

The Standards Framework

for Invoice Finance and Asset Based Lending

A guide to the Code, Independent Complaints Process and Professional Standards Council



UK
FINANCE



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Introduction

This guide provides information about the Standards Framework, including the standards that UK Finance Invoice Finance and Asset Based Lending (IFABL) Members will meet, how to make a complaint about an IFABL Member, and the role of the Professional Standards Council. It also provides the answers to some Frequently Asked Questions and links to further information.

The Standards Framework was established in 2013 by the then Asset Based Finance Association (ABFA). From 1 July 2017 the ABFA was fully integrated into a new trade association, UK Finance, which represents around 300 firms in the UK providing credit, banking, markets and payment-related services. UK Finance takes on many of the activities of the ABFA along with those of the British Bankers' Association, the Council of Mortgage Lenders, Financial Fraud Action UK, Payments UK and the UK Cards Association.

The Standards Framework ("the Framework") only covers the provision of invoice finance and asset based lending products and services, as provided by UK Finance's IFABL Members.

The costs of the Framework are met by UK Finance and its IFABL Members, and the complaints process is free for client businesses who wish to use it. Compliance with the Framework is overseen independently by the Professional Standards Council, and complaints which are referred are adjudicated upon independently by a specialist Ombudsman.

The Standards Framework has three core components:

- 1 The Invoice Finance and Asset Based Lending Code sets the standards of practice that all IFABL Members must meet in their treatment of clients, prospects and other associated parties.
- 2 The independent Complaints Process is provided by Ombudsman Services and provides clients with an independent mechanism through which any concerns can be investigated and adjudicated upon.
- 3 The independent Professional Standards Council (PSC) oversees the Code and the independent Complaints Process to ensure that they are working effectively. The PSC seeks to protect and enhance the reputation of the invoice finance and asset based lending industry through the development of the Code and monitoring and upholding its provisions. The PSC has a range of powers that it can use to do this.

Invoice Finance and Asset Based Lending

Invoice finance and asset based lending are forms of commercial finance used to support companies of all sizes, from start-ups to larger corporates, and across all industry sectors. The products and services are normally used for growing businesses and can also be used to support client businesses that are transforming or restructuring.

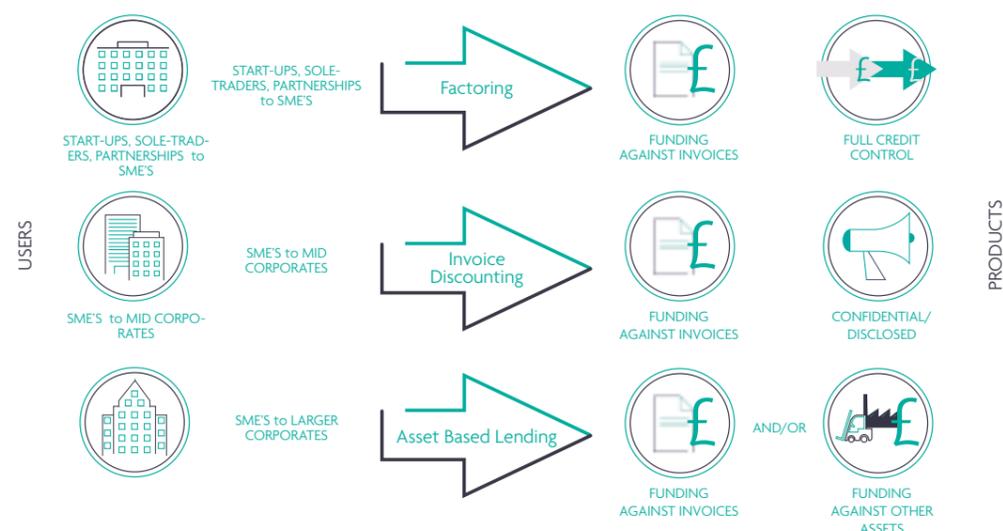
Invoice Finance

The most commonly known type of invoice finance is **factoring**, which supports many thousands of client businesses. The most significant product in the UK, however, in terms of both volume of funding provided and numbers of clients supported, is **invoice discounting**.

