

F&I – Why you can never say ‘we’re compliant’... and why that’s a good thing!



The principles-based nature of the FCA's regulation of financial services means that there are no tick boxes and that achieving compliance in the showroom and online can never be considered an exact science.

This is the view of compliance experts i-Comply Online's Tara Williams, who reflects:

“The most effective approach to F&I compliance is to recognise it is a continuous process. This is why you can never say ‘we’re compliant.’ Adopting this ethos is a good thing, it means avoiding complacency, keeping abreast of the changing compliance landscape and ensuring the people involved with F&I are knowledgeable and competent and the processes connected. Principle-based regulation may not provide prescriptive compliance requirements, but it does enable dealers the opportunity to tailor sales processes, which embrace TCF principles and ensure the customer benefits from a good F&I experience.”

As more dealers become authorised by the FCA, the risk is that they think all the work has been completed. Authorisation has been achieved and everyone can return to ‘business as normal’. In fact, ‘business as normal’ needs to be a customer-focussed, compliance culture that can adjust to changes quickly as the regulatory environment evolves. As an example, right now the FCA is reviewing the way staff are remunerated in the dealer environment. They are expected to announce their review findings in Q1/2 of 2016. It seems inevitable that this will lead to further changes for dealers, based upon similar work undertaken by the FCA in other financial markets.

The NFDA has taken an active role both in lobbying the regulator and in continuing to work to support dealers through the changing financial services landscape. Awareness of, understanding and implementing the changes required by the regulator will be a continuing process. To support dealers, the NFDA has established a new, fee-based compliance partnership with i-Comply Online. The aim is simple, to make certain dealers have access to high quality help and ensure they develop and sustain a compliant approach to F&I which meets requirements and can benefit their business.

The i-Comply Online partnership is designed to provide an option for total compliance assistance for dealers across their F&I activities. From authorisation to ongoing process and reporting assistance, the consultancy team provides reassuring expertise at every step. Dedicated to dealer compliance, the industry experienced team at i-Comply Online works solely on helping dealers to maintain a compliant and commercial approach. Naturally, this includes staying abreast of all developments that could impact a dealer's approach to F&I.

FCA Authorisation Approved – What Now?

Dealers need to demonstrate effective management oversight. The regulator's requirement is evidence of **risk management and effective governance**. Risk can't be eradicated but it can be managed and minimised. The Regulator understands this and expects transparency from authorised firms.

- A dealer's first line of defence in risk management is to ensure that business processes, procedures and people meet all regulatory requirements and are adaptable enough to cope with future change.
- These processes and procedures require accurate monitoring and internal controls to provide senior management with useful management information for risk and TCF analysis – a second line of defence.

Such controls will need to be sustained and measurable. The obvious sales processes for F&I are a natural starting point, but the requirements are more wide-ranging than this; financial promotions, data management, competence monitoring and complaints are amongst the areas that will need to be addressed. A compliance programme will be required, one that mitigates risks and which supports commercial success at the same time.

A Holistic Approach to Compliance

The regulator wants dealers to develop/maintain/sustain a business operating culture that places the needs of the customer ahead of anything else. This goes beyond good CSI scores and reviews. Creating the right customer-centric operating culture as well as the right processes is something that every dealer must be able to demonstrate.

The three step approach offered by i-Comply Online for NFDA members is not a tick box system; it ensures management understand and are engaged with their compliance programme:

Establish the current reality – audit and review face-to-face.

Develop appropriate evidential systems and controls

Embed and sustain a beneficial compliant and commercial culture.

Audit

An independent audit assesses the current reality to test a dealer's processes, systems and controls and individual and supervisory competence. The primary focus is upon identifying risks but importantly it also seeks to identify opportunities to enhance F&I performance and TCF outcomes.

Development of Systems and Controls

The i-Comply Online programme provides an internal audit compliance portal that supports the required risk management framework as well as the commercial priorities. The service includes:

- File auditing
- Staff competence monitoring
- Complaints management
- Training records (CPD)
- Commission disclosure support
- Diary and reference application data
- Management Information suite

Embedding a Compliant & Commercial Culture

Dealers must embrace a new approach to F&I. This new approach must be sustained and measurable business-wide. To ensure this cultural approach is communicated effectively, the NFDA programme can also provide an e-learning platform, which supports training and competency requirements:

- Managed administration.
- Dealer/Group management access for immediate monitoring and oversight.
- Reporting suite – Online real time information.
- Renewal strategy.
- Generic course catalogue and/or tailored design.

Support

i-Comply Online support clients with access to a ‘compliance clinic’ to assist with day-to-day queries and regular compliance updates.

Summary

The three-step approach allows dealers to manage their compliance programme with the confidence that they have the platform, flexibility and access to expertise to adapt to change and evidence that risk is being managed and TCF outcomes achieved.

For more information on how your business can start to benefit email louisewoods@rmif.co.uk or call **01788 538332**.