

## Chapter 9

# Equity release: product disclosure

## 9.1 Application

### Who?

**9.1.1** **R** This chapter applies to a *firm* in a category listed in column (1) of the table in **■ MCOB 9.1.2 R** in accordance with column (2) of that table, except that those provisions that by their nature are only relevant to *regulated mortgage contracts* do not apply to *home reversion plans*.

**9.1.2** **R** This table belongs to **■ MCOB 9.1.1 R**

(1) Category of firm	(2) Applicable section
<i>mortgage lender</i>	MCOB 9.1 - MCOB 9.4.132 R, MCOB 9.5 - MCOB 9.8
<i>mortgage administrator</i>	MCOB 9.1, MCOB 9.2, MCOB 9.6 and MCOB 9.8
<i>mortgage adviser; mortgage arranger</i>	MCOB 9.1 - MCOB 9.4.132 R and MCOB 9.8.5 R - MCOB 9.8.10 R
<i>reversion provider</i>	MCOB 9.1 - MCOB 9.4.17A R, MCOB 9.4.133 R - MCOB 9.6; MCOB 9.9
<i>reversion administrator</i>	MCOB 9.1, MCOB 9.6 and MCOB 9.9
<i>reversion adviser; reversion arranger</i>	MCOB 9.1 - MCOB 9.4.17A R, MCOB 9.4.133 R - MCOB 9.4.176 G; MCOB 9.9.8 R

**9.1.2A** **G** The *rules* and *guidance* that are not relevant to *home reversion plans* are those related, for example, to interest rates, *APR*, *higher lending charge*, *mortgage credit cards*, multi-part mortgages and foreign currency mortgages.

### What?

**9.1.3** **R** This chapter applies in the circumstances set out in other *rules* in this sourcebook, but in relation to an *equity release transaction*, in accordance with the table in **■ MCOB 9.1.4 R**.

**9.1.4** **R** This table belongs to **■ MCOB 9.1.3 R**

Section of MCOB 9	Applies in relation to an <i>equity release transaction</i> as set out in the following rules:
MCOB 9.1, MCOB 9.2	all of the <i>rules</i> below in this column

Section of MCOB 9	Applies in relation to an <i>equity release transaction</i> as set out in the following rules:
MCOB 9.3, MCOB 9.4	MCOB 5.1.3 R
MCOB 9.5	MCOB 6.1.3 R
MCOB 9.6	MCOB 7.1.3 R

**9.1.5** **R** In this chapter, references to an *equity release transaction* include, where the context requires, references to arrangements which are capable of becoming an *equity release transaction*.

**9.1.6** **R** This chapter does not apply in relation to *arranging, advising on or administering a home reversion plan* for a customer acting in his capacity as an *unauthorised reversion provider*.

**MCD application**

**9.1.7** **G**

- (1) This chapter does not apply to an *MCD lifetime mortgage*, except as set out in (2) to (3), below.
- (2) ■ MCOB 9.4.33 R, ■ MCOB 9.4.35 R, ■ MCOB 9.4.62 R and ■ MCOB 9.4.63 R apply to the extent specified by ■ MCOB 5A.6.2 R.
- (3) ■ MCOB 9.6 to ■ MCOB 9.8 apply, except for *rules* that modify or replace MCOB 7.6.7R to MCOB 7.6.17R (because those *rules* do not apply to an *MCD mortgage lender* or an *MCD mortgage credit intermediary*, ■ MCOB 7B applies instead: see MCOB 7.1.2AR and MCOB 7.1.2BG).



## 9.2 Purpose

### 9.2.1

**G** The purpose of the requirements in this chapter is the same as that in **■** MCOB 5.2, **■** MCOB 6.2 and **■** MCOB 7.2 in respect of *equity release transactions*.



## 9.3 Pre-application disclosure

### 9.3.1

**R**

- (1) ■ MCOB 5.1 to ■ MCOB 5.5 (with the modifications stated in ■ MCOB 9.3.2 R to ■ MCOB 9.3.12 R) apply to a *firm* where the *home finance transaction* is an *equity release transaction*, except that those provisions that by their nature are only relevant to *regulated mortgage contracts* do not apply to *home reversion plans* (see ■ MCOB 9.1.2A G).
- (2) The table in ■ MCOB 9.3.2 R shows how the relevant *rules* and *guidance* in *MCOB 5* must be modified by replacing the cross-references with the relevant cross-references to *rules* and *guidance* applicable to *equity release transactions*.
- (3) The table in ■ MCOB 9.3.3 R replaces certain *rules* and *guidance* in *MCOB 5* with *rules* and *guidance* from ■ MCOB 9.3 and ■ MCOB 9.4.
- (4) The table in ■ MCOB 9.3.4 R disapplies certain *rules* in *MCOB 5* for the purposes of *MCOB 9*.
- (5) The terms that by their nature are relevant only to *regulated mortgage contracts* must be replaced with the appropriate equivalent terms and expressions for *home reversion plans*.

### 9.3.1A

**G**

The provisions in this sourcebook that apply to *home reversion plans* should be read in a purposive way. This means that *firms* should substitute equivalent home reversion terminology for *lifetime mortgage* terminology, where appropriate. Examples of terms and expressions that must be replaced are 'loan' or 'amount borrowed', which should be replaced with 'amount released' or 'amount to be released', as appropriate, and '*mortgage lender*' and '*mortgage intermediary*' which should be replaced with '*reversion provider*' and '*reversion intermediary*'.

### 9.3.2

**R**

#### Table of modified cross-references to other rules.

This table belongs to ■ MCOB 9.3.1 R.

Subject	Rule or guidance	Reference in rule or guidance	To be read as a reference to:
Variations	MCOB 5.1.3R(2)	MCOB 7	MCOB 7 as modified by MCOB 9
Part of loan not an equity re-	MCOB 5.1.9G	MCOB 5.6.6R(2)	MCOB 9.4.6R(2)

Subject	Rule or guidance	Reference in rule or guidance	To be read as a reference to:
<i>lease transaction</i>			
Waiver of provisions	MCOB 5.1.10G	MCOB 5.6	MCOB 9.4.
Purpose	MCOB 5.2.1G	MCOB 5	MCOB 5 as modified by MCOB 9
Applying for a lifetime mortgage	MCOB 5.3.2G	MCOB 5.6.26R and MCOB 5.6.27R	MCOB 9.4.26R and MCOB 9.4.27R
Messages to be given when providing information on equity release transactions	MCOB 5.4.18AR (1) MCOB 5.4.18AR (1)(a)	MCOB 4.7A.2 R MCOB 4.4A.1R (1), MCOB 4.4A.2 R and MCOB 4.4A.4R (1)	MCOB 8.5A.2 R MCOB 4.4A.1R (1), MCOB 4.4A.2 R and MCOB 4.4A.4R (1), each as applied by MCOB 8.3.1 R in modified form
Messages to be given when customer requests an execution-only sale	MCOB 5.4.18BR (1)	MCOB 4.8A.14R (1) to MCOB 4.8A.14R (3)	MCOB 8.6A.4R (2)
Guidance relevant to messages given to customer	MCOB 5.4.18C G	MCOB 5 Annex 1	MCOB 9 Annex 1 R for a lifetime mortgage; MCOB 9 Annex 2 R for a home reversion plan.
Tied products	MCOB 5.4.24G	MCOB 5.6.74R	MCOB 9.4.73R or MCOB 9.4.160R
Provision of illustrations: timing	MCOB 5.5.1 R (2)(e)	MCOB 4.8A.14R (1), (2) or (3)	MCOB 8.6A.4R (2)
Issue of offer document in place of illustration	MCOB 5.5.3G	MCOB 6.4 and MCOB 6.6	MCOB 6.4 and MCOB 6.6 as modified by MCOB 9
Customer's credit record	MCOB 5.5.16R	MCOB 5.5.15R(4)	MCOB 9.3.12R(3)

9.3.3



Table of rules in MCOB 5 replaced by rules in MCOB 9: This table belongs to MCOB 9.3.1R

Subject	Rule(s) or guidance	Rule(s) or guidance replaced by:
Accuracy of the illustration	MCOB 5.4.2R - MCOB 5.4.7G	MCOB 9.3.5R - MCOB 9.3.10G

Subject	Rule(s) or guidance	Rule(s) or guidance replaced by:
Providing an illustration	MCOB 5.5.15R -	MCOB 9.3.12R -
Content of illustration	MCOB 5.6	MCOB 9.4

**9.3.4** **R** Table of rules in *MCOB 5* which do not apply to *MCOB 9*: This table belongs to *MCOB 9.3.1R*.

Subject	Rule(s)
Business loans and loans to high net worth mortgage customers: tailored provisions	MCOB 5.7

**9.3.5** **R** An *illustration* on a particular *equity release transaction* issued by, or on behalf of an *equity release provider*, must be an accurate reflection of the costs of the *equity release transaction*.

**9.3.6** **R** A *mortgage intermediary* must take reasonable steps to ensure that an *illustration* which it issues, or which is issued on its behalf, other than that provided by a *mortgage lender*:

- (1) is accurate within the following tolerances:
  - (a) no more than one percent or £1, whichever is the greater, below the actual figures charged by the *mortgage lender* for the following:
    - (i) the *total amount payable* in Section 15 of the *illustration*;
    - (ii) the amounts that the *customer* must pay by regular instalment (where payments are required), or the amounts of interest charged, in Section 8 of the *illustration*; and
    - (iii) the amount by which the regular instalment, or the estimated amount owed, would increase following a one percentage point increase in interest rates in Section 9 of the *illustration*.
  - (b) the *APR* in Section 15 of the *illustration* cannot be understated by more than 0.1%; and
- (2) except in the case of conveyancing fees and insurance premiums (where estimates may be used), is accurate in respect of other figures quoted in the *illustration* including fees payable to the *mortgage lender* or *mortgage intermediary* in Section 11 and cash examples of *early repayment charges*, calculated in accordance with the rules at ■ MCOB 9.4.83 R to ■ MCOB 9.4.88 R, in Section 13.

**9.3.6A** **R** A *reversion intermediary* must take reasonable steps to ensure that an *illustration* which it issues, or which is issued on its behalf, other than that provided by an *reversion provider*, is accurate, except in the case of conveyancing fees and insurance premiums (where estimates may be used).

**9.3.7** **G** Given that the *APR* is presented as a percentage, and must be rounded to one decimal place in accordance with *MCOB 10* (Annual Percentage Rate),

*firms* should note that the tolerance allowed for the *APR* in ■ MCOB 9.3.6 R(1)(b) means that, for example, where the actual *APR* is 5.0%, the quoted *APR* must be no lower than 4.9%, or where the actual *APR* is 16.0%, the quoted *APR* must be no lower than 15.9%.

