



CODE OF CONDUCT

**A Mandatory Code of Conduct for Members of the
Leasing Association of Kenya¹**

¹ Approved by a resolution of the Board of Directors on 23 February 2017

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INTRODUCTION

1. About the Leasing Association of Kenya

The Leasing Association of Kenya (hereinafter referred to as “**LAK**”) is an umbrella association of asset finance and leasing practitioners in Kenya. It is the main representative organisations for independent leasing companies, consumer credit, motor finance and asset finance sectors. It is registered as a company limited by guarantee. LAK members include banks, building societies, car leasing companies and a wide range of organisations in the lending sector. LAK’s mandate is to bring together all firms and individuals engaged in leasing with the aim of developing a sustainable Leasing industry in Kenya.

LAK’s mandate is achieved via the following key activities:

- a) Creating awareness of leasing benefits in Kenya through topical seminars, workshops, conventions and research studies targeted at various stakeholders.
- b) Lobbying and advocacy for regulatory reforms to improve/ increase use of leasing in the country.
- c) Training and capacity building for leasing professionals.
- d) Self-regulation and control of ethical behaviour among industry players.
- e) Enhancing corporate social responsibility as part of the association’s efforts to contribute to the overall wellbeing of society beyond leasing.

2. Objectives of the Code of Conduct

This Code of Conduct (“**Code**”) sets out the standards of good practice which LAK expects its members both corporate and individual to achieve in all aspects of their businesses. Membership with LAK ensures that the end user of services offered is assured of the highest levels of professionalism and integrity when using any of the services provided by members. The Code is intended to provide assurance to customers that they may transact business with confidence with full members of LAK. The Code is not, nor is it intended to, affect the contractual relationship negotiated and agreed in the ordinary course of members business activities between members and their customers or other third parties.

LAK promotes ethical trading, transparent terms and conditions and high quality customer service standards. Adherence to the Code is a condition of membership and serious

breaches of the Code will result in sanctions from LAK. LAK will monitor its members' performance and compliance with the Code.

A member shall be deemed to have read and understood the LAKs governing documents and the Code at the time his application for membership is accepted and shall no objection in relation thereafter.

The Code will be reviewed from time to time and any subsequent amendments or revisions will be preceded by a reasonable period of notice to members of LAK. Notification of such changes shall be conducted in accordance with the procedures set out in LAKs governing documents.

3. OUR STANDARDS

3.1 List of our key commitments

By signing up to the Code, LAK members agree to abide by the following standards:

- a) Comply with and understand all relevant legislation and regulations relating to the services or products they provide.
- b) Hold all necessary licenses and registration to trade lawfully.
- c) Trade honestly, responsibly, ethically and treat customers fairly.
- d) Not to engage in any act that could be construed as giving or receiving a bribe (or "kick-back" or "facilitation payment").
- e) Not to engage in any anti-competitive behaviour.
- f) Provide evidence upon reasonable customer request as to the financial stability and reliability of their organisation
- g) Respect confidential information supplied to them in the course of their business.
- h) Ensure that credit, hire or leasing documentation embodies all the express terms and conditions of the agreement which affect the customer's obligations.
- i) Ensuring their businesses are at all times conducted with integrity ensuring that their employees also adhere to the same principles.

- j) Ensure that employees are adequately trained to deliver services at consistently high professional standards and bring this Code and the principles contained in it to their attention and requiring them to carry out their duties in accordance with it.
- k) Transparent pricing for all products and services both on printed media and all websites which promote members' products.
- l) Not to misrepresent any facts concerning their products and services.
- m) Provide advice as necessary to help the customer make an informed choice based on the customers identified needs.
- n) Operate from an established commercial place of business which is maintained to a professional standard.
- o) In the case of car leasing members, provide safe and roadworthy vehicles, which as a minimum will be maintained in accordance with the law and the manufacturers servicing requirements (applicable where the member retains the responsibility to maintain the vehicle)
- p) To resolve customer complaints according to the standards set out in the LAK Code.
- q) Follow, where applicable, any guidance notes issued by LAK.

3.1 Marketing and advertising standards

In relation to marketing and advertising products & services, LAK members pledge to:

- a) Act responsibly when marketing and advertising products and services.
- b) Not to send unsolicited promotional emails and correspondence unless the customer has subscribed to such services.
- c) Ensure that all advertising and promotional material is clear, fair and not misleading.
- d) Ensure that all advertising and promotional material complies with the relevant legislation together with the relevant authorities and industry guidance.
- e) Not knowingly send information relating to financial products to persons under 18 years old.
- f) From time to time, the members may tell customers about other services and products which may be of interest to them.
- g) Confirm in writing that they are a member of LAK to each customer that takes out a loan/facility.

