

Scottish Building Society

Product name: Self-Build Mortgages

Information sheet produced: July 2023

Our approach to meeting the Products & Services Outcome and Price & 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'.

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

1. Summary of our assessment

We have assessed that:

- Our Self-Build product range continues to meet the needs, characteristics, and objectives of customers in the identified target market.
- Our Self-Build product range provides fair value to customers in the target market.
- The distribution strategy remains appropriate for the target market.

2. Product characteristics & benefits

Our Self-Build products enable an applicant (or applicants) to have their property individually constructed and differ from standard residential mortgages in that the funds are released in stages to enable the construction process to be completed, either by a single builder, or by a collection of individual contractors.

Within 'Self-Build' the Society will also consider Custom-Build properties. The key features of Custom-Build include purchasing a fully serviced plot from a Custom-Build developer and the borrower working with either the site architect, or their own, to design a home.

The product features and criteria are designed to support these needs, including but not limited to:

- A Discounted Variable Rate product
- Available in Scotland and North England
- Fee free overpayment allowance of 10% per annum, where ERCs apply

- The maximum age at the end of the mortgage term is normally 85.
- Capital & Interest repayment option only during the property build.
- Staged funding arrangements to meet the applicant’s needs. Funding is released in arrears.
- On completion of the build a product switch to one of our Residential mortgages, including our fixed rate product range, and including within the Early Repayment Charge period, is available.
- Minimum mortgage term is 5 years and maximum term is 40 years

Self-Build Mortgages	
Max Loan Amount	Max Loan to Value
£600,000	80%
£800,000	70%
£1,000,000	60%

The Self-Build mortgage product and 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 Self-Build mortgage products, recognising their different needs to enable you to tailor the services you provide when you distribute the Product.

Customer Circumstances	Distribution Strategy	Customer Needs & Objectives
Customers looking to have their property individually constructed in Scotland and North of England.	Available through Direct and Intermediary channels. All sales are conducted on an advised basis.	<ul style="list-style-type: none"> • Financial assistance to enable construction of a property which is to be used for their main residence
<p>*Intermediary distribution through:</p> <ul style="list-style-type: none"> • Networks and their Appointed Representatives. • Mortgage clubs. • Directly authorised mortgage intermediaries. <p>All intermediaries must be registered with SBS.</p>		

A Self-Build mortgage product **may not** be designed for customers who:

- Require an interest only repayment option during the build phase
- Do not meet our lending or property criteria.

- Could face affordability concerns through rising interest rates, or non-sustainability of income.
- Require the full advance either up front or prior to the builds completion.
- Are applying where construction of the property has already commenced.
- Intend to use a group of individuals from different trades who, despite having an agreement to work as a team, build houses for each other.
- Cannot provide the following supporting documentation:
 - Fixed price contract from builder, or detailed contactor costs compiled by a suitably qualified project manager, dated within 6 months of application.
 - Evidence of any 'gifted' funds towards build costs.
 - Unable to provide a suitable warranty or architect sign-off through the course of the build.
 - Certification from the builder or the suitably qualified project manager of the funds required at each stage of construction.
 - Proposed plans and in particular the configuration of the property.
 - Planning permission detailing that no restrictive covenants are contained within.
 - Appropriate site insurance documentation, together with confirmation of the relevant parties' professional indemnity insurance.
 - A Mortgage Valuation report of the property to be constructed, covering present and projected/finished value.
- Would benefit from a product without any Early Repayment Charges.

4. Customers with characteristics of vulnerability

Our Self-Build products are designed for borrowers aged 18 or over.

The Society consider Self-Build customers less likely of including some vulnerability characteristics however, we have dutifully considered the needs, characteristics, and objectives of Self-Build customers with characteristics of vulnerability at all stages of the design process.

Our Self-Build product range is frequently assessed to ensure it continues to meet the identified needs, characteristics, and objectives of the target market and are operating in the way the Society intended.

We have in place a framework to achieve good outcomes for vulnerable customers, which includes:

- Education and training for our staff to ensure they have the appropriate skills and experience to recognise and respond to the needs of vulnerable customers.
- Suitable customer service provision and communications available to support customers either directly or via Broker.
- Monitoring to ensure we continue to meet and respond to the needs of customers with characteristics of vulnerability.

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

If you believe an SBS product is causing harm to those with vulnerabilities or otherwise delivering poor customer outcomes, please notify us via BDM@scotbs.co.uk

Please contact us if you need any further information about how we support the needs of all our customers in relation to our Holiday Let product range. Help and support is available via ScottishIntermediaries@ScotBS.co.uk or directly via your BDM, whose contact details can be found [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 product. This analysis is used to ascertain whether our Self-Build products deliver fair value for customers.

The outcomes of the assessment process have been presented to Operational Risk Committee, allowing for challenge and further investigation before the process was officially agreed.

Our fair value assessment has considered the following:

Benefits	Price	Costs	Limitations
The range of features that the Product provides, the quality of the Product, the level of customer service that is provided and any other features that the Product may offer.	The interest rates, fees and charges customers pay for the Product, comparable market rates, advice fees paid to intermediaries and non-financial costs associated with operating the Product.	The cost of funding the Product and any other reductions in costs to the customer made possible by economies of scale.	Any limitations on the scope and service we provide or the features of the Product.

Results of our assessment

Our assessment concluded that our Self-Build products deliver fair value for customers for the target market.