



An introduction to  
Advantage Finance Ltd





# Welcome to Advantage Finance Ltd

## A brief history....

- Advantage opened for business on 5th July 1999
- Wholly owned subsidiary of S & U plc
- Provides hire purchase motor finance to consumers via motor dealers and finance brokers
- Has provided finance to over 150,000 customers
- Has received and processed approx. 4.7 million applications
- Has been a full and active member of the Finance & Leasing Association since 2008
- Covers the whole of mainland UK
- Employs approx. 150 members of staff
- Located in 10,000 sq.ft. of owner-occupied offices in Grimsby, N E Lincolnshire, UK.



# Mission Statement

“Our mission is deliver the business objectives as agreed with Group shareholders within the framework and spirit of FCA regulations and legal requirements.

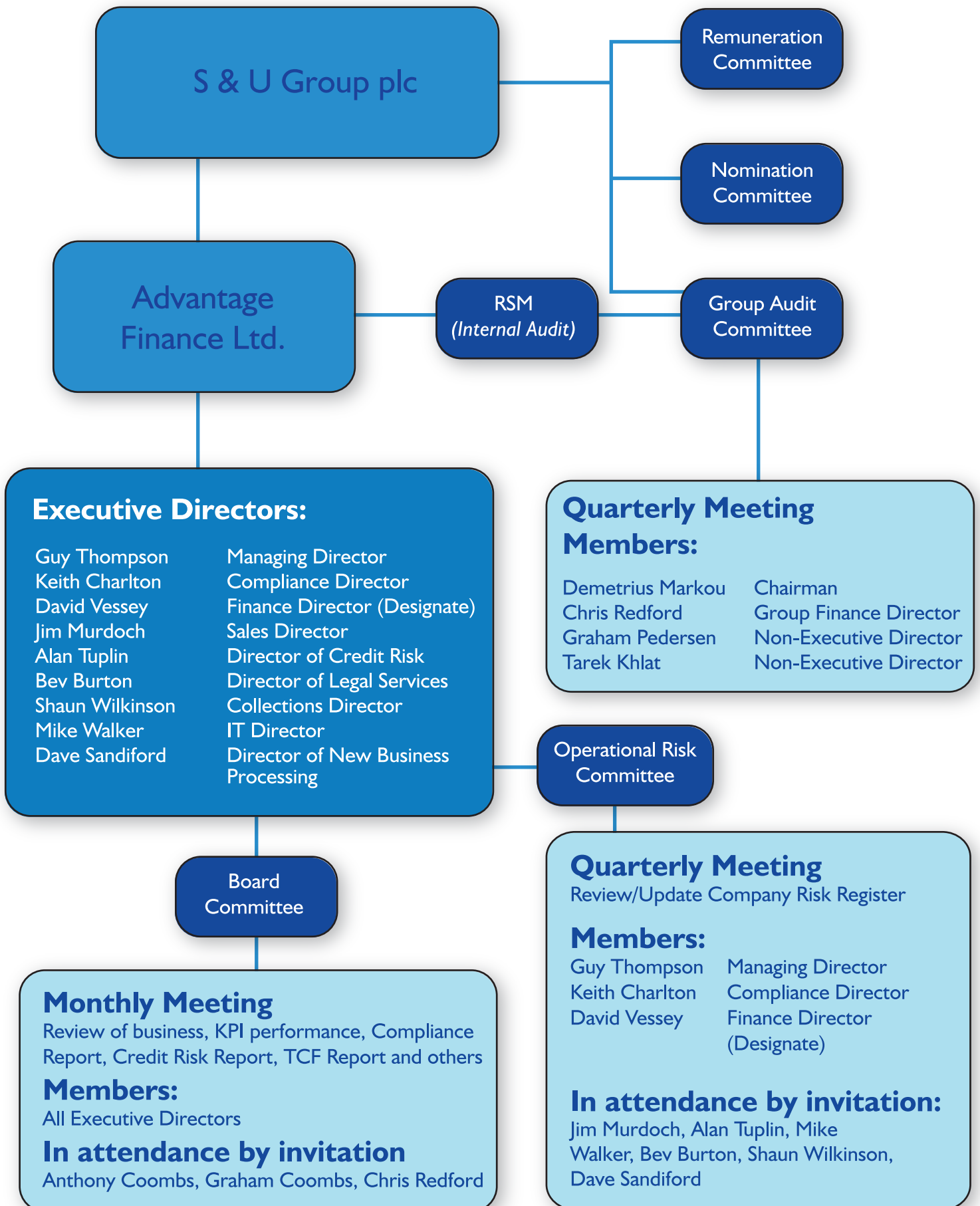
This means putting both the customer and our employees at the heart of our business.