- h) Let customers know that details of LAK members are available on LAK's website or by contacting LAK.
- i) Not to use any advertising material containing misleading or inaccurate statements.
- j) Comply with the codes and standards set by the advertising industry regulatory authorities.

4. INFORMATION TO BE PROVIDED TO THE CUSTOMER

Where applicable, LAK members pledge to provide the following information to their customers at the various stages of interaction:

4.1 Before issuing a loan/ facility

Before a customer takes out a facility, they will be provided with information in writing and given the opportunity to read and consider the information on key features of the facility, including:

- a) The written terms and conditions of the agreements;
- b) The cost of the loan;
- c) The interest rate that will apply;
- d) Details of when and how much interest will be paid;
- e) Details of any extra fees and charges (e.g. on late payment) and
- f) Information on the customers rights

4.2 Once a loan has been taken

Once a loan has been taken the customer will be provided with the following information:

- a) Details of how to lodge a complaint if things go wrong;
- b) Details of charges for any other service or product before or at the time we provide the service or product;
- c) All agreements setting out the rights and responsibilities will be set out in plain language;
- d) If the loan is taken jointly, information will be provided to each individual on their rights and responsibilities;
- e) The customer will be promptly informed if any member changes their terms and conditions and a new set of terms and conditions made available to them.

4.3 Early settlement of a loan/facility

- a) The customer will be provided with information on how they may settle (pay off) their loan early and how the payment due is worked out.
- b) Upon settling their loan, we will provide the customer with a settlement statement as soon as possible and free of charge.

5. MANAGING COMPLAINTS

5.1 COMPLAINTS HANDLING

LAK members should aim to deliver a high level service and minimize the complaints raised by customers. However in the event that complaints are raised, these should be resolved quickly and amicably. Members shall establish a complaints procedure and furnish information on request about their complaints procedure. Customers shall be told what further steps are available if they believe that their complaint has not been dealt with satisfactorily by the member.

When providing a service to customers, members should always ensure the customer is informed of LAK's complaints handling process.

Members should ensure that the staff in their respective organisations are aware of LAK's complaints handling process and staff dealing with complaints should respond swiftly, paying particular attention to:

- a) Advising customer of the complaints procedure, how to use it and what additional options are available to them.
- b) Treating complaints seriously and dealing with them in a positive and friendly manner.
- c) Issuing an acknowledgment to any complaint, regardless of how received, within five working days of receipt, with the objective of resolving the dispute within 15 working days.
- d) Learning from all complaints and responding proactively to prevent similar incidents from occurring in future.
- e) Maintaining a complete record of all complaints.

5.2 CONCILIATION PROCEDURE

If a complaint is not resolved to the customers' satisfaction, LAK shall endeavour to conciliate between the customer and the member and to restore communication between the customer and the member where this has broken down. LAK shall accept for conciliation complaints made against members and subsidiary companies of members.

Details of the complaint should be submitted in writing or by email to:

Chief Executive

The Leasing Association of Kenya

PO Box 84123 - 80100

Nairobi

Email: codeadmin@lak.co.ke

Stage 1- Informal Conciliation Service

In the first instance, LAK will aim to resolve the matter on an informal basis using the information presented by both parties. Any information requested from the member should be sent to LAK within 5 working days.

Based on the information available, LAK will provide both parties with its initial findings and recommendations. If either party disagrees with the outcome of the informal conciliation service, a formal conciliation service (see below) can be invoked. LAK aims to resolve complaints through the informal conciliation service within 30 days.

Stage 2- Formal Conciliation Service

If either party has asked for the matter to be escalated to the formal conciliation service, all relevant details will be promptly forwarded to the Conciliation Committee, a body whose members are appointed by the LAK Board.

Conciliation Committee

Disputes referred to the Conciliation Committee shall be actioned and decision notified to the customer within 30 days of the date of referral.

What is covered under the Conciliation Service?

The Conciliation Service shall apply solely to disputes arising from the lending and leasing activities of members.

Compensation

The Conciliation Service is unable to award any form of indirect compensatory payment in relation to alleged financial losses arising from a breach of the rental or leasing agreement by either party to the dispute.

No restriction of rights

Nothing in this Code restricts or is intended to restrict the rights of a complaint or member to pursue remedies through the courts.

5.3 MEDIATION SERVICE

In the event that the matter cannot be resolved using LAK's complaints handling process or the conciliation process, customers and members are encouraged to use mediation before going to court. This would be done by an independent mediation services as agreement between all parties.

