



Product name: Interest-only mortgages - Standard Residential

Information sheet produced: April 2024

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

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’ rules.

This information is intended for intermediary use only and should not be provided to customers.

1. Summary of our assessment

We have assessed that:

- the product range continues to meet the needs, characteristics, and objectives of customers in the identified target market
- the intended distribution strategy remains appropriate for the target market
- the product range provides fair value to customers in the target market (i.e. the total benefits are proportionate to total costs).

2. Product characteristics and benefits

The products are designed to meet the needs of the target group. The product features and criteria are designed to support these needs:

- fixed rate for an initial period, providing stability of monthly payments for an initial period
- looking to repay only the interest due on the amount borrowed each month, and use their wider wealth in alternative ways
- choose alternative methods to repay the capital balance
- one standard valuation included
- choice of cashback or remortgage transfer service incentive (remortgages only)
- portable
- annual overpayment allowance up to 10% of capital balance.

Full eligibility criteria can be accessed on our intermediary website, **here**.

3. Target market assessment and distribution strategy

This target market assessment matrix segments the target customers for the products, recognising their different needs to enable you to tailor the services you provide when you distribute the products.

Customer circumstances	Distribution strategy	Customer needs and objectives
Purchasing a new property.	Available through Direct and Intermediary channels (advised only).	<ul style="list-style-type: none"> Stability in monthly payment for an initial period. Plan to repay only the interest each month, and use their wider wealth in alternative ways. Have repayment plan in place to repay the capital balance at the end of the term. Available for customers who may want additional interest-only borrowing.
Remortgaging from another lender.		
Existing borrowers looking for a rate switch.		
Looking for additional interest-only borrowing.		

The product is not designed for customers who:

- wish to purchase a property to let
- don't intend to live at the property
- want to reduce their capital balance through monthly repayments
- may want to repay their mortgage early without paying an Early Repayment Charge (ERC)
- don't meet our lending criteria.

4. Customers with characteristics of vulnerability

The products are designed for general application across the residential property market, which is likely to include some 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 these products to ensure the products meet their needs.

We have also tested the products to assess that they will meet the identified needs, characteristics, and objectives of the target market, including customers in the target market who have characteristics of vulnerability.

There is a risk that the customer doesn't have sufficient repayment strategies to repay the capital at the end of the term. To mitigate this, our lending criteria confirms applications on an interest-only basis must have a maximum LTV of 50% and that there must be a minimum of £300,000 equity remaining at completion regardless of the applicants chosen repayment plan, and be able to afford an equivalent repayment mortgage.

Intermediaries should continue to comply with their obligations to ensure that they deliver good outcomes for customers in vulnerable circumstances.

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Please contact us if you need any further information about how we support the needs of all our customers in relation to the products. You can access a guide to supporting clients with vulnerabilities [here](#).

5. Our assessment of value

We have developed a comprehensive and robust assessment process which evaluates several aspects of our business to determine the value of our mortgage products. This analysis is used to ascertain whether the products deliver fair value for customers.

The outcomes of the assessment process are presented to the Product Approval Group, allowing for challenge and further investigation before we sign-off the outcomes and share the summary of our assessment with you.

Our fair value assessment has considered the following:

Benefits	Price	Costs	Limitations
The range of features that the products provide, the quality of the products, the level of customer service that is provided and any other features that the products may offer.	The interest rates, fees and charges customers pay for the products (including ERCs, where applicable), comparable market rates, procurement fees paid to intermediaries and non-financial costs associated with operating the products.	The cost of funding the products.	Any limitations on the scope and service we provide or the features of the products.

Results of our assessment

Our assessment concluded that the products continue to deliver fair value for customers in the target market for the products.

Information correct: April 2024

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