With both factoring and invoice discounting, funds are provided against the debts owed to a client business by their customers (debtors). The debtor book will often be the most significant asset that a business will have and invoice finance allows the client business to unlock the funding tied up in its debts, releasing finance for working capital and growth. A finance provider would normally purchase the right to payment of the debts owed, rather than take security against them.

Asset Based Lending

In addition to providing funding against the debts owed to a client business, some finance providers can offer clients a wider range of funding facilities secured against other assets. These can include stock, plant and machinery, property and land, and sometimes intangible assets such as intellectual property and forward income streams. This is referred to as asset based lending as the finance provider will generally take security (*will lend*) against the wider assets of a business.



MORE INFORMATION

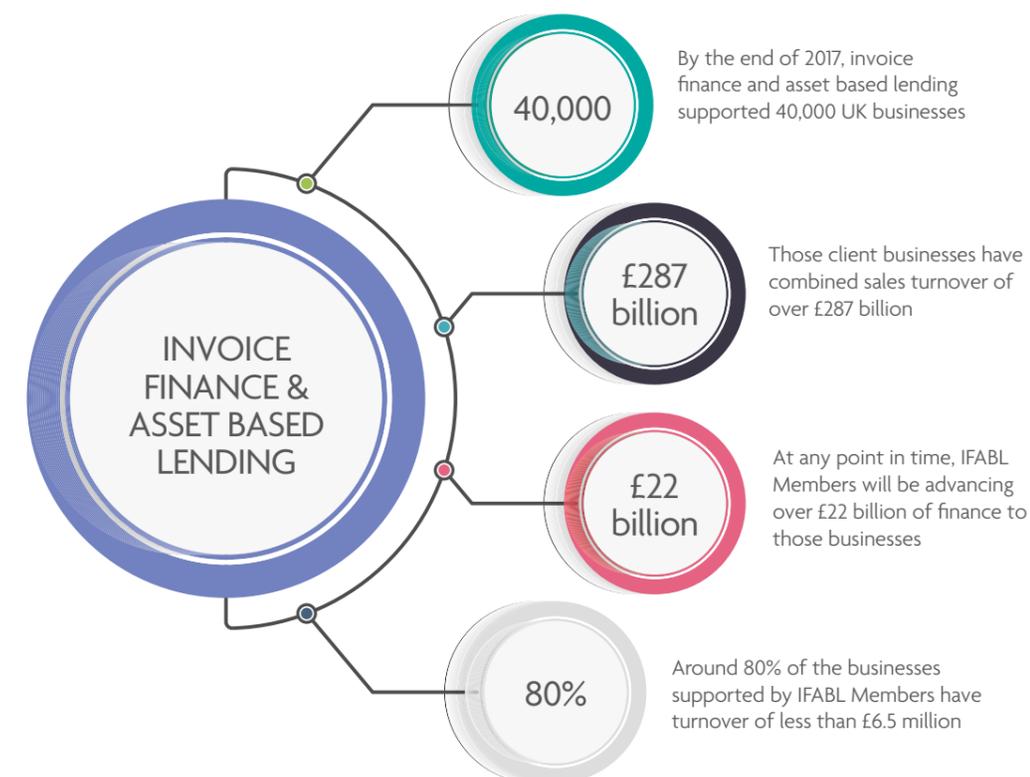
LIST OF MEMBERS

<http://www.ukfinance.org.uk/Members/Memberslist.asp>

FURTHER PRODUCT INFORMATION

<http://www.ukfinance.org.uk/About/IndustryInformation.asp>

The Industry in Numbers



Finance Providers

Invoice finance and asset based lending products and services are available from a wide range of finance providers, from the specialist divisions of the UK banks, as well as a range of independent non-bank finance providers.

The majority of invoice finance and asset based lending providers in the UK are IFABL Members of UK Finance and thus comply with the requirements of the Standards Framework. Members are permitted to use the UK Finance Standards Framework logo on their website and in communications.



MORE INFORMATION

INVOICE FINANCE AND ASSET BASED LENDING INDUSTRY STATISTICS

<http://www.ukfinance.org.uk/news/statistics.asp>

Why there is a Standards Framework

Members have supported many hundreds of thousands of client businesses in the UK over the last 50 years. The overwhelming majority of client businesses are happy with the products and services they receive and how they are treated.

In some cases, however, a client business may be unhappy with the service they receive. Where that happens it is important to have a clear set of principles and standards in place and independent processes through which concerns can be explored and, if necessary, addressed.

