

# VOLKSWAGEN FINANCIAL SERVICES



## TARGET MARKET DETERMINATION

### For the Volkswagen Financial Services Australia Consumer Loan

#### 1. About this document

This Target Market Determination (TMD) applies to Volkswagen Financial Services Australia (“VWFSA”) Consumer Loan and Consumer Loan GFV Products (**The Products**), sold under the trading names of Volkswagen Financial Services, Audi Financial Services, ŠKODA Financial Services, Jaguar Financial Services, Land Rover Financial Services, Ducati Financial Services, Bentley Financial Services Australia, Porsche Financial Services, Lamborghini Financial Services, Volvo Car Financial Services and CUPRA Financial Services. The TMD seeks to provide consumers, distributors, and employees with an understanding of the class of consumers for which this product has been designed, having regard to the objectives, financial situation and needs of those consumers.

This document is not to be treated as a full summary of the product’s terms and conditions and is not intended to provide financial advice. Consumers must refer to any supplementary documents which outline the relevant terms and conditions when making a decision about this product. We strongly recommend that a customer seek independent financial, tax and/or legal advice prior to taking out a VWFSA product.

This document also sets out the events or circumstances where VWFSA will review, monitor or amend the TMD.

#### Issuer

Volkswagen Financial Services Australia (VWFSA), ABN 20 097 071 460, ACL Licence No 389344.

#### Date from which this target market determination is effective

5 October 2021

#### 2. Class of consumers that fall within this target market

The Consumer Loan is designed to provide customers with the ability to choose whether or not they would like their product to have a Guaranteed Future Value (**GFV**) option. Customers who select the GFV may have the option to trade in, retain or return the vehicle at the end of the loan. Further information about the GFV option is contained in the VWFSA Terms and Conditions.

The Consumer Loan without GFV option has been designed for individuals who:

- want to finance the purchase of a car for private/personal use;
- want the ability to choose a loan term between 12 to 84 months;
- want a fixed interest rate;

- can comfortably service the principal balance of the loan and the interest as it accrues;
- can pay the associated fees and charges;
- can pay the deposit amount required for the amount of credit; and
- Want the option to have a balloon\* payment at the end of the loan term.

\* A balloon payment is a final payment in to form of a lump sum and is payable at the end of the loan term.

The Consumer Loan with GFV option has been designed for individuals who:

- want to finance the purchase of a car for private/personal use;
- want the ability to choose a loan term between 12 to 48 months\*;
- want a fixed interest rate;
- want access to a GFV at the end of the loan term to (subject to fair wear and tear conditions and agreed kilometres being met);
- want flexible end of loan term options including the ability to return the vehicle to VWFSAs for the GFV (subject to fair wear and tear and agreed kilometres being met), which will be applied against the final balloon payment;
- can comfortably service the principal balance of the loan and the interest as it accrues;
- want a loan with a balloon payment which is equal to the GFV;
- can pay the associated fees and charges; and
- Can pay the deposit amount required or other security for the amount of credit.

This option has been designed with a balloon payment for individuals who:

- Want to reduce payments for the loan term and either intend to:
  - Pay the final balloon payment when it is due;
  - Refinance the final balloon payment when it is due, as they are comfortable with paying higher amounts in interest overall in order to reduce repayments over the term and understand that refinance is subject to a lender's lending criteria; or
  - Exercise the end of loan term options under the GFV.

### **Excluded class of consumers**

This product has not been designed for individuals who:

- Seek to use their car for commercial/business use. This includes Fleet, Wholesale, rideshare or other income generating services;
- modify the vehicle in a way that may void any warranty or cause the vehicle to be illegal, unroadworthy or not fully covered by insurance; or
- Cannot comfortably service the principal balance of the loan and interest as it accrues.

### **Product description and key attributes**

The key eligibility requirements and product attributes of the Consumer Loan are as follows:

#### Eligibility Requirements:

- VWFSAs credit and responsible lending criteria must be met;
- customer must be at least 18 years of age;
- vehicle must be for Personal/Private use;
- vehicle financed must be:
  - Motor Vehicle (New, Demo, Used)
  - Motor Cycle (New, Demo, Used)

The Products include the following fees and charges:

- Establishment Fee - \$398.00
- Non Direct Debit Payment Fee - \$4.50
- Payment Dishonour Fee - \$35.00

Please note; dealerships may have separate fees and charges associated with organising finance

