

Chapter 5A

MCD Pre-application disclosure



5A.1 Application and purpose

- 5A.1.1** **R** This chapter applies to a *firm* that is an *MCD mortgage lender* or *MCD mortgage credit intermediary*.
- 5A.1.2** **G**
- (1) ■ MCOB 5A amplifies *Principle 6* and *Principle 7*.
 - (2) The purpose of ■ MCOB 5A is to ensure that, before a consumer submits an application for a particular *MCD regulated mortgage contract*, they are supplied with information that makes clear:
 - (a) its features, any *linked deposits*, any *linked borrowing* and any *tied products*; and
 - (b) the price that the *consumer* will be required to pay under that contract, to enable the *consumer* to make a well-informed purchasing decision.
 - (3) ■ MCOB 5A requires information to be disclosed in a consistent way to facilitate comparison between products of different providers.



5A.2 Applying for an MCD regulated mortgage contract

5A.2.1 **R** An *MCD mortgage lender* must not enter into an *MCD regulated mortgage contract*, or agree to do so, with a *consumer* unless the *consumer* has submitted an application for that particular *MCD regulated mortgage contract*.

- 5A.2.2** **G**
- (1) The purpose of **MC**OB 5A.2.1 R, along with other *rules* in this chapter, is to ensure that the *consumer* has received details of the particular *MCD regulated mortgage contract* for which they have applied, and has had the opportunity to satisfy themselves that it is appropriate for them.
 - (2) The application should identify the type of interest rate, rate of interest and the *MCD mortgage lender* at the point it is submitted by the *consumer*.



5A.3 Information on MCD regulated mortgage contracts: general

Accuracy

- 5A.3.1 **R** A *firm* that is an *MCD mortgage credit intermediary* must take reasonable steps to ensure that an *ESIS* which it issues, or which is issued on its behalf, other than that provided by an *MCD mortgage lender* is accurate.
- 5A.3.2 **R** It is the responsibility of the *firm* to ensure compliance with ■ MCOB 5A.3.1 R. However, where a *firm* can show that it was reasonable for it to rely on information provided by another *person*, other than the *MCD mortgage lender*, that an *ESIS* was accurate, it may be able to rely on ■ MCOB 2.5.2 R, if this turns out not to be the case.

ESISs where consumer is ineligible

- 5A.3.3 **R** A *firm* must not issue an *ESIS* to a *consumer* for an *MCD regulated mortgage contract* for which the *consumer* is clearly ineligible on the basis of the information that the *firm* has obtained from the *consumer* or the *MCD mortgage lender's* lending criteria.
- 5A.3.4 **G** The purpose of ■ MCOB 5A.3.3 R is not to require a *firm* to ascertain whether a *consumer* is eligible for a particular *MCD regulated mortgage contract* before providing an *ESIS*. Instead, the purpose is to ensure that the *firm* takes into account the information it has obtained from the *consumer* before providing an *ESIS* to the *consumer*.

Explaining the importance of an ESIS

- 5A.3.5 **R** In providing an *ESIS* to a *consumer*, a *firm* must explain to the *consumer* the importance of reading the *ESIS* and understanding it.
- 5A.3.6 **G** A *firm* may satisfy ■ MCOB 5A.3.5 R by drawing the *consumer's* attention orally to the importance of reading and understanding the *ESIS*. For example, in a face-to-face meeting, or by referring to its importance in a covering letter or electronic communication, or other written information that accompanies the *ESIS*.

Form of an ESIS

5A.3.7 **R** Any *ESIS* provided to a *consumer* by a *firm* must be in a *durable medium*.
 [Note: article 14(2) of the *MCD*]

Provision of information

5A.3.8 **G** When providing information on an *MCD regulated mortgage contract*, a *firm* should bear in mind that the information must be given in accordance with
 ■ MCOB 2.5A.1 R (The customer's best interests).

5A.3.9 **G** ■ MCOB 5A places no restrictions on the provision of information that is not specific to the amount the *consumer* wants to borrow. For example, marketing literature, including generic mortgage repayment tables or graphs illustrating the benefits of making a regular overpayment on a flexible mortgage. However, such literature may constitute a *financial promotion* and be subject to ■ MCOB 3A (Financial promotions and communications with customers).

Messages to be given with information on MCD regulated mortgage contracts

5A.3.10 **R** (1) Whenever a *firm* provides a *consumer* with information specific to the amount that the *consumer* wants to borrow on a particular *MCD regulated mortgage contract*, following an assessment of the *consumer's* needs and circumstances to comply with ■ MCOB 4.7A.2 R, it must give, clearly and prominently, the following information:

- (a) the same information on the *firm's* product range as is required by ■ MCOB 4.4A.1 R, ■ MCOB 4.4A.2 R and ■ MCOB 4.4A.4R (1) (which require firms to provide information about limitations on the range of products they offer); and
- (b) that the *consumer* has the right to request an *ESIS* for any *MCD regulated mortgage contract* which the *firm* is able to offer the *consumer*.

(2) A *firm* need not give the information in (1) if it has previously given that information in compliance with this *rule* within the last ten *business days*.

5A.3.11 **G** To demonstrate compliance with ■ MCOB 5A.3.10R (1), a *firm* may wish to consider, for example, doing one or more of the following actions:

- (1) giving the messages to the *consumer* in a *durable medium*;
- (2) building the requirements into the *firm's* training of staff, as evidenced by its training and compliance manuals;
- (3) insert appropriate prompts into paper-based or automated sales systems;
- (4) having procedures to monitor compliance by its staff with that *rule*.

What is required in each case will depend on all the circumstances.

Messages to be given when consumer requests an execution-only sale

- 5A.3.12** **R** (1) Whenever, as part of an *execution-only sale* (or potential *execution-only sale*), a *consumer* provides a *firm* with the information in ■ MCOB 4.8A.14R (1), ■ MCOB 4.8A.14R (2) or ■ (3), the *firm* must inform the *consumer*, clearly and prominently, that the *consumer* has the right to request an *ESIS* for any *MCD regulated mortgage contract* which the *firm* is able to offer the *consumer*.
- (2) A *firm* need not give the information in (1) if it has previously given that information in compliance with this *rule* within the last ten *business days*.

Record keeping

- 5A.3.13** **R** A *firm* must make an adequate record of each *ESIS* that it issues to a *consumer* under ■ MCOB 5A.4.1 R where the *consumer* applies for that particular *MCD regulated mortgage contract*.
- 5A.3.14** **R** The record required by ■ MCOB 5A.3.13 R must be retained for one year from the date of the application made by the *consumer*.
- 5A.3.15** **R** ■ MCOB 5A.3.14 R does not require a *firm* to keep records of *ESISs* that are issued to a *consumer* when the *consumer* does not apply to enter into that particular *MCD regulated mortgage contract*.
- 5A.3.16** **G** The record maintained under ■ MCOB 5A.3.13 R should contain or refer to matters such as:
- (1) the date on which the *ESIS* was provided to the *consumer*;
 - (2) the date of the application made by the *consumer*; and
 - (3) details of the medium through which the *ESIS* was provided.



5A.4 Provision of a European Standardised Information Sheet (ESIS)

Timing

5A.4.1

R

- (1) A firm must provide the consumer with an ESIS for an MCD regulated mortgage contract before the consumer submits an application for that MCD regulated mortgage contract to an MCD mortgage lender, unless an ESIS for that MCD regulated mortgage contract has already been provided.
- (2) Except in the circumstances in ■ MCOB 5A.4.2 R, a firm must provide the consumer with an ESIS for an MCD regulated mortgage contract when any of the following occurs, unless an ESIS for that MCD regulated mortgage contract has already been provided:
 - (a) the firm advises the particular consumer to enter into that MCD regulated mortgage contract, then an ESIS must be provided at the point the advice is given, unless the advice is given by telephone, in which case the firm must provide an ESIS within five business days; or
 - (b) the consumer requests an ESIS for that MCD regulated mortgage contract, unless the firm is aware that it is unable to offer that regulated mortgage contract to them; or
 - (c) as part of an execution-only sale (or potential execution-only sale) the consumer has provided the firm with the information in ■ MCOB 4.8A.14R (1) to ■ MCOB 4.8A.14R (3) to indicate which MCD regulated mortgage contract they wish to enter into.
- (3) Except in the circumstances in ■ MCOB 5A.4.2 R, and unless an ESIS for that MCD regulated mortgage contract has already been provided, a firm must provide the consumer with an ESIS for an MCD regulated mortgage contract:
 - (a) without undue delay after the consumer has given the necessary information on his needs, financial situation and preferences under ■ MCOB 11.6.5R (2) (assessment of affordability) and ■ MCOB 11.6.34R (2) (alternative provisions for loans with high net worth mortgage customers); and
 - (b) in good time before the consumer is bound by any MCD regulated mortgage contract or offer.