Finance that is provided to businesses, as opposed to consumers or individuals, is not generally subject to government regulation in the UK as far as conduct is concerned. The Framework has been established to provide current and prospective clients of this industry with confidence in using these forms of finance.

The Code and Guidance

All UK Finance IFABL Members must operate in accordance with the Code. This Code, and the supporting Guidance sets the standards that IFABL Members are required to meet in their dealing with clients, prospective clients and other specified associated parties in the provision of invoice finance and asset based lending products and services

It does not cover Members' conduct in the provision of any other services that they may offer, although separate regulatory systems may exist.

The commitments within the Code are broadly based on the principles of Treating Customers Fairly.

The Code is generally principles-based rather than prescriptive. This is to ensure that it remains focused on outcomes for clients rather than on process.

Members that already operate to some extent in a formally regulated environment – such as those that are part of banks – must interpret the principles of the Code in the context of their existing practices and policies. There should be no conflict between the Standards Framework and statutory regulatory systems and if there is the latter will always prevail.

Whilst the principles set out in the Code cover conduct with all clients in the provision of invoice finance and asset based lending, the independent Complaints Process is specifically focused on smaller client businesses and is accessible to clients with an annual turnover of up to £6.5 million.

MORE INFORMATION

THE INVOICE FINANCE AND ASSET BASED LENDING CODE
<http://www.ukfinance.org.uk/IFABL-Code.pdf>

The Commitments of the Code are:

- 1 Members shall abide by this Code, its Guidance and all applicable laws and regulations.
- 2 Members shall act with integrity and deal fairly and responsibly with clients and guarantors.
- 3 Members shall provide clients and guarantors with all appropriate information in a timely and transparent manner.
- 4 Members shall ensure that legal documentation issued by them is clearly and unambiguously written.
- 5 Members shall provide effective and timely client services in accordance with their legal agreements.
- 6 Members shall operate their own appropriate complaints procedures and the Professional Standards Council may from time to time request details of such procedures and anonymised data as to their outcomes.

Each of the above commitments have more detailed requirements which are set out within the full Code document.

Switching Invoice Finance Provider

As well as the Code and Guidance, Members agree to comply with a standard procedure to make it as easy as possible for a client business to switch invoice finance provider.

This procedure is called the Inter Member Transfer Process (IMTP) and will normally be followed whenever a client transfers from one IFABL Member to another. The IMTP includes a number of commitments and timescales that the Members involved will meet in relation to the transfer.

If a client business believes those commitments have not been met, they would be able to raise a complaint with the Member involved. If the issue is not addressed to their satisfaction they would then be able to access the independent Complaints Process under the Standards Framework, subject to the eligibility criteria.

MORE INFORMATION

HOW TO SWITCH INVOICE FINANCE PROVIDER
<http://www.ukfinance.org.uk/IFABL-IMT.pdf>



Impartial

Professional

Accessible

Ombudsman Services are experts in dispute resolution, providing services in a range of industries, including in the communications, energy, copyright and property sectors, as well as in the invoice finance and asset based lending sector. Ombudsman Services have a strong track record in delivering complaint services on behalf of membership organisations, working with the Royal Institution of Chartered Surveyors amongst others.

Some of the schemes provided by Ombudsman Services are under-pinned by statute, such as in the energy and communications sectors, where providers are required to be covered by an Ombudsman.

Other schemes - such as that which covers all UK Finance invoice finance and asset based lending Members - are 'voluntary' whereby joining an association, as a condition of membership, providers have chosen to be covered by an Ombudsman.

Ombudsman Services' objectives when dealing with complaints about Members are as follows:

- 1 To provide an independent, impartial and cost effective means of resolving disputes outside the courts;
- 2 To give an impartial and independent review of complaints; and
- 3 To work with the Professional Standards Council, UK Finance and its Members to improve the service they give to their clients, making recommendations for improvements or change within the industry.

Ombudsman Services will consider complaints relating to alleged breaches of the Code and Guidance. In handling complaints, carrying out investigations, proposing resolutions and reaching final decisions, Ombudsman Services will proceed fairly and in accordance with principles of natural justice.

Ombudsman Services will consider what is fair and reasonable in the circumstances, having regard to principles of law or judge-made decisions, good practice, equitable conduct, contractual obligations and good administration.

