Product Name: Residential Second Charge Mortgages
Information sheet produced: 28/4/2023

Information for distributors of the Product
Our approach to meeting the Products & Services Outcome and Price & Value Outcome

Spring Finance Limited ('Spring') was established in 2011 as a long term second charge lender (secured loan), lending to customers who may not meet the normal lending criteria of high street banks, building societies and other lenders. It is authorised and regulated by the Financial Conduct Authority (300606) for regulated mortgage lending and administration and registered with them for Consumer Buy to Let lending.

Spring's focus has always been on treating customers as individuals, and not a credit score. Spring understands that people have different financial backgrounds and believes that just because a customer has bespoke requirements does not mean that they should be excluded from obtaining affordable finance. Spring's personal and efficient service is central to our relationship-based philosophy and approach to lending.

This document is intended for intermediary use only and should not be provided to customers. It sets out the target markets for our products and who the products are both suitable and unsuitable for, helping you to select a suitable product for your customer. You remain responsible for meeting your obligations in this regard. Making sure that our products continue to meet the needs of customers in the target markets, that the distribution strategy is appropriate and that the products provides fair value to customers is an important part of "the Consumer Duty".

We confirm that our products have been assessed as providing fair value for the benefit that is provided.

1. Target market

The product has been designed to cater for customers who have experienced historic financial problems, which restricts them from accessing traditional high street mortgages.

Spring's mortgage products allow for debt consolidation where required to reduce borrower's overall monthly outgoings. By consolidating debt that has a high monthly cost into a second mortgage puts customers in a better position to meet their monthly payments and improve their credit profile, albeit they may pay interest over a longer period and therefore a higher overall cost of debt.

The target market is split into two areas:

1. Prestige plans
2. Core plans

Prestige plans:

These plans are aimed at light adverse customers who may have faced minor financial issues, such as a missed mortgage payment, a Default/CCJ or sporadic payments on their unsecured credit which limits their options when looking to raise finance against their residential home. These products are not available to consumers within a DMP/IVA/Bankruptcy.

Suited to (non-exhaustive):

- Those who want a fixed rate for the first 3 or 5 years of their loan
- Those unable to obtain further advance through mortgage provider
- Applicants who do not want to lose their existing first charge interest rate or pay high ERC charges to re-mortgage
- Those with complex income that requires manual underwriting
- Applicants looking for deposit for investment property
- Business purpose borrowing
- Debt consolidation
- School fees
- Home improvements
- Transfer of equity
- Tax bills
- Car purchases
- Other legitimate non-speculative borrowing requirements

Not suited to (non-exhaustive):

- Applicants with a perfect credit score
- Applicants looking to borrow short term (i.e. bridging finance)
- Applicants with missed mortgage payments in the past 3 months
- Applicants who are unable to evidence income
- Applicants that do not have 12 months current mortgage history
- Combined Income under £18,000 per annum
- Recent payday loans in the past 6 months
- Applicants with CCJs or Defaults totalling over £5,000
- Registered CCJ/Default in the past 6 months
- Over 2 Demerit points

Core plans:

These plans are aimed at customers with light to medium adverse on Core 1 & Core 2 plans, to those with heavier adverse on Core 3. These plans allow for consumers within DMP/IVA and looking to annul bankruptcy proceedings.
Customers on our Core plans will typically carry a higher level of debt built up over several years who then experience a life event such as redundancy, breakdown of relationships or lower than expected income for a certain period of time e.g. loss of overtime or bonuses or non-payment of invoices for the self-employed/company owner.

Suited to (non-exhaustive)

- Those who want a fixed rate for the first 3 or 5 years of their loan
- Applicants with recent missed mortgage payments
- Applicants currently within a DMP or IVA and making contractual payment
- Applicants with declining credit history that can evidence a change in circumstances
- Applicants with recent payday loans history
- Applicants looking to consolidate credit
- Applicants looking to raise funds to annual a bankruptcy
- Applicants who have experienced a life event and looking to get back on track
- Applicants looking to clear historic adverse credit

Not suited to (non-exhaustive):

- Applicants with a perfect credit score or who qualify for Prestige plans
- Applicants looking to borrow short term (i.e. bridging finance)
- Applicants who are unable to evidence income
- Combined Income under £18,000 per annum
- Not currently honouring payments to DMPs or IVAs
- Looking to leave a bankruptcy in place
- Applicants where the loan will not improve their situation
- Applicants that have not had a current mortgage for at least 3 months

Product guides and full eligibility criteria can be accessed on our intermediary website:
www.springfinance.co.uk/intermediaries

2. Distribution strategy

Spring distributes all its products via intermediaries. Spring does not hold permission to advise on regulated mortgage contracts therefore all regulated loan applications have to be submitted by a regulated broker or by a packager who has received the case from a regulated broker.

New introducing brokers are required to be vetted through Spring's accreditation process, which ensures they have the necessary FCA permissions to introduce/advise on regulated products. They will be required to sign a broker agreement before submitting business to Spring. Some introducing brokers will also conduct their own accreditation of Spring for their compliance needs.

3. Customers with characteristics of vulnerability

The product has been designed to cater for a wide range of customers, some of whom are likely to have experienced historic financial problems. This is likely to include some customers with characteristics of vulnerability or who will experience vulnerability over time.

Potential vulnerabilities across the mortgage product range (not exhaustive):

- Poor credit profile and management of finances
- Applicants who are not benefitting from the loan and may not understand the implications of being a joint borrower or guarantor
- Applicants who do not have English as their main language
- Applicants who are visually or hearing impaired
- Applicants who need funds fast due to time pressure
- Applicants that may be better suited to entering into a DMP/IVA
- Applicants not fully understanding details of the mortgage

We recognise our duties and obligations to support customers with characteristics of vulnerability and ensure that they receive positive outcomes and consistently fair treatment.

This includes:

• Ensuring staff have appropriate shills, experience and training to recognise and respond to vulnerable customers
• Suitable customer service provision and communications
• Monitoring and assessing whether we are meeting, supporting and responding to the needs of vulnerable customers

Intermediaries should continue to comply with their obligations to ensure that they treat customers in vulnerable circumstances fairly.

4. Our assessment of value

Product pricing is based on the number of demerit points the customer has on their credit profile, ranging from 1 on Prestige 1 to 4+ on Core 3. Demerit points are based on information held on Equifax alongside data received from the 1st mortgagee where not showing on the credit search. Higher demerits represent a higher risk or default and loss, leading to higher pricing. The interest rate therefore reflects the customer's risk profile.

The product range offers an initial fixed rate for the first 3 or 5 years based on the relevant loan to value band. It reverts to a risk based variable rate linked to Spring's Administered Variable Rate according to the risk profile of the plan.

The cost of the loan is set out clearly in the mortgage illustration including the total cost and APRC to allow for comparison. Spring publishes a Tariff of Charges which details all fees a borrower may incur that are not specifically set out in their personalised illustration, including the fees they may incur in the event they fall into arrears or default. This tariff follows the Which? approved model to make it easy to understand and compare to other lenders. Any external fees are charged at cost. Internal fees are reflective of the work involved and are reviewed annually.

A Lender fee of 2% of the net loan is charged on completion of the mortgage. This means that customers with a larger loan size pay more than those with a smaller loan size however we deem this to be fair and reflective of the overall cost and risk to the business.

Spring's interest rates are comparable with the rest of the specialist mortgage market and reflective of our costs (including the cost of funding, costs of acquisition, costs to process and costs to maintain customer service and support through the course of the loan) and the risks associated with each product within our product set.

We deem the overall cost to the borrower of a Spring loan to be fair value for the benefit provided.