

Target Market Determination: Motor Vehicle Finance Product

1. Background

Section 994B of the *Corporations Act 2001* (Cth) (**Corporations Act**) provides that a target market determination (**TMD**) is required for certain financial products. A TMD sets out certain information relevant to the issuer's compliance with the design and distribution obligations (**DDO**) framework in the Corporations Act, including the:

- proposed target market for the product (that is, the class of consumers that the product, including its key attributes, would likely be consistent with their likely objectives, financial situation and needs);
- conditions that will be imposed on the distribution of the product;
- requirements for the issuer to review the TMD; and
- requirements for distributors to report certain information to the issuer.

This TMD does not provide an exhaustive list of the features and terms of the Loan and Mortgage Agreement (**Product**). This TMD should be read in conjunction with the Terms and Conditions and the other information available on Taurus' website in relation to the Product. This TMD has been prepared without taking into account any person's individual needs, objectives, or financial situation. If you are considering the Product, we encourage you to understand how it may affect your personal circumstances - talk to friends and family, speak to professionals, and use the resources and tools Taurus has available.

2. TMD Information

Basic Information	Response
Product name	Loan and Mortgage Agreement This TMD applies to both credit offered by Taurus under its own branding and credit provided by Taurus under licence when trading as Honda Financial Services.
Issuer name	Taurus Finance Holdings Pty Limited
ABN	78 625 555 464
ACL	514213
Date of TMD	15 November 2023
TMD version no.	3.0

3. Target market

Target market description	Product description	Appropriateness
<p>(a) Eligibility characteristics of consumers in the target market</p> <p>The target market for this Product will be customers with the following eligibility characteristics (Eligibility Characteristics):</p> <ul style="list-style-type: none"> • are using the credit provided to purchase a motor vehicle from a licensed motor vehicle dealer; • be over the age of 18; • meets Taurus credit criteria including an acceptable credit score from a credit reporting body; • have an annual, minimum and verifiable gross income of greater than \$30,000 per annum; • have the financial capacity to pay repayments of interest, principal and fees when such amounts become payable and due under the terms and conditions of the Loan and Mortgage Agreement “without suffering substantial hardship”. <p>(b) Likely objectives, financial situation and needs of consumers in the target market</p> <p>The likely objectives, financial situation and needs of consumers in the target market include persons who:</p> <ul style="list-style-type: none"> • Needs and Objectives – An individual (or individuals as co-borrowers) who wish to obtain finance to purchase a motor vehicle from a licensed motor vehicle dealer and who wish to have a loan with provides for the certainty of fixed repayments at a fixed rate of interest over the life of the loan. • Financial Situation – An individual (or individuals as co-borrowers) with the financial capacity to pay repayments of interest, principal and fees when such amounts become payable and due under the terms and condition so of the Loan and Mortgage Agreement. <p>In addition, for customers selecting:</p> <ul style="list-style-type: none"> • a fully amortising loan - the target market will include persons who want to fully repay the loan by the end of the agreed term; and 	<p>Description of Product and key attributes</p> <p>The key attributes of this Product are:</p> <ul style="list-style-type: none"> • it is provided to customers that meet the Eligibility Characteristics; • it is provided for the purpose of purchasing a motor vehicle supplied by a licensed motor vehicle dealer; • when providing finance trading as Honda Financial Dealers our Product is provided for the purpose of purchasing a new or demonstrator Honda Vehicle from an accredited Honda Agent; • loan proceeds are provided in a single lump sum directly to the supplier of the motor vehicle; • the interest rate and periodic payments are fixed over the agreed term; • there are a variety of terms available for a period of 12 months (1 year) to 84 months (7 years); • early repayment fees (sometimes referred to as 'break costs') are payable by a customer who repays their loan before the end of the agreed term; • credit can be provided between a minimum amount of \$5,000 and a maximum amount of \$150,000 and credit approval may be subject to loan to valuation ratio (currently not exceeding 140% or the purchase price of the motor vehicle); • repayment must be made in accordance with regular periodic payments (which can be set at the start of the loan at either weekly, fortnightly or monthly intervals); • repayment plans include fully amortising loan and plans with a balloon payment (i.e. a lump sump payment that must be paid on the last day of the loan); 	<p>We consider the Product is likely to be consistent with the objectives, financial situation and needs of consumers in the identified target market because:</p> <ul style="list-style-type: none"> • the loan can be used to finance the purchase of motor vehicle supplied by a licensed motor vehicle dealer; • the loan allows customers to select a term within the available options to suit their financial situation; • the fixed rate interest and fixed repayment amounts provide the customer with certainty in relation to repayment obligations. <p>The selection of a repayment plan:</p> <ul style="list-style-type: none"> • that is fully amortising, allows customers to fully repay the loan using regular fixed principal and interest payments during the life of the loan without making a lump sum payment at the end of the loan; • that includes a balloon payment allows customers the flexibility to make smaller payments during the life of the loan and to manage the final repayment by one or more of trading-in or selling the motor vehicle, re-financing the loan or paying the amount from other funds available to them.

