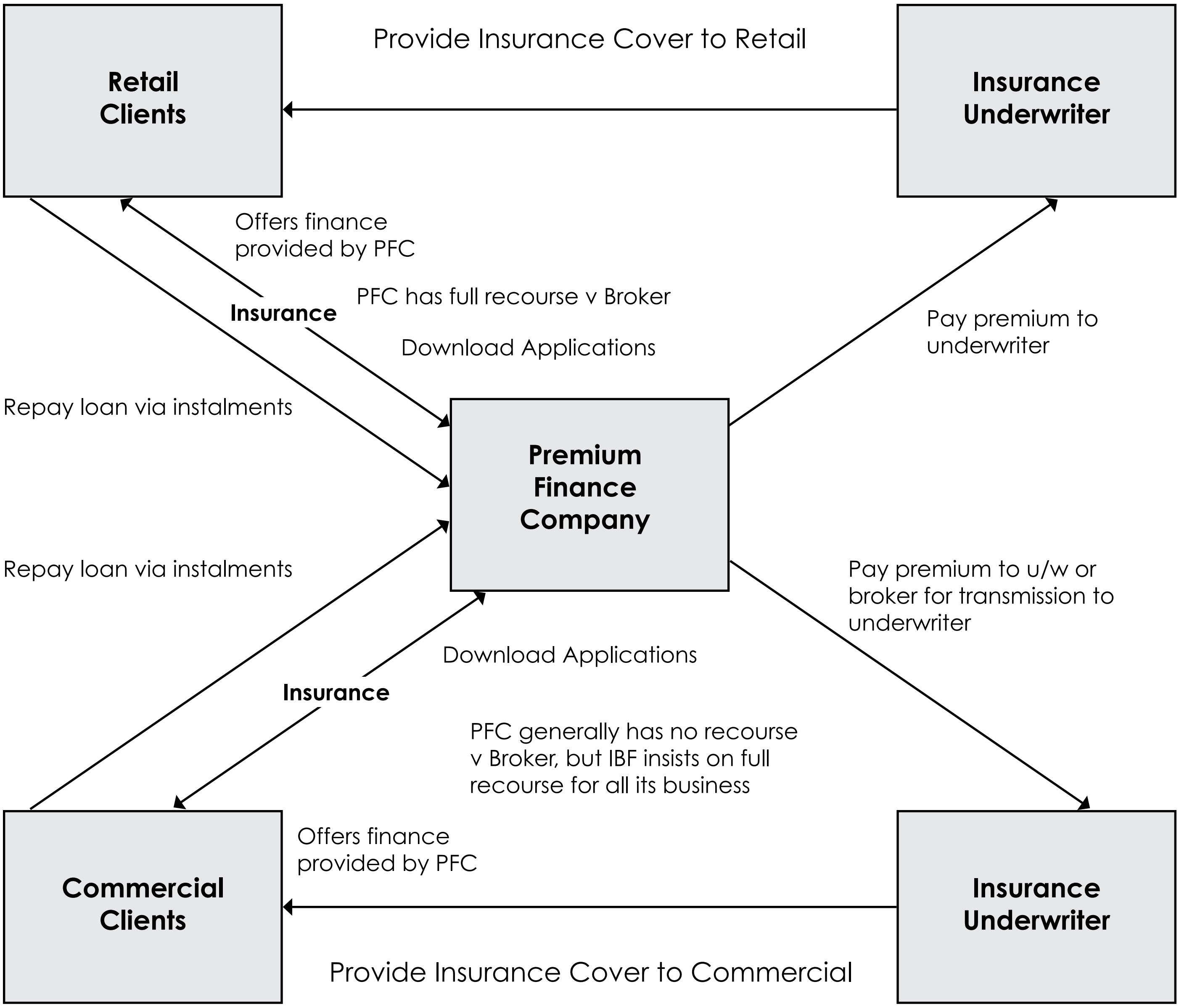
Buyers of insurance are offered premium finance products from either an insurance broker or directly by the insurance company.

Generally, insurance brokers offer the finance at the same time that the policy is offered to the client. The client is sent pre-contract information, a credit agreement for signature and a direct debit mandate (at the same time as completing the insurance cover).

In the UK, the insurance broker will not generally finance the credit agreement, this will be financed by a third-party Premium Finance Company, which will pay a fee to the insurance broker for the introduction of the finance business.

