

# INFORMATION FOR OUR DISTRIBUTORS

## OWNER OCCUPIER CORE RANGE PRODUCTS



Our approach to meeting the Products & Services Outcome and Price & Value Outcome – Information for distributors of our Core Range products

This summary document is being 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 to comply with your responsibilities under PRIN 2A.3.16 R and PRIN 2A.4.16 R. Please note that you are ultimately responsible for meeting your obligations under 'The Consumer Duty'.

This information is intended for intermediary use only and should not be provided to customers.

## 1. Summary of our Fair Value assessment

As of April 2023, we have conducted our assessment in line with our internal Fair Value Framework. This has concluded that our Core Range products provide fair value to customers within the target market, and there is a reasonable relationship between the benefits of the product and the price paid. We also conclude that the distribution strategy remains appropriate; and the products continue to meet the needs, characteristics, and objectives of the intended target market.

When reaching this conclusion, we have considered several relevant factors. More detail is provided in section 5 of this document.

## 2. Product characteristics & benefits

Our Core Range is designed to meet the needs of the target group, offering 'standard' products for our new customers to facilitate the purchase or remortgage of a property, in addition to our existing customers for further borrowing or product switches.

Key product characteristics are summarised below:

- LTV banded products, available up to a maximum of 80% LTV
- Repayment or interest only options
- Fixed or discounted rate options
- Valuation fee costs are either free (for properties up to £500k) or discounted (for properties above £500k)
- £500 cashback towards legal costs for remortgages
- 10% annual overpayment allowance which can be used to reduce the mortgage capital balance without incurring an Early Repayment Charge
- Product rate can be ported to another property
- All mortgage applications are manually underwritten, providing a more personal approach to lending decisions

- Customers benefit from standard service facilities at no additional cost, such as a) the option to administer accounts online, by telephone (standard geographic call charges) or post; b) annual statements, and c) the ability to switch to a new product at the end of the initial term without incurring another product fee

### 3. Target market assessment and distribution strategy

This target market assessment matrix segments the target customers for the Product, recognising their different needs to enable you to tailor the services you provide when you distribute the Product.

Customer Circumstances	Distribution Strategy	Customer Needs & Objectives
Consumers buying or remortgaging residential property for owner occupation in England & Wales. Available up to age 89 (interest-only) or 90 (capital & interest repayment) at application	Either Direct <sup>^</sup> applications or Intermediary* channels  Only available through advised sale.	<ul style="list-style-type: none"> <li>▪ To finance the purchase of a new property, or to borrow money against the value of a home already owned</li> <li>▪ To live in the mortgaged property</li> </ul>
Existing FBS / NCBS owner occupier borrowers (on 'standard' arrangements who are eligible for our Core product range) wishing to increase their borrowing or transfer their existing mortgage balance to another product rate	Either Direct <sup>^</sup> applications or Intermediary* channels  Additional borrowing only available through advised sale. Product switches can be execution only.	<ul style="list-style-type: none"> <li>▪ Access to further core range product rates when existing mortgage product rates come to maturity (<i>existing customers can switch products prior to maturity date, usually subject to ERCs</i>)</li> <li>▪ Access to additional borrowing from a Core Range product, up to 80% LTV</li> </ul>
<sup>^</sup> Direct applications via our in-house Mortgage Advice Service, through our team of qualified Mortgage Advisors  *Intermediary distribution through: - Networks and their Appointed Representatives - Mortgage Clubs - Directly Authorised mortgage intermediaries - Packager firms (must be registered with us)		

Our Core Range products are not designed for customers who:

- Are purchasing a property to let
- Are seeking to borrow more than 80% of their property value
- Are seeking a loan amount of less than £45,000
- Require flexibility of repaying the total loan amount without incurring an Early Repayment Charge
- Are wanting to buy a property that is outside of England or Wales and/or do not reside in England or Wales
- Do not meet our standard lending or property criteria
- Are severely credit impaired

## 4. Customers with characteristics of vulnerability

Our Core Range is designed for the wider mortgage market, offering 'standard' products for all customers. Given the broad target market, it is likely to include a proportion of customers with characteristics of vulnerability, or who will experience vulnerability over time.

The target market encompasses a wide range of customer age groups. Over time, these customers' personal circumstances, plans or objectives may change throughout the mortgage term. Therefore, they may require advice and support to understand the information being presented to them and the implications of the arrangement they are entering into to reduce the risk of harm occurring.

We considered the needs, characteristics, and objectives of customers with characteristics of vulnerability at all stages of the design process for our 'Core Range' products, to ensure these products meet their needs.

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

- All customers are required to receive advice on the suitability of an Owner Occupier mortgage, either from our in-house advice team or their intermediary
- Education and training for our staff to ensure they have the appropriate skills and experience to recognise and respond to the needs of vulnerable customers
- Dedicated team who acts as main point of contact for any vulnerable customers
- Monitoring to ensure we continue to meet and respond to the needs of customers with characteristics of vulnerability

Intermediaries should continue to comply with their obligations to ensure that they are treating customers with characteristics of vulnerability fairly.

Please contact us if you need any further information about how we support the needs of all our customers in relation to our 'Core Range' products.

## 5. Our approach to Fair Value assessments

Our Fair value assessments are conducted during the design stage of any potential new product line, or when a significant amendment to an existing product line is proposed (such as a material change to the target market, or the benefits and/or limitations applicable to the product). Assessments are then regularly conducted, at least annually throughout the life of the product, to review whether our products continue to deliver fair value for our customers. All assessments are conducted in line with the Society's internal Fair Value Framework, which has been approved by the Executive Committee and presented to the Board of Directors.

Fair value assessments are undertaken within the Product Development team. A summary of the documented assessments is provided to our Assets and Liabilities Committee for noting, with any pertinent details or results also made available to the Society's Product Review Working Group.

Our fair value assessment has considered the following:

### Benefits:

- The range of features attributed to our Core Range products. Both 'financial' and 'non-financial' benefits have been reviewed.

### Price:

- Interest Rates relative to a wide range of market pricing for similar products in a competitive marketplace
- Any price differentiation present within this category
- Contingent fees, with particular focus on the most significant of these, being the Exit/Early Repayment Charges
- Consideration of our distribution methods and the impact this may have on price paid
- Non-financial costs, namely our processing times from application to offer stage, and offer to completion

### Limitations:

- Any limitations of the Product (either on the scope and service we provide or the product features themselves)

Whilst the assessment framework allows for regular review of fair value, we recognise that, due to the nature of our product set, some factors may be subject to ongoing change as markets develop. Examples of such factors include, but are not limited to, interest rates within the market, shifts in funding costs (largely linked to retail savings market interest rates, as well as the markets for financial instruments), and non-financial costs such as application times and service standards. Metrics in relation to such factors are regularly monitored and assessed as a part of business-as-usual activities, with any resulting actions being taken by the relevant business area as deemed necessary.

## Results of our assessment

Our most recent assessment conducted in April 2023 has concluded that our Core Range products continue to deliver fair value for customers within the target market, and there is a reasonable relationship between the benefits and price paid for these products.