

INFORMATION FOR OUR DISTRIBUTORS

JOINT MORTGAGE SOLE OWNER MORTGAGE PRODUCTS (JMSO)



Our approach to meeting the Products & Services Outcome and Price & Value Outcome – Information for distributors of our Joint Mortgage Sole Owner (JMSO) 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 JMSO 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.

2. Product characteristics & benefits

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

Our JMSO products are designed to meet the needs of the target group, being borrowers who require the assistance of their family member(s) income, in order to maximise the amount they can borrow with us.

Key product characteristics are listed below:

- LTV banded products, available up to a maximum of 80% LTV
- Affordability support options from family members (subject to eligibility)
- Up to four incomes can be used for affordability – one or two borrowers (who will own and occupy the property) can be supported by up to two other family members
- Supporting family members will be listed on the mortgage but not own the property
- 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 family members to support with affordability for owner occupation in England & Wales up to 80% loan to value	Either Direct [^] applications or Intermediary* channels Only available through advised sale.	<ul style="list-style-type: none"> ▪ To finance the purchase of a new property, or to borrow money against the value of a home already owned ▪ To live in the mortgaged property ▪ Access to support from family members to boost the amount they can borrow ▪ Non-occupying borrowers named on the mortgage who want to help maximise affordability but not be owners of the property
Existing FBS / NCBS owner occupier borrowers who have a JMSO or guarantor arrangement, wishing to increase their borrowing or transfer their existing mortgage balance to another product	Either Direct [^] applications or Intermediary* channels Additional borrowing only available through advised sale. Product switches can be execution only.	<ul style="list-style-type: none"> ▪ Access to further JMSO specific products when existing mortgage products come to maturity (<i>existing customers can switch products prior to maturity date, usually subject to ERCs</i>) ▪ Access to additional borrowing from a JMSO product, up to 80% LTV
[^] Direct applications via our in-house Mortgage Advice Service, through our team of qualified Mortgage Advisors *Intermediary distribution through: <ul style="list-style-type: none"> - Networks and their Appointed Representatives - Mortgage Clubs - Directly Authorised mortgage intermediaries - Packager firms (must be registered with us) 		

Our JMSO products are not designed for customers who:

- Do not need additional support from family members
- Any borrowers who have no income on their own, or has a current income of less than £20,000
- 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, or more than £500,000
- 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

This product caters for those requiring assistance from family members to maximise the amount they can borrow. Given the multiple parties involved in such an arrangement, our JMSO products are likely to include a proportion of customers with characteristics of vulnerability, or who will experience vulnerability over time. There are likely to be First Time Buyers who have a less comprehensive understanding of mortgages or the mortgage market. Over time, family disputes may result in one or more parties wishing to stop contributing towards the mortgage payments. The occupying borrowers could be at risk of losing their home unless they can afford to meet the entire repayment themselves. Therefore, they may require additional 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.

There is the possibility that the implications of the arrangement on the non-owning borrowers are not fully comprehended (i.e. that they do not realise they are jointly and severally liable for the payments, despite not being an owner). To mitigate this issue, we insist that all non-owning parties to the mortgage are provided with separate legal advice prior to completion of all new JMSO mortgage loans, to ensure they have been provided with adequate explanation of their responsibilities in respect of the mortgage despite not owning the property.

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

- 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 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 JMSO 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 JMSO 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 JMSO 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.