Traditional Market Overview

The table below sets out a description of how the market works.



1. The Insurance Broker offers finance to its retail and commercial clients. Applications are sent to the Premium Finance Company ("PFC") and on approval, finance is provided by the PFC to the clients of the insurance broker;
2. With respect to retail clients, PFC generally has rights of recourse against the insurance broker;
3. With respect to commercial clients PFC generally has no rights of recourse against the broker;
4. PFC pays premiums direct to insurance company or to broker for settlement to insurance company;
5. Insurance Broker may receive a commission for completed finance agreements.
6. PFCs generally do not have recourse for commercial lines business, IBF retains recourse against insurance brokers for both commercial and personal lines business.

4. <u>IBF Operations</u>

As outlined above, IBF will provide credit to limited companies, partnerships and consumers to enable such parties to spread the cost of their insurance premiums ("Consumer Credit Business"). IBF's lending to partnerships of 2 or fewer partners or consumers, will be regulated by the CONC rules;

The Sales Process for each Regulated IBF Business Line

- The Sales process for the Consumer Credit Business will be in 2 phases. The first phase thereof will revolve around the recruitment of insurance brokers. IBF staff will visit insurance brokers to determine whether IBF believes the insurance broker is of good financial standing and whether IBF wishes to provide finance to the clients of the insurance broker.

- Once an insurance broker is credit underwritten and approved by IBF, the insurance broker will be required to enter into a legal contract with IBF, whereby the insurance broker will guarantee the repayment of all consumer credit introduced to IBF by the insurance broker. After execution of legal documentation, the insurance broker will be provided with full training on entering proposals for credit agreements into the IBF system

The Underwriting Process for each IBF Business Line

- IBF will conduct a full credit underwriting exercise in respect of each insurance broker. IBF will review the up-to-date financial accounts of the insurance broker and conduct full personal credit searches on the directors of the insurance broker. If the financial accounts of the insurance broker and the credit searches satisfy IBF's lending criteria, the insurance broker will be approved for training on the IBF system;

- Each professional firm will enter the details of each client and proposed credit agreement into the IBF system. The system will capture the following details in respect of each credit agreement:

    - The full name, address and date of birth of the borrower;
    - The amount of credit to be provided to the borrower and the term of the lending to the borrower. The maximum term of the borrowing is 12 months. The rate that can be quoted to the borrower is pre-agreed with IBF and the system defaults to that rate.
    - The quote to the borrower will set out the amount of each monthly payment to be made by the borrower.
    - Prior to the quote being completed on the IBF system, the following credit checks will be conducted in respect of the borrower:
        - The insurance broker will confirm whether the borrower is an existing client and has in the past completed all its contractual obligations to an insurance premium finance or professions fee lender provider in a satisfactory manner;
        - If the proposed borrower is a new client of the insurance broker, and it is determined that a credit check is required, due to the risk of default, a credit search may be generated by the IBF system in respect of the proposed borrower.
        - If the credit search does not indicate any adverse credit on the part of the proposed borrower, the proposed borrower is approved in principle.

- Once the proposed borrower is approved in principle, the credit agreement is entered as a "Quote" and full set of pre-contract documentation is sent to the proposed borrower.
- The proposed borrower is provided with full pre-contract information and the legal documentation also enables the client to cancel the contract. The form of the pre-contract information to be provided to a client is set out in the Appendix;
- The pre-contract information provided to the proposed borrower informs the proposed borrower that the insurance broker has introduced the proposed borrower to IBF. The pre-contract information will disclose the fact that the insurance broker has not searched the whole market for the borrower's insurance premium finance or professions fee finance and that the borrower is free to obtain its finance from any party other than IBF. The insurance broker will also state that it receives a commission from IBF and will disclose the amount of the commission received to the borrower if so requested by the borrower.

The Collection Process for each IBF Business Line

- Once the consumer credit agreement is entered as a quote on the IBF system, IBF will check that:
  - the details in respect of the credit agreement are correct;
  - that documentation has been sent to the borrower; and
  - once approved IBF will "Confirm" the credit agreement on its system.
- IBF will collect payments due from the borrower on a monthly basis through the direct debit system.

