

Novuna®
Business Finance

Novuna Business Finance Distribution Strategy

April 2023

Tomorrow. Together

Purpose of this document

Novuna strives to ensure that it delivers good customer outcomes across all stages of the customer journey. Novuna defines a good outcome as

"Acting in good faith at all stages of the customer journey, ensuring that customers receive the right level of information, at the right time and in a form that meets their needs, customers receive fair prices and quality products designed to consistently meet their needs, and by taking all reasonable steps to avoid causing foreseeable harm or detriment."

Novuna has constructed a distribution strategy which seeks to ensure that its direct and indirect distribution channels are designed to ensure customers have all the necessary information to assess whether the product meets their needs and represents value for money, in a timely manner prior to entering into an agreement. This includes ensuring that details of any fees and charges and the circumstances under which these are payable is clearly explained, as well as any unforeseen features or limitations of the product being brought to the customers attention before entering into an agreement. The support needs of customers, in particular potentially vulnerable customers, must be considered and accommodated throughout the customer journey, including selection of distribution channels.

All intermediaries that Novuna work with must deliver against these standards when distributing our products and ensure that they provide appropriate and relevant information and support to our customers at the point of sale.

In order to ensure that Novuna (where Novuna is both the manufacturer and distributor) and our intermediaries distribute Novuna's products to their intended target market, via an appropriate channel, in a way that is consistent with meeting the needs, characteristics and objectives of the target market, delivers fair value , and avoids foreseeable harm to our customers, Novuna has documented its distribution strategy, setting out its expectations for distribution of its products. These expectations inform its broker oversight and monitoring activities to ensure adherence to the distribution strategy.

Novuna ensures that, for each product it manufactures, it makes available the following information to its distribution partners:

- The characteristics of its products
- The identified target market and their characteristics, objectives and needs
- The benefits the product is intended to provide to customers
- The needs, characteristics and objectives of any customers with characteristics of vulnerability in the target market
- The intended distribution strategy (appropriate distribution channels)
- The outputs of the fair value assessment

This thereby enables its distribution partners to ensure that they meet their obligations under the Duty.

This document comprises the Distribution Strategy for Novuna Business Finance.

The Distribution Strategy – Commercial Introducer

Novuna Business Finance is a trading style of Mitsubishi HC Capital UK PLC and provides funding solutions to SMEs and large corporations across the UK. With over 40 years' experience in the business lending market, we are active across multiple sectors from transport and agriculture to construction and manufacturing.

We are authorised and regulated by the Financial Conduct Authority (FCA).

Our funding is designed to fit around the needs of SMEs and large corporations across the UK, helping customers to buy or lease business assets. With an expert team and award-winning services, we provide access to the finance solution businesses need to develop and grow.

We offer a range of regulated products to our customers:

- Hire Purchase
- Fixed Period Hire Agreement (with Novuna RV)
- Fixed Period Hire Agreement (Dealer Buyback)
- Finance Lease Hire Agreement (SPR and Rebate percentage)
- Fixed Period Soft Asset Hire Agreement

What Is the Purpose of Our Financing Options

Novuna Business Finance offer a range of regulated finance products to support UK based businesses who are sole traders, partnerships of two or three or unincorporated entities achieve their business goals.

Our products are designed for businesses who are purchasing assets which they may or may not wish to obtain title to at the end of the agreement term.

In addition, our Hire Purchase product is also offered to directors and key individuals within the business, who have a strong level of financial sophistication or access to finance professionals.

Why we think introducers are appropriate to distribute our product

The introducers we work with are FCA-authorised, and specialise in certain sectors of the market, so they are well placed to understand the requirements of customers and the financial products most suitable to meet those needs.

What we expect of our intermediaries when distributing our products

We expect our distributors to ensure customers have all the necessary information to assess whether the product meets their needs in a timely manner prior to entering into an agreement, that customers are provided with appropriate support for their needs and that the product represents value for money. This includes bringing to the customer's attention any fees and charges, including those charged by the intermediary, and the circumstances under which these are payable, ensuring that these are clearly explained, as well as any unforeseen features or limitations of the product being brought to the customers attention.

