

The Eligible Loan Deductions Scheme Guidance on Evidence Required

Dear Lender

To assist you in the completion of your application form to join the Department for Work and Pensions (DWP) Eligible Loan Deductions Scheme the following notes will provide some guidance.

The criteria that we require you to satisfy are laid down in the statutory regulations and also in the Memorandum of Understanding (MoU), which you will be asked to sign if you are accepted as an eligible lender to participate in the scheme.

The Lender Criteria

The lender must be:

- a body registered under section 1 of the Industrial and Provident Societies Act 1965;
- a credit union within the meaning of section 1 of the Credit Unions Act 1979;
- a charitable institution within the meaning of section 58(1) of the Charities Act 1992; or
- a body which is entered on the Scottish Charities Register under section 3 of the Charities and Trustee Investment (Scotland) Act 2005,
- Community Interest Company for the purposes of part 2, section 26 of the Companies (Audit Investigations and Community Enterprise) Act 2004

which, except for a credit union, is licensed under the Consumer Credit Act 1974 and which is determined by the Secretary of State as an appropriate body to which payments on behalf of the borrower may be made in respect of loans made by that body.

1. Your organisation

The application form must be completed by the manager of the organisation or by a person in a position of responsibility who can substantiate the responses provided if required.

The email address that you provide should be that of the person who will receive the payment schedule detailing the payments paid into your bank / building society account.

2. About Your Organisation

The Lender must provide evidence that they are one of the following types of institutions and are registered and/or licensed as follows:

Credit Unions must be registered with the FSA.

Other financial organisations must be:

- Registered with the FSA as Industrial and Provident Societies, or;
- Registered as charities and able to provide evidence of their charitable status, and in all cases licensed by the Office of Fair Trading (OFT) to provide relevant consumer credit services.

3. About your lending practices

3.1 Providing sources of debt advice to the borrower.

We require confirmation on the application form that you provide borrowers with sources of free debt advice where appropriate. The DWP has to be satisfied that lenders are acting in a responsible manner and that borrowers are advised on other means of budget management.

3.2 Providing information to the borrower about the terms and conditions of the loan and the actual cost of the loan in terms of the APR and any other additional charges.

DWP needs to be satisfied that borrowers are fully aware of the actual cost of the loan. This will include the APR and any other charges that may be attached to the loan. Copies of your loan agreement form, information leaflet or other documents should provide this information.

3.3 Providing help and advice to borrowers who are experiencing difficulty in making the loan repayments.

Where the borrower represents that he has difficulty in making the agreed repayments, the lender must take steps to negotiate alternative arrangements and where appropriate, direct the borrower to a source of free and independent debt advice. For clarity, DWP requires lenders to consider cases of financial difficulty sympathetically and positively and in considering new arrangements about how the borrower will pay off the debt, should take into account other commitments including money owed to other lenders; the impact of any long-term health difficulty affecting the borrower's ability to repay and discuss options available to them; working with recognised debt-counselling organisations if appropriate.

DWP requires a sample copy of any standard letters issued to a borrower in the event of default on the agreed repayment amounts.

- 3.4 Carry out an appropriate income and expenditure risk assessment based on a borrower's ability to repay as part of the loan application process.

DWP requires a copy of the income and expenditure assessment form for confirmation that the borrower's ability to repay has been investigated prior to the loan being agreed.

- 3.5 Offer a face-to-face service where the borrower or particular circumstances require it before and after making a loan.

DWP does not expect lenders to interview all borrowers prior to, or after making a loan. However, evidence is required that this service is available on request.

- 3.6 Please briefly outline your disputes procedure

Disputes over the amount of loan outstanding, or any other matter relating to liability for the loan should be resolved before referral is made to DWP for deductions. Lenders should briefly confirm and outline their procedures for dealing fairly and appropriately with disputes – or refer to the documentary evidence submitted if dispute procedures are contained in them.

- 3.7 Please enclose the following supporting documents with this application form

- your information leaflet for borrowers
- a copy of your loan application form
- a copy of your loan agreement form
- an income and expenditure assessment form
- a copy of your lending policy or Statement of Practices

These documents are required as corroboration of the information provided in your application that the eligibility criteria to join the scheme have been met.