The Key Performance Indicators and measurements within the business will be focused to deliver those business objectives.”





# Governance Structure



# Regulation & Compliance

- FCA Registered since 2005
- Full FCA authorisation for consumer credit granted in December 2016
- Full member of FLA since 2008
- Subscribes to the FLA Lending Code
- Responsible Lender
  - Pre-contractual disclosure
  - Adequate explanations
  - Creditworthiness / Affordability
  - Contract clarity (e.g. Crystal Mark)
- Active participant in industry consultation
  - e.g. Alan Tuplin is the Chairman of the FLA Credit Risk Committee and represents the FLA at SCOR
- Excellent local TSO relationship
- TCF embedded throughout the business
- Excellent customer satisfaction feedback





# Market Background

- 2.54m new cars sold 2017, 44.2% to private buyers (Source: SMMT)



- Used : New car ratio averages 3.2:1 = circa 8m used car sales each year (Source: British Car Auctions)

- Around 75% (by value) of used car sales were made through motor dealers (Source: British Car Auctions)



- FLA members financed £18bn new and £13.5bn used car purchases by consumers in 2016 (Source: FLA)

- In 2017 new car sales in the UK were the third highest in history

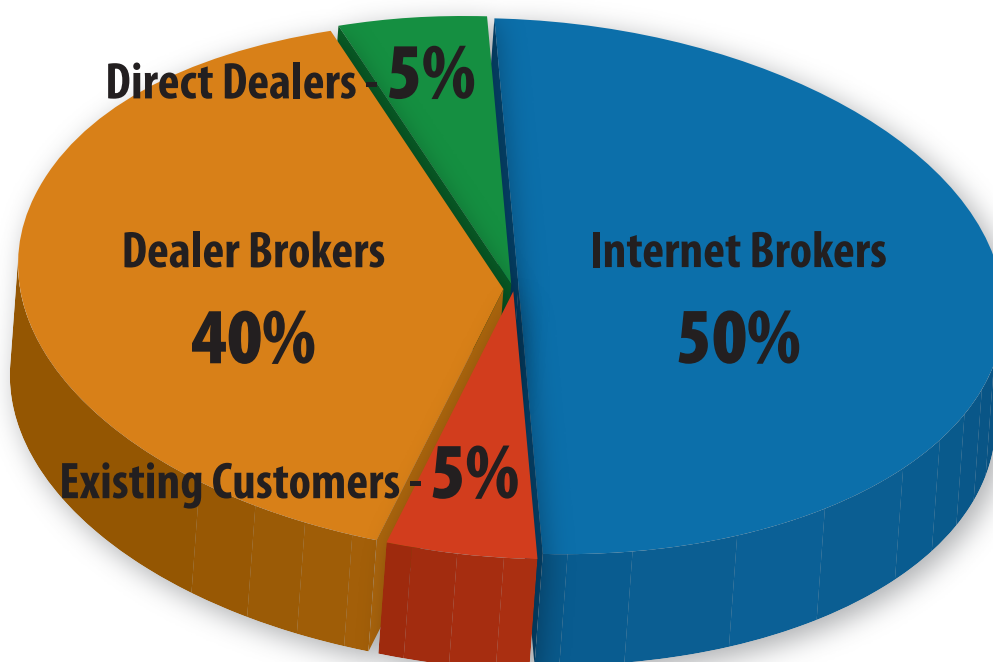
- Average age of vehicles on the road in the UK is at an all-time high of 8.1 years and demand for good used cars remains buoyant



- The above statistics give us confidence in the ongoing demand for our services and that opportunity remains to increase market share.

# How we acquire our business

- Advantage is a well-established and respected market player, with a 19-year market presence.
- Applications are sourced directly from business introducers (*motor finance intermediaries & motor dealers*) and directly from consumers.
- Advantage have 40+ longstanding key intermediary relationships and transacts with over 500 different dealers each month.
- Our intermediaries source applications from motor dealers and directly from consumers via internet advertising.
- 99% of introducer applications are received via our bespoke web based application management system, which provides immediate on-line lending decisions.
- Approx. 5% of all new business is sourced from existing customers.





