

Consumer Duty

2024

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.

This summary document has been created to fulfil our responsibilities under PRIN 2A.4.15R

We continually monitor our products and apply a risk-based approach to our product governance. In addition, before market launch, all product design is subject to Selina's internal product governance process.

Update following implementation

Our team continue to seek customer understanding via reviews, customer satisfaction scoring and individual customer interviews. Over the course of the year, we have taken this feedback into our product team forums to implement solutions to customer friction.

Looking to our distributors, we have focused on our underwriting processes and based on your feedback, launched initiatives to make our products more accessible and our processes more efficient. We welcome information from our distributors on potential customer harms caused and will be seeking more feedback in our annual due diligence process.

We have developed a suite of consumer duty monitoring metrics which enable us to act quickly if we identify an issue. Additionally, we are improving our quality assurance activity to have greater focus on our entire customer journey from origination through to funding and further into how customers interact with Selina through the lifetime of the product. Customer service and support is our utmost priority and we are investing in solutions that support our most vulnerable customers; taking a case by case approach in assessing their individual needs.

When launching new products or making significant changes to existing products, we follow a robust internal governance process that ensures that the following areas are assessed and approved:

- Identification of the target market and non-target market for each product.
- Ensure that the distribution methods align with the needs of the target market.
- Assess that the costs, fees and charges are appropriate for the product, and demonstrate these represent fair value for our customers.
- Consider how we are meeting the requirements of vulnerable customers through our product design and distribution methods.
- Ensure that our customer communications are clear, timely and easy to understand for the target market.

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.

Distribution strategy

Our products are intended for distribution via intermediaries who are authorised by the Financial Conduct Authority and our own Mortgage Advisers. We require our products to be recommended with advice from qualified individuals rather than on an execution only basis. We ensure that intermediaries are registered with Selina in order to distribute the products that we offer and 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. In 2023, our customers characteristics generally fell into two main categories which remain the same:

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 such as parents needing to raise funds for school fees.

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

We identified there were a number of customers with needs for raising funds beyond our maximum LTV bands and have introduced products up to 95% LTV to better serve this target market.

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.

Product Performance

During the lifecycle of our products, we collect MI and assess their performance by means of trends in short and long-term delinquency assessments, complaints, trends in consumer demographics, short term redemptions and vulnerability in the product cohort. Where we foresee consumer harm, we take relevant action to mitigate this and improve our products as outlined in our governance process. The findings of our fair value assessment have shown that this product is currently performing as expected and no consumer harm was identified.

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.

Our servicing function remains under constant review to ensure it can support those customers facing financial difficulty, together with meeting our regulatory obligations.

Pricing

When setting prices, Selina measures competitive forces, underlying costs assessed in relation to fees and charges, risks and propensity of delinquency, and our cost of funding. We ensure we maintain a transparent charging structure which is reviewed regularly to ensure fair value is provided. When designing our charging structure, an assessment of the cost of delivery to market the product along with ongoing servicing costs are monitored and taken into consideration as well as ensuring the pricing is in line with market competition. We ensure all fees and charges are suitable and our product governance process is well documented however, should any risk of harm to a consumer come to light we will promptly improve the value or withdraw the product from sale.

Selina takes a risk-based approach where adverse units are taken into account. This ensures that all customers purchasing our products are provided with fair value for their circumstances.

Fair Value Summary

When assessing fair value, we considered the price and performance of our products, their risk profile, the cost of our distribution arrangements, customer experience and servicing metrics 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. Where possible, we have reduced the product fees for customers as we continue to make use of technology to reduce the operating cost of our service provision.

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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