



# Business Banking Flexible Commercial Mortgage

April 2023

## Our approach to meeting the products and services outcome and price and value outcome – information for distributors of the product

This summary document is provided to you to fulfil our responsibilities under PRIN 2A.4.15R and PRIN 2A.3.12 R (2). It is designed to support you so that you comply with your responsibilities under PRIN 2A.3.16 R and PRIN 2A.4.16 R.

You are ultimately responsible for meeting your obligations under The Consumer Duty.

This is a confidential business-to-business document and should not be provided to customers.

### 1. Summary of our assessment

We've assessed that:

- Our Flexible Commercial Mortgage product continues to meet the needs, characteristics, and objectives of customers in the identified target market
- The intended distribution strategy remains appropriate for the target market
- The product provides fair value to customers in the target market (i.e., the total benefits are proportionate to the total costs)
- In assessing the fair value of this product, Barclays UK has considered the fees and commissions paid by Barclays UK to brokers. It has not assessed any separate fees charged by brokers, directly to customers, for their services or advice. Brokers will need to separately assess whether any such fees and charges represent fair value to the customer, including whether they could affect the overall fairness of the value of the product to the customer.

### 2. Product characteristics and benefits

The product is designed to meet the needs of the target group of UK-domiciled business owners who need to borrow for their business and are able and willing to secure the debt against their trading premises in return for a lower rate of interest than an unsecured product. The product features and criteria are designed to support these needs.

- Lump sum borrowing from £25,001 and above
- Lending terms between 1 year and 25 years (subject to credit approval and may be restricted depending on purpose)
- Must be secured by a first legal charge over the trading premises of the trading business
- Risk-based pricing, based upon factors including business tenure and performance
- Owners, partners and directors must be 18 or over and able to prove 12 months' UK residency
- The business must be an SME and hold a Business Current Account with Barclays UK or another provider
- Capital repayment holidays are available immediately and during the term of the loan (subject to credit agreement)
- The maximum variable term is 25 years and maximum fixed rate term is 10 years
- Can be drawn down in total, or in instalments (variable rate mortgages only)
- Fixed rate and variable rates are available

- Flexible repayment profiles available
- Ability to overpay by up to 10% per annum without penalty.

Full eligibility criteria can be found on our website: <https://www.barclays.co.uk/business-banking/>

### 3. Target market assessment and distribution strategy

This target market assessment puts the target customers into a matrix for the product, recognising their different needs so that you can tailor the services you provide when you distribute the product.

Customer circumstances	Distribution strategy	Customer needs and objectives
<p>The customer requires one-off borrowing and has a trading premises that they are willing, or able, to offer as first legal charge for security.</p> <p>The customer needs to complete a large, one-off purchase such as stock, machinery or equipment, the purchase of Commercial property or land, investment finance, property development or refurbishment of owner-occupied business premises.</p>	<p>Available directly through Barclays UK and via brokers.</p>	<p>The customer requires a flexible loan product to make a large purchase or equity release and would like to repay the sum over a period that meets their financial commitments and affordability.</p> <p>The customer is able and willing to offer the necessary security for the Flexible Commercial Mortgage in return for a lower rate of interest than an unsecured product.</p>

The product is not designed for clients who:

- Are severely credit impaired
- Do not meet our lending criteria
- Do not have, or are unwilling to provide, the necessary security against their borrowing
- Require borrowing of less than £25,001
- Require a revolving credit facility (such as an overdraft).

## 4. Customers with characteristics of vulnerability

Barclays UK recognises that all customers could, at any time, face personal circumstances which may result in them being susceptible to detriment.

Our definition of a customer in a vulnerable circumstance is any existing or potential customers who, due to their personal circumstances e.g., financial difficulty, long term medical conditions, or other personal circumstances, are especially susceptible to detriment. The overall treatment of these customers is guided by relevant sections within the Barclays Customer Engagement Standard.

We have a framework in place to achieve good outcomes for vulnerable customers, which includes:

- All colleagues in Barclays UK are required to complete annually refreshed mandatory vulnerability training as part of an annual training programme
- Barclays UK has a common framework of vulnerability indicators to enable customers to disclose vulnerabilities and notify us of their support needs, enabling colleagues to support customers in circumstances of vulnerability and make appropriate adjustments
- Suitable customer service provision and communications
- Flexible policies, where appropriate, to support vulnerable customers
- If customers experience short- or long-term financial difficulty, they can access support and advice through our dedicated and specialist teams.
- Performance monitoring to ensure we are meeting the needs of customers with characteristics of vulnerability

## 5. Our assessment of value

We've completed a comprehensive and robust assessment of the Flexible Commercial Mortgage to assess whether it provides fair value to customers.

In assessing the fair value of this product Barclays UK has considered the commission paid by Barclays UK to credit brokers. It has not assessed any separate fees charged by credit brokers, directly to customers, for their services/advice because, in our assessment, regulated products with separate broker fees represent a small minority of our customer base. Credit brokers will need to separately assess whether any such fees/charges represent fair value to the customer, including whether they could affect the overall fair value of the product to the customer.

Our fair value assessment has considered the following:

Benefits	Price	Costs	Limitations
<p>The Flexible Commercial Mortgage product enables the customer to borrow larger sums of money to help make purchases.</p> <p>The flexibility of this product enables the customer to choose from a variety of repayment profiles and term lengths.</p> <p>Fixed or variable rates of interest are available.</p> <p>The option of mid-term capital repayment holidays, subject to approval.</p>	<p>Pricing is risk based and is calculated on a case-by-case basis.</p> <p>Our assessment includes consideration of the interest rate, fees, and charges that customers pay for the product, distribution fees paid to intermediaries, early repayment fees, fixed-rate breakage fees, and security fees</p> <p>Our Flexible Commercial Mortgage product is comparable to other lenders in the market.</p> <p>Our internal fair pricing principles are followed for all lending products.</p>	<p>The various funding costs of each product, include: the customer service cost, and the administrative costs of underwriting and servicing the product.</p> <p>The cost of customers exiting the product earlier in the term than expected.</p> <p>Additional variable funding costs arising from external factors, such as movements in the market and economic shocks.</p> <p>Additional fees, such as CHAPs fees, are passed onto customers at the cost detailed in their tariff.</p>	<p>Repayments of more than 10% per annum will be subject to early repayment fees.</p> <p>Any repayment of a fixed rate mortgage will be subject to breakage costs.</p> <p>Customers cannot apply for or service this product online.</p>