# Routes to Market

- Advantage has strong and longstanding relationships with the UK's largest motor finance brokers e.g

- Carfinance247
- Zuto
- Evolution Funding
- Jigsaw
- Auto Union Finance



- These brokers supply business from and to some of the biggest motor dealers in the industry e.g.

- Pendragon
- Evans Halshaw
- Perrys
- Lookers
- JCT600
- Carshop
- Arnold Clark



- We also source business from highly reputable smaller local dealerships throughout the UK.



# Our People

- Open 'one team' philosophy
- KPI driven business
- Promotion from within  
(including 6 of 9 Directors)
- Investors in People accredited  
(re-awarded March 2017)
- Strong culture of internal and external training & development
- Ideas Committee with staff rewards
- Employee Referral Scheme
- Employee of the Half-Year Award  
(bi annual award with up to 6 awards, including runners up)
- 10 year service award  
(approx. a third of staff qualified)
- Low staff turnover at 92.7% retention  
(UK average 81.9%)



**Darren Young** - Customer Service Manager  
*Joined Advantage – April 2008*



**Rebecca Ridley** - Underwriting Manager  
*Joined Advantage – January 2002*

# Key Drivers to Success

- 19 years of effective risk focus & management
- Strong backing from S & U
- High investment in IT development & systems
- Consistent market presence driving loyalty & long term relationships
- Effective arrears management and control
- Focus on quality and compliance
- Prudent company accounting and effective cost control
- Very low staff turnover leading to a wealth and depth of in-house knowledge & experience