Product Attributes

<b>Purpose</b>	Personal/Private Use
<b>Min/Max Term</b>	12 to 84 months – Consumer Loan 12 to 48 months* - Consumer GFV Loan
<b>Contract Start Date</b>	Date customer signs contractual documents
<b>Contract End Date</b>	Contract Start Date plus the contract term
<b>Min/Max Amount</b>	Min - \$10 000 Max – \$1,000,000
<b>Deposit</b>	Deposit must be paid by the customer
<b>Interest Type</b>	Fixed
<b>Interest Calculation</b>	Interest is calculated on the daily balance outstanding and charged to the customer on a monthly basis.
<b>GFV Option</b>	Available in conjunction with selected Volkswagen Financial Services Australia Partnered Brands
<b>Legal Ownership</b>	The customer owns the asset, subject to a security interest which VWFSA will register via the Personal Property Security Register ( <b>PPSR</b> ) to secure repayment of the loan.

\* Up to 60 months for selected partnered brands – subject to change, please speak to your dealer for more information at the time of application

**Consistency between target market and the product**

VWFSA has reviewed the key attributes and product features of The Products and is satisfied that these are consistent with the objectives, financial situation and needs of the class of customers in the target market. Individual customers will need to consider whether the product meets their specific objectives, financial situation and needs.

**3. How this product is to be distributed**

**Distribution channels**

This product is designed to be distributed by VWFSA or VWFSA' distributors by any of the following means, where authorised:

- via the VWFSAs Retention Team;
- via VWFSAs Accredited Dealerships; and
- via VWFSAs Accredited Brokers

### Distribution conditions

This product should only be distributed under the following circumstances:

- the product has been explained to the customer;
- the product meets the consumer's requirements and objectives;
- the consumer meets all eligibility requirements for the product;
- the consumer has the capacity to service the loan repayments (including the balloon); and
- the product has been distributed by one of the authorised channels outlined above.

### Adequacy of distribution conditions and restrictions

These distribution conditions have been designed to ensure that customers who acquire The Products are in the target market. By ensuring responsible lending requirements are met while also restricting by whom the Product may be distributed to those accredited and authorised by VWFSAs, the intended market will be reached.

## 4. Reviewing this target market determination

We will review this target market determination in accordance with the below:

<b>Initial review</b>	Within 2 years of the effective date.
<b>Periodic reviews</b>	At least every 1 year from the initial review.
<b>Review triggers or events</b>	Any event or circumstance arises that would suggest the TMD is no longer appropriate. This may include (but not limited to): <ul style="list-style-type: none"> <li>• a material change to the design or distribution of the product, including related documentation;</li> <li>• occurrence of a significant dealing such as substantial distribution outside of the target market;</li> <li>• increase in defaults, arrears or bankruptcies experienced by customers in our book;</li> <li>• changes to the sale of the product, this is including and not limited to, new sales channels impacting the sale of the product or sales processes;</li> <li>• distribution conditions found to be inadequate;</li> <li>• where applicable, feedback from distributors and/or customers;</li> <li>• external events such as adverse media coverage or regulatory attention; and</li> <li>• Significant changes in metrics, including, but not limited to, complaints, errors and system limitations.</li> </ul>

Where a review trigger has occurred, this target market determination will be reviewed within 10 business days.

## 5. Significant dealings

VWFSAs will notify ASIC in writing of a significant dealing relating to The Products that is not consistent with the product's TMD, within 10 business days of becoming aware of the significant dealing.

Examples of significant dealings include:

- high proportion of customers who are not in the target market; and
- Actual or potential harm to consumers, including financial loss.

## 6. Reporting and monitoring this target market determination

We will collect the following information from our distributors in relation to this TMD:

<b>Complaints</b>	Distributors will provide a written summary of complaints received in relation to the Product on a quarterly basis. The summary must include information about number of complaints, substance of the complaint and the general feedback from the customer in relation to the product.
<b>Distribution Issues</b>	Distributors will monitor for significant dealings and report any significant dealings to VWFSa, as soon as possible, or at least within 10 business days. The report should include: <ul style="list-style-type: none"> <li>• the date on which the dealing or dealings occurred;</li> <li>• the date on which the distributor became aware of the significant dealing;</li> <li>• a description of the significant dealing and how it was identified; and</li> <li>• Details of any steps taken in relation to the significant dealing.</li> </ul>
<b>System Controls</b>	VWFSa will review and assess its distribution condition to ensure its consistent with the TMD on a bi-annual basis.
<b>Sales Practice &amp; Transaction Data Monitoring</b>	VWFSa will review sales practice results and transaction data relevant to the TMD and report any significant dealings in relation to this TMD.