

## **Fair4All Finance - debt consolidation lending project (the "Project")**

### **Principles for contract for services (with or without the provision of lending capital and bad debt guarantee with the Project)**

This document sets out the current key commercial terms on which Fair4All Finance anticipates contracting for the consolidation lending pilot where providers agree with Fair4All Finance that in addition to the provision of a bad debt guarantee some other costs will be covered. These principles are not exhaustive and are not intended to be legally binding and are subject to the parties entering into fuller form documentation.

This document anticipates the key commercial terms that may relate to those covered costs.

- The primary contract for the consolidation lending arrangements is assumed to be the Partial Bad Debt Guarantee which includes product requirements, loan details, reporting etc.
- For aspects of funding that are not covered in the Parital Bad Debt Guarantee, we are intending to draw on the No Interest Loan Scheme (NILS) contract for services. Subject to bid responses, we will likely incorporate aspects of this agreement set out in that document with appropriate adaptations. The final agreement entered into will heavily depend on the nature of the bid made into the subsidy scheme for the cost of living consolidation lending pilot. For example:
  - We are likely to retain (non exhaustive list) equivalent clauses on: subsidy control, termination, exit planning, data protection and the privacy notice, evaluation, assignment and transfer, applicant services and covenants.
  - We would anticipate customising specific (non exhaustive list) equivalent clauses on: intellectual property (if any), the arrangements for costs not related to lending capital and bad debt
- Fair4All Finance may (in its sole discretion) agree to provide funding for the applicant to develop an implementation plan and to prepare for the roll-out of the scheme. This may relate to preparations to lend including but not limited to modifications to underwriting arrangements, technology adaptations to enable direct settlement of debts, training and other preparatory costs.
  - The implementation plan would set out (as a minimum)
    - key preparatory steps necessary to enable the applicant to commence delivery of the Scheme
    - deliverables to be achieved by the applicant including volumes of products and timetable for delivery
    - F4A may provide support to the Responsible applicant to tailor products to the underlying borrowers.
- Subject to the nature of the bid into the subsidy scheme Fair4All Finance may also agree to cover some or all of applicants costs on:

- The integration of benefits calculators and grants checkers into lending journeys
- Third party costs relating to:
  - the setup, integration and utilisation of technologies that enable the direct settlement of consolidation debts to the borrower's creditors
  - where appropriate to cover a discounted portion of the origination fees relating to reaching customers that are genuinely incremental to the applicant and outside of the flow of business they usually receive
  - loan underwriting where an additional cost is incurred above the applicants' norm to validate a particular borrowers' suitability for consolidation lending eg a second bureau fee if needed and / or a greater share of manual review incorporating sifting a range of data sources including open banking / open finance data (if available)
  - the provision of support services to enable borrowers in particular circumstances to receive more hands on customised support, for example, to more accurately surface the debts that they need to settle including loan numbers or other identifying information and settlement values
  - potentially to cover the provision of support where the customer journey commences at a different point eg with a debt advisor / debt advice provider assessing how best to help a customer and covering their costs in doing so, along with the costs that are subsequently incurred if the appropriate outcome for the customer is either a consolidation loan or a formal or informal debt product where such services are provided on an 'agnostic' basis - ie where the debt advice provider is free to act in the best interest of the customer as their priority but is compensated in a way that makes the right out come for the customer financially neutral for the advice provider
  - for specific cohorts of borrowers in a mini pilot environment to cover additional support costs incurred where the support provider not only facilitates the arrangement of the consolidation loan including loan details, settlement figures etc, but also acts on behalf of the borrower, with their explicit consent, to facilitate the closure of the existing debt facilities that are being consolidated
- Because for consolidation lending it is assumed that applicants are lending with interest it is **not** proposed that Fair4All Finance will cover fees for loan dispersal, we may consider covering other per loan costs like origination fees.