6. PREVENTION OF FRAUD AND MONEY LAUNDERING

- a) Members shall satisfy themselves about the identity of a person seeking to enter into business relationship, to assist in protection their customers, members of the public and themselves against fraud and money laundering.
- b) Members shall establish, maintain and implement fraud prevention and anti-money laundering procedures and client identification procedures and train their staff in operating such procedures.
- c) Members shall comply with all relevant legislation and guidance relating to the prevention of fraud, money laundering and client identification.

7. MONITORING AND COMPLIANCE

- a) LAK will continually monitor, via its internal processes, the compliance of its members with the Code. Members will be required to complete an annual statement of compliance as a condition of membership of LAK.
- b) Member shall promptly notify the Chief Executive or other officer nominated by the LAK Board of any matters which might adversely affect the reputation of the industry and LAK.
- c) LAK will also visit the member periodically to carry out checks on how the member complies with the Code.
- d) LAK, through its Board of Directors, will appoint a Code Compliance Officer and a Code Administration and Compliance Committee, who together with LAK's internal audit, will monitor the compliance of its member with the Code.
- e) The LAK Code Administration and Compliance Committee's primary mandate will be to monitor the compliance of members with the Code. They will ensure successful implementation and ongoing effectiveness of the Code.
- f) The LAK Board will ensure that the Code Administration and Compliance Committee consists of representatives of all stakeholder groups. Such representation provides transparency of LAK by providing a 'public window' into its operations.

- g) The Code Administration and Compliance Committee recommends the action that LAK should take if members do not keep to this Code. This may include but not restricted to:
- (i) Visits
 - (ii) Written warnings
 - (iii) Requests for written explanations
 - (iv) Meetings to discuss the matters
 - (v) Referral to the disciplinary panel
- h) The Disciplinary Panel (“Panel”) is independent of the Monitoring and Compliance Committee. The Panel looks at matters referred to it by the LAK Monitoring and Compliance Committee where a serious breach of the Code has taken place or where action has resulted or may result in serious consumer detriment or reputational damage to LAK. Action taken by the Panel can include one or more of the following:
- (i) Written warnings to members
 - (ii) Recommendations as to future conduct
 - (iii) Referral to the LAK Board
- i) The most serious punishment for not keeping to the Code is expulsion from LAK

8. DATA PROTECTION AND CONFIDENTIALITY

Data Protection

In relation to data protection:

- a) Members will respect personal information supplied to them by customers and shall inform customers of the purposes for which this information is intended to be used and disclosed, before it is given by the customer.
- b) Members will inform their customers that:
 - (i) they will use the information they receive from customers to carry out a search with a CRB when they apply for their loan/ facility.
 - (ii) the CRB will keep a record of any search and other lenders may use it to assess applications from a customer in the future.

- c) Members who use the services of CRBs and or fraud prevention agencies shall ensure that any information they supply about customers and the conduct of their accounts to CRBs and or fraud prevention agencies is complete and accurate.
- d) Members will tell their customers when they plan to inform the CRB that they have an account and how they run that account.
- e) Members may give default information to CRB about customer loans if:
 - (i) they have fallen behind with their payments;
 - (ii) the amount owed is not in dispute;
 - (iii) they have not made satisfactory arrangements for repaying their debt following formal demand
- f) Members may register a 'default' on a customer's credit reference file if their account remains in arrears by at least three monthly payments or where some form of action is being taken to collect the money they owe.
- g) As a general rule, members will give customers at least 30 days' notice if they decide to register a default on their credit reference file. The default will show that they have not been able to keep to the conditions of their agreement with the member. The member will also provide customers with an explanation about how the default information might have an effect on their ability to get a loan in the future.

Confidentiality

Members shall observe a strict duty of confidentiality about their customers' (and former customers') personal information and financial affairs and shall not disclose details of customers' accounts or their names and addresses to any third party except for the purposes of filing with credit reference bureaus ("CRB") and in the following cases:

- (i) Where disclosure is made at the request, or consent, of the customer
- (ii) Where the member is legally compelled to do so
- (iii) Where there is a duty to the public to disclose
- (iv) Where the interests of the member require disclosure (for example, for legal proceedings or to enforce a guarantee)

9. SPECIFIC COMMITMENTS

These are commitments that relate to specific sectors (Leasing and Fleet Management Charter, Banks (credit cards, personal loans) and Asset Finance members) on how they conduct their business outlining the quality and service expected of each member in that sector.