The Commissions Payable by IBF to brokers for each IBF Business Line

- IBF may pay commissions to insurance brokers for the introduction of insurance premium finance business to IBF. Commissions will be negotiated on a deal-by-deal basis for each insurance broker. IBF will require each broker to confirm to each of its' clients introduced to IBF that:
  - the broker has not discussed this finance with any other lenders in the market;
  - it is paid a commission by IBF as a broker and that the commission will be disclosed to its client upon its specific request; and
  - the broker has informed its client that it does not have to enter into the credit agreement and that it may, should it so wish, obtain its credit from another lender.

FCA PS21/5 – New FCA Premium Finance rules effective from October 2021 for the regulated consumer Premium Finance Market

- ICOB Rule 6A.5.5 states that a firm must not arrange any retail premium finance where this would not be in the best interests of the customer.

Brokers will need to ask themselves the following questions -

- Is the premium finance rate in the customer's best interests?
- Is there a conflict of interest resulting from the commission earned by the broker on premium finance and the interests of the customer?
- How does the premium finance arrangement selected provide a fair outcome for the customer?
- Why was the premium finance arrangement selected for the customer?

- Brokers remuneration will have to be disclosed to the customer, reported on, explained and justified.

- There are new Handbook rules relating to -

  - Total charged for retail premium finance on policies written in reporting period.
  - Total number of policies with retail premium finance written in reporting period.
  - Total number of policies written in reporting period falling into bands of APR rates from 0% to 50% or more.

- ICOB Rule 6A.5 sets our new requirements for disclosures relating to a broker's premium finance business.

  - Total cost of policy without premium finance
  - Total cost of policy with premium finance
  - The cost of the premium finance (the cost difference with and without finance)
  - Notification that the use of premium finance will be more expensive than paying for the policy upfront.

IBF will monitor its brokers for their compliance with the new rules. Towards this objective, IBF has added a section to its Pre-Contractual Statements and Explanations in its customer loan documentation explaining that their broker has a duty to have disclosed the matters described above and to contact us if their broker had not.

The Arrears & Default Handling process for each IBF Business Line

- IBF will collect payments due from its clients on a monthly basis.
- If the client fails to honour its payment, IBF will attempt to collect from the client on its next direct debit collection date, approximately 10 days after the collection failure.
- In the event that the client fails to honour the 2nd collection, IBF will inform the insurance broker of the failure of the client to honour its payments to IBF.
- The insurance broker will contact the client and inform IBF when the next collection should be attempted from the client.
- The insurance broker may at this stage decide to either repay all amounts outstanding to IBF from its client or to take over the payment obligations of its client to IBF.
- As IBF will have full recourse to the insurance broker introducing the client to IBF, it will rarely pursue its clients in court proceedings for non-payment of their obligations under the credit agreement, instead relying on the insurance broker to meet the obligations of the client. IBF therefore will exercise a high level of forbearance in respect of debts due to it from clients under credit agreements.

5. <u>CONC Rules Compliance</u>

- IBF will apply the CONC Rules to all its Consumer Credit Business. The Company's internal procedures in respect of CONC are set out below.

- Key Consumer Credit Sourcebook Rules Applicable to the business of the Company

General Principles

CONC 2.2.1 G Principle 6 requires a firm to pay due regard to the interest of its customers and treat them fairly.
CONC 2.2.2 G Examples of behaviour by or on behalf of a firm which is likely to contravene Principle 6 include:

(1) targeting customers for whom credit is unsuitable for any reason. IBF does not target customers for whom the credit provided is unsuitable.
(2) subjecting customers to high pressure selling. IBF does not engage in any high pressure selling of its credit products.
(3) not allowing customers who are unable to make payments a reasonable time and opportunity to meet repayments. IBF provides reasonable time and opportunity for borrowers in arrears to fulfil their contractual obligations.
(4) taking steps to repossess a customer's home. IBF does not take any steps to repossess a customer's home.

General Conduct for consumer credit lenders

CONC 2.3.1 to 2.3.4 R sets out rules with respect to consumer credit lending. In summary the rules relate to pre-contract explanations, monitoring of customer repayments and confirmation that brokers with whom the lender conducts business are properly regulated. IBF complies with all aspects of these rules.

