

## Early settlements

### What's an Early Settlement?

Your AA is regulated by the Consumer Credit Act 1974, which gives you certain protections and entitlements when entering into a credit agreement.

One of these entitlements is that you can choose to repay your loan either partially or in full before the end of the term you originally signed up for.

- **Partial Early Settlement** – This is where you make a payment towards the sum you owe to us which is over and above your normal contractual monthly repayment amount. There's no limit to the number of early settlements you can make during the term of your loan, and there's no minimum or maximum amount you can pay.
- **Full Early Settlement** – This is where you pay the full amount you owe to us and clear your loan before the end of the original agreed term.

In both cases, you'll be entitled to a rebate (see below).

---

### How do I request an Early Settlement?

You can request a partial or full Early Settlement by contacting us:

**Phone:** 0345 266 0124

**Write to:** AA Loans, PO Box 248, Sheffield S98 1QF

- **Partial Early Settlement** – You can choose to reduce either the term of your loan or your monthly repayment amount. We'll tell you how the options would affect you, to help you decide. If you don't tell us which option you want, we'll automatically reduce your term, meaning your monthly repayment would stay the same.
- **Full Early Settlement** – We'll tell you how much you need to pay us to clear your remaining balance completely, and then confirm this to you in writing.
- If you've any unpaid charges or arrears on your agreement, these will be cleared first and then the remaining amount will be used against the partial or full Early Settlement to your loan.

You'll have 28 days from the day after you contact us to make your payment.

If you don't make the payment within this time you'll need to contact us again so that we can provide you with up to date information. You'll then have a further 28 days from the day after this date to make your payment.

Or if you change your mind, you're under no obligation to proceed.

---

### How do I make a payment?

- Phone us and use your debit card.
  - Bank transfer. You must include your agreement number as a reference on your payment, so that we can correctly apply the payment to your loan.
-

## What's a rebate?

Before you take out a loan with us we'll calculate what interest charges you need to pay based on the applicable fixed rate, the amount borrowed, and the original term of your agreement.

The interest is added onto the amount you're borrowing, and the total is then divided by number of months over which you have chosen to repay your loan. This is your monthly repayment amount.

If you make an Early Settlement you'll be entitled to get some of this interest back, and this is known as a rebate.

- **Partial Early Settlement** – We'll deduct the rebate amount from your remaining balance. This will be taken into consideration when calculating your new monthly repayment amount or the new final payment date. The amount of your rebate will depend on which option you take.
- **Full Early Settlement** – We'll deduct the rebate from the amount you need to pay to clear off your loan balance.

When calculating your rebate we use a formula as prescribed by the Consumer Credit (Early Settlement) Regulations 2004. It takes into consideration information such as how much you are repaying each month, how long you still have to pay on your loan, and the settlement date.

The settlement date determines how much the rebate will be, and if you're making a full Early Settlement how much you owe us. The settlement date we use is:

- 28 days from the date you notify us.<sup>1</sup>
- **Plus** an additional deferment of 30 days.<sup>2</sup>

This means that when we calculate your rebate we'll use a date 58 days from the date you notify us.

---

## Do I have to pay any charges or penalties?

The regulations also entitle us to claim compensation from you in certain circumstances if you make an Early Settlement. However, we don't do this or apply any other charges or penalties.

---

## How long does it take for you to process an Early Settlement?

### Partial Early Settlement

- If you choose to reduce your contractual repayment amount, this will take effect 58 days from the date you notify us. For example if you notified us on 1 October and your normal monthly payment date is the 15th of each month, then your first reduced payment would be on 15 December.
- If you choose to reduce the term of your loan we will tell you what the new end date for your loan will be when you notify us.

### Full Early Settlement

- We'll close your loan agreement within 2 days of receipt of your payment. Once this has been completed we'll provide confirmation to you in writing.
-

## **Do I need to cancel my Direct Debit when I make a full Early Settlement?**

We'll automatically cancel your Direct Debit once your loan has been settled. If you want to cancel it with your bank, you should wait until we've confirmed to you that your loan agreement with us has been closed. If we receive any payments after your loan has closed we'll return these to your bank.

---

## **What if I still have a question about Early Settlement?**

Please contact us on 0345 266 0124.

---

1 The Consumer Credit (Early Settlement) Regulations 2004 – section 5.

2 The Consumer Credit (Early Settlement) Regulations 2004 – section 6 .