[Note: article 14(1) of the MCD]

- 5A.4.2** **R** A *firm* need not provide an *ESIS*:
- (1) in relation to a *direct deal*;
 - (2) if the *consumer* refuses to disclose key information (for example, in a telephone conversation, his name or a communication address) or where the *consumer* is not interested in pursuing the enquiry; or
 - (3) if the *firm* does not wish to do business with the *consumer*.
- 5A.4.3** **R** If the *firm* chooses not to give an *ESIS* in the circumstances in **■** MCOB 5A.4.2R (1), where it has given advice on a *direct deal*, the *firm* must give the *consumer* a written record of the advice.
- 5A.4.4** **G** In the circumstances in **■** MCOB 5A.4.2R (2), the *rule* in **■** MCOB 5A.4.1R (1) will mean that the *consumer* may not make an application for an *MCD regulated mortgage contract*, as an *ESIS* has not been provided.
- 5A.4.5** **G** The effect of **■** MCOB 5A.2.1 R and **■** MCOB 5A.4.1R (1) is that, if a *consumer's* application to enter into an *MCD regulated mortgage contract* with a *MCD mortgage lender*, made through an *MCD credit intermediary*, is subsequently passed by that *firm* to another *MCD mortgage lender*, then the *firm* must ensure that the application is amended and the *consumer* is provided with an *ESIS* for the other *MCD mortgage lender's MCD regulated mortgage contract* before the application is passed to the other *MCD mortgage lender*.
- 5A.4.6** **G** If a *firm* chooses to issue an *offer document* in addition to an *ESIS*, it will need to comply with MCOB 6A.3.1R (MCD Mortgages: content of the offer document).
- 5A.4.7** **R** A *firm* must not undertake any action that commits the *consumer* to an application (including accepting product-related fees for the *MCD regulated mortgage contract* concerned) until the *consumer* has had the opportunity to consider an *ESIS*.
- 5A.4.8** **G** The effect of **■** MCOB 5A.4.1R (1) and **■** MCOB 5A.4.7 R is that a *consumer* will be deemed to be committed to an application if, for example, they pay a product-related fee (including a valuation fee) or provides electronic or verbal authority to process an application. It is not necessary for a *consumer* to provide an *MCD mortgage lender* with a completed application form to submit an application for an *MCD regulated mortgage contract*.
- 5A.4.9** **R** The *firm* dealing directly with the *consumer* is responsible for ensuring compliance with the content and timing requirements, ie, an *MCD mortgage lender* is not responsible for ensuring that a *consumer* has received an *ESIS* before accepting an application from an *MCD mortgage credit intermediary*.
- 5A.4.10** **R** Where a *firm* has already provided an *ESIS* under **■** MCOB 5A.4.1 R and the terms for the proposed *regulated mortgage contract* are subsequently materially altered or different, the *firm* must ensure that the *consumer* is

provided with a revised *ESIS*, before acting on the amendment, when the change occurs at the point that a *consumer* submits an application for the *MCD regulated mortgage contract*.

5A.4.11 **G** What constitutes “materially altered” or “different” requires consideration of the facts of each individual case. For example, a change of product such that the underlying terms and conditions of the *MCD regulated mortgage contract* have changed should normally be regarded as material or different, as would an additional charge, such as a *higher lending charge*, applying to the *MCD regulated mortgage contract* when it did not previously.

Uncertainty whether a mortgage is regulated

5A.4.12 **R**

- (1) If, at the point an *ESIS* must be provided under **■ MCOB 5A.4.1 R**, a *firm* is uncertain whether the contract will be an *MCD regulated mortgage contract*, the *firm* must:
 - (a) provide an *ESIS*; or
 - (b) seek to obtain from the *consumer*, information that will enable the *firm* to ascertain whether the contract will be an *MCD regulated mortgage contract*.
- (2) Where (1)(b) applies, an *ESIS* must be provided, unless, on the basis of the information provided by the *consumer*, the *firm* has reasonable evidence that the contract is not an *MCD regulated mortgage contract*.

Providing an ESIS without delay in response to a customer request

5A.4.13 **G** Where the *consumer* requests an *ESIS* for a particular *MCD regulated mortgage contract* (see **■ MCOB 5A.4.1R (2)(b)**), the purpose of **■ MCOB 5A.4.14 R**, **■ MCOB 5A.4.15 R** and **■ MCOB 5A.4.16 G** is to ensure that the *consumer* receives an *ESIS* without unnecessary delay. These requirements do not restrict the information that the *firm* may obtain from the *consumer* after it has provided the *consumer* with an *ESIS*.

5A.4.14 **R** In meeting a request for an *ESIS* under **■ MCOB 5A.4.1R (2)(b)**, the *firm* must not delay the provision of the *ESIS* by requesting information other than:

- (1) such information as is necessary to complete the *ESIS* in accordance with **■ MCOB 5A.5.2 R** and **■ MCOB 5A.5.3 R**, if the *firm* does not already know it;
- (2) where the *firm* acts in accordance with **■ MCOB 5A.4.12R (2)**, such information as is necessary to ascertain whether or not the contract will be an *MCD regulated mortgage contract*;
- (3) where the interest rates, payments or any other terms and conditions to be included in the *ESIS* are dependent on the *consumer's* credit record, such information as is necessary to produce an *ESIS*;
- (4) where the *firm* includes a quotation for any *tied products* or compulsory insurance in the *ESIS*, such information as is necessary to produce those quotations;

- (5) any of the following information where it affects the availability of the *MCD regulated mortgage contract* that the *consumer* has requested information on, or affects the information to be included in, the *ESIS*:
 - (a) whether the *consumer* is a first-time buyer, a subsequent buyer moving home or entering into an *MCD regulated mortgage contract* without moving home;
 - (b) whether the *MCD regulated mortgage contract* is required for a right-to-buy purchase or for a shared ownership purchase;
 - (c) the location of the property to be purchased, where known; and
 - (d) whether the terms are dependent on a third-party guarantee.

5A.4.15 **R** Where **■** MCOB 5A.4.14R (3) applies:

- (1) a *firm* must ask the *consumer* relevant questions about their credit history or obtain information on their credit record from a credit reference agency;
- (2) a credit reference agency must not be used unless:
 - (a) it would be quicker than asking the *consumer* the relevant questions about their credit history; or
 - (b) the *consumer* is not able to provide sufficient information on their credit history.

5A.4.16 **G** A *firm* may use information that it already holds on the *consumer* for the purpose of producing the *ESIS* (for example, if it already holds the *consumer's* credit record), providing the use of this information does not delay the *consumer* receiving the *ESIS* and the *consumer's* consent is obtained, where appropriate.

5A.4.17 **R** If, on the basis of the information obtained from the *consumer* or, on the basis of information that the *firm* already holds on the *consumer*, the *firm* would do business with the *consumer* but not on the terms requested, the *firm* may provide the *consumer* with an *ESIS* for a different *MCD regulated mortgage contract*, if it chooses to do so.



5A.5 Content of European Standardised Information Sheets (ESISs)

Content, order, format etc.....

5A.5.1 **G** ■ MCOB 5A.5 sets out the required content of an *ESIS* provided to a *consumer* by a *firm*.

5A.5.2 **R** An *ESIS* provided to a *consumer* must follow the form and contain the material in ■ MCOB 5A Annex 1 R.

5A.5.3 **R** A *firm* must:

- (1) reproduce the text in ■ MCOB 5A Annex 1 R in the *ESIS*;
- (2) replace the indications between square brackets with the corresponding information;
- (3) complete the *ESIS* in accordance with ■ MCOB 5A Annex 2;
- (4) wherever the words “where applicable” are indicated:
 - (a) provide the information required, if it is relevant to the *MCD regulated mortgage contract*; or
 - (b) where the information is not relevant to the *MCD regulated mortgage contract*, delete the information in question or the entire section (for example, in cases where the section is not applicable);
- (5) if it deletes an entire section, adjust the numbering of the *ESIS* sections accordingly;
- (6) provide the *ESIS* in a single document;
- (7) ensure that the font used is clearly readable;
- (8) use bold font, shading or larger font sizes for the information elements to be highlighted; and
- (9) highlight all applicable risk warnings.

[**Note:** article 14(2) and Annex II, Part A, preamble of the *MCD*]

- 5A.5.4** G
- (1) The *ESIS* can contain the *MCD mortgage lender's* or *MCD mortgage credit intermediary's* logo and other 'brand' information, so long as the requirements of ■ MCOB 5A.5 are satisfied.
 - (2) The *ESIS* can contain page numbers and other references that aid understanding, record keeping and identification of a particular *ESIS*, such as the date and time it is produced or a unique reference number, provided these do not detract from the content of the *ESIS*.
 - (3) *Firms* are reminded of their general obligation for communications to *consumers* to be clear, fair and not misleading. Sections of the *ESIS* may be split across pages where it is impractical to do otherwise. When splitting sections, *firms* should split the section at an appropriate place, for example at the end of a sub-section, and not split tables or risk warnings.

