

Product Specification: Mortgages

An application can include all mortgages being offered by the mortgage lender if they have the features and there are no issues relating to fairness factors. The term product relates to all features of the product including the advisory service by which it is sold. It will include mortgages sold through intermediaries if the features are available through that channel.

1 Assisting the customer to understand all expenditures involved in the house purchase/remortgage

This section considers features that help the customer understand all housing related expenses before and after the purchase of a new property, including unexpected costs. The purpose is to ensure that as far as possible the customer can manage both mortgage payments and other expenditure after a move.

- 1.1 The product provides the customer with a clear indication of the amount of all possible costs involved in the house purchase (arrangement, application, valuation, survey, legal, stamp duty, estate agent etc.).
- 1.2 The product encourages the customer to consider possible interest rate increases in a way that the customer is confident that they have planned for it (e.g. alternative income or a buffer on their income).
- 1.3 The product provides the customer with the ability to consider all post-purchase regular running costs. This is particularly important for first time buyers, in a way that encourages customers to check if they are unsure e.g. do not know the cost of utilities.
- 1.4 The product enables the customer to consider post-purchase costs (e.g. repairs, furniture, decorating, extensions etc.) in order to enable the customer to understand what they can afford at that point; this may be followed up with post-move communications or reminders.
- 1.5 The product encourages the customer of the need to have an emergency/contingency fund for unexpected expenditure? (This should be followed up with post-move communications or reminders).

2 Enabling the customer to make prepayments and underpayments

This section considers features that encourage the customer to prepay when they can afford to do so in order to reduce mortgage costs and vulnerability. It includes features that enable underpayment or payment holiday following a prepayment in order to assist with a change in circumstance.

- 2.1 The product enables the customer to make early payment of some of the mortgage without charge and customers are aware of the feature.
- 2.2 The product allows some underpayment or payment holiday as a result of having made prepayments and customers are aware of the feature.

3 Enabling the customer to consider insurance arrangements

This section includes features that encourage the customer to take out appropriate insurance at the same time as the life event of moving home and to periodically review insurance arrangements, particularly in relation to a life event.

- 3.1 The product encourages the customer to consider insurance needs in a way that leads to some customers seeking advice to ensure they have adequate protection in case of unexpected life events.

- 3.2 The product encourages the customer to periodically review insurance arrangements e.g. buildings, contents, life, illness, income protection, which could be linked to a change in circumstance.

4 Enabling the customer to receive support for a temporary change in circumstance or in financial difficulty at the earliest opportunity

This section includes features that support a customer that finds themselves facing a temporary change in circumstance or financial difficulty on a mortgage and likely to miss a payment or having missed a payment.

- 4.1 The product has ensured that the customer is *regularly* made aware that it is likely to be in their interest to contact the lender at the earliest opportunity, even prior to a payment being missed.
- 4.2 The customer in need of support is clear about the options available to them (e.g. adding arrears to the mortgage balance, part-repayment, interest-only, term extension and payment holiday).
- 4.3 The customer is given sufficient time to consider the options, seek advice as necessary and take a decision, during this time the collection process is suspended within legal constraints.
- 4.4 The customer is referred to an independent agency (e.g. StepChange) where necessary in such a way that the customer does follow this up rather than postponing contact.
- 4.5 The product follows up the customer to confirm that the proposed actions are being taken and providing support to the customer.

5 Encouraging customers to have a plan for repaying an interest only mortgage

This section includes features designed to ensure customers that have moved to an interest only mortgage have considered (prior to retirement) a method of repayment. The approach will have been developed with a view to ensuring understanding and future action by customers.

- 5.1 The product reminds the customer of the need to repay a mortgage in such a way that the customer understands the consequence of only paying interest i.e. that the mortgage is not reducing and the property will not become owned by them.
- 5.2 The product encourages the customer to commit to a voluntary plan for how to repay a mortgage that has become interest-only.
- 5.3 The product periodically (e.g. annually) reminds the customer of the plan and gives the opportunity to consider whether it is still appropriate in a way that some customers take action.

6 Encouraging customers to take action in relation to retirement

This section includes features designed to ensure customers who are approaching or after retirement are considering potential action.

- 6.1 The product has options or other features that will encourage the customer to consider making adjustment prior to or following retirement.