- 9.3.8** **G** There are no restrictions on figures which are quoted as higher than those actually charged by the *equity release provider* although this should not be purposely done in order to make one *equity release transaction* look more expensive than another.
- 9.3.9** **G** It is the responsibility of an *equity release intermediary* to ensure an *illustration* is accurate. However, where a *firm* can show that it was reasonable for it to rely on information provided to it by another *person*, other than the *equity release provider*, he may be able to rely on that *person* (see ■ MCOB 2.5.2 R).
- 9.3.10** **G** An *offer document* may not always exactly match the *illustration* provided before application even when the equity release requirements have not changed. For example, where a fixed rate has a defined end date, the *total amount payable* may be different because the number of payments at the fixed rate has reduced, or the estimated amount of interest to be charged has changed, assuming a later date at which the *lifetime mortgage* will start.
- 9.3.11** **R** [deleted]
- 9.3.12** **R** In meeting a request an *illustration* in relation to a particular *equity release transaction* (see ■ MCOB 5.5.1 R (2)(d)), the *firm* must not delay the provision of the *illustration* by requesting information other than:
- (1) the information necessary to personalise the *illustration*, if the *firm* does not already know it;
  - (2) where the *firm* is uncertain whether the transaction will be an *equity release transaction*, such information as is necessary to ascertain this;
  - (3) where the interest rates, payments (if required) or any other terms and conditions to be included in the *illustration* are dependent on the *customer's* credit record, such information as is necessary to produce an *illustration*;
  - (4) where the *firm* includes a quotation for any *tied products* or compulsory insurance in the *illustration*, such information as is necessary to produce those quotations; and
  - (5) where the *customer* agrees to receive a quotation for insurance in the *illustration* (other than that provided for in (4)), such information as is necessary to produce those quotations





## 9.4 Content of illustrations

### Purpose

9.4.1

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This section sets out the required content of an *illustration* for an *equity release transaction* provided to a *customer* by a *firm*. The template of an *illustration* for a *lifetime mortgage* is set out in ■ MCOB 9 Annex 1 and for a *home reversion plan*, in ■ MCOB 9 Annex 2.

### Content, order, format etc

9.4.2

R

An *illustration* provided to a *customer* must:

- (1) contain the material set out in the relevant annex to this chapter in the order and using the numbered section headings, sub-headings and text prescribed, except where this section provides otherwise;
- (2) follow the format of the template in the relevant annex to this chapter, with:
  - (a) prominent use of the Key facts logo followed by the text 'about this lifetime mortgage' or 'about this home reversion plan';
  - (b) each section clearly separated;
  - (c) all the amounts set out in Sections 6, 8, 11, 12 and 15 in columns that make the amounts clear; and
  - (d) no section split across different pages except where it is impractical not to do so;
- (3) use font sizes and typefaces consistently throughout the *illustration* which are sufficiently legible so that the *illustration* can be read easily by a typical *customer*;
- (4) ensure that the information within each section is clearly laid out (for example, through the use of bullet points or similar devices to separate information);
- (5) include prominent headings with the numbered section headings clearly differentiated in some way from the other text in the *illustration* (for example, through the use of larger and more prominent fonts, the use of shading or colour);
- (6) replace "[name of *mortgage lender*]" or "[name of *reversion provider*]" with the name of the *equity release provider*; a trading name used by the *equity release provider* may be stated;

9.4.3

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- (7) describe any *early repayment charge* as an "early repayment charge" and not use any other expression to describe such charges;
- (8) describe any *higher lending charge* as a "higher lending charge" and not use any other expression to describe such charges; and
- (9) describe any *lifetime mortgage* as a "lifetime mortgage" and any *home reversion plan* as a "home reversion plan" and not use any other expression to describe such a mortgage or plan or omit that description from the name given to any product that meets the definition.

- (1) Further requirements regarding the use of the Key facts logo and the location of specimens are set out in ■ GEN 5.1 and ■ GEN 5 Annex 1 G.
- (2) ■ MCOB 9.4.2 R(3) does not prevent the use of different fonts and typefaces for headings and risk warnings. Its purpose is to prevent particular sections of the *illustration* from being made less prominent than other sections through the inconsistent use of font sizes and typefaces.
- (3) The *illustration* can contain the *equity release provider's* or *equity release intermediary's* logo and other "brand" information.
- (4) The *illustration* can contain page numbers and other references that aid understanding, record keeping and identification of a particular *illustration* such as the date and time an *illustration* is produced or a unique reference number, provided these do not detract from the content of the *illustration*.
- (5) *Firms* are reminded of their general obligation for communications to *customers* to be clear, fair and not misleading. Sections of the *illustration* may be split across pages where it is practical to do so. When splitting sections, *firms* should split the section at an appropriate place, for example at the end of a sub-section, and not split risk warnings or tables (unless the length of the table is greater than one page).

9.4.4

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A *firm* must include in the *illustration* all prescribed section headings, except that:

- (1) in Section 8 of the *lifetime mortgage illustration* (What you owe and when):
  - (a) Section 8 (A) (details of mortgage payments) is only required where the terms of the *lifetime mortgage* either:
    - (i) require the *customer* to make regular payments to the *mortgage lender*, in respect of all or part of the interest or part of the capital due under those terms, either over the duration of the *lifetime mortgage* or until a specified date; or
    - (ii) expect that the *customer* will make such payments until he or she chooses to stop doing so.
  - (b) Section 8(B) (projection of roll-up of interest) is only required where all or part of the interest on the *lifetime mortgage* is or may be rolled-up;
- (2) Section 16 of the *lifetime mortgage illustration* (Using a mortgage intermediary) or section 12 of the *home reversion plan illustration* (Using a home reversion intermediary) is required only where the

*illustration* is provided to the *customer* by, or on behalf of, an *equity release intermediary*; and

- (3) where the *illustration* is issued in connection with a further advance, an additional section "Total borrowing" must be inserted after Section 8 of a *lifetime mortgage illustration*, and must be numbered "9", with all subsequent sections renumbered accordingly.

**Content: required information**

9.4.5

**R**

The *illustration* provided to a *customer* must:

- (1) contain only the material specified in ■ MCOB 9.4 and no other material except where provided for elsewhere in ■ MCOB 9.4; and
- (2) be in a document separate from any other material that is provided to the *customer*.

9.4.6

**R**

As a minimum the *illustration* must be personalised to reflect the following:

- (1) the specific *equity release transaction* in which the *customer* is interested;
- (2) the amount of the loan or equity required by the *customer*, or for *drawdown mortgages* and *instalment reversion plans*, the amount the *customer* wishes to draw down or to receive on a monthly (or such frequency that amounts are available) basis. Where the amount the *customer* can draw down is variable, the *firm* must agree with the *customer* an expected amount to be drawn down per year (see ■ MCOB 9.4.13 R);
- (3) the price or value of the property on which the equity release amount is based (estimated where necessary);
- (4) such information relating to the *customer*, or the property, or both as is necessary to determine that the *customer* would qualify for the *equity release transaction* in question; and
- (5) the term of the *instalment reversion plan* or, in the case of a *lifetime mortgage* and an open-ended *instalment reversion plan*, the estimated term.

9.4.7

**G**

A *firm* should not illustrate more than one *equity release transaction* in the same *illustration*, for example by using one *illustration* to compare alternative products.

9.4.8

**G**

These are minimum requirements. The *illustration* may be personalised to a greater degree if the *equity release provider* or *equity release intermediary* wishes, subject to the restrictions on the information that can be obtained from the *customer* when he requests written information on a particular transaction (see ■ MCOB 5.5.1 R (2)(c)).

- 9.4.9** **G** In relation to the price or value of the property, in order for the *firm* to comply with the principle that an *illustration* should be clear, fair and not misleading, an estimated valuation, where the estimated valuation is not that provided by the *customer*, must be a reasonable assessment based on all the facts available at the time. For example, an overstated valuation could enable a more attractive *lifetime mortgage* 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.
- 9.4.10** **R** (1) In estimating the term of a *lifetime mortgage* or an open-ended *instalment reversion plan*, a *firm* must:
- (a) use an estimate of the life expectancy of the *customer* that is reasonable and based on evidence; and
  - (b) for the purposes of the *illustration*, where the estimate of life expectancy is not a whole number of years, the term should be rounded up to the next whole year (for example, if the life expectancy is between fifteen and sixteen years, an estimated term of sixteen years should be used in the *illustration*).
- (2) Where the term estimated using the approach set out in (1) is less than fifteen years, the *firm* should use a term of fifteen years in preparing the *illustration*.
- 9.4.10A** **E** Use of the most recent appropriate mortality tables in the Continuous Mortality Investigation published by the Institute and Faculty of Actuaries or in the National Life Tables published by the Office of National Statistics may be relied on as tending to establish compliance with ■ MCOB 9.4.10R(1)(a).
- 9.4.11** **R** Where the *illustration* is issued to two or more *customers* who intend to borrow jointly, or who own the property jointly, the term estimated should be based on the longest life expectancy.
- 9.4.12** **R** If the *customer* requests an *illustration* showing a term of the *customer's* choice, that *illustration* must be issued in addition to the *illustration* showing the term calculated in accordance with these *rules*. The term chosen should be stated in Section 4 of the *illustration* "What you have told us".
- 9.4.13** **R** The amount to be specified in the *illustration* and referred to in ■ MCOB 9.4.6 R(2) is:
- (1) the amount that the *customer* has asked to borrow, release or draw down; or
  - (2) where the *lifetime mortgage* is a revolving credit agreement such as a secured overdraft or *mortgage credit card*:
    - (a) (if it provides for an initial drawdown and *linked borrowing* facilities that would allow the *customer* to increase the amount of the loan without any further approval from the *mortgage lender*) the amount of the initial drawdown; or
    - (b) (in all other cases) the total borrowing that the *firm* is willing to provide under the *lifetime mortgage*; or
  - (3) in cases where, on the basis of the information obtained from the *customer* before providing the *illustration*, it is clear that the *customer* would not be eligible to borrow, release or draw down the

amount he requested, an estimate of the amount that the *customer* could borrow, release or draw down, based on the information obtained from the *customer*.

**9.4.14** **G** ■ MCOB 9.4.13 R(3) does not require information to be obtained from the *customer* before providing an *illustration* in order to ascertain the amount the *customer* is eligible to borrow or to release from the property. Instead, its purpose is to avoid a *firm* being in a position where it would otherwise have to provide a *customer* with an *illustration* for an amount it knew the *customer* would not be eligible for, based on whatever information it had obtained from the *customer* before providing the *illustration*.

**9.4.15** **R** Where the *illustration* relates to a *lifetime mortgage* that is sub-divided into different parts with different types of interest rate or different rates of interest or different conditions, or a combination of these, the requirements in ■ MCOB 9.4 may be adapted to accommodate this. The adaptations made must be limited to those that are necessary.

**9.4.16** **G** ■ MCOB 9.4.15 R applies where, for example, the *lifetime mortgage* is divided so that a certain amount is payable on a fixed interest rate, and a certain amount on a discounted interest rate.

**Information to be included at the head of the illustration**.....

**9.4.17** **R** The following information must be included at the head of the *illustration*:

- (1) the *customer's* name;
- (2) the date of issue of the *illustration*;
- (3) details of how long the *illustration* is valid for, and whether there is any date by which the *equity release transaction* covered by the *illustration* needs to commence (for example, where a fixed interest rate is only available if the *lifetime mortgage* commences before a certain date); and
- (4) the prescribed text at the head of the *illustration*.

**9.4.17A** **R**

- (1) The requirements for a *lifetime mortgage illustration* are set out in ■ MCOB 9.4.18 R to ■ MCOB 9.4.132 R.
- (2) The requirements for a *home reversion plan illustration* are set out in ■ MCOB 9.4.133 R to ■ MCOB 9.4.176 G.

**Section 1 of a lifetime mortgage illustration: "About this information"**.....

**9.4.18** **R** Under the section heading "About this information", the prescribed text in ■ MCOB 9 Annex 1 under this heading must be included.

**Section 2 of a lifetime mortgage illustration: "Which service are we providing you with?"**

- 9.4.19 **R**
- (1) Unless (2) applies, under the section heading "Which service are we providing you with?" the prescribed text in ■ MCOB 9 Annex 1 under this heading must be included with a "check box" for each statement, one of which must be marked prominently to indicate the level of service provided to the *customer*:
  - (2) If the level of service described in the *illustration* is provided by another *firm*, (1) may be replaced by the following: Under the section heading "Which service are we providing you with?" the following text should be presented as two options with a "check box" for each option, one of which must be marked prominently to indicate the level of service provided to the *customer*: "[name of *firm*] recommends, having assessed your needs, that you take out this lifetime mortgage. [name of *firm*] is not recommending a particular lifetime mortgage for you. However, based on your answers to some questions, it is giving you information about this lifetime mortgage so that you can make your own choice, or find out about other ways in which you may be able to release equity from your home."