All intermediaries that we work with must ensure that they:

- understand the characteristics of Novuna products
- understand the identified target market
- have considered the needs, characteristics and objectives of any customers with characteristics of vulnerability
- understand the intended distribution strategy
- distribute Novuna products in accordance with the needs, characteristics and objectives of the target market and adhere to the distribution channels Novuna permit
- are satisfied that the distribution arrangements are consistent with the product providing fair value to customers

All intermediaries that we work with must deliver the expected standards in terms of distributing our products and providing appropriate and relevant information to our customers at the point of sale.

We will monitor customer outcomes and adherence to the distribution strategy through our broker oversight framework and controls.

Our products

Hire Purchase

Product Feature	Overview
Product Overview & Key Features	• Hire Purchase offers all the benefits of ownership without the initial capital outlay • Customers want the immediate use of a business-use asset and typically to obtain title at the end of the agreement • The product provides customers with the ability to gain this immediate use of the asset whilst spreading the cost of the purchase through use of a fixed-term fixed-rate regulated agreement • Periodic fixed payments, made up of capital and interest can be designed to match business income and expenditure cycles • Variable deposits and balloon payments can help reduce the periodic fixed payment • Deferred VAT payment options available • The customer can take title to the asset with payment of an Option to Purchase Fee at the end of the agreement term
Core pricing mechanism (customer)	• Fixed rate, interest bearing • Interest rates vary within standard approved parameters
Core Product Parameters:	**Value:**

	• Minimum Value - £5,000 Maximum Value - £25,000 (with the exception of cars, horseboxes and motorhomes for directors and key individuals only - no maximum) Term: • Minimum Term – 12 Months Maximum Term – 60 months, longer terms dependent on asset and customer type Commission: • Commission will be payable to Introducers for the introduction
Product fees and charges - non-contingent	• Documentation Fee: £195 • Option to Purchase Fee: £75 plus VAT • Fees are sign-posted and explained in the pre-contract information which we require to be provided to customers before entering into an agreement • It is important that you draw a customer's attention to these fees as part of the sales process • No fees or charges are levied in respect of late or missed payments
Product fees and charges - contingent	• There are no contingent fees associated with this product
Target market	• The overall target market for this product is UK based customers who are making specific purchases of assets in relation to their business, spreading the cost of that purchase over a fixed term, and that wish to obtain title to those assets at the end of the agreement term • There are no specific sectors or industries in which the product is deployed – the sector application is broad as long as the core purpose of the product is to fund a business-use asset • In addition, the product is also offered to Directors & Key individuals within the business, who have a strong level of financial sophistication or access to finance professionals
Identified Customer Need	• Hire Purchase provides customers with funding for immediate use of business-use assets • The product provides ownership without initial capital outlay • Variable deposits and balloon payments can help reduce the periodic payment • Periodic payments, made up of capital and interest can be designed to match business income and expenditure cycles • Customers do not necessarily need to take ownership of the asset, but have the option to purchase at the end of the agreement

