

Target Market Determination Unsecured Personal Loan



ABOUT THIS DOCUMENT

R.A.C.V. Finance Limited ABN 82 004 292 291 Australian credit licence number 391488 (RACV Finance) has issued this Target Market Determination (Determination) as the issuer of the following unsecured personal loan products (Unsecured Personal Loan):

RACV Unsecured Personal Loan
RACT Unsecured Personal Loan
NRMA Car Loan

This Determination describes the types of customers that the Unsecured Personal Loan was designed for and the conditions that apply to the distribution of the Unsecured Personal Loan by RACV Finance and its distributors.

This Determination is effective on and from 5 October 2021 (Effective Date).

TARGET MARKET

The Unsecured Personal Loan is designed to provide timely medium-term financial assistance to retail customers residing in Australia seeking to purchase personal property and/or services for household, domestic or personal use.

The Unsecured Personal Loan's target market is defined in this section, outlining the class of retail customer through detailing product design factors such as key product attributes and eligibility criteria. These take into consideration the likely needs, objectives, and financial situation of the intended target market for which the product has been designed.

Table A provides a summary of key product attributes and highlights purposes for which the loan is suitable and not suitable.

Table B provides a summary of the eligibility criteria for the class of retail customer for who the product is suitable and not suitable.

The Unsecured Personal Loan, including its key attributes, is likely to be consistent with the financial situation, needs and objectives of the class of retail customers in the target market because money made available to customers under a loan may be used to fund the loan purpose.

The loan amount range, loan term and relative simplicity of the product is suited to the acquisition of personal property and services for personal, household, and domestic use.

Customers who can meet the financial requirements and are assessed as meeting RACV Finance's credit eligibility criteria should be able to meet their financial obligations under the credit contract, assuming no material change to their financial situation.

Table A: Unsecured Personal Loan Product Attributes and Loan Purpose

KEY PRODUCT ATTRIBUTES

Borrowers	Maximum of 2 (see eligibility criteria in Table B, NOTE co-borrowers must receive benefit from the loan)
Guarantors	Maximum of 2 (NOTE: Any guarantors must receive benefit from the loan and be subject to eligibility criteria in Table B)
Loan Term	Minimum 12 months, maximum 5 years
Loan Amount	Minimum of \$5000
Repayment Type	Principal and interest repayments only.
Accepted Repayment Arrangements	Weekly, fortnightly or monthly by direct debit, BPay, electronic funds transfer or at any National Australia Bank branch.
Interest Rate	Fixed annual percentage rate that applies for the term of the loan. RACV Finance uses risk-based pricing to determine the annual percentage rate (APR).
Additional Repayments	Permitted. While no fees are charged if additional repayments are made during the loan term, an early termination fee may be payable if the loan is repaid in full prior to the end of the loan term.
Fees	An application fee is payable. An early termination fee may be charged if the loan is repaid in full prior to the end of the loan term.

LOAN PURPOSE

General household assets (e.g. motor vehicle, caravan, boat)	✓ Appropriate
Home improvements to principal place of residence (e.g. home renovations, installation of solar panels)	✓ Appropriate
Debt consolidation	✓ Appropriate
One-off large personal expenses (e.g. travel expenses, medical bills, wedding expenses)	✓ Appropriate
Interest in real property	✗ Not Appropriate
Statutory payments (e.g. taxes, council rates, fines, penalties)	✗ Not Appropriate