CONC 2.5 Conduct of business credit broking

CONC 2.5.3 R sets out Conduct of business rules for a credit broker. The key rules relating to brokers, which IBF deals with are in respect of the disclosure of pre-contract information to a borrower, ensuring that the credit product is not unsuitable for the borrower, ensuring that the borrower is aware that the broker is, where applicable, in the same group as the lender. IBF ensures that brokers that it deals with comply with CONC 2.5.3 R.

CONC 2.5.8 Unfair business practices – credit brokers

CONC 2.5.8 R sets out unfair business practices, which a broker must not participate in. The rules include preventing brokers from making unsolicited calls to customers, rules relating to visiting customers at their homes and securing more credit than the customer requires and pressurising customers into entering into a credit agreement with a lender. The rules are not applicable to any credit broker that IBF deals with.

CONC 2.5.8 (13) R states that a firm must not give preference to the products of a particular lender, where the product is not in the best interest of the customer and is simply for the best interest of the firm. The Company's products are designed to provide credit to borrowers to finance an essential product. IBF is firmly of the view that its products are in the best interests of their credit broker's customers.

CONC 2.5.9 G (5) states that a firm should disclose its fee for its services. IBF does not deal with any brokers that charge a fee for their services to the customer.

Pre-contract disclosure requirements

CONC 4.3 sets out the Initial disclosure requirements for a firm with respect to consumer credit lending or with respect to a firm with respect to credit broking where the firm has or takes on responsibility for providing the disclosures to customers required by this section.
CONC 4.3.5 sets out pre-contract explanations that a firm must comply with before entering a regulated credit agreement. The Company's system creates a full set of pre-contract information for each new Borrower, which complies with the CONC Rules.
IBF provides each Borrower with full Pre-Contract Information in accordance with the CONC requirements. The Pre-Contract information that will be provided by IBF is set out in Appendix.

Commission disclosure requirements

CONC 4.5.3 R a broker firm is required to disclose commission paid to it by a Lender if it affects the impartiality of the broker or has an impact on the customer's decision. With respect to Insurance Brokers, the Insurance Broker will declare that it is not independent and only brokers business to the Company. It is therefore not considered necessary to disclose the actual commission as the Borrower is made fully aware that the Insurance Broker is not whole of market and it is not believed that the commission will have a material impact on the customer's transactional decision. The Borrower is informed that it will be provided with a breakdown of commission charged if it requests IBF for such information.

Responsible Lending requirements

CONC 5.2 sets out the rules in respect of responsible lending and creditworthiness assessment.

CONC 5.2.1 R (1) states that a firm must undertake an assessment of the creditworthiness of the customer.

CONC 5.2.1 R (2) states that the assessment must consider the potential for the commitments under the credit agreement adversely impacting the customer's financial situation and the ability of the customer to make repayments as they fall due over the life the regulated credit agreement.

CONC 5.2.2 R (2) states that the credit assessment should be dependent upon and proportionate to a number of factors, which are listed in the Rule, including the type of credit, the amount of credit and the cost of the credit.

CONC 5.2.3 G sets outs guidance on the Proportionality of assessments. Consideration of all the factors set out in CONC 5.2.3 G is stated as being likely to be disproportionate.

CONC 5.2.4 G states that that a firm should consider what credit assessment is appropriate, for example the type and amount of credit being sought and the potential risk to the customer. The risk of the credit not being sustainable directly relates to the amount of credit and total charge for credit relative to the customer's situation.

CONC 5.3.1 (G) (2) states that the firm should assess the customer's ability to meet repayments without the customer incurring financial difficulties or experiencing significant adverse consequences.

IBF will conduct appropriate credit and affordability checks against each of its customers using searches provided by Transunion.

CONC 7

Relates to Arrears, Defaults & Recovery – The Company's Arrears and Defaults Policy is set out in the Company's Collection Policy. It should be noted that IBF has no reason to believe that it will need to take such action under a credit agreement in the future.

CONC 11

- Relates to Cancellation Rights of the Borrower – The Company's documentation provides provisions which enable any Borrower to cancel its credit agreement in accordance with the CONC Rules.

6. Treating Customers Fairly ("TCF")

- TCF is at the core of the Company's business. The Company's procedures in respect of TCF are fully set out below.

