STAFF REMUNERATION POLICY

POLICY STATEMENT & PURPOSE

BSP Motor Vehicles Ltd are committed to ensuring our customers receive a good outcome on all occasions, whilst maintaining an effective remuneration scheme for our staff. In accordance with the Financial Conduct Authority's (FCA) specific rules on staff incentives and remuneration which were implemented in October 2018 we have implemented strict control measures around our remuneration schemes. The FCA have identified a number of scheme types that, if well designed, could help to promote and reinforce positive behaviour and a focus on good customer outcomes in staff, even when they are working remotely. It is especially key that schemes don't reward – accidentally or otherwise – behaviours that ask staff to balance their income with what is right for the customer.

The Purpose of this policy is to provide clear guidance to our staff regarding how remuneration schemes are designed, reviewed, monitored and reported on.

< BSP Motor Vehicles Ltd > have implemented and maintained policies, procedures and practices to enable us to detect any risk that our remuneration practices threaten non-compliance with regulatory obligations.

< BSP Motor Vehicles Ltd > strive to ensure that its remuneration schemes, including bonuses, are not designed to have a fault within them that means they can be exploited to prioritise profit or individual gain above customer outcomes. < BSP Motor Vehicles Ltd > ensures that any schemes are designed with quality assurance and the fair treatment of customers in mind.

One of the ways < BSP Motor Vehicles Ltd > manage the risk of schemes resulting in unfair treatment of customers, is by collecting management information (MI) to analyse patterns in groups of staff, or in individual staff behaviour to confirm that existing schemes work well and prioritise the quality of work and customer outcomes.

SCOPE

The policy relates to all staff within the organisation and has been created to ensure that staff deal with the area that this policy relates to in accordance with legal, regulatory, contractual and business expectations and requirements

REMUNERATION SCHEME EXAMPLES

< BSP Motor Vehicles Ltd > have listed some poor and good remuneration practices below.

Poor Remuneration Practice – Examples	Good Remuneration Practice - Examples
1. Where staff salary, bonus or commission is determined entirely, or even in part, by the amount of credit provided or debt collected e.g. targets for the volume of credit provided. 2. Incentives to sell goods which can be financed where the scheme incentivises individuals to sign someone up to credit that isn't suitable for the customer or in their best interests, in order to meet a target. 3. Any scheme based on the volume of sales 4. 100% variable pay (commission with no basic salary) 5. Any scheme where a single transaction can have an impact on an individual's pay 6. Incentives linked to the terms of finance, as these create a direct link between commission earned by sales staff and terms such as the interest rate charged 7. Variable salaries that change based on volume measures, e.g. where salaries can increase or decreased based on sales made, which carry a risk that staff will engage in inappropriate behaviours to increase their salary. 8. Competitions or promotions	1. Bonus payments based on the results of a customer telephone survey conducted randomly and by an independent third-party. 2. A bonus paid on the basis of QA reviews, for example, assessments for a sample of calls that have been independently scored for customer experience and outcome. 3. Bonuses based on loans in a 'positive' status, including those where the customer was fully up to date with payments. 4. Reductions in bonus for failing to meet quality standards 5. Deferral or clawback of incentive payments, for example, where quarterly bonuses are not paid until the end of the following quarter, at which point the assessment of customer outcome has been finalised, or where commission earned is 'clawed back' if customers cancel or defaults within the first three months of a credit agreement sold.

9. Any scheme that combines several high-risk elements	

DESIGN

When < BSP Motor Vehicles Ltd > designs any new remuneration schemes, they will consider the following:

- How much our sales figures influence the way we evaluate staff performance and, in turn, impact on staff promotions and benefits.
- How we monitor behaviours of sales staff pre- and post-performance review – and how we will be able to recognise changes in their behaviour?
- Senior staff drive culture, how much the messages senior management give to staff reflect a balanced view where sales success is valued equally with the fair treatment of customers and good conduct.

REVIEW

When < BSP Motor Vehicles Ltd > reviews its remuneration schemes it will consider the following:

- That incentive schemes must never be at the customer's expense, they shouldn't be too complex, and the risks need to be managed properly.
- < BSP Motor Vehicles Ltd > will consider using balanced scorecards so that compliant behaviour is given equal weight to sales.
- That < BSP Motor Vehicles Ltd > bonus and incentive schemes reward quality or selling the right way and penalise poor behaviour or mis-selling. Quality measures should reflect the fair treatment of customers and not just customer satisfaction. < BSP Motor Vehicles Ltd > will also bear in mind deterrents will not work where they are outweighed by the rewards for how much is sold.
- If an individual's quality measures fall below a certain level, consider whether it is appropriate for them to receive any bonus.

MANAGEMENT INFORMATION

< BSP Motor Vehicles Ltd > use Management Information (MI) for the following:

- Normal compliance MI gives us the data we need to assess behaviours, such as call monitoring, file reviews, complaints and cancellations.

- To check for spikes and trends in the sales patterns of individuals to identify areas of increased risk.

- Contacting individual customers post sale to discuss their experience in further detail or engage mystery shoppers to ensure schemes are working correctly.

< BSP Motor Vehicles Ltd > ensures it's MI is seen by the right people, including senior management, and that it's given context and acted upon when issues are identified. MI is provided to Senior Management on a monthly basis.

MONITORING

< BSP Motor Vehicles Ltd > operate well-designed business quality monitoring (including call monitoring for telephone sales) carried out by competent staff.

When remuneration and incentive schemes pose a higher risk of mis-selling, especially when deadlines are approaching, increased monitoring will take place.

< BSP Motor Vehicles Ltd > make sure that staff who undertake the quality monitoring are sufficiently independent of the sales function to avoid conflicts of interest or inappropriate influence by sales staff or managers.

RESPONSIBILITIES

< BSP Motor Vehicles Ltd > ensures that all staff are provided with the time, training and support to learn, understand and implement our objectives and procedures for fair customer outcomes and that all regulatory requirements are understood and complied with.

When issues have been identified, < BSP Motor Vehicles Ltd > will be sure to take action where issues are identified and to record the outcomes.

Actions may include:

- reviewing individual sales
- retraining
- follow-up monitoring to make sure that issues don't recur.
- Check to see whether the issues identified indicate any trends of mis-selling.
- Disciplinary Proceedings

IMPLEMENTATION

This policy takes effect immediately. All managers should ensure that staff are aware of this policy and its requirements. If staff have any queries in relation to the policy, they should discuss this with their line manager or the Director.

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RETENTION

This policy will be reviewed periodically and historical records retained for 6 years.