

# Target Market Statement

## Lifestyle Flexible Option

**This document is intended to be used by distributors and not provided to a customer. Aviva Equity Release UK Limited is the product manufacturer for this product. Full details are contained within the policy documentation.**

### Introduction and context

In July 2022, the FCA strengthened the requirements in relation to product oversight and governance following the introduction of the Consumer Duty regulations (PS22-09).

For the product oversight and governance part of these regulations, we would like to share with you an outline of the product approval process we use in Aviva and our product target market statement, which clarifies who the product is intended for (and who it is not).

### Aviva's product oversight & governance

#### Why are you telling me about this?

Under the FCA's rules, we are required to inform you we have governance processes in place to oversee the design, approval and review of our products.

#### What controls does Aviva have in place?

We have well established governance processes which:

- formalise approval of new product developments and changes to existing products
- identify target markets for each product
- test customer understanding
- consider needs of vulnerable customers
- monitor post-sales performance.

After we introduce our products to the market, we regularly review them to check whether we need to make changes to them. This includes an annual assessment of the value received by customers through our products; this is referred to as the 'Value for Money Assessment'. The Value for Money Assessment considers a range of indicators and measures which contribute to the overall value delivered to our customers. The measures include:

- **Target Market and Distribution Strategy** – Ensuring that the target market is defined at a sufficiently granular level and that the distribution approaches are appropriate
- **Costs and Charges** – Review of the costs incurred by retail customers to ensure that these are fair and appropriate taking into account the features and benefits offered through the product
- **Commission Levels** – To ensure these are appropriate for the service received by the customer
- **Complaints** – Analysis of customer complaints to identify and resolve root causes, particularly where the product fails to deliver as expected
- **Service Delivery** – To ensure service levels are in line with those we have led customers to expect
- **Communications** – To ensure customers continue to receive communications which are clear, transparent and timely.

We base our level of oversight on the type and complexity of each product, our identified target markets and the level of financial understanding.

#### What does this mean for me?

As product manufacturer, we'll monitor the performance of our products to make sure they meet the needs of customers in the identified target markets. Should you feel a product doesn't meet these customers' needs or is potentially unclear, you can help us by providing feedback through your usual communication channels.

## Target Market Statements

### Why are you telling me about this?

The rules require us to consider several points when designing our product range, including;

- specifying an identified target market
- identifying relevant risks to the target market
- making sure that the intended distribution strategy is appropriate for the identified target market
- requiring us to take reasonable steps to make sure our products are distributed in line with the target market for specified distribution channels.

### What does this mean for me?

We've developed target market statements to give you, our distributor, clarity on who the product is intended for (and who it is not) and how customers can buy the product.

Using these target market statements should help you in your consideration of:

- how the distribution strategy aligns with the target market statement
- the demands and needs of the customer
- whether any of the customers may be outside of the target market due to eligibility or exclusions
- that fees and charges are appropriate to the service being delivered for customers
- vulnerable customers and the target market focusing on whether they may require additional support in their decision-making.

### Can I sell outside of the target market?

A customer may benefit from buying the product even if they are outside of the Target Market. During the sale, you will be closest to the customer in identifying their demands and needs and your judgement will decide what is right.

### Feedback

If you have any feedback on these statements, please contact your usual Aviva representative.

## Lifestyle Flexible Option – Target Market Statement

### What customer need does this product meet?

Equity Release allows later life customers to borrow against the value of their home to support their financial needs. At initial borrowing our product is designed to meet customers immediate to short-term needs with an optional reserve facility arrangement that allows regular drawdowns for longer term financial planning. Additional borrowing may also be available. There is no expectation for repayments until the loan becomes repayable (death or long-term care) but the product allows flexibility for partial repayments if customers have disposable income.

### Who is the Lifestyle Flexible Option designed for?

The product is designed for customers aged over 55, who own their own home and need additional funds to support and maintain their standard of living in later life or for estate planning purposes.

The following list describes the reasons for borrowing which we consider suitable and are within our Target Market:

- Car purchase
- Gifting money to family (including intergenerational lending)
- Holiday
- Home improvements
- Repaying secured & unsecured debt (where other more suitable debt management/consolidation can't be arranged)
- Second home for applicants personal use

Although the following reasons for borrowing remain suitable, they could pose a higher risk of a poor customer outcome if the loan amount required is higher than the trigger. In some circumstances, your recommendation may require an amount higher than the trigger in which case it will fall outside of our Target Market. If this happens, it is expected that during your advice process you have agreed the amount requested meets the customer needs, the customer understands the impact of interest roll up on money taken upfront and that setting up a cash reserve facility has been considered. In addition, although there is no monetary trigger if the reason for borrowing is for the purposes of Inheritance Tax Planning, you have ensured that the customer has received advice from a qualified wealth adviser.

- Lifestyle/Income [£35,000 trigger]
- Emergency Funds/Savings [£35,000 trigger]
- Care in the home [£50,000 trigger]
- Inheritance Tax Planning [advice received through a qualified wealth adviser]

### Who is the Lifestyle Flexible Option not designed to support?

A lifetime mortgage is designed to last until the plan holder either passes away or permanently leaves the property due to the need for long-term care. It is not designed:

- To be used for short term lending and could incur an early repayment charge if repaid voluntarily
- To support customers who have other more suitable means of meeting their financial objectives or customers who wish to leave the full value of their property as inheritance
- For released funds to be invested to generate wealth or income with the exception being investment for the purpose of Inheritance Tax Planning

The following list describes the reasons for borrowing which we consider unsuitable and fall outside of our Target Market:

- Money to be held in deposit with no foreseeable or planned immediate need
- Investments (except for Inheritance Tax Planning). Examples include:
  - Business investment/business venture where the applicant holds an interest in the business (direct or otherwise)
  - Investment to generate wealth or income
  - Investment Properties including Buy to Let Properties and Property Investment Club (PIC)

## Lifestyle Flexible Option – Target Market Statement (Continued)

- Timeshare purchases
- Currency speculation
- Illegal, speculative, or gambling purposes
- Providing a 'repayable' loan to an unrelated 3rd party
- Where the use of the money will result in the property not meeting our property lending criteria e.g. spray foam insulation
- Customer(s) student loans
- The loan is expected to be repaid early and will incur an Early Repayment Charge

### Can I sell the Lifestyle Flexible Option without advice?

A lifetime mortgage can only be sold by an equity release adviser who is qualified to offer advice on Equity Release.

### How can I sell the Lifestyle Flexible Option?

To offer advice on Equity Release you will need the following qualifications obtainable through either the Chartered Insurance Institute (CII) or London Institute for banking and Finance (LIBF).


Awarding Body	Required Module Blocks	Qualifications
Chartered Insurance Institute (CII)	RO1 Regulation and Ethics OR CF1 UK Financial Services Regulation and Ethics  PLUS  CF6 Mortgage Advice  AND  ER1 Equity Release	Certificate in Equity Release
London Institute of Banking and Finance (LIBF)	Certificate in Mortgage Advice and Practice  PLUS  Certificate in Regulated Equity Release Units 1 and 2	Certificate in Regulated Equity Release (CeRER)

As well as the above formal qualifications, you should also find out about any restrictions of licensing requirements insisted on by your own firm or network.

## Need this in a different format?

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## How to contact us

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