MORE INFORMATION

OMBUDSMAN SERVICES

<https://www.ombudsman-services.org/>

The independent Complaints Process

The independent Complaints Process is one of the key ways that compliance with the Code is monitored and enforced. It is provided by the specialist dispute resolution organisation, Ombudsman Services.

The Complaints Process is focused on meeting the requirements of smaller client businesses that may lack the resources, confidence or ability to otherwise take forward any concerns about treatment. It is available to all Members' clients with annual turnovers of up to £6.5 million, which covers at least 80 per cent of the industry's current client base. Certain restrictions apply in respect of historical complaints.

The independent Complaints Process complements Members' internal complaints systems - it does not provide an alternative to them.

The process is focused on outcomes and the objective is to enable an issue to be addressed and resolved to the satisfaction of the complainant as quickly as possible. The Member will normally be best placed to address the issues raised and therefore a complaint must be registered under the Member's own complaints procedure, before it can be transferred to the independent Complaints Process.

The Complaints Process is intended to be compensatory not punitive. The maximum award available through the independent complaints process is £28,000.

The Professional Standards Council

The Professional Standards Council (PSC) is responsible for the effectiveness of the Standards Framework, overseeing the Code, as well as Members' complaints processes and the independent Complaints Process.

The PSC is supported by but operates independently of UK Finance. Its membership comprises a majority of independent lay-members (non-industry), including an independent chair, with a minority of industry representatives to provide appropriate expertise and experience.

The PSC does not, in normal circumstances, consider individual complaints; these are the responsibility of Ombudsman Services. The PSC's role is to consider issues emerging from the complaints processes and other matters brought to its attention, as well as wider issues that may affect the reputation of the industry.

As well as making recommendations to the IFABL Product and Service Board regarding conduct and practices, the PSC can recommend a range of sanctions regarding conduct and, where necessary, continuation of membership.

MORE INFORMATION

COMPLAINTS PROCESS / MAKING A COMPLAINT

Call +44 (0) 203 934 1456 or email ifablstandards@ukfinance.org.uk
<http://www.ukfinance.org.uk/IFABL-Complaint-Process.pdf>

Frequently Asked Questions

Why was the Standards Framework established?

The Framework was established to support the industry's clients and provide them - as well as businesses that may be considering using invoice finance or asset based lending – with confidence in using the products.

Invoice finance and asset based lending providers have supported hundreds of thousands of client businesses over the last 50 years. However, in some cases a client may feel they have been treated unfairly and so it is important to have a clear set of principles and a process through which concerns can be investigated and addressed.

The Framework is part of the industry's commitment to meet and exceed the expectations of current and future clients.

What are the key principles behind the Standards Framework?

The Standards Framework requires IFABL Members to treat their clients and associated parties fairly and responsibly, and operate with integrity at all times. They are also required to be timely, transparent and unambiguous in their dealing with clients and each other.

Is invoice finance and asset based lending regulated?

Invoice finance and asset based lending are forms of commercial finance for businesses and are not provided to individual consumers. The provision of commercial finance - rather than consumer finance - is not generally subject to statutory conduct regulation at the present time in the United Kingdom.

Whilst many IFABL Members are part of organisations that are subject to statutory regulation in respect of other products and services, invoice finance and asset based lending are currently not.

The Standards Framework was independently established by the ABFA and now part of the UK Finance IFABL Product and Service Board. The Standards Framework is overseen by the independent Professional Standards Council.

Which finance providers are covered by the Standards Framework?

The Framework covers the conduct of all UK Finance IFABL Members in the provision of invoice finance and asset based lending. All IFABL Members agree to comply with the Code in their treatment of all clients and associated parties as a requirement of membership.

The independent Complaints Process has been particularly designed to be accessible to smaller client businesses and is available to all clients of Members with an annual turnover of £6.5 million. This covers over 80 per cent of the businesses currently supported by the industry.

The current Membership is available at www.ukfinance.org.uk/Members/Memberslist.asp.

What types of finance are covered?

The Framework covers the provision of invoice finance (factoring and invoice discounting, primarily) and asset based lending products and services.

It does not cover other products and services that may be provided by Members, although these may be subject to other statutory or non-statutory regimes.