**Section 3 of a lifetime mortgage illustration: "What is a lifetime mortgage?"**

- 9.4.20 **R**
- Under the section heading "What is a lifetime mortgage?", the prescribed text in ■ MCOB 9 Annex 1 under this heading must be included.

**Section 4 of a lifetime mortgage illustration: "What you have told us"**

- 9.4.21 **R**
- (1) Under the section heading "What you have told us", the *illustration* must state the information that has been obtained from the *customer* under ■ MCOB 9.4.6 R and ■ MCOB 9.3.12 R (apart from ■ MCOB 9.4.6 R(1) and ■ MCOB 9.4.6 R(5) which are provided for in Section 5 of the *illustration* ), and can include brief details of any other information that has been obtained from the *customer* and used to produce the *illustration*.
  - (2) Where the *customer* requests an additional *illustration* showing a term of their choice, the term chosen by the *customer* must be stated in this section, together with a statement to the effect that the term is the *customer's* choice.
  - (3) If the amount on which the *illustration* is based includes the amount that the *customer* wants to borrow or draw down plus charges and other payments that have been added to the loan or amount to be drawn down:
    - (a) except where (b) applies, this section must include the following text after the loan amount or amount to be drawn down from ■ MCOB 9.4.13 R(1): "plus £ [insert total amount of fees and other charges added to the loan] for fees that have been added to the loan [or amount drawn down] - see Section 11 for details."; or
    - (b) where there are other fees or charges that the *customer* must pay that have not been added to the loan this section must include the following text after the loan amount or amount to be drawn

down from ■ MCOB 9.4.13 R(1): "plus £ [insert total amount of fees and other charges added to the loan] for fees that have been added to the loan [or amount drawn down]. These and the additional fees that you need to pay are shown in Section 11."

- (4) If the amount on which the *illustration* is based includes the amount that the *customer* wants to borrow plus insurance premiums or insurance-related charges (other than a *higher lending charge*) that have been added to the loan or amount to be drawn down:
  - (a) except where (b) applies, this section must include the following text after the loan amount or amount to be drawn down from ■ MCOB 9.4.13 R(1) (which may be combined with the prescribed text in (3) if applicable): "plus £[insert amount of premium or charges, or both, to be added to the loan] for insurance [premiums] [and] [charges] that have been added to the loan [or amount drawn down] " see Section 12 for details."; or
  - (b) where there are other insurance premiums or insurance-related charges, or both, that the *customer* must pay that have not been added to the loan this section must include the following text after the loan amount or amount to be drawn down from ■ MCOB 9.4.13 R(1) (which may be combined with the prescribed text in (3) if applicable): "plus £ [insert amount of premium or charges, or both, to be added to the loan] for insurance [premiums] [and] [charges] that have been added to the loan [or amount drawn down]. These and any additional insurance [premiums] [and] [charges] that you need to pay are shown in Section 12."
- (5) If the amount on which the *illustration* is based does not involve any charges or payments being added to the amount to be borrowed or amount to be drawn down, but there are charges that must be paid by the *customer*, Section 4 of the *illustration* must include the following text after the loan amount from ■ MCOB 9.4.13 R(1): "No fees have been added to this amount but the fees you need to pay are shown in Section 11. For details of any insurance charges, see Section 12."
- (6) If the *lifetime mortgage* on which the *illustration* is based has no charges that must be paid by the *customer*, and no insurance premiums are being added to the loan, Section 4 of the *illustration* must include the following text after the loan amount from ■ MCOB 9.4.13 R(1): "We do not charge any fees for this lifetime mortgage."

**9.4.22** **R** At the end of Section 4 of the *illustration* a statement must be included making clear that changes to any of the information obtained from the *customer*, and where appropriate to the valuation of the property, could alter the details elsewhere in the *illustration* and encouraging the *customer* to ask for a revised *illustration* in this event.

**9.4.23** **G** An example of the type of statement that would satisfy ■ MCOB 9.4.22 R is: "The valuation that will be carried out on the property, and changes to any of the information you have given us, could alter the information in this illustration. If this is the case please ask for a revised illustration."

**Section 5 of a lifetime mortgage illustration: "Description of this mortgage"**

9.4.24

**R**

Under the section heading "Description of this mortgage" the *illustration* must:

- (1) state the name of the *mortgage lender* providing the *lifetime mortgage* to which the *illustration* relates (a trading name used by the *mortgage lender* may also be stated in accordance with ■ MCOB 9.4.2 R(6)), and the name, if any, used to market the *lifetime mortgage*;
- (2) include a statement describing the *lifetime mortgage*;
- (3) if the *lifetime mortgage* is linked to an *investment*, and payments required on the *lifetime mortgage* will be deducted from the income from the *investment*, include a statement that this is the case;
- (4)
  - (a) provide a description of the interest rate type and rate of interest that applies in accordance with the format described in ■ MCOB 9.4.26 R and ■ MCOB 9.4.27 R;
  - (b) where there is more than one interest rate type or rate of interest, specify the amount of the loan to which each interest rate type and rate of interest applies;
  - (c) unless the interest rate applies for the full life of the loan, confirm what interest rate will apply, when it will apply and for how long it will apply after any initial interest rate ends, in accordance with the format described in ■ MCOB 9.4.26 R and ■ MCOB 9.4.27 R; and
  - (d) provide a clear explanation of the charging approach where different interest rates are applied to different items of debt (for example, for a *mortgage credit card* where a different interest rate applies to balances that are transferred from that charged on any additional borrowing);
- (5) include a statement regarding the term of the *lifetime mortgage* using the following text: "We have based this illustration on an estimated term of [insert number of years] years, but remember that the term of this lifetime mortgage is not fixed and could be longer or shorter than [insert number of years] years. If you are still living in your home at the end of [insert number of years] years, the lifetime mortgage will continue to run.";
- (6) include a statement of the maximum amount the *customer* may borrow from the *mortgage lender* and the circumstances (if any) in which the *customer* may be able to borrow additional funds at a future date;
- (7) if the *customer* is obliged to buy any *tied products* under the *lifetime mortgage* include the following information:
  - (a) details of the *tied products* required;
  - (b) the following text: "You are obliged to take out [insert details of the *tied product(s)*] through [insert name of *mortgage lender* or if relevant, name of *mortgage intermediary*] as a condition of this



lifetime mortgage. Please refer to Section 12 of this illustration for further details.";

- (8) state very briefly any restrictions that apply to the availability of the *lifetime mortgage* (for example, if it is only available to certain types of *customer*);
- (9) where the interest rate, payments (if required) or terms and conditions of the *lifetime mortgage* in the *illustration* reflect a *customer's* adverse credit history, include the following text: "The terms of this lifetime mortgage reflect past or present financial difficulties."; and
- (10) where the intention of the *lifetime mortgage* is solely to provide the *customer* with a *mortgage credit card* (rather than the *mortgage credit card* being an additional feature of a *lifetime mortgage*) include the warning about the loss of statutory rights from ■ MCOB 9.4.102 R(2)(a) or (b) in Section 5 of the *illustration* rather than Section 14.

**9.4.25**

**G**

Examples of types of statement that would satisfy ■ MCOB 9.4.24 R(2) are as follows (more than one may apply to particular types of *lifetime mortgage*):

- (1) For an *interest roll-up mortgage*: "You do not have to make any repayments during the life of this lifetime mortgage. The loan, all of the interest and charges due to [name of *mortgage lender*] will be repaid from the sale of your home. This will happen on your death [or the death of the last borrower] or if you move home (either into another property or into sheltered accommodation or residential care). Any money left over would be paid to you or your beneficiaries." [If only a part of the interest is rolled up the statement should specify the amount or proportion of the loan on which the interest will be rolled-up].
- (2) For a *drawdown mortgage*: "This lifetime mortgage provides you with a cash sum every month [or such other frequency as is applicable, including "on request"] until it is repaid. [Include if applicable: You will also receive a lump sum payment at the start of the lifetime mortgage]."
- (3) For an *interest-only mortgage*: "This is an interest only lifetime mortgage, which means that you have to make [insert frequency of payments] payments to [name of *mortgage lender*] until the lifetime mortgage is repaid. The amount you will stay the same over the life of the mortgage unless fees or charges have to be added. The mortgage will be repaid from the sale of your home on your death [or the death of the last borrower] or if you move home (either into another property or into sheltered accommodation or residential care). Any money left over would be paid to you or your beneficiaries."

**9.4.26**

**R**

■ MCOB 9.4.27 R sets out some examples of descriptions of interest rate types and rates of interest that must be used in the *illustration* to comply with ■ MCOB 9.4.24 R(4). If an interest rate is not described in ■ MCOB 9.4.27 R, it must be presented in the *illustration* in a way that is consistent with the descriptions in ■ MCOB 9.4.27 R.

9.4.27

**R**

**Description of interest rate types and rates of interest. This table belongs to MCOB 9.4.26R:**

Description of the interest rate	Amount payable in each instalment (if applicable)
Lender's base mortgage rate - must be described as the [Lender]'s standard variable rate, currently X%, [where applicable insert the date at which the interest rate ends or period for which the interest rate applies].	Amount based on X%.
Fixed rate - must be described as fixed rate of X% [where applicable insert the date at which the interest rate ends or the period for which the interest rate applies].	Amount based on the fixed rate of X%.
Discounted rate - must be described as a variable rate, currently X%, with a discount of Y% [where applicable insert the date at which the discount ends or the period for which the discount applies], giving a current rate payable of Z%.	Amount based on Z%.
Capped rate - must be described as a variable rate, currently X%, which will not go above a ceiling of Y% [where applicable insert the date at which the capped interest rate ends or the period for which the capped interest rate applies].	Amount based on the current interest rate payable (X%).
Capped and collared - must be described as a variable rate, currently X%, which will not go below a floor of Y% or above a ceiling of Z% [where applicable insert the date at which the capped and collared interest rate ends or the period for which the capped and collared interest rate applies].	Amount based on the current interest rate payable (X%).
Tracker rate - must be described as a variable rate which is [X% above/X% below/the same as] [insert interest rate tracked, currently Z%], [where applicable insert the date at which the interest rate ends or the period for which the interest rate applies], to give a current rate payable of Y%. Details should also be provided of how soon after an interest rate change the mortgage interest rate is adjusted.	Amount based on Y%.
Deferred rate - must be described as a variable rate, currently X%, where Y% is not paid now but is added to your mortgage [where applicable insert the date at which the deferred interest rate ends or the period for which the deferred interest rate applies], to give a current rate payable of Z%.	Amount based on Z%.
Stepped rate where different interest rates apply over different time periods (for example, fixed interest rate in year 1 changes in year 2). Each element should be dealt with individually as above.	Amount for each of the 'steps'.
Combinations of the above must be treated in the same way as the descriptions above, (for example, if a discounted interest rate has a 'floor' then it must be described as such).	Follow the above treatment depending on the combination.