Content: required information

- 5A.5.5** R
- The *ESIS* provided to *consumers* must:
- (1) contain only the material prescribed in ■ MCOB 5A.5 and no other material; and
 - (2) be in a document separate from any other material that is provided to the *consumer*.

5A.5.6 G A *firm* should not illustrate more than one *MCD regulated mortgage contract* in the same *ESIS*, for example by using one *ESIS* to compare alternative products, repayment methods or repayment terms.

5A.5.7 G *Firms* are reminded that they must comply with MCOB 7.6.5R in respect of the release of loan instalments after the start of the *MCD regulated mortgage contract*.

Content: retirement interest-only mortgage

- 5A.5.8** R For a *retirement interest-only mortgage* where, in accordance with ■ MCOB 1.2.16R(1), the *firm* elects to provide an *ESIS* instead of an *illustration*:
- (1) the *ESIS* may diverge from the requirements of ■ MCOB 5A where it is necessary to do so to describe a *retirement interest-only mortgage*, and
 - (2) the *firm* must also comply with ■ MCOB 5.4.25R, ■ MCOB 5.4.26R and ■ MCOB 5.6.6R as though a reference to an *illustration* is a reference to an *ESIS*.



5A.6 Other information

- 5A.6.1 **R**
- (1) A *firm* may provide information to the *consumer* in addition to that contained in the *ESIS*.
 - (2) A *firm* must provide the additional information in (1) in a separate document.
 - (3) A *firm* may annexe the separate document in (2) to the *ESIS*.

[Note: article 14(8) of the *MCD*]

- 5A.6.2 **R**
- (1) Where a *firm* issues an *ESIS* in relation to an *MCD lifetime mortgage*, the *firm* must simultaneously issue the *consumer* with a document in a *durable medium* containing the statements and warnings set out in the following rules, as modified by (2) below, as if the mortgage was an *MCD exempt lifetime mortgage*: ■ MCOB 9.4.33 R, ■ MCOB 9.4.35 R, ■ MCOB 9.4.62 R, and ■ MCOB 9.4.63 R only.
 - (2) The document issued under (1) must contain the prescribed section headings but need not contain section numbers or otherwise comply with the format of an *illustration*.

- 5A.6.3 **G**
- Firms* are reminded of their general obligation for communications to *customers* to be fair, clear and not misleading.

European Standardised Information Sheet (ESIS)

This annex belongs to ■ MCOB 5A.5.2 R

Introduction

This document was produced for [name of consumer] on [current date].

This document was produced on the basis of the information that you have provided so far and on the current financial market conditions.

The information below remains valid until [validity date], (where applicable) apart from the interest rate and other costs. After that date, it may change in line with market conditions.

(Where applicable) This document does not constitute an obligation for [name of creditor] to grant you a loan.

1. Lender

[Name]

[Telephone number]

[Geographical address]

(Optional) [Email address]

(Optional) [Fax number]

(Optional) [Web address]

(Optional) [Contact person/point]

(Where applicable, information as to whether advisory services are being provided:)

[(We recommend, having assessed your needs and circumstances, that you take out this mortgage. We are not recommending a particular mortgage for you. However, based on your answers to some questions, we are giving you information about this mortgage so that you can make your own choice.)]

2. (Where applicable) Credit intermediary

[Name]

[Telephone number]

[Geographical address]

(Optional) [Email address]

(Optional) [Fax number]

(Optional) [Web address]

(Optional) [Contact person/point]

(Where applicable [information as to whether advisory services are being provided]):

Introduction

[(We recommend, having assessed your needs and circumstances, that you take out this mortgage. We are not recommending a particular mortgage for you. However, based on your answers to some questions, we are giving you information about this mortgage so that you can make your own choice.)]

[Remuneration]

3. Main features of the loan

Amount and currency of the loan to be granted: [value][currency]

(Where applicable) This loan is not in [national currency of the borrower].

(Where applicable) The value of your loan in [national currency of the borrower] could change.

(Where applicable) For example, if the value of [national currency of the borrower] fell by 20% relative to [credit currency], the value of your loan would increase to [insert amount in national currency of the borrower]. However, it could be more than this if the value of [national currency of the borrower] falls by more than 20%.

(Where applicable) The maximum value of your loan will be [insert amount in national currency of the borrower]. (Where applicable) You will receive a warning if the credit amount reaches [insert amount in national currency of the borrower]. (Where applicable) You will have the opportunity to [insert right to renegotiate foreign currency loan or right to convert loan into [relevant currency] and conditions].

Duration of the loan: [duration]

[Type of loan]

[Type of applicable interest rate]

Total amount to be reimbursed (repaid):

This means that you will pay back [amount] for every [unit of the currency] borrowed.

(Where applicable) [This/Part of this] is an interest-only loan. You will still owe [insert amount of loan on an interest-only basis] at the end of the mortgage term.

(Where applicable) Value of the property assumed to prepare this information sheet: [insert amount]

(Where applicable) Maximum available loan amount relative to the value of the property [insert ratio] or Minimum value of the property required to borrow the illustrated amount [insert amount]

(Where applicable) [Security]

4. Interest rate and other costs

The annual percentage rate of charge (APRC) is the total cost of the loan expressed as an annual percentage. The APRC is provided to help you to compare different offers.

The APRC applicable to your loan is [APRC].

It comprises:

Interest rate [value in percentage or, where applicable, indication of a reference rate and percentage value of creditor's spread]

[Other components of the APRC]

Costs to be paid on a one-off basis

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(Where applicable) You will need to pay a fee to register the mortgage. [Insert amount of fee where known or basis for calculation.]

Costs to be paid regularly

(Where applicable) This APRC is calculated using assumptions regarding the interest rate.

(Where applicable) Because [part of] your loan is a variable interest rate loan, the actual APRC could be different from this APRC if the interest rate for your loan changes. For example, if the interest rate rose to [scenario as described in Part B], the APRC could increase to [insert illustrative APRC corresponding to the scenario].

(Where applicable) Please note that this APRC is calculated on the basis that the interest rate remains at the level fixed for the initial period throughout the duration of the contract.

(Where applicable) The following costs are not known to the lender and are therefore not included in the APRC: [Costs]

(Where applicable) You will need to pay a fee to register the mortgage.

Please make sure that you are aware of all other taxes and costs associated with your loan.

5. Frequency and number of payments

Repayment frequency: [frequency]

Number of payments: [number]

6. Amount of each instalment

[Amount] [currency]

Your income may change. Please consider whether you will still be able to afford your [frequency] repayment instalments if your income falls.

(Where applicable) Because [this/part of this] is an interest-only loan you will need to make separate arrangements to repay the [insert amount of loan on an interest-only basis] you will owe at the end of the mortgage term. Remember to add any extra payments you will need to make to the instalment amount shown here.

(Where applicable) The interest rate on [part of] this loan can change. This means the amount of your instalments could increase or decrease. For example, if the interest rate rose to [scenario as described in Part B], your payments could increase to [insert instalment amount corresponding to the scenario].

(Where applicable) The value of the amount you have to pay in [national currency of the borrower] each [frequency of instalment] could change. (Where applicable) Your payments could increase to [insert maximum amount in national currency of the borrower] each [insert period]. (Where applicable) For example, if the value of [national currency of the borrower] fell by 20% relative to [credit currency], you would have to pay an extra [insert amount in national currency of the borrower] each [insert period]. Your payments could increase by more than this.

(Where applicable) The exchange rate used for converting your repayment in [credit currency] to [national currency of the borrower] will be the rate published by [name of institution publishing exchange rate] on [date] or will be calculated on [date] using [insert name of benchmark or method of calculation].

(Where applicable) [Details on tied savings products, deferred-interest loans]

7. (Where applicable) Illustrative repayment table

This table shows the amount to be paid every [frequency].

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The instalments (column [relevant no]) are the sum of interest to be paid (column [relevant no]), where applicable, capital paid (column [relevant no]) and, where applicable, other costs (column [relevant no]). [Where applicable] The costs in the other costs column relate to [list of costs]. Outstanding capital (column [relevant no]) is the amount of the loan that remains to be reimbursed (repaid) after each instalment.

[Table]

8. Additional obligations

The borrower must comply with the following obligations in order to benefit from the lending conditions described in this document.

[Obligations]

(Where applicable) Please note that the lending conditions described in this document (including the interest rate) may change if these obligations are not complied with.

(Where applicable) Please note the possible consequences of terminating at a later stage any of the ancillary services relating to the loan:

[Consequences]

9. Early repayment

You have the possibility (the right to) to repay this loan early, either fully or partially.

