



ARMED FORCES COVENANT MOTOR FINANCE PROTOCOL

Introduction

The Armed Forces Covenant is a pledge by the nation that those who serve in the Armed Forces, whether regular or reserve, those who have served in the past, and their families, should face no disadvantage compared to other citizens in the provision of public and commercial services. Businesses are encouraged voluntarily to sign the Covenant, and to make specific pledges to beneficiaries, whether these are customers or employees. Further information on the Covenant is available [here](#).

Service personnel account for about 0.4% of the economically active UK population and, of these, typically less than 6% are serving overseas. Germany, the Sovereign Base Areas in Cyprus, Gibraltar and Belgium currently account for the majority of overseas postings. These are locations where it is usually appropriate for service personnel to take their vehicle.

Service personnel seek, and are eligible for, motor finance in much the same way as the rest of the UK population. However, unlike much of the rest of the population, service personnel are liable to be redeployed mandatorily, including overseas, on a regular basis, and the destination of the redeployment is rarely known significantly in advance. Unless this is taken into account in how motor finance agreements are operated, this can have costly consequences for both service personnel and motor finance providers.

Consistent with the principles of the Armed Forces Covenant, the purpose of this Protocol is to ensure that service personnel face no disadvantage compared to other citizens in the sale and operation of motor finance agreements. To that end, the signatories to this Protocol undertake to use their best endeavours to ensure that the commitments contained in it are followed by those they work with and represent.

The commitments are as follows:

Service Personnel

- When seeking finance to enable the purchase of a vehicle, service personnel should identify themselves as such to the retailer (i.e. dealer or broker) they are dealing with and, if possible, give an indication of when their next deployment is due and the likelihood of this being overseas.

Retailers

- Dealers and brokers should pass on to the finance companies to whom they are introducing the customer the information that they are service personnel and what they have been told about the likelihood and timing of an overseas deployment.
- In presenting motor finance products to service personnel, dealers and brokers should take into account the timing and likelihood of an overseas deployment when considering both product suitability and agreement length.
- Dealers and brokers should ensure that the features and requirements of the proposed motor finance agreement are clearly explained to service personnel, including the options and impacts if they are deployed overseas.

Motor Finance Providers

- Motor finance providers' underwriting and collections policies should take into account the specific circumstances that apply to service personnel, including in particular the possibility of mandatory overseas deployment.
- Where service personnel with a motor finance agreement are deployed overseas, motor finance providers should permit the vehicle to be taken overseas for the remaining duration of the finance agreement, subject to evidence being provided of the deployment, the vehicle being comprehensively insured while there, and (if appropriate) an assessment of whether the mileage limit should be adjusted.
- Where service personnel are deployed overseas before the end of a motor finance agreement, and where they do not wish to or are unable to take the vehicle with them, motor finance providers should use their best endeavours to find a solution that is acceptable to the customer.

Ministry of Defence (MoD) and Finance & Leasing Association (FLA)

- The MoD (Armed Forces People Support) and the FLA will keep the effectiveness of this Protocol under regular review, exchange information on its operation, and support each other's functions under it.
- The FLA will ensure that the principles of the Protocol are reflected in the *Specialist Automotive Finance* learning material which is used by dealer, broker and motor finance provider staff.
- The MoD (Armed Forces People Support) and the FLA will use their best endeavours to ensure that the principles of this Protocol are brought to the attention of service personnel and to motor finance providers, dealers and brokers respectively.