

Consumer Duty

April 2023

For Intermediaries Only



Introduction

Selina Finance Limited (Selina) fully supports the Consumer Duty initiatives intended to ensure good outcomes for all customers. In order to achieve this, we want to provide transparency around our target market, product and service fair value assessments and the work that we are undertaking.

As an FCA regulated firm, you also have responsibilities under the Consumer Duty rules which we understand many of you are already preparing for. This will include reviewing areas such as:

- The services you provide to your customers and the value of the fees attributed to your work
- Your customer journey to ensure you are acting in good faith towards customers, without causing foreseeable harm, allowing them the ability to pursue their financial objectives
- Your sales process, ascertaining where the needs of your customers are identified and how you handle supporting potentially vulnerable customers
- The way you communicate with customers to enable good understanding and decision making

Our aim is to work with all of our distributors, supporting you to reach your aims for Consumer Duty compliance whilst learning from the valuable feedback you provide us. We believe that by listening to each other, we will be able to make fundamental and impactful improvements to the market we all operate in.

What have we done so far?

Products

Our first aim was to speak to real people and clarify how well our products are understood. Initial focus was spent on the Home Equity Line of Credit (HELOC) as the less traditional product offering. In order to do this, we sought opinions from a sample of homeowners who are not Selina customers; presenting sections of our ESIS and Mortgage Offer for feedback.

We learnt that the flexibility of the HELOC appealed to our respondents, but that the product itself was something few had heard of before. One of our key findings was that the role of the Mortgage Adviser was vital to the success of customer clarity. This means making sure our intermediary partners feel they are equipped with adequate tools to explain the HELOC and that the documentation supplied to customers supports that explanation.

Interestingly, some of the sample identified that the HELOC product would allow them to repay items of credit at a later time; giving them the benefit of interest free periods on their existing unsecured credit.

Our products are intended to provide value to customers by offering them the benefit of flexibility to pursue their financial goals. We continue to collect and assess product performance data by analysing complaints, arrears activity, customer vulnerability trends and quality assurance findings. Our products are performing in line with Selina expectations. We are pleased to find no consumer harm has been identified but Selina plans to elevate its management information and monitor these metrics as we mature.

Distribution strategy

We considered how our products come to market and our intentions in making our HELOC and Homeowner Loan products available. Our products are intended for distribution via intermediaries who are authorised by the Financial Conduct Authority. Further value is added to our customers by requiring advice to be provided by qualified individuals. We ensure that intermediaries are registered with Selina in order to distribute the products that we offer and will continue to monitor case outcomes for quality, delinquency and complaint trends. After completing our assessment, we believe our distribution strategy remains appropriate for our target market.

Target Market

We are motivated to providing products that allow our customers to pursue their financial objectives. We sought to understand our target markets and identified that our customers characteristics generally fall into two categories:

Homeowner Loan - Homeowners in the UK with an existing first charge mortgage, little to no adverse credit, with the objective of consolidating credit or completing home improvements.

HELOC - Homeowners in the UK with an existing first charge mortgage, little to no adverse credit, with the objective of completing more aspirational purchases or projects where flexibility to draw funds in stages is key.

Both sets of customers have a need to raise additional funds beyond their first charge mortgage.

We reviewed our product pricing and offering based on our target market. When assessing fair value, we considered the price of our products, the risk profile of our products and the cost of our distribution arrangements, customer reviews and complaints data as well as support services provided by our oversight teams to ensure good customer outcomes are reached. After undertaking a value and product assessment, we are confident our products remains consistent with the needs of our target market, providing fair value to our customers across our fixed and variable rate products.

Our current HELOC product is not generally suitable for:

- Borrowers who do not own a property themselves
- Borrowers with impaired credit
- Borrowers looking for interest only mortgages or the stability of fixed monthly repayments
- Borrowers with no requirement for flexibility who require the full amount of funds on inception

Our current Homeowner Loan product is not generally suitable for:

- Borrowers who do not own a property themselves
- Borrowers with impaired credit
- Borrowers who wish to save paying interest on funds they will not use straight away.

Customer Vulnerability

Our target market will contain customers who may display characteristics of vulnerability both at inception and over the lifetime of their relationship with Selina.

We reviewed how we can monitor and offer support to these customers and plan to include improvements in our journey which help to identify customers needing additional support. Intermediaries should comply with their obligations to support vulnerable customers and take reasonable steps to evidence their actions are in good faith.

Service

Selina uses customer and intermediary feedback to focus on continually improving the service we provide. We strive to make our processes efficient, allowing our team to focus on elevating the experience of our customers, supporting their needs via a variety of communication methods.

Following our Consumer Duty review process, we are pleased to already offer customer services enabled by technology which support more flexible servicing platforms such as our post disbursement portal and e-signatures. We continue to strive towards the implementation of additional enhancements which reduce friction in our originations and servicing processes.

Our Expectations

In an effort to work with our valuable distribution network, we want to share our expectations of our intermediaries. We are keen to support you by providing this information and listening to your feedback.

We will be sending you a short questionnaire asking how you plan on implementing the Duty. We have aligned this to our annual due diligence update for the sake of ease. We are asking you to think about things such as:

- How you you distribute our products and services - recommending products to customers within a lenders target market is key to making sure you meet their needs
- How you evidence that the way in which you distribute our products avoids foreseeable harm
- How you monitor and evidence that your strategy meets customer needs and objectives and forms good outcomes for those customers; consistently considering their needs and behaviours throughout your interactions with them
- How you identify and support vulnerable customers and ensure your processes do not cause harm
- An assessment of your fees and charges - the Duty is not designed to restrict business profitability and firms should consider if their fees are reasonable taking into account both the costs they incur as well as the value they add by having robust processes such as Adviser scripts or Quality Assurance teams
- How you identify and manage customer complaints and how the analysis of those concerns feeds back into the development of your customer journey
- How you engage with us - the role you play in distributing our products means that we may ask for data from you relating to customer feedback and complaints, as well as customer behaviours in our target market. This enables us to meet our part of the Duty and we ask for data to be provided in a durable medium and in good time when requested

We look forward to continuing our work with you to deliver positive customer experiences and outcomes by providing products and services that empower customers to meet their financial goals.



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