(Where applicable) [Conditions]

(Where applicable) Exit charge (Early repayment charge): [insert amount or, where not possible, the method of calculation]

(Where applicable) Should you decide to repay this loan early, please contact us to ascertain the exact level of the exit charge (early repayment charge) at that moment.

10. Flexible features

(Where applicable) [Information on portability/subrogation] You have the possibility to (the right to) transfer this loan to another [lender][or] [property]. [Insert conditions]

(Where applicable) You do not have the possibility to (the right to) transfer this loan to another [lender] [or] [property].

(Where applicable) Additional features: [insert explanation of additional features listed in Part B and, optionally, any other features offered by the lender as part of the credit agreement not referred to in previous sections].

11. Other rights of the borrower

You have [length of reflection period] after [point in time when the reflection period begins] to reflect before committing yourself to taking out this loan.

12. Complaints

If you have a complaint, please contact [insert internal contact point and source of information on procedure].

(Where applicable) Maximum time for handling the complaint [period of time]

(Where applicable) [If we do not resolve the complaint to your satisfaction internally,] you can also contact: [insert name of external body for out-of-court complaints and redress]

(Where applicable) or you can contact FIN-NET for details of the equivalent body in your own country.

13. Non-compliance with the commitments linked to the loan: consequences for the borrower

[Types of non-compliance]

5A

Introduction

[Financial and/or legal consequences]

Should you encounter difficulties in making your [frequency] payments, please contact us straight away to explore possible solutions.

(Where applicable) As a last resort, your home may be repossessed if you do not keep up with payments.

(Where applicable) 14. Additional information

(Where applicable) [Indication of the law applicable to the credit contract].

(Where the lender intends to use a language different from the language of the ESIS) Information and contractual terms will be supplied in [language]. With your consent, we intend to communicate in [language/s] during the duration of the credit agreement.

[Insert statement on right to be provided with or offered, as applicable, a draft credit agreement]

15. Supervisor

This lender is supervised by [Name(s), and web address(es) of supervisory authority/ies]

(Where applicable) This credit intermediary is supervised by [Name and web address of supervisory authority].

Instructions to complete the ESIS

[Note: Annex II Part B of the MCD]

1.1	R		This Annex belongs to MCOB 5A.5.3R (3).
1.2	R		Where a <i>MCD regulated mortgage contract</i> is divided into more than one part, the <i>firm</i> must set out the required <i>ESIS</i> content in respect of each part.
1.3	R		Unless otherwise specified, the sections referred to in this Annex are sections in the <i>ESIS</i> .
1.4	R		Where the form includes the following words and phrases in round brackets: (1) "repaid" (in sections 3 and 7); (2) "right to" (in sections 9 and 10); (3) "early repayment charge" (in section 9); the <i>firm</i> may use that word or phrase instead of the one immediately before it. (4) MCOB 5A Annex 2, 5.7R(3), 9.1R(2), 11.2R(3) and 12.1R(2) explain this in more detail.
2		Section 'Introductory text'	
2.1	R	(1)	The <i>firm</i> must properly highlight the validity date.
		(2)	For the purpose of (1), the 'validity date' means the length of time the information, eg, the borrowing rate, contained in the <i>ESIS</i> will remain unchanged and will apply should the <i>MCD mortgage lender</i> grant the <i>MCD regulated mortgage contract</i> within this period of time.
		(3)	Where the determination of the applicable <i>borrowing rate</i> and other costs depends on the results of the selling of underlying bonds, the eventual <i>borrowing rate</i> and other costs may be different from those stated. In those circumstances only, the <i>firm</i> must stipulate that the validity date does not apply to the <i>borrowing rate</i> and other costs by adding the words: 'apart from the interest rate and other costs'.
3		Section '1. Lender'	
3.1	R	(1)	The <i>firm</i> must provide the name, telephone number and geographical address of the <i>MCD mortgage lender</i> .
		(2)	The information provided under (1) must be the contact information that the <i>consumer</i> may use for future correspondence.
3.2	G		The <i>firm</i> need not provide the <i>MCD mortgage lender's</i> email address, fax number, web address or contact person/point.

3.3	R	Where the <i>MCD regulated mortgage contract</i> is offered at a distance, the <i>firm</i> must, where applicable, provide the name and geographical address of the <i>MCD mortgage lender's</i> representative in the <i>EEA State</i> where the <i>consumer</i> is resident.
3.4	G	The <i>firm</i> need not provide the telephone number, email address or web address of the <i>MCD mortgage lender's</i> representative referred to at MCOB 5A Annex 2, 3.3R.
3.5	R	Where section 2 does not apply, an <i>MCD mortgage lender</i> must inform the <i>consumer</i> whether advisory services are being provided and on what basis using the wording at the end of section 1 of MCOB 5A Annex 1 R.
4	(Where there is a credit intermediary who is not the lender)	Section '2. Credit intermediary'
4.1	R	Where an <i>MCD mortgage credit intermediary</i> (other than the lender) provides an <i>ESIS</i> to a <i>consumer</i> , the <i>MCD mortgage credit intermediary</i> must include the following information: <ol style="list-style-type: none"> (1) the name, telephone number and geographical address of the <i>MCD mortgage credit intermediary</i>; (2) whether the <i>MCD mortgage credit intermediary</i> is providing advisory services and on what basis, using the wording at the end of section 2 of MCOB 5A Annex 1 R; and (3) an explanation of how the <i>MCD mortgage credit intermediary</i> is being remunerated.
4.2	R	The information provided under MCOB 5A Annex 2, 4.1R(1) must be the contact information that the <i>consumer</i> may use for future correspondence.
4.3	R	The explanation provided under MCOB 5A Annex 2, 4.1R(3) must include: <ol style="list-style-type: none"> (1) where the <i>MCD mortgage credit intermediary</i> receives commission from an <i>MCD mortgage lender</i>, the amount of that commission; (2) where the <i>MCD mortgage lender</i> from whom the <i>MCD mortgage credit intermediary</i> receives commission is different from the <i>MCD mortgage lender</i> referred to section 1, the name of that <i>MCD mortgage lender</i>; and (3) where the amount of remuneration is not known at the time when the <i>ESIS</i> is provided, a range of representative examples.
4.4	R	The explanation provided under MCOB 5A Annex 2, 4.1R(3) must not include remuneration paid to a third party.
4.5	R	An <i>MCD mortgage credit intermediary</i> need not provide its email address, fax number, web address or contact person/point.
4.6	G	In the event that an <i>MCD mortgage lender</i> provides a <i>consumer</i> with a binding offer and the characteristics of the offer are different from the information in the <i>ESIS</i> previously provided by the <i>MCD mortgage credit intermediary</i> , if the <i>MCD mortgage credit intermediary</i> confirms to the <i>MCD mortgage lender</i> that the revised transaction can proceed, the <i>MCD mortgage lender</i> may complete section 2 and update the wording referred to at MCOB 5A Annex 2, 4.1R(2) to say "[Name of credit intermediary] recommends .../ [Name of credit intermediary] is not recommending..." instead of "We recommend .../We are not recommending".
5		Section '3. Main features of the loan'

5.1	R	<p>In section 3, the <i>firm</i> must clearly explain the main characteristics of the <i>MCD regulated mortgage contract</i>, including the value and currency and the potential risks associated with the <i>borrowing rate</i>, including the ones referred to in MCOB 5A Annex 2, 5.7R, and the amortisation structure.</p>
5.2	R	<p>Where the currency of the <i>MCD regulated mortgage contract</i> is different from the national currency of the <i>consumer</i>, the <i>firm</i> must:</p> <ol style="list-style-type: none"> <li data-bbox="606 492 1452 582">(1) indicate that the <i>consumer</i> will receive a regular warning at least when the exchange rate fluctuates by more than 20 %; <li data-bbox="606 593 1452 716">(2) where there is a provision in the <i>MCD regulated mortgage contract</i> to limit the exchange rate risk, indicate the maximum amount the <i>consumer</i> could have to pay back; <li data-bbox="606 728 1452 963">(3) where there is no provision in the <i>MCD regulated mortgage contract</i> to limit the exchange rate risk to which the <i>consumer</i> is exposed to a fluctuation in the exchange rate of less than 20 %, provide an <i>illustration</i> of the effect of a 20 % fall in the value of <i>consumer's</i> national currency relative to the currency of the <i>MCD regulated mortgage contract</i> on the value of the <i>MCD regulated mortgage contract</i>; <li data-bbox="606 974 1452 1064">(4) where applicable, indicate that the <i>consumer</i> has the right to convert the currency of the <i>MCD regulated mortgage contract</i>; <li data-bbox="606 1075 1452 1164">(5) where applicable, indicate to the <i>consumer</i> the right to renegotiate the conditions of the <i>MCD regulated mortgage contract</i>; and <li data-bbox="606 1176 1452 1254">(6) indicate any other arrangements available to the <i>consumer</i> to limit his exposure to exchange rate risk.
5.3	R	<ol style="list-style-type: none"> <li data-bbox="606 1265 1452 1388">(1) The <i>firm</i> must express the duration of the <i>MCD regulated mortgage contract</i> in years and months (or a combination of the two), whichever is the most relevant. <li data-bbox="606 1400 1452 1545">(2) Where the duration of the <i>MCD regulated mortgage contract</i> can vary during the lifetime of the <i>MCD regulated mortgage contract</i>, the <i>firm</i> must explain when and under which conditions this can occur. <li data-bbox="606 1556 1452 1657">(3) Where the <i>MCD regulated mortgage contract</i> is open-ended, for example, for a secured credit card, the <i>firm</i> must clearly state that fact. <li data-bbox="606 1668 1452 1814">(4) Where the <i>MCD regulated mortgage contract</i> is an <i>MCD lifetime mortgage</i>, the duration of the mortgage must be estimated in accordance with MCOB 9.4.10 R, as if the mortgage is an <i>MCD exempt lifetime mortgage</i>.
5.4	R	<ol style="list-style-type: none"> <li data-bbox="606 1825 1452 1915">(1) The <i>firm</i> must clearly indicate the type of <i>MCD regulated mortgage contract</i> (eg, mortgage credit, home loan, secured credit card). <li data-bbox="606 1926 1452 2072">(2) The description under (1) must clearly indicate how the capital and the interest shall be repaid during the life of the <i>MCD regulated mortgage contract</i> (ie, the amortisation structure), specifying clearly whether the <i>MCD regulated mortgage contract</i> is

