

## **Introduction**

There have been several news stories about car finance mis-selling recently. Mallard has received correspondence from a small number of concerned customers and we have collated replies to frequently asked questions in this document.

If your question / concern is not answered here please contact Mallard Finance and we will be happy to discuss this matter further with you.

## **Why do finance companies pay commission?**

It is an important part of how the vehicle finance industry works. Dealerships and finance brokers are normally paid for the introduction of business.

This is one way that vehicle dealerships make money. The commission payment they receive often means that they are able to sell cars and vans more cheaply on finance than they could on a cash basis.

## **What is discretionary commission?**

Discretionary commission was a type of commission that was banned in 2021. It allowed the broker (or dealer) to offer finance at a higher rate to earn more commission.

## **Did Mallard operate a discretionary commission system?**

No. Since becoming an FCA regulated lender in 2014, Mallard has not operated a discretionary commission model. This means that the interest rate our customers paid was set by us, not the dealer.

## **How does Mallard calculate commission?**

Mallard pays dealers and other introducers a commission calculated as a small percentage of what customers borrowed.

## **How does Mallard Finance set interest rates?**

As an independent lender, Mallard tries to give each customer the best interest rate it can. The rate we set is primarily influenced by the cost of borrowing across the UK as well as our perception of each customer's credit profile.

## **Does Mallard tell its customers about commissions?**

Where Mallard plans to make a commission payment for a customer introduction, the customer will be informed about the proposed payment. This is on page 4 of the pre-contract information that we send customers before they are given access to a finance document.

## **Am I eligible for a refund if Mallard Finance paid commission when I bought a vehicle?**

The refunds that have been in the news recently came about because car dealers had set interest rates higher in order to earn more commission. Because we did not allow this to happen to our customers, we do not feel that the recent news on mis-selling affects our customers.

## **What is the FCA pause to complaints handling for discretionary commission?**

You may have read that the Financial Conduct Authority has implemented a pause (until 26 September 2024) in the 8 week period in which firms are obliged to respond to complaints regarding discretionary commission. Because Mallard Finance has not operated a discretionary commission model since becoming regulated by the FCA in 2014, this pause will not affect any of our interactions with our customers.