

# INFORMATION FOR OUR DISTRIBUTORS

## Family Mortgage & Family First Guarantor mortgages



### Our approach to meeting the Products & Services Outcome and Price & Value Outcome – Information for distributors of our Family Mortgage (FM) and Family First Guarantor Mortgages (FFGM)

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 FM & FFGM 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

Both our FM and FFGM products are designed to meet the needs of the target group, in this case being borrowers who typically (but not exclusively) are first time buyers looking to purchase their first home.

Key product characteristics of both product types are listed below:

- Access to borrowing up to 95% LTV (with additional security required from family members. Our FFGM additionally requires family members to guarantee the loan)
- Family support options (subject to eligibility)
- Access to repayment (FM & FFGM) or interest only products (FFGM)
- Monthly payments will be fixed for a defined period
- Valuation fee costs are either free (for properties up to £500k) or discounted (for properties above £500k)
- Cashback for all purchase applications
- 10% annual overpayment allowance which can be used to reduce the mortgage capital balance without incurring an Early Repayment Charge

- 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

#### Further product characteristics, exclusive to our FM:

- Available for new purchasers, as well as further advances or product switches for existing FM arrangement customers. Not available for remortgages.
- The additional security can be provided by family members in the form of a charge over their home, cash savings (interest earning), cash savings (which offset mortgage payments), or a combination of these methods. Additional security required for the first 10 years of the mortgage.
- Unemployment cover (subject to certain conditions), where we will meet the mortgage payments for up to six months on a one-off basis
- Enhanced maximum income multiples (5.33) versus those available as standard on our other products

#### Further product characteristics, exclusive to our FFGM:

- Only available to existing FFGM borrowers for product switch or further advance purposes. Not available for new borrowers, or existing borrowers who are not already within an FFGM arrangement.
- Additional security provided in the form of a charge over family members' property, as well as a Deed of Guarantee

### 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
Applicable to our FM: Borrowers, typically (but not exclusively) first-time buyers, purchasing residential property which would be unobtainable without the inclusion of additional security and/or financial support under our standard lending criteria	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</li> <li>▪ To live in the mortgaged property</li> <li>▪ Access to lending at a higher (95% maximum) LTV (compared to our 'Core' Owner Occupier product range)</li> <li>▪ Access to an enhanced affordability assessment compared to our standard available income multiples.</li> <li>▪ To repay the capital by the end of the mortgage term</li> <li>▪ Receive support from other family members</li> </ul>
Both FM & FFGM: Existing FBS / NCBS borrowers 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 additional borrowing at a higher LTV (95% maximum)</li> <li>▪ Access to further FM or FFGM specific products when existing mortgage product rate comes to maturity</li> </ul>

^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)

These products are not designed for customers who:

- Are new purchasers, requiring an interest only mortgage
- Are seeking to remortgage to us from another lender
- Are purchasing a property to let
- Are seeking to borrow more than 95% of the desired property value
- Do not meet our standard lending or property criteria
- Are severely credit impaired borrowers
- Require a loan amount of more than £500,000
- Require flexibility of repaying the total loan amount without incurring an Early Repayment Charge
- Do not need additional support from family members

#### 4. Customers with characteristics of vulnerability

This product is designed primarily (but not exclusively) for the first-time buyer market, which is likely to include a greater proportion of customers with characteristics of vulnerability, or who will experience vulnerability over time. Further, family members providing security need to be fully aware that this security may be called upon to make up any shortfall within the first 10 years of the mortgage term should default occur.

Given the target market includes first time buyers, these customers are less likely to have a comprehensive understanding of mortgages or the mortgage market. Therefore, they may require additional advice and support to understand they understand the information being presented to them and the implications of the arrangement they are entering into to reduce the risk of harm occurring.

Additionally, to ensure family members providing security to support the mortgage understand the arrangement, they must have received separate legal advice prior to completion of any new mortgage.

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

- 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 act 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 FM & FFGM products.

## 5. Our assessment of value

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 FM & FFGM 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 intra-category price differentials 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 timescales for applications, 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 FM & FFGM 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.