- 9.4.28** **R** Where the loan under the *lifetime mortgage* is divided into more than one part (for example where part of the loan is a fixed interest rate and part of the loan is a discounted variable interest rate) and the *firm* displays this in a tabular format in the *illustration*:
- (1) the following text must be used to introduce the table "As this lifetime mortgage is made up of more than one part, these parts are summarised below:";
  - (2) each part must be numbered for ease of reference in the *illustration*;
  - (3) the "initial rate payable" must be displayed separately from the interest rate description;
  - (4) the loan amounts must be totalled; and
  - (5) immediately following the table, a statement of what interest rates will apply to each part, (and when they will apply) after any initial interest rate ends in accordance with **■ MCOB 9.4.24 R(4)(c)**.

- 9.4.29** **R** Further information about the *lifetime mortgage* may be included in Section 5 of the *illustration* as long as it does not significantly:
- (1) duplicate information contained elsewhere in the *illustration*; and
  - (2) extend the length of this section.

- 9.4.30** **G** An example of further information that may be included in accordance with **■ MCOB 9.4.29R** might be that an "approval in principle" has been granted subject to valuation and satisfactory credit reference.

**Section 6 of a lifetime mortgage illustration: "Benefits"**

- 9.4.31** **R** Under the section heading "Benefits", the *illustration* must include:
- (1) a description of the monetary amount(s), and in a box aligned to the right of the document, the monetary amount(s) that the *customer* will receive as a lump sum and/or as a monthly [or such other frequency as is applicable] payment;
  - (2) where the *lifetime mortgage* is linked to an *investment* and the payments required on the *lifetime mortgage* will be deducted from the income from the *investment*, the monetary amount of the net income the *customer* will receive. This must be shown in a box immediately underneath that required in (1) and containing the subheading "Your net income"; and
  - (3) if applicable, statements of any other benefits, incentives and guarantees that apply to the *lifetime mortgage*. This must be shown under the subheading "Other benefits and incentives".

- 9.4.32** **G** Examples of text that would satisfy **■ MCOB 9.4.31 R(1)**, depending on the nature of the *lifetime mortgage*, are:

- (1) "This lifetime mortgage will provide a lump sum of £[x].";
- (2) "The amount you are borrowing will automatically be used to purchase a [name of linked *investment* product] from [name of provider]. The amount is £[x]."; and
- (3) "You will receive a monthly [or such other frequency as is applicable] payment from the start of your lifetime mortgage. This will be £ [state amount].".

**Section 7 of a lifetime mortgage illustration: "Risks - important things you must consider"**

9.4.33

**R**

The *illustration* must include under the heading "Risks - important things you must consider" statements and warnings on the following:

- (1) a brief statement of the specific circumstances in which the *mortgage lender* is able to *repossess* the property;
- (2) a statement of how the *mortgage lender* will treat any negative equity arising during the life of the *lifetime mortgage* and at the time the amount borrowed under the *lifetime mortgage* is due to be repaid in full;
- (3) a statement of the effect of the *customer* wanting or needing to move home (either into another property or into sheltered accommodation or long term care or residential care), covering the circumstances in which the *lifetime mortgage* is portable, and whether *early repayment charges* are payable (the *illustration* is not required to include under this heading the exact amount of any *early repayment charges*);
- (4) a statement of the effect on the *lifetime mortgage* of another party moving into the property (for example on marriage or the formation of a civil partnership or where a family member acts as a carer);
- (5) a brief statement of the *mortgage lender's* requirements for repair and maintenance of the property, including the *mortgage lender's* right (if any) to enter the property to effect essential repairs, and the circumstances in which this may occur;
- (6) a warning that taking out this *lifetime mortgage* may affect the *customer's* tax and welfare benefits position, that tax and welfare benefits can change and that the *customer* should consider seeking further information from HM Revenue and Customs, Benefits Agency or another source of advice such as a Citizens' Advice Bureau;
- (7) a brief statement as to whether the *customer* can secure borrowing from any other source on the property in the future (and if applicable a warning that an increasing debt may mean that it may not be possible to borrow more in the future); and
- (8) a statement included prominently at the end of Section 7: "Risks - important things you must consider" using the following specified text: "Check that this mortgage will meet your needs if you want your family or others to inherit your home. If you are in doubt, seek independent legal and financial advice".

9.4.34

**G**

9.4.35

**R**

Under the heading "Risks - important things you must consider" the *illustration* must also include the following if they apply:

- (1) for *drawdown mortgages* where there is a monthly (or such other frequency as may apply) cash sum payable, a statement that inflation can erode the value of the cash sum over time;
- (2) where:
  - (a) the *lifetime mortgage* is linked to an *investment*; and
  - (b) the payments required on the *lifetime mortgage* will be deducted from the income from the *investment*; and
  - (c) the *customer* will receive a fixed net income;
 a statement that inflation can erode the value of the cash sum over time;
- (3) for *drawdown mortgages*, details of any circumstances where the *mortgage lender* may alter or discontinue payments to the *customer* without their prior consent; and
- (4) for all *lifetime mortgage*, a statement or warning with regard to any material issue not covered elsewhere in ■ MCOB 9.4.33 R and ■ MCOB 9.4.35 R.

**Section 8 of a lifetime mortgage illustration: "What you will owe and when" (A) "Details of mortgage payments"**

9.4.36

**G**

The section headed "What you will owe and when" (A) "Details of mortgage payments" will apply only where the terms of the *lifetime mortgage* either:

- (1) require the *customer* to make regular payments to the *mortgage lender*, in respect of all or part of the interest or part of the capital due under those terms, either over the duration of the *lifetime mortgage* or until a specified date; or
- (2) expect that the *customer* will make such payments until he or she chooses to stop doing so.

This will include those cases where the interest payment is deducted from the income provided by a linked *investment* product (such as an annuity) such that the *customer* receives the net income.

9.4.37

**R**

The heading of the column on the right-hand side of Section 8 of the *illustration* must state the frequency with which payments must be made by the *customer*. (For example, if payments are to be made on a monthly basis, the heading for this section must be "What you will owe and when" and the column must be headed "Monthly payments".

9.4.38

**R**

All the payments in Section 8 of the *illustration* must be calculated based on the frequency used for the purposes of the heading in ■ MCOB 9.4.37 R and must be shown in the column on the right-hand side of this section.

- 9.4.39** **R** Section 8 of the *illustration* must contain the following information:
- (1) the loan amount on which the *illustration* is based. This figure should include all fees, charges and insurance premiums that have been added to the loan in accordance with **■ MCOB 9.4.21 R(3)** and **■ MCOB 9.4.21 R(4)**, and the following text must follow the loan amount: "which include[s] the [fees] [and] [insurance premiums] that are shown in [Section 11] [and] [Section 12] as being added to your lifetime mortgage.";
  - (2) the assumed start date that has been used in the *illustration* to estimate the number of payments to be charged at given interest rates;
  - (3) except where **■ MCOB 9.4.47 R** applies, for each of the interest rates charged on the *lifetime mortgage*:
    - (a) the number of payments at that interest rate;
    - (b) whether the interest rate is fixed or variable;
    - (c) the interest rate charged on the *lifetime mortgage* at the time the *illustration* is issued; and
    - (d) the amount that the *customer* must pay in each instalment at that interest rate, which must be recorded in the right-hand column of this section (see **■ MCOB 9.4.38 R**); and
  - (4) where the payment due to the *mortgage lender* is to be deducted from the income provided by a linked *investment* product (such as an annuity) such that the *customer* receives the net income, a clear statement to this effect.
- 9.4.40** **G** If appropriate, the two statements required by **■ MCOB 9.4.39 R(1)** and **■ MCOB 9.4.39 R(2)** may be merged, for example "These payments are based on a loan amount of £x and assume that the lifetime mortgage will start on [dd/mm/yy].".
- 9.4.41** **G** **■ MCOB 9.4.39 R(3)** applies to each interest rate charged on the *lifetime mortgage* covered by the *illustration*. This means that it applies to different interest rates charged at different times, for example, where the interest rate changes at the end of any initial discounted, fixed or other special interest rate period.
- 9.4.42** **G** The *firm* may determine the assumed start date in **■ MCOB 9.4.39 R(2)**.
- 9.4.43** **R** The following information must be included in the description of the interest rate required by **■ MCOB 9.4.39 R(3)(c)** except where **■ MCOB 9.4.47 R** applies:
- (1) where the interest rate can change, the word "currently" must be used to illustrate the current interest rate payable; and
  - (2) where the interest rate changes after a given period the words "followed by" should be used to indicate this.

**9.4.44** **G** An example of how the information required by ■ MCOB 9.4.39 R(3) and ■ MCOB 9.4.43 R may be presented when there is an example term of fifteen years, and an initial fixed interest rate for a period of 22 months followed by the *mortgage lender's* standard variable interest rate for a period of 158 months, is as follows: "22 payments at a fixed rate of [...] % followed by 158 payments at a variable rate, currently [...] %".

**9.4.45** **R** The information required by ■ MCOB 9.4.39 R(3)(d) must exclude the cost of any products which may be sold in conjunction with the *lifetime mortgage* (whether *tied products* or not) unless the cost has been added to the *lifetime mortgage*

**9.4.46** **R** If, because of the assumed start date of the *lifetime mortgage*, the initial payment differs from the subsequent payments, the initial payment must be shown in this section in accordance with ■ MCOB 9.4.39 R(3)(d).

**Multi-part mortgages**

**9.4.47** **R** Where the loan under the *lifetime mortgage* is divided into more than one part (for example, where part of the loan is on a fixed interest rate and part on a discounted variable interest rate) and the *firm* displays the initial cost of all parts, and the total cost, in a tabular format in the *illustration*, ■ MCOB 9.4.39 R(3) and ■ MCOB 9.4.43 R do not apply; instead:

- (1) each part must be numbered for ease of reference in the *illustration*;
- (2) the loan amounts must be totalled;
- (3) the number and frequency of each payment must be stated;
- (4) the "initial interest rate payable" for each part must be displayed;
- (5) whether the interest rate payable is fixed or variable for each part must be stated; and
- (6) the regular payment for each part must be stated and the total payment for all parts highlighted (excluding the information listed in ■ MCOB 9.4.45 R).

**9.4.48** **R** Unless all of the interest rates described in ■ MCOB 9.4.47 R(4) apply for the life of the loan part to which they apply, then an additional sub section titled "What you will owe in future" must be included to indicate the future stepped payments. This section must:

- (1) state when a change in payment will occur;
- (2) state the reason for the change in payment; and
- (3) confirm that the payment illustrated assumes that interest rates will not change.

**Section 8 of a lifetime mortgage illustration: “What you will owe and when” (B) “Projection of roll-up of interest”**

**9.4.49** **G** Section 8 headed "What you will owe and when" (B) "Projection of roll-up of interest" applies only where all or part of the interest due over the life of the *lifetime mortgage* is or may be added to the loan and paid to the *mortgage lender* on repayment of the loan. The projection should be based on the term of the *lifetime mortgage* estimated in accordance with ■ MCOB 9.4.10 R (and if required, ■ MCOB 9.4.12 R).

**9.4.50** **R** An explanation of the table required in accordance with ■ MCOB 9.4.51 R must be shown in a box immediately under the heading using the following text: "This shows how the amount(s) paid to you and the interest and any fees that we charge mount up over [insert number of years estimated in accordance with ■ MCOB 9.4.10 R or ■ MCOB 9.4.12 R] years. It has been calculated using the current interest rate(s) of [insert interest rate(s)]. Interest is added to the amount you owe [insert frequency of roll-up of interest - e.g. monthly]. Remember that the mortgage could run for a longer or shorter time than [insert number of years estimated in accordance with ■ MCOB 9.4.10 R or ■ MCOB 9.4.12 R] years, and if it runs for longer, the amount you owe will carry on increasing."