Does the Framework cover all invoice finance and asset based lending providers?

It is estimated that IFABL Members provide at least 90 per cent (by volume) of the invoice finance and asset based lending available in the UK.

However membership is not compulsory and not all providers of invoice finance and asset based lending are Members. In particular there are a number of companies providing online invoice trading services – client businesses using those services are not covered by the Framework.

It is expected that all finance providers would seek to meet the standards set by the Code whether they are Members or not. But it is not possible to complain or raise concerns about the behaviour or actions of a finance provider that is not an IFABL Member.

Only IFABL Members are permitted to use the Standards Framework logo.

Does the Framework cover Associates of the UK Finance?

There are a number of organisations that provide professional services to the industry – these are referred to as Associates. The Standards Framework does not directly apply to Associates but Associates would be expected to support IFABL Members in meeting their requirements under the Framework. In addition, depending on the nature of their services, many Associates will be subject to a specific regulatory system and it may be possible to raise concerns with alternative bodies.

Who can make a complaint or raise a concern?

The independent Complaints Process is available to any client, prospective client (or guarantor/indemnifier to the same) of a UK Finance IFABL Member, if that client has an annual turnover of up to £6.5 million. Designated representatives are also able to make a complaint on behalf of a qualifying party.

Members must meet the standards set out in the Code in dealing with all clients regardless of size, however, and anybody can raise a concern about the behaviour of an IFABL Member with the Professional Standards Council.

How do I make a complaint?

The first step will be to register the complaint with the finance provider and request that they address the issues raised.

If a Member does not do so to the satisfaction of the complainant, the complainant may be eligible to use the independent Complaints Process provided by Ombudsman Services.

For further information about how to make a complaint please call +44 (0) 203 934 1456 or by email ifablstandards@ukfinance.org.uk.

What can the Professional Standards Council or the Ombudsman do?

Depending on the outcome of an individual complaint, the Ombudsman has the authority to direct a Member to put in place a number of remedies. The Ombudsman can require the Member to apologise and provide an explanation of what went wrong and, if possible and appropriate, to take steps to put this right. The Ombudsman can also direct an IFABL Member to make a compensatory financial award to a successful complainant.

The Ombudsman can make reports to the PSC about the conduct of an IFABL Member or Members, and make recommendations about practices within the invoice finance and asset based lending industry more generally, as appropriate.

The PSC has the power to make directions and recommendations to Members and can recommend the imposition of a range of sanctions regarding the conduct of individual Members. These can include sanctions around continuation of membership.

About UK Finance

UK Finance represents nearly 300 of the leading firms providing finance, banking, markets and payments-related services in or from the UK.

UK Finance currently represents around 95% of invoice finance and asset based lending (IFABL) providers in the UK. At any one time, IFABL Members will be advancing over £22 billion in finance to around 40,000 client businesses.

UK Finance's IFABL Membership includes a wide range of finance providers, including the specialist divisions of the UK banks as well as a range of independent non-bank finance providers.

In addition to the Standards Framework, UK Finance provides a vast array of courses including certifications, online modules and day courses to educate industry staff about the products, services and best practice expected of Members.

Regular forums also exist to ensure the industry is focused on evolving to better meet the needs of businesses.

In addition to finance providers, UK Finance has a number of Associate organisations that provide services to the industry. For the avoidance of doubt, these Associates are not covered by the Standards Framework but they may be covered by other industry codes or regulatory systems.

IFABL membership is restricted to businesses involved in the provision of invoice finance and asset based lending. Compliance with the requirements of the Standards Framework is a condition of membership, as are a number of other technical criteria.

VISIT OUR LIST OF MEMBERS: <http://www.ukfinance.org.uk/Members/Memberslist.asp>

FURTHER FINANCE INFORMATION

Further information about invoice finance and asset based lending, and about UK Finance, can be found at <http://www.ukfinance.org.uk>.

Further information about a wide range of business finance solutions can be found through the British Business Bank and ICAEW's Business Finance Guide, produced with the support of the UK Finance and many other organisations.

<https://thebusinessfinanceguide.co.uk>



STANDARDS FRAMEWORK ONLINE

Please visit the website for the most up to date information on the Code, the supporting guidance or to making a complaint about a Member.

<https://www.ukfinance.org.uk/standardsframework/>



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