9.1 LEASING AND FLEET MANAGEMENT CHARTER

This Charter applies to all members involved in the rental, leasing and fleet management of cars and vehicles and forms a brief summary of the specific terms found in the Code.

As a member of the Leasing Association of Kenya (“LAK”) we pledge to provide to our customers:

- a) Advice on the most appropriate vehicle based on the requirements of the customer and assistance with duty of care responsibility by providing the latest specification vehicles and advice on maintenance.
- b) A vehicle which is suited to their needs and maintained to the manufacturers recommended standards, which has been cleaned and thoroughly checked.
- c) Complete details of pricing, fuel/battery policies and excess mileage charges.
- d) An overview of our damage and theft protection options, including excess levels and exceptions to the protection.
- e) The opportunity to inspect the vehicle when it is returned at the end of the rental and agree on the condition. If this is not possible then we agree this with them in writing and any additional damage found will be charged to the customer.
- f) Transparent pricing for all charges and a clear statement of the total number of payments required under the contract and their frequency.
- g) Servicing and maintenance of vehicles at accredited outlet in line with the manufactures guidelines.
- h) A clear statement of our policy for the early termination of a contract, extension of contract or mileage or other limitations
- i) Information on the end – of lease vehicle return standard, the collection and inspection procedure and a dispute resolution process
- j) Commitment to the LAK Code

- k) An effective complaints procedure with access to the Conciliation and Mediation service administered by LAK.

9.2 BANKS (PERSONAL LOANS AND CREDIT CARDS) CHARTER

As a member of the Leasing Association of Kenya conducting business in the banking sector, we pledge to:

- a) Treat our customers with courtesy, respect and a smile.
- b) Explain the features of our products clearly and simply.
- c) Cater for their needs professionally and to the best of our ability.
- d) Inform them of how long it takes to deliver a service.
- e) Communicate all relevant information to them in a clear and timely manner to assist the customer in making informed decisions.

When making loan applications

- a) We will ensure all loan applications go through a sound and proper credit assessment.
- b) We will give our customers enough information to allow them to make informed decisions about the loan offered to them.
- c) If we refuse their loan application, we will give them the main reason why they have not met our lending conditions.
- d) Customers have a right to ask us to review our decision.
- e) We will tell our customers what information we need to check their identity and address (e.g. National Identity Card or Passport and a utility bill)

If they have difficulties in paying:

- a) If a customer falls behind with their payments, we will let them know the options available to them.
- b) We will deal with cases of financial difficulty (where a customer cannot afford to repay their loan) sympathetically and positively and do what we can to help the customer deal with what they owe including making a payment plan.
- c) If a customer finds themselves in financial difficulties or if they have problems in keeping up current and future repayments, they have to let us know as soon as possible and stay in touch with us.

- d) We will let them know if we pass their account to the credit section for debt collection or to independent debt collectors.

9.3 ASSET FINANCE CHARTER

As a member of the Leasing Association of Kenya (“LAK”) conducting business in the Asset Financing sector, we pledge to:

- a) Abide by the LAK Code and all relevant laws and regulations, by following the Code throughout the course of the Company’s business finance activities, including in respect of assigned agreement from the date of the assignment.
- b) Maintaining general standards of professional conduct, including respecting the confidentiality of information supplied by customers.
- c) Making agreements that are appropriate to the assets being financed. Ensuring that minimum periods of hire are no longer than a period reasonable in relation to the expected working life of assets finance, provided that assets are maintained in accordance with the manufacturers recommendations. All periods should be considerate of the commitment to trade fairly and responsibility.
- d) Protect the reputation of the industry, by notifying LAK of any matters which might adversely affect the reputation of the industry or LAK, whilst protecting client confidentiality.
- e) Review annually our compliance with the Code, and confirming to LAK that the Code has been followed.
- f) Trade fairly and responsibly with customers, and will promote responsible trading between intermediaries and customers
- g) Before entering into an asset finance agreement, we will provide customers with appropriate information, including the payments to be made and the duration of the agreement.
- h) We will make Asset Finance Agreements that are clear and fair.
- i) We will provide effective customer service including operating and adhering to an effective complaints procedures. Having effective procedure in place for responding to customer enquiries or problems throughout the life of the agreement.

- j) We will clearly explain the options available to customers at the expiry or termination of business finance agreement, including any period notice required in order for the customer to terminate the agreement. Also supplying a customer an early termination figure upon their request.
- k) Providing additional information for public sector customers.
- l) Notifying customers in advance of fees that are payable for ad hoc services.
- m) Providing details/information of LAK's conciliation and mediation service to customers making complaints.