**Connor Swales** – Administration Team Leader  
*Joined Advantage – June 2013*



# Information Technology

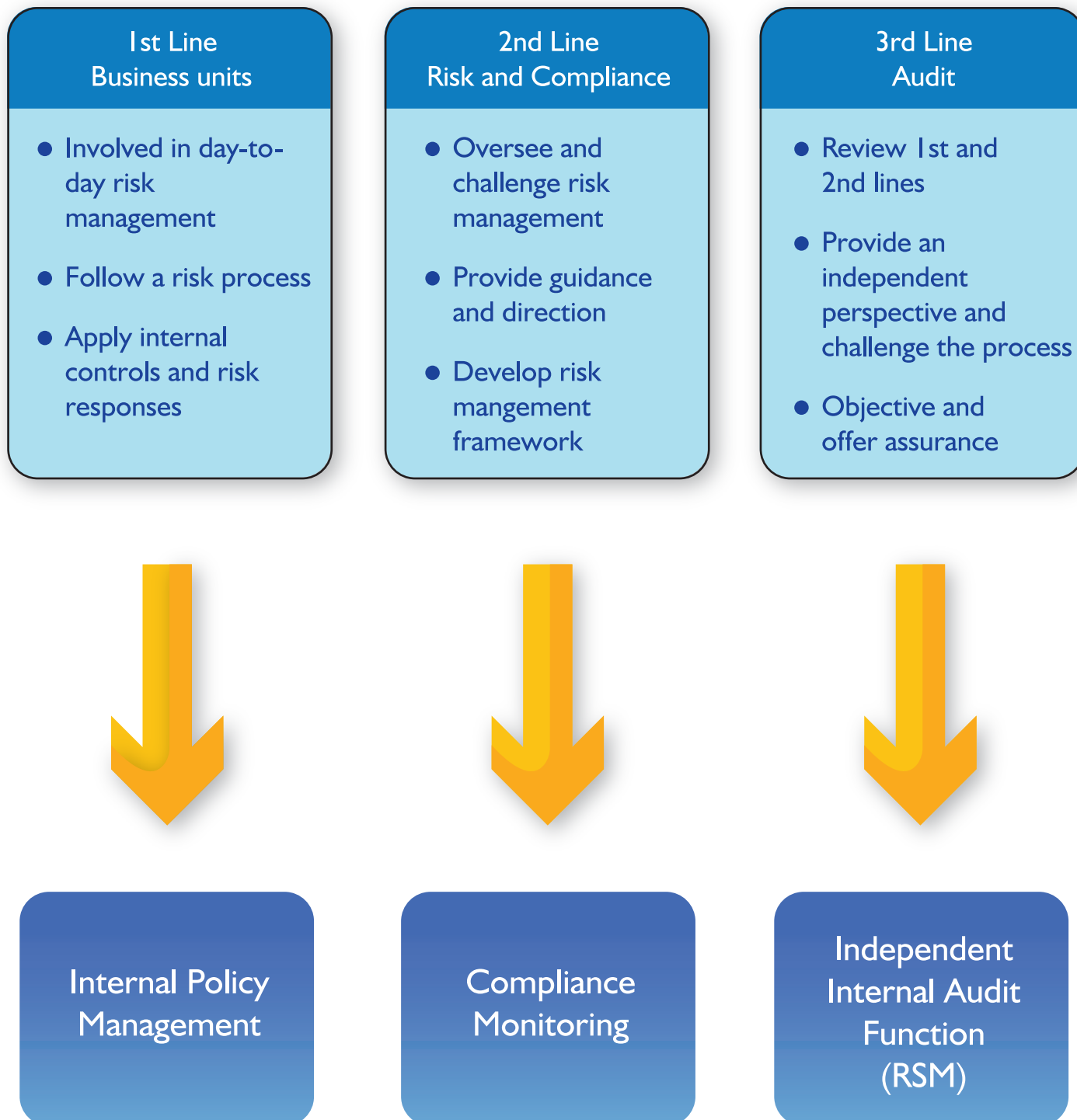


- Development of own systems a key founding philosophy – fully self-sufficient.
- Long serving in house programming / support team. (*approx. 10% of total company staff*)
- Dealflo – Market leading paperless document facility incorporating electronic income and ID validation. (*Endorsed by Shoosmiths*)
- Operational DR site and live failover systems.
- PCI compliance certified to latest standards.
- Enhanced cyber-security measures implemented and regularly tested by third party experts.
- Customer online and telephone payment facility.



# Operational Risk

Advantage has an embedded '3 lines of defence' model





## Internal Policy Management

- Company policies and procedures are maintained using a powerful commercial policy management system (PolicyHub)
- Provides total control over policy maintenance and distribution
- PolicyHub facilitates: authoring, reviewing, approving, distributing, staff sign-off and knowledge testing of all company policies, including:
  - Business Continuity Plan
  - PCI Security Policies
  - HR Policies
- Annual staff knowledge testing of AML, FCA Regulation, PCI Security and BCP

## Compliance Monitoring

- Robust and well established internal compliance monitoring procedures
- Independent Internal Audit function (RSM) reporting to Group Audit Committee
- Shoosmiths LLP appointed as firm's legal advisors under fully insured contract, incorporating CCA documentation and horizon scanning
- Monthly distribution of Compliance & Risk reports and quarterly TCF review, signed off by all Directors
- Strong complaint handling procedures & management system
- Audit & quality are key factors in staff performance and pay structures
- Successful track record of compliance inspections (CIFAS, DPA, FSA/FCA, FLA, Trading Standards, DVLA etc.)

## Independent Internal Audit Function (RSM)

- Three year audit cycle set up with RSM at start of 2016
- Reports directly to Group Audit Committee
- 35+ days per year spent within the business covering approx. 20 different audit areas
- Areas covered include assessments of Compliance, Governance and Risk Management frameworks as well as detailed sample based reviews of internal controls
- Good outcomes reported to date
- Detailed specific reviews have also been completed by invitation in areas such as cyber resilience and GDPR implementation

# Credit Risk Assessment

- Bespoke scorecard introduced in 2007 (latest iteration April 2017) assessing credit risk, KYC, Fraud, Affordability and AML.
- In-house use of Data Mining tools from SAS allows continued performance monitoring and reviews to be made.
- Scorecard amalgamates data from the following primary sources:
  - Experian (CRA and vehicle data)
  - TransUnion (formally known as CallCredit- CRA and AML data)
  - CIFAS (UK national fraud database)
  - Glasses Guide (vehicle valuations)
  - GB Group (ID verification)
  - Bank of England (AML & terrorists lists)
  - Own historical application data (cross referencing)
- Automated decision returned within 10 seconds on 95% of all applications received. Remaining applications manually assessed by experienced Lending Department.
- On-going detailed monitoring of all credit risk factors are included in every monthly KPI Report, used to shape, and cost both current and future risk appetite.
- Hire Purchase business only (no PCP) on primarily used vehicles means much reduced exposure to fluctuations in motor vehicle residual values.



# Rate for Risk

- Our Hire Purchase product is broken down into 5 customer/vehicle risk categories: Tiers A – E, with each having 3 sub categories to cover the range of customer scores.