			on a capital repayment or interest-only basis, or a mixture of the two.
5.5	R		Where all or part of the <i>MCD regulated mortgage contract</i> is an interest-only <i>MCD regulated mortgage contract</i> , the <i>firm</i> must insert a statement, clearly indicating that fact, prominently at the end of section 3 using the wording in section 3 of MCOB 5A Annex 1 R.
5.6	R	(1)	In section 3, the <i>firm</i> must explain whether the <i>borrowing rate</i> of the <i>MCD regulated mortgage contract</i> is fixed or variable and, where applicable, the periods during which it will remain fixed; the frequency of subsequent revisions and the existence of limits to the <i>borrowing rate</i> variability, such as caps or floors.
		(2)	The <i>firm</i> must explain the formula used to revise the <i>borrowing rate</i> and its different components (eg, reference rate, interest-rate spread).
		(3)	The <i>firm</i> must indicate (eg, by means of a web address) where further information on the indices or rates used in the formula referred to in (2) can be found (eg, Euribor or central bank reference rate).
		(4)	If different borrowing rates apply in different circumstances, the <i>firm</i> must provide the information required by (1), (2) and (3) on all applicable rates.
5.7	R	(1)	The 'total amount to be repaid' corresponds to the total amount payable by the consumer. The <i>firm</i> must show this as the sum of the <i>credit</i> amount and the <i>total cost of the credit to the consumer</i> .
		(2)	Where the <i>borrowing rate</i> is not fixed for the duration of the <i>MCD regulated mortgage contract</i> , the <i>firm</i> must highlight that the amount in (1) is illustrative and may vary, in particular in relation with the variation in the <i>borrowing rate</i> .
		(3)	The <i>firm</i> may replace "reimbursed" with "repaid" (shown in round brackets), ie, "Total amount to be repaid".
5.8	R	(1)	Where the <i>credit</i> will be secured by an <i>MCD regulated mortgage contract</i> , another comparable security or by a right related to land, the <i>firm</i> must draw the <i>consumer's</i> attention to this.
		(2)	Where applicable, the <i>firm</i> must indicate the assumed value of the land or other security used for the purpose of preparing the <i>ESIS</i> .
5.9	G		In order for the <i>firm</i> to comply with the principle of 'fair, clear and not misleading' in MCOB 3A.2.1R(1), where the assumed value is not a value provided by the <i>consumer</i> , the valuation must be a reasonable assessment based on all the facts available at the time. For example, an overstated valuation could enable a more attractive <i>MCD regulated mortgage contract</i> to be illustrated on the basis of a lower ratio of the loan amount to the property value - for example, one with a lower rate of interest or without a <i>higher lending charge</i> .
5.10	R		The <i>firm</i> must indicate, where applicable, either:
		(1)	The 'maximum available loan amount relative to the value of the property', indicating the loan-to-value ratio. This ratio must be accompanied by an

			example in absolute terms of the maximum amount that can be borrowed for a given property value; or
		(2)	the 'minimum value of the property required by the <i>firm</i> to lend the illustrated amount'.
5.11	R		Where an <i>MCD regulated mortgage contract</i> has more than one part (eg, concurrently part fixed rate, part variable rate), the <i>firm</i> must indicate this and must provide the information required by section 3 for each part.
5.12	R		The amount of the loan to be granted is:
		(1)	in cases where, on the basis of the information obtained from the <i>consumer</i> , before providing the <i>ESIS</i> it is clear that the <i>consumer</i> would not be eligible to borrow the amount he requested, an estimate of the amount that the <i>consumer</i> could borrow based on the information obtained from the <i>consumer</i> . This does not require information to be obtained from the <i>consumer</i> before providing an <i>ESIS</i> to ascertain the amount the <i>consumer</i> is eligible to borrow, instead, this means that the <i>firm</i> does not have to provide a <i>consumer</i> with an <i>ESIS</i> for an amount it knows the <i>consumer</i> would not be eligible for, based on whatever information it has obtained from the <i>consumer</i> before providing the <i>ESIS</i> ; or
		(2)	where the <i>MCD regulated mortgage contract</i> is a revolving credit agreement, such as a secured overdraft or <i>mortgage credit card</i> , the total borrowing that the <i>firm</i> is willing to provide under the <i>MCD regulated mortgage contract</i> ; or
		(3)	where it is known that the loan will be released in instalments, for example, in the case of a self-build mortgage:
		(a)	where the lender has made a binding offer for the full amount, the total amount of the loan required and not the amount of the initial instalment;
		(b)	where the lender has made a binding offer for an initial amount, the initial amount; and
		(c)	where the lender's binding offer for an initial amount has been replaced by a binding offer for a larger amount, the larger amount.
6			Section '4. Interest rate' and other costs
6.1	R		The reference to 'interest rate' corresponds to the <i>borrowing rate</i> or <i>borrowing rates</i> .
6.2	R		The <i>firm</i> must state the <i>borrowing rate</i> as a percentage value.
6.3	R	(1)	Where the <i>borrowing rate</i> is variable and based on a reference rate, the <i>firm</i> may indicate the <i>borrowing rate</i> by stating a reference rate and a percentage value of the <i>MCD mortgage lender's</i> spread.
		(2)	The <i>firm</i> must state the value of the reference rate in (1) as at the day it issues the <i>ESIS</i> .
6.4	R		Where the <i>borrowing rate</i> is variable, the <i>firm</i> must include:

		<ol style="list-style-type: none"> (1) the assumptions used to calculate the <i>APRC</i>; (2) where relevant, the applicable caps and floors; and (3) a warning that the variability could affect the actual level of the <i>APRC</i>.
6.5	R	<p>In order to attract the <i>consumer's</i> attention the <i>firm</i> must:</p> <ol style="list-style-type: none"> (1) use a font size for the warning required by MCOB 5A Annex 2, 6.4R(3) that is bigger than the font size it uses for the rest of the <i>ESIS</i>; (2) ensure that warning required by MCOB 5A Annex 2, 6.4R(3) figures prominently in the main body of the <i>ESIS</i>.
6.6	R	<ol style="list-style-type: none"> (1) The <i>firm</i> must accompany the warning required by MCOB 5A Annex 2, 6.4R(3) with an illustrative example of the <i>APRC</i>. (2) Where there is a cap on the <i>borrowing rate</i>, the example required by (1) must assume that the <i>borrowing rate</i> rises at the earliest possible opportunity to the highest level foreseen in the <i>MCD regulated mortgage contract</i>. (3) Where there is no cap, the example required by (1) must illustrate the <i>APRC</i> at the highest <i>borrowing rate</i> in at least the last 20 years. Or, where the underlying data for the calculation of the <i>borrowing rate</i> is available for a period of less than 20 years, the longest period for which such data is available, based on the highest value of any external reference rate used in calculating the <i>borrowing rate</i>, where applicable, or the highest value of a benchmark rate specified by the <i>FCA</i> or another competent authority or the European Banking Authority where the <i>MCD mortgage lender</i> does not use an external reference rate. (4) The requirement under (1) does not apply to an <i>MCD regulated mortgage contract</i> where the <i>borrowing rate</i> is fixed for a material initial period of several years and may then be fixed for a further period following negotiation between the <i>MCD mortgage lender</i> and the <i>consumer</i>. (5) For an <i>MCD regulated mortgage contract</i> within (4), the <i>firm</i> must include a warning that the <i>APRC</i> is calculated on the basis of the <i>borrowing rate</i> for the initial period. (6) The <i>firm</i> must accompany the warning required by (5) with an additional, illustrative <i>APRC</i> calculated in accordance with MCOB 10A.1.5R.
6.7	R	<ol style="list-style-type: none"> (1) Where the <i>credit</i> secured by an <i>MCD regulated mortgage contract</i> is a multi-part <i>credit</i> (eg, concurrently part fixed rate, part variable rate), the <i>firm</i> must provide the information about the <i>borrowing rate</i> required by MCOB 5A Annex 2, 6 for each part of the <i>credit</i>. (2) Where the <i>credit</i> secured by an <i>MCD regulated mortgage contract</i> is a multi-part <i>credit</i>, the <i>firm</i> must calculate and provide the additional illustrative <i>APRC</i> required by MCOB 5A Annex 2, 6 once in respect of the entire <i>MCD regulated mortgage contract</i>.