TCF Policy

Fair treatment of customers is at the core of the Company's corporate culture, which is reflected in the firm's business strategy and corporate policies. The Board remains fully committed to embracing TCF principles and approach in all stages of the Company's business activities. Considering the firm's current business profile, the focus is on building TCF considerations into its' lending and collection policies and procedures, which are reviewed periodically and monitored regularly to ensure that TCF is embedded within the firm's core business processes. Staff are required to familiarise themselves with the policy statements and detailed procedures set out in the TCF Policy, the Lending Policy and the Collection Policy to ensure compliance with the TCF requirements, a summary of which is provided below.

Introduction

The aim of FCA's Treating Customers Fairly (TCF) initiative is to ensure that each firm meets the requirements of Principle 6 to "pay due regard to the interests of its customers and treat them fairly". What constitutes fairness is evidenced differently for each firm, depending on their type of business, product and service range, target customers and the channels used to sell and support their products and services.

Poor customer understanding of financial services means that competitive forces alone will not ensure fair treatment or adequate customer protection. It is in the Company's own interests to treat customers fairly – not only to meet regulatory requirements and guard against any future accusations of mis-selling, but also as a central feature in maintaining our customer centric approach. In the wider context, it will also assist in restoring customer confidence in the financial services sector as a whole.

TCF does not seek to create new rules or obligations, nor is it about creating check lists. It is, quite simply, a process which will enable IBF to keep the customer central to everything we do.

Overview

The FCA has identified a product life-cycle as a simple framework that most firms could use to structure their thinking about different aspects of TCF. It means considering TCF in respect of a firm's activities in:

- product design;
- marketing, including the production of promotional material and disclosures;
- the sales process and the information provided to customers as part of the sales process;
- the way that staff are remunerated;
- information and customer support after the point of sale;
- complaint handling;
- Management Information.

To meet TCF requirements, IBF will have to keep its systems, controls and management reporting across all activities under regular review. The issues we will have to consider include:

- Developing and marketing products for specific target markets, based on a clear understanding of the likely needs and financial capability of each group of customers. IBF will have a simple product. A product, which enables a customer to spread the cost of its insurance premiums over a maximum term of 12 months.

- Providing clear, fair and not misleading communications during promotions, advice, sales and after-sales activity. The simplicity of the product, means that it is simple to understand and all documentation provided by IBF to prospective borrowers ensures that the product is fully explained to the customer.

- Making charges transparent. All charges relating to the Company's products are fully disclosed to prospective borrowers prior to it entering into a credit agreement with the Company.

- Balancing the commercial objective of increasing sales with TCF. Each prospective borrower has the option either to pay its insurance premiums or professions fees outright, or provided with the option of the Company's credit product. No staff are incentivized by increasing sales of credit agreements to the Company's clients.

- Being clear to customers about what the firm, its products and services offer. The simplicity of the Company's credit products ensure that it is clear to its customer about its offering.

- Honouring representations, assurances and promises that lead to legitimate customer expectations.

- Identifying common underlying causes of complaints and taking immediate action to eliminate the root cause. All complaints made against IBF are recorded and immediately reported to the CEO, who determines the action to be taken.

- Monitoring and responding appropriately to changes in the wider environment that may affect products and impact on particular classes of new or existing customers.

- Considering what management information is needed to measure the firms TCF performance. A regular TCF review is undertaken by the Board to determine any gaps in the Company's ability to implement a TCF policy.

Implications of Treating Customers Fairly for the Company

The FCA expects all firms to demonstrate they are consistently delivering fair outcomes to consumers. Fairness can be hard to define and difficult to measure, therefore, the FCA devised the six outcomes below, in order to provide guidance to firms.

The FCA's six TCF outcomes are:

Outcome 1: Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.

Treating customers fairly is central to the corporate culture of the Company's business. The Company's products, underwriting, payment and collection procedures are all designed to ensure that treating customers fairly is at the heart of the Company's culture.

Outcome 2: Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

IBF only has 1 product, which is specifically designed with a simple purpose –to cater for consumers who wish to spread the payment of their insurance premiums.

Outcome 3: Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.

IBF provides full, clear and detailed information about its finance product at the pre-contract stage of the transaction and if required throughout the collection of the finance product.

Outcome 4: Where consumers receive advice, the advice is suitable and takes account of their circumstances.

IBF does not provide advice to the consumer. IBF simply provides finance and informs consumers before they enter into a contract with IBF that they are free to obtain similar finance from any 3rd party.