Key Product benefits	• Immediate use of the asset without capital outlay • Fixed cost • Flexible payment profiles • Option to purchase at the end of the term • Unlimited use of the asset during the agreement term • VAT payment options: - Spread over the term of the agreement - Defer payment up to 3 months - Pay upfront as part of the deposit N B May be reclaimable depending on the asset and your VAT status • Potential Tax benefits: - Tax writing down allowances may be available - Interest charges may be tax allowable
Key Product limitations	• Ownership of the asset is retained by the funder until all payments have been made plus the Option to Purchase fee • The Agreement cannot be cancelled once entered into • Missed/late payments can: - Adversely impact the customer's credit rating/score, which may make obtaining credit more difficult/expensive for them in future - Result in enforcement action to recover the debts and the assets from the customer • We believe that these risks / limitations are adequately disclosed to customers in the pre-sales disclosures which we require to be provided to customers • It is important that you draw a customer's attention to these facts as part of the sales process
Early Termination/Exit Clauses/Charges	• Customers have a right to withdraw from the agreement within 14 days (excluding £60,260+ Agreements) After expiry of that period, customers may then settle the agreement in full or in part at any time • The early settlement amount is prescribed by the Consumer Credit Act • The Option to Purchase Fee is payable when settling the agreement if the customer wishes to obtain title
Key Risks Which Must be Disclosed to Customers at Point of Sale	• The customer will not own the asset until all payments have been made including the Option to Purchase Fee • Missed payments may impact a customer's credit rating and result in the customer having to repay the credit early and we may repossess the goods • Where the agreement features a balloon payment there is a risk that the customer may not have the funds to pay this at the end of the agreement • Regulated deals of £60,260+ must be signed on trade premises and are not cancellable

Which distribution channels are not permitted by Novuna	• The product can only be sold by introducers with a trading agreement in place with Novuna

Fixed Period Hire Agreement (with Novuna RV)

Product Feature	Overview
Product Overview & Key Features	• Regulated Hire Agreement – Fixed Term is a popular choice when usage of an asset matters more than outright ownership • Customers are able to have use of a business-use asset, but will not retain ownership of the asset • A residual value is taken by us which reduces the ongoing rental payments • Customers have to return the asset at the end of the agreement • The asset may need to meet return conditions or customers will have to pay additional sums • There may be an excess usage payment if customers use the asset more than the agreement allows • It is possible to design a bespoke payment pattern that matches the customer's business income and expenditure cycles • Low capital outlay; usually one monthly payment plus VAT • VAT is payable on each payment as it falls due
Core pricing mechanism (customer)	• Fixed rentals payable over a fixed term
Core Product Parameters:	Value: • Minimum Value - £5,000 Maximum Value - £25,000 (total amount of payments) Term: • Minimum Term – 12 Months Maximum Term – 60 months, longer terms dependent on asset and customer type Commission: • Commission will be payable to Introducers for the introduction
Product fees and charges - non-contingent	• Documentation Fee: £195 • Fees are sign-posted and explained in the pre-contract information which we require to be provided to customers before entering into an agreement • It is important that you draw a customer's attention to these fees as part of the sales process • No fees or charges are levied in respect of late or missed payments

Product fees and charges - contingent	• There are no contingent fees associated with this product
Target market	• The overall target market for this product is UK based businesses who are sole traders, partnerships of two or three or unincorporated entities, who not wish to own the asset at the end of the agreement • The target market is currently almost exclusively in the Grounds care / Agricultural markets • Other markets may be considered on a case-by-case basis
Identified Customer Need	• Customers who want the immediate use of a business-use asset with known fixed periodic cost but doesn't want to retain title at the end of the period • The agreement is not fully amortised and as the customer is not repaying the full value of the equipment, they benefit from reduced instalments
Key Product benefits	• Immediate use of the asset without capital outlay • Enables accurate budgeting for customers • Customers will not retain ownership of the asset • As the customer is not repaying the full value of the equipment, they benefit from reduced instalments • Low capital outlay; usually one monthly payment plus VAT • VAT is payable on each payment as it falls due
Key Product limitations	• The customer will not own the asset at the end of the term • There may be excess usage charges • Missed/late payments can: - Adversely impact the customer's credit rating/score, which may make obtaining credit more difficult/expensive for them in future - Result in enforcement action to recover the debts and the assets from the customer • We believe that these risks / limitations are adequately disclosed to customers in the pre-sales disclosures which we require to be provided to customers • It is important that you draw a customer's attention to these facts as part of the sales process
Early Termination/Exit Clauses/Charges	• The agreement is not cancellable under the Consumer Credit Act 1974 • The customer can end the agreement early by requesting an 'early termination' quote • An early termination quote will be provided in writing and will include a discount of future rentals
Key Risks Which Must be Disclosed to Customers at Point of Sale	• The customer will not own the asset at the end of the term