Target market description	Product description	Appropriateness
<ul style="list-style-type: none"> • a repayment structure that includes a balloon payment – the target market will include persons who do not fully amortise their loan and wish to have smaller capital repayments during the loan term and who want the capacity and have the financial position that will likely allow them to do one of the following at the end of the agreed term: <ul style="list-style-type: none"> ○ pay the balloon payment; or ○ trade in or sell the vehicle; or ○ refinance the loan. <p>(c) Classes of consumers for whom the Product is clearly unsuitable</p> <p>This Product is unsuitable for persons:</p> <ul style="list-style-type: none"> • under the age of 18; • who are not purchasing a motor vehicle supplied by a licensed motor vehicle dealer; • who do not meet Taurus credit criteria including an acceptable credit score; • who do not otherwise have the financial capacity to pay repayments of interest, principal and fees when such amounts become payable and due under the terms and condition so of the Loan and Mortgage Agreement “without suffering substantial hardship”; • who wish to finance a motor vehicle for commercial purposes; • who do not have an income greater than \$30,000 gross per annum; • who require a variable rate loan or the flexibility to repay their loan early (without incurring early payment fees which may be substantial). <p>In addition, a loan with a balloon payment will not be suitable for persons who wish to fully repay the loan by the end of the loan term without paying a lump sum (whether by selling or trading in the vehicle, refinancing or by repaying the loan from other amounts available to them).</p>	<ul style="list-style-type: none"> • redraws are not available; and • the loan is secured over the vehicle being financed. <p>Where a customer selects a repayment structure that involves a balloon payment the following attributes will apply:</p> <ul style="list-style-type: none"> • the minimum term will be 24 months (2 years) and the maximum term that is available is 60 months (5 years); • the balloon repayment will be an amount of between 25% and 65% of the original loan amount. 	