6.8	R	The FCA's benchmark rate is the difference in percentage points between the Bank of England's base rate on the date the <i>ESIS</i> is issued and the highest value of the Bank of England's base rate over at least the last 20 years, added to the <i>borrowing rate</i> shown in the <i>ESIS</i> .	
6.9	R	When more than one interest rate applies during the term of the <i>MCD regulated mortgage contract</i> , for example, because there is an initial fixed or discounted interest rate period, the <i>firm</i> must calculate the FCA's benchmark rate by reference to the reversionary <i>borrowing rate</i> shown in the <i>ESIS</i> .	
6.10	G	When calculating the FCA's benchmark rate, the <i>firm</i> may: <ol style="list-style-type: none"> (1) calculate the last 20 years from up to three <i>months</i> prior to the date the <i>ESIS</i> is issued; and (2) extend the period for calculating the FCA's benchmark rate beyond the last 20 years to any period longer than 20 years. 	
6.11	R	In the event of a scenario in column (1) in the table MCOB 5A Annex 2, 6.12R, the <i>firm</i> must calculate the illustrative example of the <i>APRC</i> (the additional <i>APRC</i>) in accordance with column (2) of that table.	
6.12	R	This table belongs to MCOB 5A Annex 2, 6.11R.	
		(1) Scenario	(2) Calculation of additional APRCNB: A MCD mortgage lender's standard variable rate is not to be used as an external reference rate (ERR)
		Mortgage with an interest-rate cap	Calculate the <i>APRC</i> based on the <i>borrowing rate</i> rising at the earliest possible opportunity to the level of the cap.
		Where the product is not linked to an ERR	Use the FCA's benchmark rate.
		<i>MCD mortgage lender</i> uses an ERR and has 20 years of data relating to the margin applied by the <i>MCD mortgage lender</i>	Use the highest ERR in the previous 20 years, and apply the highest margin over that or lowest margin under it, to produce the highest additional <i>APRC</i> .
		<i>MCD mortgage lender</i> uses an ERR and has less than 20 years of data relating to the margin applied by the <i>MCD mortgage lender</i>	Use the highest ERR in the previous 20 years, and apply the highest margin over that or lowest margin under it, used in the period of data available, to produce the highest additional <i>APRC</i> .
		<i>MCD mortgage lender</i> comprises a group which contains separate legal entities or comprises distinct product brands and has 20 years of data relating to the margin applied by that legal entity or product brand. It may have similar products across entities or brands within the same group or company with different margins above or below the ERR.	Use the highest ERR in the previous 20 years with respect to the pricing approach for the specific legal entity or product brand and apply the highest margin over that or lowest margin under it to produce the highest additional <i>APRC</i> .
		<i>MCD mortgage lender</i> com-	Use the highest ERR in the previ-

prises a group which contains separate legal entities or comprises distinct product brands and has less than 20 years of data relating to the margin applied by that legal entity or product brand. It may have similar products across entities or brands within the same group or company with different margins above or below the ERR.

MCD mortgage lender has previously purchased a brand that uses an ERR and has 20 years of data relating to the margin applied by the *MCD mortgage lender* for the same product

MCD mortgage lender has previously purchased a brand that uses an ERR and has less than 20 years of data relating to the margin applied by the *MCD mortgage lender* for the same product

MCD mortgage lender has different ERR calculation methods that apply over time (eg, 0.5% over Bank of England rate for the first two years and then 2% over Bank of England rate for the rest of the mortgage lifetime).

MCD mortgage lender has different methods that apply to different proportions of the principal (eg, ERR + x% applies to 50% principal and SVR applies to the other 50%)

MCD mortgage lender uses an ERR where its basis has changed in the past 20 years

MCD mortgage lender has an ERR calculation method that applies for a fixed period of time after which the lender's standard variable rate applies (eg, 0.5% over Bank of England rate for the first two years and then the lender's standard variable rate applies for the rest of the mortgage lifetime).

ous 20 years with respect to the pricing approach for the specific legal entity or product brand and apply the highest margin over that or lowest margin under it used in the period of data available to produce the highest additional *APRC*.

Where the purchaser is carrying on new lending under the purchased brand - same as above, using previous *firm's* data where relevant and where it may be reasonably obtained.

Where the purchaser is carrying on new lending under the purchased brand - same as above, using previous *firm's* data, where relevant and where it may be reasonably obtained. Otherwise, use the *FCA's* benchmark rate.

Calculate using the method which produces the highest additional *APRC*.

Calculate using the ERR where applicable and the *FCA's* benchmark rate, where applicable, and use both to calculate the additional *APRC*.

Consider whether there was an equivalent predecessor ERR and use the ERR (and its equivalent predecessor(s), if any) provided that it (or they) have existed at least 20 years, otherwise use the *FCA's* benchmark rate.

Calculate using the method which produces the highest additional *APRC*.

6.13	R	(1)	The <i>firm</i> must list all the costs other than the <i>borrowing rate</i> in the section on 'other components of the <i>APRC</i> ', including one-off costs, such as administration fees, and regular costs, such as annual administration fees.
		(2)	the <i>firm</i> must list each of the costs referred to in (1) by the categories set out in in (3) and indicate for each cost:
		(a)	the amount;
		(b)	to whom the cost is to be paid; and
		(c)	when the cost is to be paid.
		(3)	The categories referred to in (1) are:
		(a)	costs to be paid on a one-off basis;
		(b)	costs to be paid regularly and included in the instalments; and
		(c)	costs to be paid regularly but not included in the instalments.
		(4)	Where the amount in (2)(a) is not known, the <i>firm</i> must provide an indication of the amount if possible or, if not possible, how the amount will be calculated and specify that the amount provided is indicative only.
		(5)	The <i>firm</i> must highlight where certain costs are not included in the <i>APRC</i> because they are unknown to the <i>firm</i> .
6.14	G		The costs in MCOB 5A Annex 2, 6.13R(1) need not include costs incurred for breaches of contractual obligations.
6.15	R		Where a <i>consumer</i> has informed the <i>firm</i> of one or more components of his preferred <i>MCD regulated mortgage contract</i> , such as the duration of the <i>MCD regulated mortgage contract</i> and the total amount of <i>credit</i> , the <i>firm</i> must, where possible, use those components.
6.16	R		If an <i>MCD regulated mortgage contract</i> provides for different ways of drawdown with different charges or borrowing rates and the <i>MCD mortgage lender</i> uses the assumptions set out in MCOB 10A.3.1 R , the <i>firm</i> must indicate that other drawdown mechanisms for this type of <i>MCD mortgage lender</i> may result in a higher <i>APRC</i> .
6.17	R		Where the <i>firm</i> uses the conditions for drawdown for calculating the <i>APRC</i> , the <i>firm</i> must highlight the charges associated with other drawdown mechanisms that are not necessarily the ones used in calculating the <i>APRC</i> .
6.18	R	(1)	Where a fee is payable for registration of the <i>MCD regulated mortgage contract</i> or comparable security, the <i>firm</i> must disclose that in section 3 with the amount, where known, or where this is not possible the basis for determining the amount.
		(2)	Where the fees in (1) are known and included in the <i>APRC</i> , the <i>firm</i> must list the existence and amount of the fee under 'Costs to be paid on a one-off basis'.