Table B: Unsecured Personal Loan Eligibility Criteria

CUSTOMER STATUS AND FINANCIAL SITUATION

Is a natural person, over the age of 18 years, with permanent Australian residency	✓ Eligible
Has regular income paid in Australia	✓ Eligible
Employed on a regular basis in Australia	✓ Eligible
Is a Homeowner in Australia	✓ Eligible
Has sufficient funds to meet general day to day living expenses and financial commitments of the loan	✓ Eligible
NOTE: If the loan has a balloon payment structure there will be additional requirements to meet	
Has a history of savings and/or making repayments on time	✓ Eligible
Can meet RACV Finance's 'know your customer' and other anti-money laundering and counter-terrorism financing (AML/CTF) requirements	✓ Eligible
Has no proven financial history (including no evidence of savings, regular income or making regular repayments)	✗ Not Eligible
Will undergo substantial financial hardship as a result of entering the loan or is experiencing financial hardship at the time of application	✗ Not Eligible
Is an undischarged bankrupt, or a director of an entity that is in liquidation	✗ Not Eligible
Holds, or whose family member or close associate holds, a prominent public position or role in an overseas government body	✗ Not Eligible
Is a company or other corporate structure (including trusts)	✗ Not Eligible

DISTRIBUTION CONDITIONS

The Unsecured Personal Loan is distributed through RACV Finance, authorised brokers (including retail motor vehicle dealers).

Distribution methods for distributors are outlined in Table C.

Table C: Unsecured Personal Loan Distribution Methods

DISTRIBUTOR	ONLINE	ON THE PHONE	IN PERSON
RACV Finance	✓	✓	✗
Authorised Brokers	✓	✓	✓

The Unsecured Personal Loan is promoted by RACV Finance predominantly as a personal loan. Decisions about the content and placement of advertisements are made by RACV Finance having regard to whether it is more likely that the customers who acquire the product are in the target market, taking in account in particular loan purpose. Distributors are not permitted to place advertisements without the prior written approval of RACV Finance.

RACV Finance staff and Authorised Brokers who distribute the Unsecured Personal Loan must first be accredited by RACV Finance by satisfying RACV Finance's onboarding and training requirements. This includes providing training to distributors on the target market, including RACV Finance eligibility criteria and product features and suitability. Authorised Brokers are selected based on detailed assessments and due diligence checks including verification of credit licence, registration with required regulatory bodies and, absence from banned/disqualified registers.

All loan applications must be submitted for assessment to RACV Finance through a lending portal made available to all distributors. All loan applications are assessed for suitability by RACV Finance having regard to customer financial requirements and loan objectives in accordance with relevant credit and responsible lending policies and applicable law. A customer will not be offered a loan unless the application has been approved by RACV Finance.

RACV Finance considers that these distribution conditions make it more likely that customers who acquire an Unsecured Personal Loan will be in the target market.



REVIEW TRIGGERS

The events and circumstances that would reasonably suggest there is a need to review this Determination to assess if it is still appropriate are:

- A change to the design of the product's key attributes.
- A significant change to RACV Finance credit policy that affects the loan eligibility criteria.
- A change in RACV Finance's AML/CTF Program affecting customer types, products, and delivery channels.
- A change to the distribution strategy which results in a change to distribution conditions.
- A legislative or regulatory change, or external events (e.g. adverse media coverage) that affect the product attributes or the distribution conditions.
- A significant change in complaint trends and insights, or sales and conversion rates.
- Systemic issues identified across the product lifecycle (identified by product monitoring, testing or internal audit recommendations).
- If a significant dealing outside of the target market has occurred.

If a review trigger occurs, this Determination will be reviewed within 10 business days.

First review

RACV Finance will complete its first review of this Determination within 12 months of the Effective Date.

Subsequent reviews

Thereafter a review of this this Determination will be completed every 2 years or sooner if a review trigger occurs.

REPORTING & MONITORING

Complaints Reporting Period

Authorised Brokers must provide to RACV Finance information about the number of complaints about the Unsecured Personal Loan on a quarterly basis. Where complaints are reported, the Authorised Broker will provide information about the substance of complaints and general feedback from customers relating to the product and its performance.

Monitoring & Other Reporting

RACV Finance may also collect from Authorised Brokers (where that information is not otherwise available to RACV Finance) information about:

- on a quarterly basis, how the Authorised Brokers promoted the Unsecured Personal Loan during the preceding quarter;
- any significant dealing in relation to the product that is inconsistent with this Determination within 10 business days of the significant dealing occurring.