	Tier E			Tier D			Tier C			Tier B			Tier A		
Interest Rate p.a.	E 25%	E 23%	E 21%	D 19.5%	D 18.5%	D 17.5%	C 17%	C 16.5%	C 16%	B 15.5%	B 15%	B 14.5%	A 14%	A 13%	A 12%
Average Advance YTD	£5,379			£5,754			6,025			6,025			£6,708		
Average Loan-to-Value YTD	90%			94%			93%			93%			92%		
Split of Business YTD	14.8%			18.8%			20.6%			21.1%			25.2%		
Average Return on Capital Employed	16% - 18%			16% - 18%			16% - 18%			16% - 18%			16% - 18%		

- Advances are also controlled by individual affordability assessments. Meaning just because a Tier A has a maximum offering of £12,000, a specific Tier A customer may only be offered £6,000 or declined altogether solely on affordability.

# Affordability

- Our regulatory responsibilities are met automatically by our desire to identify as far as possible customers with the ability to pay us.
- We achieve this by a sophisticated ‘behind the scenes’ Income and Expenditure assessment for every one of our 80,000 monthly applicants.
- Credit data from Experian and CallCredit is combined with living cost data (Council Tax, Utility, Living Expenses) from the Office for National Statistics and overlaid with Zoopla rental data for 2, 3 and 4 bedroom rental costs isolated down to over 3,000 post code districts.

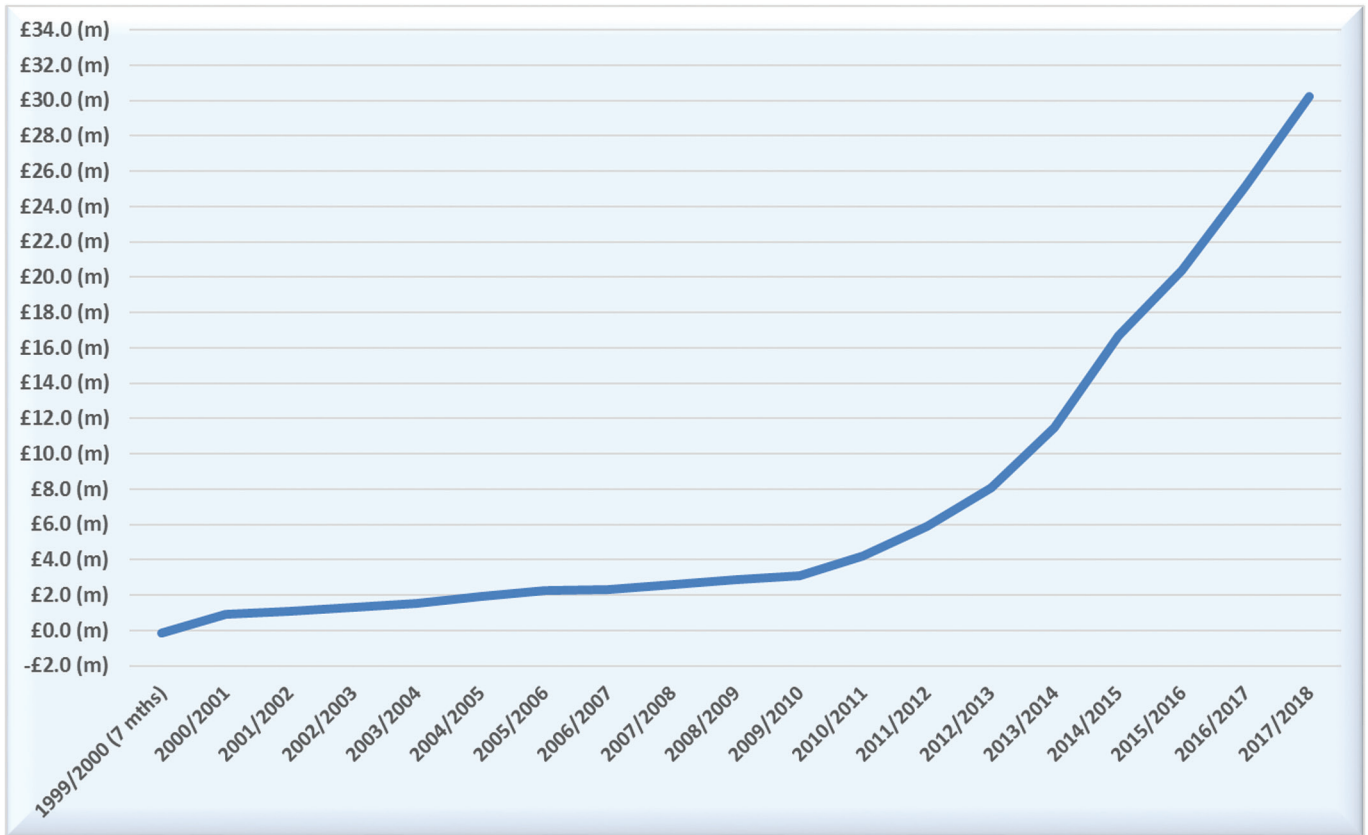


- Rigorous income validation then allows us to know what ‘headroom’ an applicant will have and we then give an accurate offer of finance that is affordable to them.