Outcome 5: Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.

The Company's product is simple. A clear explanation of the product is provided prior to the consumer entering into the contract. The consumer has clear cancellation rights if it wishes to cancel the product. Further if the consumer decides that it does not wish to continue with its payment for the product, the Company's primary recourse is to the insurance broker that introduces the consumer to the Company.

Outcome 6: Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

IBF only has 1 product. The consumer has complete freedom to repay its credit agreement, change to another provider and is provided with full information to submit a claim or make a complaint to the Company.

Implementing the TCF Strategy

IBF deals with retail clients for its consumer credit business. As such, the firm's TCF processes will be proportionate to its business profile. In formulating its TCF strategy, the firm should take into account its current and planned:

- activities,
- products and services,
- customer base and strategy.

Strategy and principles

Management will consider what TCF means for IBF and its customers. This will take into account factors such as:

- the actual and target customer base and their needs, knowledge, sophistication and attitude to risk;
- the risk and complexity of the products and services we offer relative to our customers knowledge and understanding;

- past promises or commitments made or implied to our customers, and what is required to fulfil these;
- distribution channels used and their suitability for our products, services and customers;
- the systems, including collection of appropriate management information, staff training and monitoring, that will be part of delivering products and services to our customers, and how they may have an impact on the risk of not treating customers fairly.

Gap Analysis

IBF will continue to assess all parts of its business to understand where there is potential risk to the fair treatment of customers and to identify any areas where the firm may not be meeting its TCF commitments and obligations.

TCF in the day-to-day operation of the Business

TCF is and will continue to be core to the business of the Company.

The business of IBF will be very fair to customers for the following reasons:

1. The interest rates charged by the Company;
2. The fact that each Borrower is provided with the option to finance its fees through alternative sources of finance.
3. The fact that the Borrower is provided with full pre-contract information and the ability to cancel the contract.
4. The finance is for an essential requirement of the Borrower.
5. Without the finance, the Borrower will not be able to pay for its insurance, which may mean that it is not able to drive to work, conduct his business, protect its property or assets.
6. The term is no longer than 12 months.
7. The interest rate will be extremely competitive, compared to other short-term unsecured lending rates in the market.
8. The loan will be amortising.

If the Borrower fails to pay, IBF will attempt 2 further attempts at collection. If the Borrower still fails to pay, IBF will not make any further attempts to collect payment from the Borrower, until it has sought settlement of sums outstanding from the relevant introducing insurance broker.

7. <u>Outsourcing</u>

IBF will outsource all direct debit collection to Associated Premium Funding Limited ("APF").

APF's will run direct debits to collect payments due to the Company. If a payment defaults, IBF is notified by APF and IBF itself will liaise with the relevant borrowers, which have defaulted on their payment obligations and not APF. APF performs no collection function other than processing direct debits on behalf of the Company.

8. <u>Management, Resources and Staffing</u>

The IBF Management Software System (see post) enables IBF to perform all the administrative functions around its Consumer Credit Business, the IBF business is therefore able to operate with an efficient cost base and provide high levels of service to SME insurance brokers.

1. Sales. IBF will use its management team to generate new business;
2. System Support. Each insurance broker will operate through the IBF system. Support is essential for the day-to-day operation of the system by insurance brokers or professions firms, particularly at the commencement of business.
3. Credit checking of new professional firms. A number of checks are conducted in respect of each new professional firm. This checking will be conducted by one member of staff and the Managing Director.
4. Credit checking in respect of each credit agreement. Each borrower will be subject to a credit check and affordability check.
5. Finance Function. The directors will perform the finance function of the Company.

All staff are paid a salary. Staff are not incentivized by the volume of business written by the Company, but on the success of the business as a whole over the financial year.

Current Management

CEO – [ ].

Director & Head of Operations – [ ]

9. Barriers to Entry

The table below demonstrates the barriers to entry for a new player entering the market to compete with IBF.

Expertise of IBF management	
IT	One of the great attractions of the IBF system is the ease of use of the IBF Funding Management System for brokers. The System is unique and has been developed over 20 years. No other software system relating to insurance premium finance can currently replicate IBF's functionality. The system provides a complete business solution, enabling the operation of a finance business with the minimum of time and technical ability. As well as producing all pre-contract information, the loan documentation required, the system enables the tracking of client accounts. It is Management's view that it would take many years for a system with the functionality of IBF's to be developed.

