

INFORMATION FOR OUR DISTRIBUTORS

LUMP SUM LIFETIME MORTGAGE



Our approach to meeting the Products & Services Outcome and Price & Value Outcome – Information for distributors of our Lump Sum Lifetime Mortgage

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 Lump Sum Lifetime Mortgage product provides 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 Lump Sum Lifetime Mortgage criteria and product features are designed to meet the needs of the target group, being homeowners aged 70 years and over, wishing increase their borrowing by using equity in their homes to raise an additional lump sum.

Key product characteristics are summarised below:

- Exclusively available to existing Lifetime borrowers for additional borrowing purposes. Not available for new Lifetime arrangements, remortgages or product transfers.
- No restrictions on the use of funds
- Open ended mortgage term - customers can continue to live in their homes until they die or move into long term care
- Guarantee of no negative equity, irrespective of any changes in interest rates or property prices over the mortgage term
- No valuation fee payable to assess further advance applications
- Fixed rate options for term*

- Payments can be made towards the mortgage, but these are not compulsory
- 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 by telephone (standard geographic call charges) or post and b) annual statements

*The fixed interest rate will continue to apply until 12 months after the property is vacated by the last occupying borrower. After this time the interest rate to be charged will be either the Lump Sum Lifetime Mortgage fixed rate or our standard variable rate, whichever is higher. Interest will continue to be capitalised on a monthly basis.

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
Existing NCBS/CHLM Lifetime Mortgage borrowers wishing to increase their borrowing	Either Direct [^] applications or Intermediary* channels Only available through advised sale.	<ul style="list-style-type: none"> ▪ To release equity in their homes to raise a lump sum.
[^] 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		

Our Lump Sum Lifetime Mortgage products are not designed for customers who:

- Require a Lifetime Mortgage with a borrowing reserve facility
- Require a repayment (or part and part) mortgage, or one which is not an open-ended arrangement.
- Would prefer a mortgage subject to regular monthly interest payments, such that the interest does not 'roll up'
- Wish to minimise uncertainty over the value of the loan which will be outstanding at the end of the arrangement, for example for inheritance planning purposes.
- Will not reside in the mortgaged property
- Do not meet our lending or property criteria

There are also other considerations:

- There is a minimum loan amount of £2,000 for additional borrowing
- The maximum loan available is dependent on the current property value, age of borrower(s) and the current mortgage balance (subject to a maximum of £250,000)
- Should our Lump Sum Lifetime Mortgage customers wish to sell their property, our agreement to the proposed sale price must be obtained before proceeding with the sale
- Customers are required to maintain adequate buildings insurance with comprehensive cover (including subsidence, heave and landslip) and index-linking of the sum insured whilst the property is mortgaged to us.
- The mortgaged property must be sold and loan repaid within 12 months of last occupying borrower vacating the property or dying.

4. Customers with characteristics of vulnerability

This product is specifically designed for homeowners aged 70 years and over, wishing to use equity in their homes to raise a lump sum. Our Lump Sum Lifetime Mortgage customers can continue to live in their homes until they die or move into long term care. Due to the nature of this lifetime mortgage, whereby interest continues to compound over the duration of an open-ended term, it is likely there will be a proportion of customers with characteristics of vulnerability, or who will experience vulnerability throughout this open-ended arrangement.

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 taking additional borrowing on their existing Lifetime Lump Sum Mortgage with us, 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 Lump Sum Lifetime Mortgage 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 (both financial and non-financial benefits) attributed to our Lump Sum Lifetime Mortgage.

Price:

- Interest Rates relative to a range of market pricing for similar products
- Contingent fees, with particular focus on the most significant of these, being the Exit/Early Repayment Charges
- Consideration of the appropriateness of our distribution strategy for this product type

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 Lump Sum Lifetime Mortgage 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.