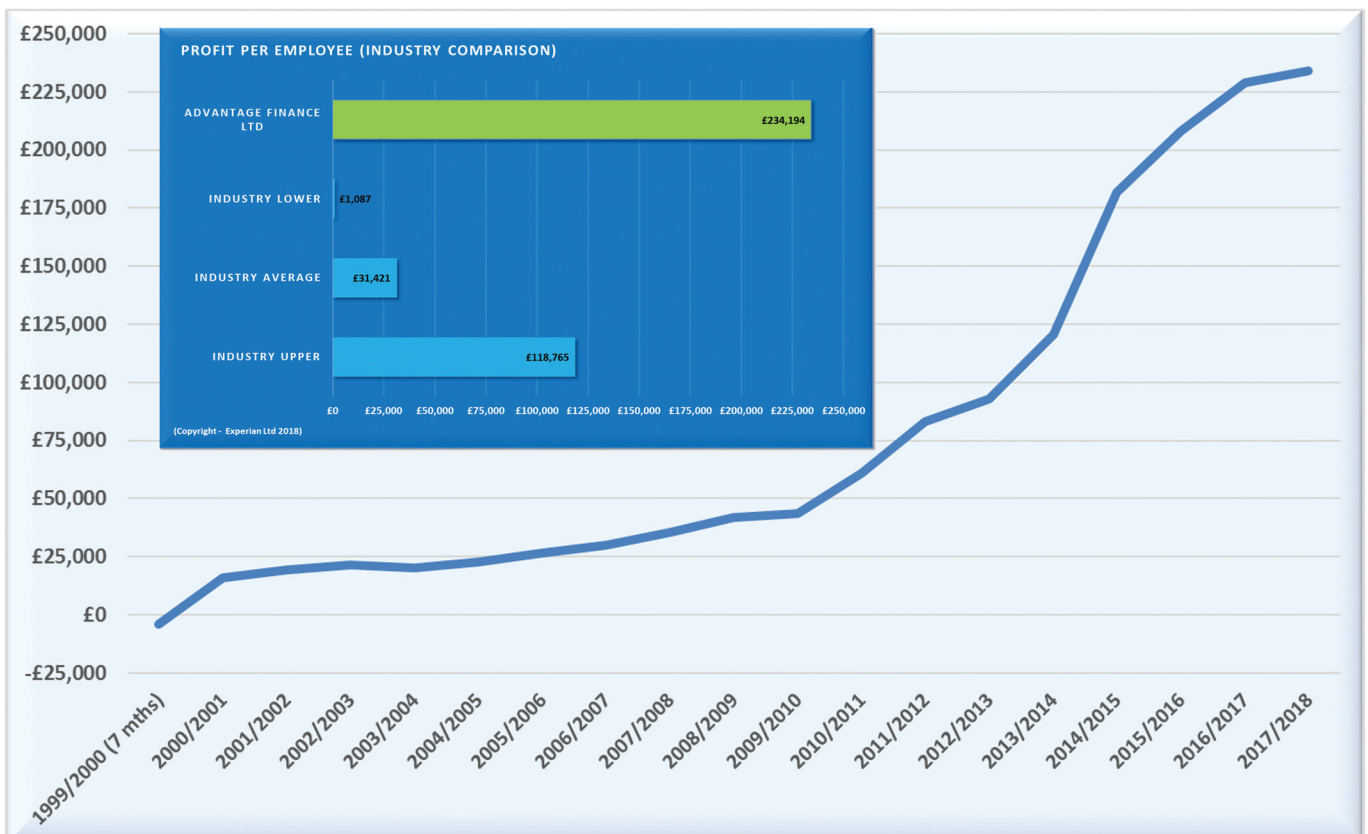


# Business Success

## Pre-tax Profit Performance



## Annual Pre-tax Profit per Employee











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