	• Missed payments may result in the customer having to repay the finance early and we may repossess the goods • Return conditions may apply • There may be an excess usage fee payable if the customer uses the asset more than the agreement allows
Which distribution channels are not permitted by Novuna	• The product can only be sold by introducers with a trading agreement in place with Novuna

Fixed Period Hire Agreement (Dealer Buyback)

Product Feature	Overview
Product Overview & Key Features	• Regulated Hire Agreement – Fixed Term is a popular choice when usage of an asset matters more than outright ownership • Customers are able to have immediate use of a business-use asset without capital outlay, but will not retain ownership of the asset • A buyback value is taken by a dealer which reduces the ongoing rental payments • Customers will have to return the asset at the end of the agreement • It is possible to design a bespoke repayment pattern that matches the customer's business income and expenditure cycles • Low capital outlay; usually one monthly payment plus VAT • VAT is payable on each payment as it falls due
Core pricing mechanism (customer)	• Fixed rentals payable over a fixed term
Core Product Parameters:	**Value:** • Minimum Value - £5,000 Maximum Value - £25,000 (total amount of payments) **Term:** • Minimum Term – 12 Months Maximum Term – 60 months, longer terms dependent on asset and customer type **Commission:** • Commission will be payable to Introducers for the introduction
Product fees and charges - non-contingent	• Documentation Fee: £195 • Fees are sign-posted and explained in the pre-contract information which we require to be provided to customers before entering into an agreement

	• It is important that you draw a customer's attention to these fees as part of the sales process • No fees or charges are levied in respect of late or missed payments
Product fees and charges - contingent	• There are no contingent fees associated with this product
Target market	• The overall target market for this product is UK based business who are sole traders, partnerships of two or three or unincorporated entities, who not wish to own the asset at the end of the agreement
Identified Customer Need	• Customers who want the immediate use of a business-use asset with known fixed monthly cost, but doesn't want to retain title at the end of the period • The agreement is not fully amortised and as the customer is not repaying the full value of the equipment, they benefit from reduced instalments
Key Product benefits	• Immediate use of the asset without capital outlay • Enables accurate budgeting for the customer • Customers will not retain ownership of the asset • As the customer is not repaying the full value of the equipment, they benefit from reduced instalments • Low capital outlay; usually one monthly payment plus VAT • VAT is payable on each payment as it falls due
Key Product limitations	• The customer will not own the asset at the end of the term • Missed/late payments can: - Adversely impact the customer's credit rating/score, which may make obtaining credit more difficult/expensive for them in future - Result in enforcement action to recover the debts and the assets from the customer • We believe that these risks / limitations are adequately disclosed to customers in the pre-sales disclosures which we require to be provided to customers • It is important that you draw a customer's attention to these facts as part of the sales process
Early Termination/Exit Clauses/Charges	• The agreement is not cancellable under the Consumer Credit Act 1974 • The customer can end the agreement early by requesting an 'early termination' quote • An early termination quote will be provided in writing and will include a discount of future rentals
Key Risks Which Must be Disclosed to Customers at Point of Sale	• The customer will not own the asset at the end of the term • Missed payments may result in the customer having to repay the finance early and we may repossess the goods

Which distribution channels are not permitted by Novuna	• The product can only be sold by introducers with a trading agreement in place with Novuna

Finance Lease Hire Agreement (SPR and Rebate percentage)