		(3)	Where the fees in (1) are not known to the <i>firm</i> and, therefore, not included in the <i>APRC</i> , the <i>firm</i> must clearly indicate the existence of the fee in the list of costs which are not known to the lender.
		(4)	The <i>firm</i> must use the standardised wording in section 4 of <i>MCOB 5A Annex 1 R</i> under the appropriate heading.
7		Section '5. Frequency and number of payments'	
7.1	R		Where a <i>consumer</i> will be required to make payments under an <i>MCD regulated mortgage contract</i> on a regular basis, the <i>firm</i> must indicate the frequency of those payments (eg, monthly).
7.2	R		Where a <i>consumer</i> will be required to make payments under an <i>MCD regulated mortgage contract</i> on an irregular basis, the <i>firm</i> must clearly explain this to the <i>consumer</i> .
7.3	R		The <i>firm</i> must indicate the number of payments under the <i>MCD regulated mortgage contract</i> that the <i>consumer</i> will be required to make over the entire duration of the <i>MCD regulated mortgage contract</i> .
8		Section '6. Amount of each instalment'	
8.1	R		The <i>firm</i> must clearly indicate the currency of the <i>MCD regulated mortgage contract</i> and the currency and amount of the instalments.
8.2	R		Where the amount of the instalments may change during the life of the <i>MCD regulated mortgage contract</i> , the <i>firm</i> must specify the period during which that initial instalment amount will remain unchanged and when and how frequently afterwards it will change.
8.3	R		Where all or part of the <i>MCD regulated mortgage contract</i> is an interest-only <i>MCD regulated mortgage contract</i> , the <i>firm</i> must insert a statement clearly indicating that fact, prominently at the end of section 6 using the wording in section 6 of <i>MCOB 5A Annex 1 R</i> .
8.4	R		If there is a requirement for the <i>consumer</i> to take out a tied savings product as a condition for being granted an interest-only <i>MCD regulated mortgage contract</i> , the <i>firm</i> must provide the amount and frequency of any payments for this product.
8.5	R	(1)	Where the <i>borrowing rate</i> is variable, the <i>firm</i> must include a statement indicating that fact, using the wording in section 6 of <i>MCOB 5A Annex 1 R</i> and an illustration of a maximum instalment amount.
		(2)	Where there is a cap, the illustration under (1) must show the amount of the instalments if the <i>borrowing rate</i> rises to the level of the cap.
		(3)	Where there is no cap, the illustration under (1) must illustrate the level of instalments at the highest <i>borrowing rate</i> in the last 20 years, or where the underlying data for the calculation of the <i>borrowing rate</i> is available for a period of less than 20 years, the longest period for which such data is available, based on:
		(a)	the highest value of any external reference rate used in calculating the <i>borrowing rate</i> , where applicable,
		(b)	or the highest value of a benchmark rate specified by:

			<p>(i) the <i>FCA</i> in MCOB 5A Annex 2, 6.8R to 6.10G;</p> <p>(ii) another competent authority; or</p> <p>(iii) the European Banking Authority</p> <p>where the <i>MCD mortgage lender</i> does not use an external reference rate.</p>
		(4)	The requirement under (1) does not apply to an <i>MCD regulated mortgage contract</i> where the <i>borrowing rate</i> is fixed for a material initial period of several years and may then be fixed for a further period following negotiation between the <i>MCD mortgage lender</i> and the <i>consumer</i> .
		(5)	Where the <i>credit</i> secured by an <i>MCD regulated mortgage contract</i> is a multi-part <i>credit</i> (eg, concurrently part fixed rate, part variable rate), the <i>firm</i> must provide the information about the <i>borrowing rate</i> required by MCOB 5A Annex 2, 8 for each part of the <i>credit</i> and for the overall <i>credit</i> .
8.6	R	(1)	Where the currency of the <i>MCD regulated mortgage contract</i> is different from the <i>consumer's</i> national currency or where the <i>MCD regulated mortgage contract</i> is indexed to a currency which is different from the <i>consumer's</i> national currency, the <i>firm</i> must include a numerical example clearly showing how changes to the relevant exchange rate may affect the amount of the instalments using the wording in section 6 of MCOB 5A Annex 1 R.
		(2)	The <i>firm</i> must base the example under (1) on a 20 % reduction in the value of the <i>consumer's</i> national currency.
		(3)	The <i>firm</i> must accompany the example under (1) with a prominent statement that the instalments could increase by more than the amount assumed in that example.
		(4)	Where there is a cap which limits the increase in (1) to less than 20 %, the <i>firm</i> must state the maximum value of the payments in the <i>consumer's</i> currency instead and omit the statement in (3) on the possibility of further increases.
8.7	R		Where the <i>MCD regulated mortgage contract</i> is fully or partly a variable rate <i>MCD regulated mortgage contract</i> and MCOB 5A Annex 2, 8.3R applies, the <i>firm</i> must give the <i>illustration</i> under MCOB 5A Annex 2, 8.6R(1) on the basis of the instalment amount indicated under MCOB 5A Annex 2, 8.1R.
8.8	R	(1)	Where the currency used for the payment of instalments is different from the currency of the <i>MCD regulated mortgage contract</i> or where the amount of each instalment expressed in the <i>consumer's</i> national currency depends on the corresponding amount in a different currency, the <i>firm</i> must in section 6 indicate the date at which the applicable exchange rate is calculated and either the exchange rate or the basis on which it will be calculated and the frequency of their adjustment.

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		(2)	Where applicable, the <i>firm</i> must include in its indication under (1) the name of the institution publishing the exchange rate.
8.9	R		Where the <i>MCD regulated mortgage contract</i> is a deferred-interest <i>MCD regulated mortgage contract</i> under which interest due is not fully repaid by the instalments and is added to the total amount of the <i>MCD regulated mortgage contract</i> outstanding, the <i>firm</i> must include an explanation of how and when deferred interest is added to the <i>MCD regulated mortgage contract</i> as a cash amount, and what the implications are for the <i>consumer</i> in terms of his remaining debt.
9			Section '7. Illustrative repayment table'
9.1	R	(1)	The <i>firm</i> must include section 7 where the <i>MCD regulated mortgage contract</i> is a deferred-interest <i>MCD regulated mortgage contract</i> under which interest due is not fully repaid by the instalments and is added to the total amount of <i>MCD regulated mortgage contract</i> outstanding, or where the <i>borrowing rate</i> is fixed for the duration of the <i>MCD regulated mortgage contract</i> .
		(2)	The <i>firm</i> may replace the word "reimbursed" with "repaid" (shown in round brackets), ie "the amount of the loan that remains to be repaid after each instalment".
9.2	R		Where the <i>consumer</i> has the right to receive a revised amortisation table, the <i>firm</i> must indicate this along with the conditions under which the <i>consumer</i> has that right.
9.3	R		The <i>firm</i> must include in section 7 an illustrative amortisation table including the following columns:
		(1)	'repayment schedule' (eg, month 1, month 2, month 3);
		(2)	'amount of the instalment';
		(3)	'interest to be paid per instalment';
		(4)	'other costs included in the instalment' (where relevant);
		(5)	'capital repaid per instalment'; and
		(6)	'outstanding capital after each instalment'.
9.4	R		The <i>firm</i> must:
		(1)	for the first repayment year, provide an illustrative amortisation table in accordance with MCOB 5A Annex 2, 9.3R for each instalment and include a subtotal for each of the columns at the end of that first year;
		(2)	for the following years, provide an illustrative amortisation table in accordance with MCOB 5A Annex 2, 9.3R on an annual basis;
		(3)	add an overall total at the end of the table and provide the total amounts for each column; and
		(4)	clearly highlight the total cost of the <i>MCD regulated mortgage contract</i> paid by the <i>consumer</i> (ie, the overall sum of the 'amount of the instalment' column) and present it as such.
9.5	G		Where the <i>borrowing rate</i> is subject to revision and the amount of the instalment after each revision is unknown, the <i>firm</i> may indicate in the illustrative amortisation table required by MCOB 5A

			Annex 2, 9.3R the same instalment amount for the whole credit duration.
9.6	R		If the <i>firm</i> acts in accordance with MCOB 5A Annex 2, 9.5G, the <i>firm</i> must:
		(1)	draw the fact that the <i>borrowing rate</i> is subject to revision and the amount of the instalment after each revision is unknown to the attention of the <i>consumer</i> by visually differentiating the amounts which are known from the hypothetical ones (eg, using a different font, borders or shading); and
		(2)	in a clearly legible text explain for which periods the amounts represented in the table may vary and why.
10			Section '8. Additional obligations'
10.1	R	(1)	The <i>firm</i> must specify in section 8 any obligations imposed on the <i>consumer</i> in order to benefit from the <i>MCD regulated mortgage contract</i> , such as the obligation to insure the property, to purchase life insurance, to have a salary paid into an account with the <i>MCD mortgage lender</i> or to buy any other product or service.
		(2)	For each obligation specified under (1), the <i>firm</i> must specify:
		(a)	towards whom and by when the obligation needs to be fulfilled;
		(b)	the duration of the obligation, eg, until the end of the <i>MCD regulated mortgage contract</i> ;
		(c)	any costs to be paid by the <i>consumer</i> which are not included in the <i>APRC</i> .
10.2	R	(1)	The <i>firm</i> must state whether it is compulsory for the <i>consumer</i> to purchase any ancillary services to obtain the <i>MCD regulated mortgage contract</i> on the stated terms and, if so, whether the <i>consumer</i> is obliged to purchase them from the <i>MCD mortgage lender's</i> preferred supplier or whether they may be purchased from a provider chosen by the <i>consumer</i> .
		(2)	Where the possibility referred to in (1) is conditional on the ancillary services meeting certain minimum characteristics, the <i>firm</i> must describe those characteristics in section 8.
		(3)	Where applicable, the <i>firm</i> must state the possible consequences of terminating the ancillary services.
10.3	R		Where the <i>MCD regulated mortgage contract</i> is bundled with other products the <i>firm</i> must clearly state:
		(1)	the key features of those other products; and
		(2)	whether the <i>consumer</i> has a right to terminate the <i>MCD regulated mortgage contract</i> or the bundled products separately and the conditions for and implications of doing so.
11			Section '9. Early repayment'
11.1	R		The <i>firm</i> must indicate under what conditions the <i>consumer</i> can repay the <i>MCD regulated mortgage contract</i> early, either fully or partially.