**9.4.51** **R** The table showing the projection in the section headed "Projection of roll-up of interest" should show annual details in columns under the following headings:

- (1) "Year": this should list the years as 1,2,3... etc. The start date for year one must be an assumed date of completion of the *lifetime mortgage*. The table must show each year of the term estimated in accordance with ■ MCOB 9.4.10 R (or if required, ■ MCOB 9.4.12 R).
- (2) "Balance at start of year": this must show the estimated amount outstanding on the *lifetime mortgage* at the beginning of each year. For year one this balance would include any lump sum advanced on completion.
- (3) (where the *lifetime mortgage* is a *drawdown mortgage*) "Amount paid to you during the year": this must include all amounts to be drawn down during the year in question. Where the amount the *customer* can draw down is variable, the *mortgage lender* must agree with the *customer* an expected amount to be drawn down per year.
- (4) "Interest charged at [insert percentage(s)]": this must be the interest charge for the year in question, calculated on the balance at the start of the year plus the amount drawn down (if applicable) and any fees added to the loan during the year. The percentage(s) used must be as follows:
  - (a) for a fixed interest rate that applies throughout the term, the fixed interest rate available at the date the *illustration* is issued;
  - (b) for a variable interest rate, the interest rate that is available at the time the *illustration* is issued; and
  - (c) for a capped interest rate, the actual interest rate that is available at the time the *illustration* is issued, where this is lower than the interest rate at which the cap is set.



Where more than one interest rate applies (e.g. fixed for part of the term, followed by variable), the *mortgage lender* must use the rates that are available at the time the *illustration* is issued.

- (5) "Fees charged during the year": this must include all fees that can be added to the loan during the life of the *lifetime mortgage*. In year one this will include any fees due to the *mortgage lender* unless the *customer* has confirmed that he wishes to pay them separately. The fees for the final year shown must include any fees required on repayment in full of the *lifetime mortgage*.
- (6) "What you owe at the end of the year": this is the total of:
  - (a) the balance at start of the year;
  - (b) total drawn down (if applicable);
  - (c) interest charged for the year; and
  - (d) fees for the year.

The balance at the end of the final year of the term (estimated in accordance with ■ MCOB 9.4.10 R (or if required, ■ MCOB 9.4.12 R)) must therefore be the estimated amount required to repay in full the *lifetime mortgage* at the end of that year.

9.4.52

**G**

The firm may determine the assumed date of completion in ■ MCOB 9.4.51 R(1).

**Section 9 of a lifetime mortgage illustration: "Will the interest rate change?"**

9.4.53

**R**

Where the *customer* is required to make payments to the *mortgage lender* on the *lifetime mortgage*, the *illustration* must include the following under the section heading "Will the interest rate change?":

- (1) if the interest rate is fixed throughout the life of the *lifetime mortgage*, an explanation that the payments will not vary because the interest rate is fixed;
- (2) if the interest rate is fixed for part of the life of the *lifetime mortgage*, an explanation of when or how increases in the interest rate charged on the *lifetime mortgage* affect the *customer's* payments;
- (3) if the interest rate cannot go above a certain level or below a certain level, or both, and this applies throughout the life of the *lifetime mortgage*, an explanation that this is the case;
- (4) if the interest rate cannot go above a certain level for part of the life of the *lifetime mortgage*, an explanation that this is the case and of when or how increases in the interest rate charged on the *lifetime mortgage* affect the *customer's* payments;
- (5) if (3) or (4) apply the maximum or minimum interest rate, or both, and the payments at each of these interest rates; and
- (6) if the *lifetime mortgage* is made up of a number of different parts including different types of interest rate and different rates of

interest, an explanation of when or how increases in the interest rate charged on the *lifetime mortgage* affect the *customer's* payments for each part (or combination of parts).

9.4.54

**R**

- (1) Except where (3) applies, where the *customer* is required to make payments to the *mortgage lender* on the *lifetime mortgage*, and the *customer's* payments can vary with changes in interest rates at any time during the life of the *lifetime mortgage*, Section 9: "Will the interest rate change?" must also contain the following text: "The [frequency of payments from ■ MCOB 9.4.37 R] payments shown in this illustration could be considerably different if interest rates change. For example, for one percentage point increase in [describe the interest rate that applies], your [frequency of payments] payment will increase by around £ [insert amount by which payment will increase] .".
- (2) If ■ MCOB 9.4.53 R(6) applies the following additional text must be included after the text in (1), for each part (or combination of parts), where the amounts by which the *customer's* payments would increase are different: "After the [describe the type of interest rate that applies, the part (or parts) to which it applies and date or period for which it applies] then for one percentage point increase in [describe the interest rate that applies], your [insert frequency of payments] payment will increase by around £ [insert amount by which payment will increase].".
- (3) Paragraph (1) does not apply where the difference between the interest rate included in the *illustration* in accordance with ■ MCOB 9.4.39 R and the maximum interest rate that can be charged on the *lifetime mortgage* is less than one percentage point.

9.4.55

**R**

The amount by which the *customer's* payments would increase in accordance with ■ MCOB 9.4.54 R(1) must be calculated as follows:

- (1) the firm must use the total amount borrowed, or assume that all payments due on the *lifetime mortgage* have actually been paid, all additional fees and payments due have been paid, and no underpayments or overpayments have been made; and
- (2) the interest rate from which the increase is calculated must be the variable interest rate charged on the *lifetime mortgage* at the date that the *illustration* is issued (that is, the variable interest rate quoted in Section 5 of the *illustration*); where the variable interest rate changes after a set period or on a set date it must be based on the initial variable interest rate charged on the *lifetime mortgage* at the date the *illustration* is issued (for example, if the initial interest rate is discounted, it must be based on the discounted rate).

9.4.56

**G**

Although the effect of a one percentage point increase in interest rates on the *customer's* payments is not completely linear, the purpose of ■ MCOB 9.4.54 R(1) and (2) is to show the approximate effect of such an increase.

9.4.57

**R**

Where the *customer* is not required to make payments to the *mortgage lender* on the *lifetime mortgage* and therefore all or part of the interest is rolled up, the following information must be included under the section heading "Will the interest rate change?":

- (1) if the interest rate is fixed throughout the life of the *lifetime mortgage*, an explanation that the estimated debt shown in accordance with ■ MCOB 9.4.51 R(6) will not vary because the interest rate is fixed;
- (2) if the interest rate is fixed for part of the life of the *lifetime mortgage*, an explanation of when or how increases in the interest rate charged on the *lifetime mortgage* affect the estimated debt shown in accordance with ■ MCOB 9.4.51 R(6);
- (3) if the interest rate cannot go above a certain level or below a certain level, or both, and this applies throughout the life of the *lifetime mortgage*, an explanation that this is the case; and
- (4) if the interest rate cannot go above a certain level for part of the life of the *lifetime mortgage*, an explanation of when or how increases in the interest rate charged on the *lifetime mortgage* affect the estimated debt shown in accordance with ■ MCOB 9.4.51 R(6).

9.4.58

**R**

Where the *customer* is not required to make payments to the *mortgage lender* on the *lifetime mortgage* and therefore all or part of the interest is rolled up, Section 9: "Will the interest rate change?" must also contain (if applicable):

- (1) if the interest rate is variable, the following text: "If the interest rate increases, the amount you owe will also increase. If the interest rate was [one percentage point higher than shown ■ MCOB 9.4.51 R(4)(b)] throughout the example term of [insert number of years - see ■ MCOB 9.4.10 R or ■ MCOB 9.4.12 R] years, the amount you would owe us at the end of that time would be: [insert amount]."; or
- (2) if the interest rate will become variable at the end of a fixed or capped rate period, the following text: "If the interest rate increases after the [insert as applicable: fixed rate period or capped rate period] ends, the amount you owe will also increase. If the interest rate was [one percentage point higher than shown in ■ MCOB 9.4.51 R(4)(b) above] throughout the remainder of the example term of [insert number of years - see ■ MCOB 9.4.10 R or ■ MCOB 9.4.12 R] years, the amount you would owe us at the end of that time would be: [insert amount]."; or
- (3) if a capped rate applies throughout the life of the *lifetime mortgage* and the interest rate at the date of issue of the *illustration* is lower than the capped rate, the following text: "If the interest rate increases, the amount you owe will also increase. The interest rate on this lifetime mortgage cannot be higher than [rate at which interest is capped] If the interest rate was [rate at which interest is capped] throughout the example term of [insert number of years - see ■ MCOB 9.4.10 R and ■ MCOB 9.4.12 R] years, the amount you would owe us at the end of that time would be: [insert amount].".

9

**Risk warning**

**9.4.59** **R** Where **■ MCOB 9.4.54 R(1)** applies, the following words must also be prominently displayed at the end of the sub-section "Will the interest rate change?" "Rates may increase by much more than this so make sure you can afford the [insert frequency of payments from **■ MCOB 9.4.37 R**] payment."

**9.4.60** **R** Where **■ MCOB 9.4.58 R(1)** or (2) applies, the following words must also be prominently displayed at the end of the sub-section "Will the interest rate change?" "Your debt may increase significantly."

**9.4.61** **G**

**Section 10 of a lifetime mortgage illustration: "How the value of your home could change"**

**9.4.62** **R** Where the *customer* is required to make payments to the *mortgage lender* on the *lifetime mortgage* in respect of the interest payable, and therefore the amount outstanding on the *lifetime mortgage* will broadly remain unchanged, Section 10: "How the value of your home could change" must contain the following text: "The amount you owe will usually stay the same over the life of the mortgage so the amount due to [name of *mortgage lender*] when the mortgage is repaid will be [amount of loan], unless charges have to be added."

**9.4.63** **R** Where the *customer* is not required to make payments to the *mortgage lender* on the *lifetime mortgage* and therefore all or part of the interest is rolled up, Section 10: "How the value of your home could change" must contain the following text: "When you look at how the amount you owe [goes][may go] up, remember also that property prices can go up or down, and this can affect the amount of money left over for you or your estate after the mortgage is repaid to [name of mortgage lender]".

**9.4.64** **R** Section 10: "How the value of your home could change" must contain the following text in addition to the text in accordance with **■ MCOB 9.4.62 R** or **■ MCOB 9.4.63 R**: "Based on the estimated value of your home now of [insert amount from **■ MCOB 9.4.6 R(3)**] this example shows what the value of your home would be after [insert term from **■ MCOB 9.4.10 R** or **■ MCOB 9.4.12 R**] years if the value went up by 1% each year or went down by 1% each year. Remember also that the mortgage may run for more or less than [insert term from **■ MCOB 9.4.10 R**, or **■ MCOB 9.4.12 R**] years. This is an example only and gives no guide to how much the value of your home will actually change. If your home went up in value by 1% each year it would be worth [insert amount] after [insert term from **■ MCOB 9.4.10 R**, or **■ MCOB 9.4.12 R**] years. If your home went down in value by 1% each year - it would be worth [insert amount] after [insert term from **■ MCOB 9.4.10 R** or **■ MCOB 9.4.12 R**] years."

