

## Scottish Building Society

**Product name:** Guarantor Residential 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 Guarantor product range continues to meet the needs, characteristics, and objectives of customers in the identified target market.
- The distribution strategy remains appropriate for the target market.
- Our Guarantor product range provides fair value to customers in the target market.

#### **2. Product characteristics & benefits**

Our Guarantor products are intended to help those borrowers who may not have sufficient income in their own right to get a mortgage in their name (including students) and need the help of a guarantor(s).

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

- Fixed and/or Discount Variable Rate products from the Prime Residential or Professional Mortgage range
- Repayment Options: Capital & Interest and Interest Only (max 75% LTV)
- Available in Scotland & North England
- Fee free overpayment allowance of 10% per annum, where ERCs apply
- Min age is 18 years, Max age at the end of the mortgage term is normally 85.
  - The guarantor should not be older than 65 at the time of application and no more than 75 at the end of the mortgage term. If appropriate, confirmation of a sustainable income stream into retirement is required

- Min loan value £50k, Max loan value £300k
- Max LTV is 90% (95% Professional)
- Min mortgage term is 5 years, Max term is 40 years
- The main earning guarantor must have a minimum sustainable income of £40,000

Guarantor 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 Guarantor 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
Borrowers who may not have sufficient income in their own right to get a residential mortgage and need the help of a guarantor(s).	Available through Direct and Intermediary channels.  All sales are conducted on an advised basis.	<ul style="list-style-type: none"> <li>• Purchase or Remortgage of a residential property</li> <li>• Assist borrowers onto property ladder who may otherwise be unable to</li> <li>• Assist older borrowers to remain in their property when their income has reduced</li> </ul>
<p>*Intermediary distribution through:</p> <ul style="list-style-type: none"> <li>• Networks and their Appointed Representatives.</li> <li>• Mortgage clubs.</li> <li>• Directly authorised mortgage intermediaries.</li> </ul> <p>All intermediaries must be registered with SBS.</p>		

A Guarantor mortgage product **may not** be designed for customers who/where:

- Do not meet our lending or property criteria
- Are not looking to purchase the property for their own main residence
- Could face affordability concerns through rising interest rates, or non-sustainability of income
- Don't want to create an emotive and financial link between themselves and a guarantor
- Cannot provide written confirmation from a qualified and practicing solicitor that legal advice was given as to the guarantor's obligations under the guarantee
- Would benefit from a product without any Early Repayment Charges
- Borrowers who would be able to support a mortgage in their own right
- Guarantors who are unable to provide a long-term commitment to support the borrower

- Guarantors do not wish their capacity to borrow monies to be impacted

#### 4. Customers with characteristics of vulnerability

Our guarantor products are designed for borrowers aged 18 or over. It is expected the borrower(s) is less likely to have a comprehensive understanding of mortgages or the mortgage market relative to the guarantor(s). Due to the nature of the product, it is possible that those associated in the mortgage process could include some vulnerability characteristics. The Society has dutifully considered the needs, characteristics, and objectives associated with guarantor customers with characteristics of vulnerability at all stages of the design process.

Our Guarantor 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.
- Guarantors are required to take independent legal advice.
- 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](mailto: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 Prime Residential product range. Help and support is available via [ScottishIntermediaries@ScotBS.co.uk](mailto: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 Guarantor 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 Guarantor products deliver fair value for customers for the target market.