

INFORMATION FOR OUR DISTRIBUTORS

OWNER OCCUPIER OFFSET PRODUCTS



Our approach to meeting the Products & Services Outcome and Price & Value Outcome – Information for distributors of our Owner Occupier Offset Mortgage 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 Offset 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 Offset product features and criteria are designed to meet the needs of the target group, being customers wishing to use savings funds to offset the interest charged on their mortgage. Our Offset product features and criteria are designed to support these needs.

Key product characteristics are listed below:

- LTV banded products, available up to a maximum of 80% LTV
- Capital & interest repayment mortgage, with a variable (discount) interest rate
- Our offset mortgages have the inclusion of a savings account attached to the mortgage arrangement. The amount of interest charged on the mortgage is reduced by the amount customers save within the linked Offset Saver
- Customers can benefit from either balance/term reduction, or payment reduction:
 - Balance/term reduction - Offset savings are used to pay off the mortgage capital at a faster rate than without offsetting
 - Payment reduction - Offset savings used to reduce the amount customers pay each month

- Valuation fee costs are either free (for properties up to £500k) or discounted (for properties above £500k)
- £500 cashback towards legal costs for remortgages
- £100 cashback used to open and fund linked Offset Saver account for all applications
- Additional 'Flexible Features' including unlimited overpayments which do not redeem the loan in full (without incurring early repayment charges) to build up a credit position, which could be used for future underpayments, payment holidays and drawbacks (with our prior agreement)
- Up to four Offset Saver accounts can be linked with each offset mortgage, giving family members flexibility of helping borrowers
- 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 looking to purchase or remortgage a residential property who also have savings (or have a family member who has savings) which can be used to offset against part of their mortgage	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 a linked savings account (<i>FBS Offset Saver</i>), for funds to be deposited and linked to the offset mortgage account
Existing FBS / NCBS mortgage owner occupier borrowers wishing to either increase their borrowing or transfer their existing mortgage balance to another Offset 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 Offset 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 an Offset 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 Offset products are not designed for customers who:

- Are purchasing a property to let
- Require an interest-only mortgage
- Require the certainty of a fixed rate of interest
- Are seeking to borrow more than 80% of the property value
- Do not meet our standard lending or property criteria
- Are severely credit impaired borrowers
- Require flexibility of repaying the total entire loan amount without incurring an Early Repayment Charge – however, overpayments which do not redeem the loan in full do not incur any ERC
- Seeking to benefit from any savings beyond the value of the mortgage balance

In addition to the above, there are a couple of other notable product features:

- The linked Offset Saver account does not pay a rate of return, in light of the offsetting nature towards the interest charged on the mortgage account.
- Customers wishing to receive a rate of return on their savings account should consider alternative options

4. Customers with characteristics of vulnerability

This product is designed for customers who wish to use savings in order to reduce the amount of interest charged on their linked mortgage account. There may be instances throughout the Offset arrangement which could lead to vulnerability. Family members may deposit funds in the linked Offset Saver in order to help reduce the amount of interest charged within the mortgage account. However, with a standard offset arrangement, family members could withdraw their money without notice should they need to, as there is no guarantee of how much or for how long they may be able to help the borrowers to offset. With factors like this in mind, our Offset mortgage products may include a proportion of customers with characteristics of vulnerability, or who will experience vulnerability over time.

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

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 Offset 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 Offset 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 that's present within this category
- The most significant contingent fees (Exit/Early Repayment Charges)
- Contingent fees, with particular focus on the most significant of these, being the Exit/Early Repayment Charges
- 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 Offset 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.