**Section 11 of a lifetime mortgage illustration: "What fees must you pay?"**

- 9.4.65** **R** Under the section heading "What fees must you pay?" the *illustration* must:
- (1) itemise all the fees that are included in the calculation of the *APR* in accordance with **■ MCOB 10** (Annual Percentage Rate), excluding any charges for insurance set out in Section 12 in accordance with **■ MCOB 9.4.72 R**; and
  - (2) include a statement at the end of the section using the following text: "You may have to pay other taxes or costs in addition to any fees shown here."
- 9.4.66** **G** An example of a fee that would be included in Section 11 would be an administrative charge to redeem the *lifetime mortgage*. An example of a fee that would not be included would be a fee payable by the *customer* to insure their property elsewhere (however this would need to be stated in the separate "Insurance" section as required by **■ MCOB 9.4.72 R**). Where fees are payable only on early repayment of the *lifetime mortgage*, they should not be stated here (however these fees would need to be stated in Section 13 of the *illustration* "What happens if you do not want this mortgage any more", as required by **■ MCOB 9.4.83 R(1)(c)**).
- 9.4.67** **R** The fees included in this section in accordance with **■ MCOB 9.4.65 R** must be itemised under the relevant sub-headings as follows:
- (1) the fees that are payable by the *customer* to the *mortgage lender* must be itemised under the sub-heading "Fees payable to [name of mortgage lender]";
  - (2) the remaining fees must be itemised under the sub-heading: "Other fees"; and
  - (3)
    - (a) if there are no fees to be itemised in accordance with (1), the sub-heading must be retained and a statement must be included that no fees apply;
    - (b) if there are no fees to be itemised in accordance with (2), the sub-heading must be retained and only the text in **■ MCOB 9.4.65 R(2)** applies.
- 9.4.68** **R** The following information must be provided for each fee included in this section of the *illustration* in accordance with **■ MCOB 9.4.65 R(1)**:
- (1) a description of the fee;
  - (2) the amount payable by the *customer* recorded in a column headed "Fee amount" on the right-hand side of this section;
  - (3) for fees included under the sub-heading "Other fees", to whom the fee is payable;
  - (4) when the fee is payable;

- (5) whether or not the fee is refundable, and if so, the extent to which it is refundable;
- (6) which fees (if any) are estimated in accordance with
  - MCOB 9.4.114 R(2) and based on representative information; and
- (7) if any fee is payable after the start of the *lifetime mortgage* and subject to change in the future, for example a fee payable on final repayment of the *lifetime mortgage*, the amount of that fee, along with a statement that this is the 'current fee'.

9.4.69

**R**

- (1) If a *higher lending charge* is payable by the *customer*, the following text must be used to describe such a charge for the purposes of
  - MCOB 9.4.68 R: "A higher lending charge is payable because you are borrowing [insert the ratio of the mortgage amount (from ■ MCOB 9.4.13 R) to the property's price or value (from ■ MCOB 9.4.6 R(3))] of the property's [estimated] [price/value]."
- (2) If the *customer* has asked for any fees to be added to the loan, this must be stated alongside each fee.
- (3) If the *customer* has the option of adding to the loan amount any of the fees included in this section, the following text must be included: "If you wish you can add [this/these/the {type of fee}] fee(s) to the lifetime mortgage. This will increase the amount you owe to [insert amount of the lifetime mortgage with the fee(s) included] and will increase the amount you owe shown in Section 8. If you want to do this, you should ask for another illustration that shows the effect of this on the amount you owe"
- (4) Any fees that are estimated based on representative information in accordance with ■ MCOB 9.4.114 R(2) must include an appropriate explanation of what the fee represents. For example, if this section includes an estimated fee for the legal work that the *customer* might be charged by his conveyancer for carrying out work on behalf of the *mortgage lender*, the *illustration* must explain that the fee is estimated, and that it only covers part of the costs of legal work that the *customer* might need to pay.

9.4.70

**G**

"Other fees" will include any fee charged by a *mortgage intermediary*, or another third party, for advising on or *arranging a lifetime mortgage*, but not commission or *procurator fees* (which are dealt with in Section 16 of the *illustration*).

9.4.71

**R**

A *mortgage lender* must provide a *tariff of charges* to the *customer*, if the *customer* so requests.

**Section 12 of a lifetime mortgage illustration: "Insurance"**

9.4.72

**R**

- (1) Under the section heading "Insurance" the *illustration* must include details of:
  - (a) insurance which is a *tied product* and

- (b) insurance which is required as a condition of the *lifetime mortgage* which is not a *tied product*
- (2) Under this section heading a *firm* may also provide details of insurance which is optional for the *customer* to take out.
- (3) It must be clear to the *customer* which products he is required to purchase under which circumstances (for example, where both a *tied product* and a *mortgage intermediary* are involved, whether the policy must be purchased from the *mortgage lender* or the *mortgage intermediary*).
- 9.4.73** **R** Under the sub-heading 'Insurance you must take out through [insert name of *mortgage lender* or where relevant the name of the *mortgage intermediary*, or both]' the following information must be included if the *lifetime mortgage* requires the *customer* to take out insurance that is a *tied product* either through the *mortgage lender* or where relevant the *mortgage intermediary*:
- (1) details of which insurance is a *tied product*;
  - (2) for how long the *customer* is obliged to purchase the insurance;
  - (3) an accurate quotation or a reasonable estimate of any payments the *customer* needs to make for the insurance;
  - (4) where a quotation is provided for insurance in accordance with (3) on the basis of an estimated sum insured, because the actual required sum insured is unknown, the fact that it is estimated should be stated along with confirmation of the level of cover that has been assumed;
  - (5) details of when the *customer's* payments for such insurance change, for example, if premiums are reviewed annually; and
  - (6) where a quotation is not provided in accordance with (3), a statement of when and how a quotation will be provided (for example, separately and as soon as possible).
- 9.4.74** **G** *Firms* are reminded that **■ MCOB 5.4.23 R** requires a *firm* to provide a *customer* with an accurate quotation for any *tied products*. Where the level of cover the *firm* requires the *customer* to take up is known at the outset, then the quotation should reflect that level of cover.
- 9.4.75** **R** If the *lifetime mortgage* does not require the *customer* to take out insurance as a *tied product*, the sub-heading "Insurance you must take out through [insert name of *mortgage lender* and where relevant the name of the *mortgage intermediary*]" must be retained and a statement must be provided under this heading that the *customer* is not obliged to take out any insurance through the *mortgage lender* or, where relevant, the *mortgage intermediary*.
- 9.4.76** **R** The following information must be included under the sub-heading "Insurance you must take out as a condition of this mortgage but that you

do not have to take out through [insert name of *mortgage lender* or where relevant the name of the *mortgage intermediary*, or both]":

- (1) if the *lifetime mortgage* requires the *customer* to take out an insurance policy (other than that which is a *tied product* which the *customer* is obliged to purchase through the *mortgage lender* or where relevant the *mortgage intermediary*), a brief statement of the type of insurance the *firm* requires; a quotation for such insurance may be included in the *illustration*, estimated where necessary;
- (2) if the *mortgage lender* or the *mortgage intermediary* makes a charge in cases where the *customer* does not arrange insurance that is a condition of the mortgage through the *mortgage lender* or the *mortgage intermediary*, this must be stated, together with the amount of the charge and the frequency with which this charge is payable; and
- (3) if no insurance policies are required (other than that which is a *tied product*), the sub-heading "Insurance you must take out as a condition of this mortgage but that you do not have to take out through [insert name of *mortgage lender* and, where relevant the *mortgage intermediary*]" must be retained in the *illustration* and a statement must be provided under this heading that no such insurance is required.

- 9.4.77** **G** Under the sub-heading "Insurance you must take out as a condition of this mortgage but that you do not have to take out through [insert name of *mortgage lender* or where relevant the name of the *mortgage intermediary*, or both]", the *illustration* should not include any insurance policy that may be taken out by a *mortgage lender* itself to protect its own interests rather than the *customer's* interests, for example, because of the ratio of the loan amount to the property value.
- 9.4.78** **G** If the cost of any insurance that the *mortgage lender* might take out to protect its own interests because of the ratio of the loan to the property value is passed on to the *customer*, it will be shown elsewhere in the *illustration*, for example as a *higher lending charge* or in the interest rate charged.
- 9.4.79** **R** A *firm* may include in the *illustration*, under the sub-heading "Optional insurance", quotations (estimated where necessary) for any insurance products (other than the insurance products covered elsewhere in the *illustration* in accordance with **■** MCOB 9.4.72 R and **■** MCOB 9.4.76 R) that the *firm* issuing the *illustration* wishes to sell to the *customer*.
- 9.4.80** **R** If no quotations are included in the *illustration* in accordance with **■** MCOB 9.4.79 R, the sub-heading "Optional insurance" must not be included in the *illustration*.
- 9.4.81** **R** (1) If any quotations for insurance are included in the *illustration* in accordance with **■** MCOB 9.4.73 R(3), **■** MCOB 9.4.76 R(1) or **■** MCOB 9.4.79 R, the *illustration*:



- (a) must include a brief description only of the type of insurance (full details of the insurance cover may however be provided separately); and
- (b) (i) must include the total price to be paid by the *customer* in a column on the right hand side of the *illustration* under the heading "[insert frequency of payments quoted] payments"; and
  - (ii) may refer the *customer* to the individual insurance product disclosure documentation.
- (2) If the *customer* has asked to add any insurance premiums or insurance-related charges to the amount borrowed in accordance with ■ MCOB 9.4.21 R(4), the illustration must state that this is the case.

9.4.82

**G**

The terms on which an insurance premium has been calculated should be presented to the *customer* in the format determined by the relevant regulatory requirements.

**Section 13 of a lifetime mortgage illustration: "What happens if you do not want this mortgage any more?"**

9.4.83

**R**

Under the heading "What happens if you do not want this mortgage any more?", the *illustration* must include the following information on the *lifetime mortgage*:

- (1) under the sub-heading "Early repayment charges":
  - (a) an explanation of whether *early repayment charges* are payable;
  - (b) an explanation of when *early repayment charges* are payable;
  - (c) an explanation of any other fees that are payable if the *lifetime mortgage* is repaid early, and the current level of these fees;
  - (d) a basic explanation of the basis on which *early repayment charges* are calculated (for example, as a percentage of the loan or as so many months' interest), including, where appropriate, details of any *cashback* or other incentives that must be repaid. The *illustration* may refer to a separate document for full details of all terms and conditions relating to the charges that apply if the *lifetime mortgage* is repaid early;
  - (e) example cash amounts of any *early repayment charges* indicating the range of charges that apply over the period during which such charges apply calculated in accordance with ■ MCOB 9.4.88 R, which must be described in the *illustration* as "cash examples";
  - (f) the maximum *early repayment charge* that the *customer* could be charged in accordance with ■ MCOB 12.3 (Early repayment charges), which must be shown as a cash amount and described in the *illustration* as "the maximum charge you could pay" [add if applicable, "plus (a) fee(s) which (is/are) currently £x"]; and
  - (g) details of whether or not the *lifetime mortgage* is portable on moving house and a brief explanation of any conditions or restrictions that apply including whether there are any restrictions on changing the terms of the *lifetime mortgage* during the period in which any *early repayment charges* apply (a

reference to another document may be made in order to provide the *customer* with further details of the conditions or restrictions);

- (2) under the sub-heading "Circumstances in which early repayment charges do not apply", a clear statement of the circumstances in which no *early repayment charges* will be payable by the *customer*. (This may include moving to another property, or into sheltered accommodation or residential care.) Where the *lifetime mortgage* is portable on moving house but no *early repayment charges* are payable by the customer, the remaining information required by ■ MCOB 9.4.83 R(1)(g) should be included here.

**9.4.84** G The requirements in ■ MCOB 9.4.83 R(1) may be presented in a tabular format.

**9.4.85** G Where a *firm* does not impose an *early repayment charge*, it may delete the sub heading 'Circumstances in which early repayment charges do not apply'.

**9.4.86** R Where ■ MCOB 9.4.83 R(1)(e) would result in more than three cash amounts being shown in the *illustration*, the cash amounts shown in the *illustration* may be restricted to three examples. These three examples are in addition to the maximum *early repayment charge* required by ■ MCOB 9.4.83 R(1)(f). These examples must be representative of the full range of charges that apply and not be limited to the lowest charges that apply. These three examples are in addition to:

- (1) any statement of the amount of any fees described in ■ MCOB 9.4.83 R(1)(c); and
- (2) the maximum *early repayment charge* required by ■ MCOB 9.4.83 R(1)(f).