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11.2	R	(1)	In the section on early repayment charges, the <i>firm</i> must draw the <i>consumer's</i> attention to any early repayment charge or other costs payable on early repayment in order to compensate the <i>MCD mortgage lender</i> and, where possible, indicate their amount.
		(2)	In cases where the amount of compensation would depend on different factors, such as the amount repaid or the prevailing interest rate at the moment of the early repayment, the <i>firm</i> must indicate how the compensation will be calculated and provide the maximum amount that the charge might be, or where this is not possible, an illustrative example in order to demonstrate to the <i>consumer</i> the level of compensation under different possible scenarios.
		(3)	The <i>firm</i> may make the following changes to the wording in this section: <ul style="list-style-type: none"> (a) replace the word "possibility" with "right" (shown in round brackets) ie, "You have the right to repay this loan early, either fully or partially"; (b) replace the words "Exit charge" and "exit charge" with "Early repayment charge" or "early repayment charge" (shown in round brackets).
12			Section '10. Flexible features'
12.1	R	(1)	Where applicable, the <i>firm</i> must explain the right to, and conditions for, transferring the <i>MCD regulated mortgage contract</i> to another <i>MCD mortgage lender</i> or property.
		(2)	The <i>firm</i> may replace "possibility to" with the "the right to" (shown in round brackets).
12.2	R		Where the product contains any of the features listed in MCOB 5A Annex 2, 12.6R , the <i>firm</i> must list those features as additional features in section 10 and provide a brief explanation of: <ul style="list-style-type: none"> (1) the circumstances in which the <i>consumer</i> can use the feature; (2) any conditions attached to the feature; (3) if the feature being part of the <i>credit</i> secured by an <i>MCD regulated mortgage contract</i> or comparable security means that the <i>consumer</i> loses any statutory or other protections usually associated with the feature; and (4) the <i>firm</i> providing the feature (if not the <i>MCD mortgage lender</i>).
12.3	R		If the feature listed in accordance with MCOB 5A Annex 2, 12.2R contains any additional <i>credit</i> , then the <i>firm</i> must, in section 10, state: <ul style="list-style-type: none"> (1) the <i>total amount of credit</i> (including the <i>credit</i> secured by the <i>MCD regulated mortgage contract</i> or comparable security); (2) whether the additional <i>credit</i> is secured or not; (3) the relevant <i>borrowing rates</i>; and

12.4	R	(4) whether the additional <i>credit</i> is regulated or not. The <i>firm</i> must either include any additional <i>credit</i> amount in the original creditworthiness assessment or, if it is not, the <i>firm</i> must, in section 10, make clear that the availability of the additional amount is dependent on a further assessment of the <i>consumer's</i> ability to repay.
12.5	R	If the feature listed in accordance with MCOB 5A Annex 2, 12.2R involves a savings vehicle, the <i>firm</i> must explain the relevant interest rate.
12.6	R	The possible additional features are: (1) 'Overpayments/Underpayments' (paying more or less than the instalment ordinarily required by the amortisation structure); (2) 'Payment holidays' (periods where the <i>consumer</i> is not required to make payments); (3) 'Borrow back' (ability for the <i>consumer</i> to borrow again funds already drawn down and repaid); (4) 'Additional borrowing available without further approval'; (5) 'Additional secured or unsecured borrowing' (completed in accordance with MCOB 5A Annex 2, 12.3R); (6) 'Credit card'; (7) 'Linked current account'; and (8) 'Linked savings account'.
12.7	G	The <i>firm</i> may include any other features offered by the <i>MCD mortgage lender</i> as part of the <i>MCD regulated mortgage contract</i> not mentioned in previous sections.
13		Section '11. Other rights of the borrower'
13.1	R	The <i>firm</i> must clearly specify the <i>consumer's</i> reflection period.
13.2	R	Where applicable, the <i>firm</i> must clearly state any other rights of the <i>consumer</i> (other than the reflection period), such as portability (including subrogation) that exist and for each right specify: (1) the conditions to which that right is subject; (2) the procedure that the <i>consumer</i> will need to follow in order to exercise that right, including payment of any fees;
13.3	R	Where the <i>firm</i> offers the <i>MCD regulated mortgage contract</i> at a distance, the <i>firm</i> must inform the <i>consumer</i> of the absence of a right of withdrawal.
14		Section '12. Complaints'
14.1	R	(1) The <i>firm</i> must, in section 12, indicate to whom within the <i>firm</i> , the <i>consumer</i> can make a complaint and provide: (a) the name of the relevant department; (b) contact details, such as a geographical address, telephone number or contact person (including in the case of the contact person, their contact details); and

		(c)	a link to the complaints procedure on the relevant page of the <i>firm's</i> website or similar information source.
14.2	R	(2)	The information required by (1) is in respect of the <i>firm</i> providing the <i>ESIS</i> .
			The <i>firm</i> must, in section 12, indicate:
		(1)	the name of the <i>Financial Ombudsman Service</i> ; and
		(2)	that using the <i>firm's</i> internal complaint procedure is a precondition for access to the <i>Financial Ombudsman Service</i> , using the wording in section 12 of MCOB 5A Annex 1 R.
14.3	R		In the case of an <i>MCD regulated mortgage contract</i> with a <i>consumer</i> who is resident in another <i>EEA State</i> , the <i>firm</i> must refer to the existence of FIN-NET (http://ec.europa.eu/internal_market/fin-net/)
15			Section '13. Non-compliance with the commitments linked to the MCD regulated mortgage contract: consequences for the borrower'
15.1	R	(1)	The <i>firm</i> must in section 13, describe the different main cases (eg, late payments/ default, failure to respect the obligations set out in Section 8 'Additional obligations') where non-observance of any of the <i>consumer's</i> obligations linked to the <i>MCD regulated mortgage contract</i> may have financial or legal consequences for the <i>consumer</i> and indicate where the <i>consumer</i> can obtain further information.
		(2)	The description required by (1) must be a summary which can be read and understood on its own.
		(3)	For each of the cases described under (1), the <i>firm</i> shall specify, in clear, easy comprehensible terms, the sanctions or consequences to which they may give rise and highlight any serious consequences.
15.2	G		The disclosure required by MCOB 5A Annex 2, 15.1R(1) relates to "main cases", rather than every case.
15.3	G		The <i>firm</i> may provide the detail relating to the summary provided under MCOB 5A Annex 2, 15.1R(2) separately in the terms and conditions of the <i>MCD regulated mortgage contract</i> .
15.4	R		Where the land used to secure the <i>MCD regulated mortgage contract</i> may be returned or transferred to the <i>MCD mortgage lender</i> , if the <i>consumer</i> does not comply with the obligations, the <i>firm</i> must, in section 13, include a statement indicating that fact, using the wording in section 13 of MCOB 5A Annex 1 R.
16			Section '14. Additional information'
16.1	R		If the <i>firm</i> is carrying on distance marketing, it must, in section 14 of MCOB 5A Annex 1 R, state the law applicable to the <i>MCD regulated mortgage contract</i> or the competent court.
16.2	R		Where the <i>MCD mortgage lender</i> intends to communicate with the <i>consumer</i> during the life of the <i>MCD regulated mortgage contract</i> in a language different from the language of the <i>ESIS</i> , the <i>firm</i> must include that fact and state the language that will be used.
16.3	R		The <i>firm</i> must state the <i>consumer's</i> right to be provided with a copy of the draft <i>MCD regulated mortgage contract</i> when the <i>MCD mortgage lender</i> provides the <i>consumer</i> with a binding offer.

17	Section '15. Supervisor'
17.1	The <i>firm</i> must state the relevant authority or authorities for the supervision of the pre-contractual stage of the <i>MCD regulated mortgage contract</i> .