Product Feature	Overview
Product Overview & Key Features	• A Regulated Finance Lease provides businesses with access to hard assets for use in a business without the upfront costs • The asset is selected and Novuna pays for it outright • Customers are able to have immediate use of a business-use asset, but will not retain ownership of the asset • The customer hires the asset from Novuna by paying regular rentals • The customer will not own the asset at the end of the Agreement • It is possible to design a bespoke payment pattern that matches business income and expenditure cycles • Features: - Fixed rental payments - VAT is payable on each rental payment as it falls due - Low initial capital outlay; usually one advance rental payment plus VAT • Options available to the customer at the end of the Primary Period: - Return the asset - Introduction to an unconnected third party for sale at fair market value with a retention of 98% of the sales proceeds - Continue to lease the asset by paying annual secondary rentals
Core pricing mechanism (customer)	• Fixed rentals payable over a fixed period • Any secondary rental period is charged annually at the rate equivalent to a single monthly rental from the initial period
Core Product Parameters:	Value: • Minimum Value - £5,000 Maximum Value - £25,000 (total amount of payments) Term: • Minimum Term – 12 Months Maximum Term – 60 months, longer terms dependent on asset and customer type Commission: • Commission will be payable to Introducers for the introduction

Product fees and charges - non-contingent	• Documentation Fee: £195 • Fees are sign-posted and explained in the pre-contract information which we require to be provided to customers before entering into an agreement • It is important that you draw a customer's attention to these fees as part of the sales process • No fees or charges are levied in respect of late or missed payments
Product fees and charges - contingent	• There are no contingent fees associated with this product
Target market	• The overall target market for this product is UK based business who are sole traders, partnerships of two or three or unincorporated entities, who not wish to own the asset at the end of the agreement
Identified Customer Need	• Customers who want the immediate use of a business-use asset with known fixed monthly cost, but don't want to retain title at the end of the period but may wish to have use after the initial term
Key Product benefits	• Immediate use of the asset without capital outlay • Enables accurate budgeting for the customer • Customers will not retain ownership of the asset • Low initial capital outlay; usually one advance rental payment plus VAT • VAT is payable on each payment as it falls due • At the end of the agreement the customer has the option to continue to hire the asset for an agreed annual sum, return the asset to us or sell the asset to an unrelated third party, retaining 98% of the sale proceeds.
Key Product limitations	• The customer will not own the asset at the end of the term • Missed/late payments can: - Adversely impact the customer's credit rating/score, which may make obtaining credit more difficult/expensive for them in future - Result in enforcement action to recover the debts and the assets from the customer • We believe that these risks / limitations are adequately disclosed to customers in the pre-sales disclosures which we require to be provided to customers • It is important that you draw a customer's attention to these facts as part of the sales process
Early Termination/Exit Clauses/Charges	• The agreement is not cancellable under the Consumer Credit Act 1974 • The customer can end the agreement early by requesting an 'early termination' figure • An early termination quote will be provided in writing and will include a discount of future rentals

	• If a customer settles early they are still able to benefit from the sale proceeds (at 98%) and the value of the asset is likely to be higher earlier in the term of lease
Key Risks Which Must be Disclosed to Customers at Point of Sale	• The customer will not own the asset at the end the term • Missed payments may result in the customer having to repay the finance early and we may repossess the goods
Which distribution channels are not permitted by Novuna	• The product can only be sold by introducers with a trading agreement in place with Novuna

Fixed Period Soft Asset Hire Agreement

Product Feature	Overview
Product Overview & Key Features	• A Regulated Finance Lease provides businesses with access to soft assets, where the asset has little to no secondary value, for use in a business without the upfront costs • The asset is selected and Novuna pays for it outright • The customer hires the asset from Novuna by paying regular rentals • Agreement terms will match the useful life of the asset and the cost is fully amortised across the term of the agreement • The customer will not own the asset at the end of the Agreement • The underlying asset will have little to no value at the end of the agreement • It is possible to design a bespoke payment pattern that matches business income and expenditure cycles • Features: - Fixed rental payments - VAT is payable on each rental payment as it falls due - Low initial capital outlay; usually one advance rental payment plus VAT
Core pricing mechanism (customer)	• Fixed rentals payable over a fixed term
Core Product Parameters:	Value: • Minimum Value - £5,000 Maximum Value - £25,000 (total amount of payments) Term: • Minimum Term – 12 Months Maximum Term – 60 months, longer terms dependent on asset and customer type