**9.4.87** G An example which would comply with MCOB 9.4.86R would be if a five year fixed rate mortgage had a charge which reduced linearly by 1% each year from 5% in the first year to 1% in the final year and cash examples were used based on 5% in year 1, 3% in year 3 and 1% in year 5.

**9.4.88** R

- (1) In calculating example cash amounts in accordance with ■ MCOB 9.4.83 R(1)(e), it must be assumed that:
  - (a) the *lifetime mortgage* is repaid in full;
  - (b) all payments due (if applicable) on the *lifetime mortgage* are actually paid;
  - (c) additional fees and charges such as insurance premiums have been paid; and
  - (d) no underpayments or overpayments (if applicable) have been made.
- (2) If:
  - (a) *cashbacks* or other incentives need to be repaid; or
  - (b) fees need to be paid;

the amounts that would need to be repaid or paid must be included in the example cash amounts.

(3) Where the calculation of the *early repayment charge* is based on the interest rate charged on the *lifetime mortgage*, or on interest rates generally, the interest rate(s) used for the calculation of the example cash amounts must be those in force at the date that the *illustration* is issued to the *customer*.

(4) The example cash amounts must reflect the maximum charge in a particular year. Where it is possible to state exact *early repayment charges* (that is, where all such charges are based on the original amount borrowed), the *illustration* must do so.

**9.4.89** **R** Where the cash examples from ■ MCOB 9.4.88 R included in the *illustration* would vary either if the interest rate charged on the *lifetime mortgage* changed or with changes in interest rates generally, an appropriate warning that the *early repayment charges* may vary from the cash examples must be included in the *illustration*.

**9.4.90** **R** Where the *early repayment charge* could be higher than those stated in the *illustration* if the *lifetime mortgage* continued after the end of the term estimated in accordance with ■ MCOB 9.4.10 R or ■ MCOB 9.4.12 R, Section 13 of the *illustration* must include a clear statement to that effect.

**Section 14 of a lifetime mortgage illustration: "Additional features"**  
.....

**9.4.91** **R** Under the section heading "Additional features" the *illustration* must include, where relevant, details of how the *mortgage lender* would treat any payments by the *customer* in excess of those required, and details of any additional features or facilities under the various sub-headings in ■ MCOB 9.4.93 R.

**9.4.92** **R**

- (1) If none of the features at ■ MCOB 9.4.93 R are applicable to the *lifetime mortgage* to which the *illustration* relates, the section headed 'Additional features' must be retained, but the sub-headings must not be included and a statement must be added to explain that there are no additional features.
- (2) Only those features available on the *lifetime mortgage* need be included in the *illustration*.
- (3) If a *firm* provides a *customer* with supplementary information about any additional features or facilities over and above the information required under ■ MCOB 9.4.91 R to ■ MCOB 9.4.110 R, the *firm* may include a reference to that supplementary information in Section 14.

**9.4.93** **R** The relevant sub-headings are as follows:

- (1) "Overpayments"
- (2) "Underpayments"

- (3) "Payment holidays"
- (4) "Borrow back"
- (5) "Additional borrowing available without further approval"
- (6) "Additional secured borrowing"
- (7) "Credit card"
- (8) "Unsecured borrowing"
- (9) "Linked current account" and
- (10) "Linked savings account".

- 9.4.94** **R** (1) Under the sub-heading 'Overpayments', the *illustration* must include details of any restrictions on lump sum and regular overpayments (if payments are required) on the *lifetime mortgage*, together with a statement as to whether or not the amount on which the interest is recalculated is reduced immediately on receipt of any lump sum or regular overpayment.
- (2) Where such recalculation does not take place immediately (for example, if an annual rest method is used), this statement must be accompanied by an explanation of when the amount on which the interest is recalculated is reduced following a lump sum or regular overpayment.
- (3) Where *early repayment charges* apply, this section must not repeat the details provided in Section 13 of the *illustration*, but may refer to Section 13.
- 9.4.95** **G** Where the interest recalculation described in **MCOB 9.4.94 R** takes place immediately, *firms* may add a statement in this section explaining that the *customer* will get the benefit of the overpayment immediately.
- 9.4.96** **R** Under the sub-heading "Underpayments", the *illustration* must include details of whether the *customer* can make underpayments and a brief statement of any conditions that apply.
- 9.4.97** **R** Under the sub-heading "Payment holidays", the *illustration* must include details of circumstances in which the *customer* can take *payment holidays* and a brief statement of any conditions that apply.
- 9.4.98** **R** Under the sub-heading "Borrow back", the *illustration* must include details of circumstances in which the *customer* can *borrow back* any monies overpaid and a brief statement of any conditions that apply.
- 9.4.99** **R** Under the sub-heading "Additional borrowing available without further approval", the *illustration* must provide details of circumstances in which additional *secured lending* is offered with the *lifetime mortgage* that would

allow the *customer*, subject to certain conditions, to increase the amount of the loan on which the *illustration* is based.

**9.4.100** **R** Under the sub-heading "Additional secured borrowing", the *illustration* must provide details of circumstances in which additional *secured lending* is offered with the *lifetime mortgage* that would allow the *customer*, subject to certain conditions, to increase the amount of the loan on which the *illustration* is based.

**9.4.101** **R** Under the sub-heading "Unsecured borrowing", the *illustration* must provide details of circumstances in which *unsecured lending* is offered with the *lifetime mortgage* that would allow the *customer* to increase the amount of the loan on which the *illustration* is based.

**9.4.102** **R** Under the sub-heading "Credit card", the *illustration* must:

- (1) state whether a credit card is offered with the *lifetime mortgage*; and
- (2) if a credit card is offered and it is a *mortgage credit card*:
  - (a) unless (b) applies, include the following text: "This card will not give you a number of the statutory rights associated with traditional credit cards. Your lifetime mortgage offer will tell you more about the differences." or
  - (b) where the *mortgage lender* provides the *customer* with contractual rights in relation to a *mortgage credit card* equal to or greater than the rights that the *customer* would have under the Consumer Credit Act 1974 and *CONC* if the card were issued under a *regulated credit agreement*, include the following text: "This card will not give you a number of the statutory rights associated with traditional credit cards. However, [insert name of *mortgage lender*] will ensure that you will be treated no differently from the user of a traditional credit card. Your lifetime mortgage offer will tell you more about this."

**9.4.103** **R** Where any of the additional features under ■ MCOB 9.4.99 R to ■ MCOB 9.4.102 R inclusive apply, then the following must also be stated if the amount of additional borrowing that would be available to the *customer* is stated in the *illustration*:

- (1) the maximum additional amount available;
- (2) if the interest rate payable on any additional borrowing is different to the interest rate in Section 5 and Section 8 of the *illustration*, the interest rate and the *APR* charged on the additional borrowing. The *APR* must be calculated in accordance with MCOB 10 (Annual Percentage Rate), based on the maximum amount of additional borrowing that would be permitted for the *customer* and the term of the loan from ■ MCOB 9.4.10 R or ■ MCOB 9.4.12 R;
- (3) the total resulting debt the *customer* could incur (including the original loan amount);

- (4) the payments on this total debt based on the frequency of payments in ■ MCOB 9.4.37 R (if payments are required) and the current interest rate(s) applying on the date the *illustration* is issued;
- (5) whether this additional borrowing must be repaid in full if the original loan is repaid in full, along with details of any conditions that apply;
- (6) if *early repayment charges* apply to the additional amount borrowed:
  - (a) that *early repayment charges* are payable;
  - (b) an explanation of when *early repayment charges* are payable; and
  - (c) the maximum *early repayment charge* that the customer could be charged in accordance with ■ MCOB 12.3 which must be shown as a cash amount; and
- (7) if it is the case, that the maximum amount of borrowing available, or the terms and conditions, may change depending on other factors such as ratio of the loan amount to the property value.

**9.4.104** R Where more than one additional borrowing facility from ■ MCOB 9.4.99 R to ■ MCOB 9.4.102 R applies, the total debt and total payments due (if payments are required) under all these *linked borrowing* facilities must be included under a separate sub-section titled 'Total additional borrowing'.

**9.4.105** G The purpose of ■ MCOB 9.4.104 R is to show the total amount of any additional borrowing facilities that would be available to the *customer* and the cost of utilising these facilities. It must combine the amount available under any *linked borrowing* facilities including additional *secured lending*, credit cards and *unsecured lending*.

**9.4.106** R

- (1) Where additional features are included in accordance with ■ MCOB 9.4.91 R and these are credit facilities that do not meet the definition of a *regulated mortgage contract* or a *regulated credit agreement*, the relevant parts of Section 14 of the *illustration* must include the following text:
 

"This additional feature is not regulated by the *FCA*."
- (2) Where additional features are included in accordance with ■ MCOB 9.4.91 R and these are credit facilities that meet the definition of a *regulated credit agreement* regulated by the Consumer Credit Act 1974 and the *Act*, the relevant parts of Section 14 of the *illustration* must include the following text 'This additional feature is regulated under the Consumer Credit Act 1974 and the Financial Services and Markets Act 2000. You will receive a separate credit agreement with any offer document for this additional feature, describing the detailed terms on which this feature is available.'

**9.4.107** R Where all or part of the maximum amount of additional borrowing is secured on the *customer's* home, a prominent warning must be included that additional borrowing increases the amount of credit secured on the *customer's* home.

- 9.4.108** **G** Suitable wording for the warning contained in **■ MCOB 9.4.107 R** would be: "This will increase the amount of borrowing secured on your home."
- 9.4.109** **R** Under the sub-heading "Linked current account" the illustration must include the following information:
- (1) whether a linked current account is a compulsory or optional product (if the current account is a compulsory product this must also be stated in Section 5 of the *illustration* in accordance with **■ MCOB 9.4.24 R(7)**);
  - (2) an explanation of the interest rates that apply under different circumstances to the linked current account, if different from the interest rate charged on the *lifetime mortgage* (for example, if a different interest rate applies if the account is overdrawn); and
  - (3) the *firm* providing the linked current account if it is not the *mortgage lender*.
- 9.4.110** **R** Under the sub-heading "Linked savings account" the *illustration* must include the following information:
- (1) whether a linked savings account is a compulsory or optional product (if the savings account is a compulsory product this must also be stated in Section 5 of the *illustration* in accordance with **■ MCOB 9.4.24 R(7)**);
  - (2) the interest rate paid on the linked savings account if it differs from the interest rate charged on the *lifetime mortgage*; and
  - (3) the *firm* providing the linked savings account if it is not the *mortgage lender*.
- Section 15 of a lifetime mortgage illustration: "Overall cost of this mortgage"**  
.....
- 9.4.111** **R** Under the section heading "Overall cost of this mortgage":
- (1) the following text must be included in the illustration: "The APR helps you to compare lifetime mortgages by giving you one rate that shows the overall cost of the mortgage. It takes into account some fees and charges as well as the interest due, and this means that the APR may be higher than the interest rate shown in Sections 5 and 8. Only use the APR to compare lifetime mortgages of the same type, and where the same example term is used."
  - (2) where the *customer* is required to make payments on the *lifetime mortgage* the following text must also be included in the *illustration*: "The overall cost takes into account the payments in Sections 8 and 11 above."; and
  - (3) reference must be made to any other payments that have been included in the *APR* but not included in Sections 8 and 11 of the *illustration* if these are relevant to the *lifetime mortgage* that is the subject of the *illustration*.