4. Distribution conditions

Distribution conditions	Appropriateness
<p>This Product is only suitable for distribution by authorised introducers through the dealership channel (via the Taurus point of sale system) and the direct to customer channel (via online dealership and external websites).</p> <p>In respect of Products issued by Taurus trading as Honda Financial Services, dealers are limited to accredited Honda Agents or their related corporations.</p> <p>All authorised Dealers (including dealers who are Honda Agents) (Dealers);</p> <ul style="list-style-type: none"> • can only be authorised under written introducer agreements which include provisions relating to the manner of their distribution of Taurus Products by them and their employees; • require all applications to be submitted to Taurus through the 'Taurus point of sale system'; • are required to ensure that all persons engaged in origination of loans for Taurus must: <ul style="list-style-type: none"> ○ undertake training and be approved by Taurus before being granted access to the Taurus point of sale system onboarding processes which include a comprehensive training program, and which involves face to face sessions and CPD modules; and ○ are subject to ongoing training, support, monitoring and supervision by Taurus to ensure compliance; • must observe certain reporting requirements set out in the introducer agreement that allow Taurus to track issues associated with compliance and customer hardship. <p>Taurus may require Dealers to restrict individuals from introducing loans where they do not comply with expected conduct set out in the introduction agreements.</p> <p>These obligations are imposed even where the Dealer proposes to rely on any point of sale exemption under credit laws.</p> <p>Dealers are entitled to receive commissions for introducing customers to Taurus but commission payments are able to be clawed back from Dealers in certain circumstances to discourage poor conduct.</p> <p>Dealers are not authorised to approve credit or to communicate to customers that credit has been approved except where Taurus has confirmed this.</p>	<p>All loan applications are subject to Taurus' usual credit approval processes which amongst other things require Taurus to inquire about the customers' requirements and objectives when seeking credit and to inquire about and take reasonable steps to verify the financial circumstances of the customer.</p> <p>In relation to the direct to customer channel, Taurus provides prospective customers a clear list of options offered by Taurus to suit their needs and objectives to assist customers understand whether the Product is suitable for them.</p> <p>In relation to the dealership channel mandating the use of the Taurus point of sale system ensures a consistent approach to the origination process to avoid errors. This process involves some direct touch points with customers (via their mobile phones) and requires Dealer's representatives to provide information and confirmations during the application process to ensure that key steps in the process are properly completed.</p> <p>For example, when a customer selects a repayment option that includes a balloon payment the Taurus application includes a number of questions about the customer intending to pay the balloon payment (as part of the responsible lending procedures that it has established) to ensure that Taurus is satisfied that the customer has a reasonable basis for making this payment without incurring substantial hardship. These questions are embedded in the Taurus point of sale system so that they are not inadvertently omitted during an application that is facilitated by a Dealer representative.</p>

Issuer review requirements

Initial and periodic reviews	Review triggers
<p>The next review will occur by 15 November 2024.</p>	<p>The TMD must be reviewed where there is an event or circumstance that would reasonably suggest the TMD is no longer appropriate, including where any of the following has occurred:</p> <ul style="list-style-type: none"> • the issuer identifies a significant dealing has occurred that is required to be reported to ASIC; • ASIC have utilised their product intervention power in Part 7.9A of the Corporations Act to intervene in relation to the Product; • there is a material change to the Product's key attributes or its methods of distribution that make it no longer consistent with the likely objectives, financial situation and needs of consumers in the target market; • Taurus identifies a substantial divergence in how the Product is being distributed and purchased, as compared to how they expected the Product to be distributed and purchased (as set out in this TMD); or • the performance of the Product suggests that this TMD may no longer be appropriate including in particular: <ul style="list-style-type: none"> ○ there is an unexpectedly high number of complaints are received from customers that indicate the Product is not suitable for the target market or the Product is not being distributed to the target market; ○ there is an unexpected high rate of default or an unexpectedly high incidence of financial hardship in respect of the Product (generally or amongst customers selecting a balloon payment option) which indicates that this TMD or the distribution conditions are no longer appropriate; and ○ there is an unexpectedly high rate of customers incurring early repayment fees because they are repaying their facilities before the end of the agreed term. <p>Taurus will take into account feedback provided by the Dealer network when forming a view on whether a Review Trigger has occurred.</p>

5. Distributor reporting requirements

Reporting requirement	Reporting period	Which distributors the requirement applies to
Number and substance of complaints received by distributors about the Product	Every 3 months within 10 business days from the end of the period.	All
Date or date range of a significant dealing(s) ¹ and description of the significant dealing(s) (e.g. why it is not consistent with the TMD)	As soon as practicable and in any case within 10 business days after becoming aware of the significant dealing(s).	All

¹ For example, a distributor may consider a dealing outside the TMD to be significant because (i) they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the Product, or (ii) they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the customer (or class of customers), or (iii) the issuer has reasonably identified the this type of dealing as significant or a regulator, court or AFCA identifies this type of dealing as significant.