	Commission: • Commission: Commission will be payable to Introducers for the introduction
Product fees and charges - non-contingent	• Documentation Fee: £195 • Fees are sign-posted and explained in the pre-contract information which we require to be provided to customers before entering into an agreement • It is important that you draw a customer's attention to these fees as part of the sales process • No fees or charges are levied in respect of late or missed payments
Product fees and charges - contingent	• There are no contingent fees associated with this product
Target market	• The overall target market for this product is UK based business who are sole traders, partnerships of two or three or unincorporated entities, who not wish to own the business-use asset at the end of the agreement • In particular, these customers will be looking for the funding of business use soft assets where the asset will have little to no value at the end of term • This is the only hire agreement by which we will fund a soft asset due to the asset security risk posed
Identified Customer Need	• Customers who want the immediate use of a business-use soft asset with known fixed monthly cost, but don't want to retain title at the end of the period
Key Product benefits	• Immediate use of the asset without capital outlay • Enables accurate budgeting by the customer • Customers will not retain ownership of the asset • Low initial capital outlay; usually one advance rental payment plus VAT • VAT is payable on each payment as it falls due
Key Product limitations	• The customer will not own the asset at the end of the term • The asset will have little to no value at the end of the agreement • Missed/late payments can: - Adversely impact the customer's credit rating/score, which may make obtaining credit more difficult/expensive for them in future - Result in enforcement action to recover the debts and the assets from the customer • We believe that these risks / limitations are adequately disclosed to customers in the pre-sales disclosures which we require to be provided to customers • It is important that you draw a customer's attention to these facts as part of the sales process

Early Termination/Exit Clauses/Charges	• The agreement is not cancellable under the Consumer Credit Act 1974 • The customer can end the agreement early by requesting an 'early termination' quote • An early termination quote will be provided in writing and will include a discount of future rentals
Key Risks Which Must be Disclosed to Customers at Point of Sale	• The customer will not own the asset at the end the term • Missed payments may result in the customer having to repay the finance early and we may repossess the goods
Which distribution channels are not permitted by Novuna	• The product can only be sold by introducers with a trading agreement in place with Novuna

Fair value information

The below statements are derived from Novuna's internal Fair Value assessment and provide assurance that each of the following considerations have been reviewed and therefore Novuna are satisfied that the products offers fair value.

Statements to evidence fair value	Assessment completed
Novuna have reviewed the headline price of the product (APR or rental) and believe it aligns with delivering fair value to customers	27/04/2023
Novuna have reviewed the product against other products in Novuna's portfolio, as well as competitor products, and are satisfied the product offers fair value	27/04/2023
Novuna are comfortable that any price difference experienced by different customer segments within the target market is aligned to delivering fair value to customers	27/04/2023
Novuna have assessed the fees and charges applicable to the product, and believe they represent fair value to customers	27/04/2023
Novuna have reviewed how brokers are incentivized to distribute the product and are comfortable this provides fair value to customers	27/04/2023
Novuna are comfortable that the loan terms are appropriate and represent fair value to customers	27/04/2023
Novuna are comfortable that any exit fees associated with the product are aligned to providing fair value	27/04/2023
Novuna have reviewed how the deposit can impact the total amount to repaid over the lifetime of the loan, and are comfortable this delivers fair value to customers	27/04/2023
Novuna have assessed the non-financial costs associated with the product and are comfortable the product provides fair value	27/04/2023
Novuna have reviewed all ancillary products/services associated with the primary product and believe that where these exist, they offer fair value both individually and as a package	27/04/2023
Novuna have considered the needs of vulnerable customers in the design of the product; the distribution strategy; and the on-going servicing of this product	27/04/2023
Novuna has appropriate Management Information and governance to ensure that the product continues to represent fair value to customers within the target market	27/04/2023