10. <u>Risk Factors</u>

Competitors in Market

The main threat to the business is if one of the existing insurance premium finance tries to attack IBF. IBF can achieve its business plan by targeting SME insurance brokers who are not key to the existing players without significantly affecting the business of the existing players. The threat of the existing players affecting the business plan is therefore remote.

For the reasons stated above in barriers to entry, the ability of a new player to simply enter the market and take market share from a standing start is extremely remote.

Accumulation Risk

As with all financial asset companies, there is a risk that IBF will not generate sufficient business.

Executive Management Risk

The CEO has invested personal equity in to IBF.

Operational Cost Risk

A great advantage of the IBF system is the fact that IBF can be run with an efficient operational cost base. This is due to the great functionality of the IBF system.

The efficient operational cost base means that it is very easy to control operational costs at the business.

Market Risk

The "Market" section above highlights the size of the market in the UK.

Management expects the UK premium finance market to expand substantially in future due to the growth of the underlying general insurance market and the increased usage of premium finance as a payment method. Only a small proportion of general insurance premiums are currently financed by third party providers. Market growth is expected to result in particular from the following factors:

- Decreasing use of credit card payments. The payment of insurance premium or professions fees by credit cards usually generates costs for insurance brokers whereas the use of premium finance creates an additional revenue stream and the use of professions fee funding provides cash flow benefits. This provides a substantial incentive for insurance brokers to switch clients from using credit cards to premium finance;

- Decreasing availability of insurers spread payment facilities with low or zero interest. Insurers are increasingly charging commercial terms on spread payment facilities to maximize their own cash flow and profits. Management believes that this trend will continue and generate substantial new business opportunities;

- Ownership of end-client relationship. The client-ownership issues arising from insurers collection of premium direct from the brokers client base provide an incentive for brokers to switch clients from insurer schemes to a premium finance product which with IBF can be controlled by the broker;

- Increasing client awareness. Awareness of the ability to spread insurance premium payments is increasing each year, particularly amongst medium sized and larger corporates who have traditionally paid their premiums or professions fees up front. In addition, premium finance provide clients with a cost-effective alternative financing route;

- Expected increase in insurance premium rates and professions fee rates as economy continues to improve. This will expand volumes of existing business and provide a further strong incentive for the use of premium finance. Growth in car ownership and general economic growth (leading to a rise in insurable values) is expected to increase insurance premium finance business.

Default Risk

IBF will only do business with insurance brokers that are fully regulated and which have been established for a number of years and have proven their financial solvency to the satisfaction of the Company.

IBF will have the following very strong protection for its lending:

- The covenant to pay from the client financing its insurance premium;
- The guarantee from the insurance broker of its client's finance from IBF UK.

Fraud Risk

Management is confident that the tests that IBF requires its insurance broker clients to satisfy will minimize any chance of fraud affecting the business of IBF going forward.

11. Performance of IBF and Security Position of IBF

It is expected that IBF will write excellent business as each loan written by IBF will be protected in the following ways:

- A guarantee from the insurance broker of all the obligations of its clients to IBF;
- The covenant to pay from the client financing its insurance premium;
- The fact that insurance are essential payments and therefore priority payments for clients.

12. Premium Funding Management System

What is the IBF Premium Funding Management System?

The IBF Premium Funding Management System is a unique, intelligent, software programme delivered via the internet that incorporates all the systems, procedures and documentation needed by a insurance broker to successfully introduce its clients to IBF and conduct finance business.

The IBF Premium Funding Management System is a sophisticated tool that makes introducing finance business simple. It will manage all the finance agreements introduced by the insurance broker, calculate all funding requirements as well as performing all the day-to-day accounting and administrative tasks.

How does the IBF Premium Funding Management System work?

Once the insurance broker enters into a contract with IBF, IBF will provide access to the IBF Premium Funding Management System. The rest is simple. All funding, repayment and premium calculations are automatically carried out by the system..

Appendix 1

Financials Dated

ATTACHED

We have helped 100s of businesses to lend to their Customers with their own finance business.

Why don't you chat to us if you want to join this exclusive club of entrepreneurial businesses.

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