- 9.4.112** **G** ■ MCOB 9.4.111 R(3) would require, for example, a reference to the fact that the overall cost takes into account mortgage payment protection insurance where this is required as a condition of the *lifetime mortgage* to which the *illustration* relates. The requirement to take out such insurance must be stated in Sections 5 and 12 of the *illustration* in accordance with ■ MCOB 9.4.24 R(7), ■ MCOB 9.4.72 R or ■ MCOB 9.4.76 R.
- 9.4.113** **R** The following text must be included after the text required by ■ MCOB 9.4.111 R with the relevant cost measures shown in the right-hand column of Section 15 in accordance with the layout shown in ■ MCOB 9 Annex 1:
- (1) "The total amount you would pay back over the example term of [insert number of years in accordance with ■ MCOB 9.4.10 R or ■ MCOB 9.4.12 R] including the amount borrowed is £ [insert *total amount payable*]", and
  - (2) "The overall cost for comparison is [insert the *APR*] % *APR*."
- 9.4.114** **R**
- (1) The *APR* and the *total amount payable* in ■ MCOB 9.4.113 R must be calculated on the basis of information obtained from the *customer* in accordance with ■ MCOB 9.4.6 R.
  - (2) Where there is a charge to be included in the *APR* and *total amount payable* and the precise amount of that charge is not known at the time that the *illustration* is provided, ■ MCOB 10.3 (Formula for calculating the *APR*) sets out a number of relevant assumptions to be used. If the method for including the charge is not addressed in *MCOB 10 (Annual Percentage Rate)*, the charge must be estimated based on information which is known to be representative of the *lifetime mortgage* to which the *illustration* relates.
  - (3) Where the *lifetime mortgage* is an *interest roll-up mortgage*, the *total amount payable* must be based on the total amount that the *customer* would owe at the end of the example term.
- 9.4.115** **G** In relation to ■ MCOB 9.4.114 R(2), the cost of conveyancing would be an example of a charge for which representative information may need to be used in the calculation of the *APR* and the *total amount payable*.
- 9.4.116** **R** At the end of Section 15 the following text must be included, if relevant: "The figures in this section will vary following interest rate changes."
- 9.4.117** **G** The prescribed text at ■ MCOB 9.4.116 R would not be relevant if the *illustration* is for a *lifetime mortgage* that has a fixed interest rate throughout the life of the mortgage.
- 9.4.118** **G** The purpose of the *illustration* is to provide the *customer* with details of the cost of borrowing the amount required over the example term from ■ MCOB 9.4.6 R and ■ MCOB 9.4.10 R (or ■ MCOB 9.4.12 R). Section 14 has been designed specifically to allow examples of the effect of any additional



features of the *lifetime mortgage* such as a linked current account. Examples of these features should therefore be shown in Section 14 and not in Section 15 or Section 8 of the *illustration*.

**Section 16 of a lifetime mortgage illustration: "Using a mortgage intermediary"**

**9.4.119** **R** Where the *illustration* is issued to a *customer* by, or on behalf of, a *mortgage intermediary*, Section 16 "Using a mortgage intermediary" must be included in the *illustration* and must include the following:

- (1) unless **MCOB 9.4.120 R** applies, a clear statement of the amount payable (either directly or indirectly) by the *mortgage lender* to the *mortgage intermediary*, or to any third parties; and
- (2) the name of the *mortgage lender* who will make the payment, the name of the *mortgage intermediary* and the names of any third parties who will be paid.

**9.4.120** **R** If the amount payable by the *mortgage lender* to the *mortgage intermediary* and to third parties is £250 or less, the mortgage intermediary need only state that the amount of the payment is "no more than £250", unless the *customer* requests the actual amount.

**9.4.121** **R** If the *mortgage intermediary* will pass to the *customer* all or part of the amount payable to the *mortgage intermediary* under **MCOB 9.4.119 R(1)** or **MCOB 9.4.120 R**, that fact may be stated in this section, along with the amount payable to the *customer*.

**9.4.122** **R** If the *mortgage lender* will make no payment to the *mortgage intermediary* or any third party, this section may state that the *mortgage intermediary* will receive no payment.

**9.4.123** **R** The amount payable in **MCOB 9.4.119 R(1)** or **MCOB 9.4.120 R** must include, but is not limited to:

- (1) any *procuration fee*; and
- (2) a cash value for any material non-cash inducements that the *mortgage lender* provides to a *mortgage intermediary* or third party, whether payable directly or indirectly.

**9.4.124** **G** **MCOB 2.3.7 R** requires any material inducements provided by a *mortgage lender*, whether directly or indirectly, to a *mortgage intermediary* or third party (unless the payment only reflects the cost of outsourcing work relating to the processing of mortgage applications by a *firm* unconnected to the *mortgage intermediary*) to be quantified in cash terms, which will enable the cash values to be included in the *illustration* in accordance with **MCOB 9.4.123 R**.

9.4.125 **G** An example of a statement which would comply with **■ MCOB 9.4.119 R** and **■ MCOB 9.4.123 R** would be: "[name of *mortgage lender*] will pay [name of *mortgage intermediary*] an amount of £350 in cash and benefits if you take out this lifetime mortgage."

### Contact details

9.4.126 **R** This section must:

- (1) follow Section 15 "Overall cost of this mortgage", unless the *illustration* is issued by a *mortgage intermediary*, in which case it must follow Section 16 "Using a mortgage intermediary"; and
- (2) include the name, address and contact point of the *firm* providing the illustration.

9.4.127 **G** An example of wording which would comply with **■ MCOB 9.4.126 R(2)** would be: "If you wish to discuss this lifetime mortgage illustration please contact [name of individual] at [address] or on [telephone number]."

### Foreign currency mortgages

9.4.128 **R** If the *customer's* liability under a *lifetime mortgage* is in a currency other than sterling, **■ MCOB 9.4** applies to the *illustration* for that *lifetime mortgage* with the following modifications:

- (1) all cash amounts must be given in the relevant currency except where otherwise required by (2)(a) and (3);
- (2) the following information must be stated under Section 5 "Description of this mortgage"
  - (a) the amount in sterling on which the *illustration* is based from **■ MCOB 9.4.13 R** based on the exchange rate in (2)(b);
  - (b) the exchange rate used; and
  - (c) when the exchange rate quoted applied;
- (3) the following text must be added at the end of Section 5 "Description of this mortgage": "This illustration is based on the sterling equivalent of [insert details from (2)(a)] based on [insert details from (2)(b)] as at [insert details from (2)(c)]. Exchange rates can vary significantly. The effect of a 5% decrease in the value of sterling to the [insert name of relevant currency] would increase your total borrowing to [insert amount to which the amount borrowed from **■ MCOB 9.4.13 R** would increase in sterling]. [Insert if payments are required: This would increase your [insert frequency of payments from **■ MCOB 9.4.37 R**] payments by the sterling equivalent of £ [insert amount in sterling]]." The following information must be added to this text:
  - (a) the cash amount to which the amount borrowed would increase in sterling if there was a decline of 5% in the value of sterling when compared to the relevant currency; and
  - (b) if payments are required, the amount by which (2)(b) would increase the *customer's* payments based on the frequency of

payments from ■ MCOB 9.4.37 R, shown as a sterling equivalent cash amount.

**Risk warning**

**9.4.129** **R** The text at ■ MCOB 9.4.33 R(8) must be immediately followed by the following additional text, prominently displayed: "Changes in the exchange rate may increase the sterling equivalent of your debt."

**Shared appreciation mortgages**

**9.4.130** **R** If the *lifetime mortgage* is a *shared appreciation mortgage*, ■ MCOB 9.4 applies to the *illustration* with the following modifications:

- (1) Section 5 "Description of this mortgage" must contain the following additional information and text in this order after the details required by ■ MCOB 9.4.24 R to ■ MCOB 9.4.29 R:
  - (a) "This lifetime mortgage involves [name of *mortgage lender*] taking a percentage share in any increase in the value of your property [insert details of all occasions when the share will be payable to the *mortgage lender*, for example, "after x years, or when this lifetime mortgage comes to an end or is terminated early"]. The amount [name of *mortgage lender*] will take depends on any increase in the value of your property." [Include if relevant: "If your property falls in value between now and the end of this lifetime mortgage you will be required to pay [add details of what the *customer* will need to pay the *mortgage lender* if the property falls in value]."
  - (b) (i) a basic explanation of how the amount of the share payable to the *mortgage lender* is calculated including the proportions of any given increase in the value of the property and whether this is dependent on the level of growth (for example, that the share payable to the *mortgage lender* is all of the increase in value of the property for the first 5% increase in value, plus half of the additional increase in the value of the property above this);
  - (ii) a reference to a separate document for full details of the terms and conditions relating to the amount of the share payable followed by: "The example below shows how this works. EXAMPLE: Based on the current [estimated] value of your home of [insert details from ■ MCOB 9.4.6 R(3)], the example(s) below show(s) what the value of your home would be and what share of that value [name of *mortgage lender*] would take after [insert example term of the loan in accordance with ■ MCOB 9.4.10 R or ■ MCOB 9.4.12 R or the term after which the equity share becomes payable if less] if the value of your home increased. [Include if relevant: "and what would happen if your home decreased in value".] Please note that you should add this payment to the amount of any *early repayment charges* that may be payable " see Section 13"
  - (c) except where (g) applies, example cash amounts for the value of the property and the corresponding amount of the equity share payable, assuming an average annual increase in the value of the

property secured by the *lifetime mortgage* of 1%, 5% and 10% over the example term from (i) below;

- (d) if the *customer* would be required to pay the *mortgage lender* an amount because the value of the property on which the *lifetime mortgage* would be secured had decreased from its value at the start of the term of the *lifetime mortgage*, include example cash amounts for the value of the property and the corresponding amount payable assuming an average annual decrease, in the value of the property secured by the *lifetime mortgage* of 1%, 5% and 10% over the term from (i) below;
  - (e) if the amount of the equity share payable cannot go above or below a certain level, an explanation that this is the case along with a cash example described as "the maximum amount you could pay";
  - (f) include this text after the cash examples in (c) (or, if applicable, after the cash examples in (d) or (e)): "This is not an indication of how the actual value of your home may change."
  - (g) where (c) or (d) apply and the maximum percentage equity share payable is less than the example percentages in (c) or (d), only cash examples for those percentages required by (c) or (d) which are below this maximum need be quoted, along with the maximum in accordance with (e);
  - (h) if there are no restrictions on the amount of the equity share payable, the following text should follow the text in (f): "The amount you will need to pay could be much higher than this." and
  - (i) for the purposes of the examples required by (c) or (d), the example term used must be stated and must be the estimated term of the *lifetime mortgage* in accordance with ■ MCOB 9.4.10 R or ■ MCOB 9.4.12 R or the term after which the equity share becomes payable, if less;
- (2) Section 10: "How the value of your home could change" of the *illustration* must contain the following text at the end of the section: "You also need to think about the cost of paying any share in the value of your home to [insert name of *mortgage lender*] - see Section 5."
- (3) Section 13 "What happens if you do not want this mortgage any more?" must contain the following text at the end of the first sub-heading "Early repayment charges": "Remember to add the cost of paying any share in the value of your home to [insert name of *mortgage lender*] " see Section 5."
- (4) Section 15 "Overall cost of this mortgage" of the *illustration* must contain the following text at the end of the section: "The APR and the total amount you must pay do not take account of the share that [insert name of *mortgage lender*] takes in any increase in the value of your home as described in Section 3. So you should not use these measures to compare this lifetime mortgage with other lifetime mortgages that do not involve [insert name of *mortgage lender*] taking a share in any increase in the value of your home."

**9.4.131** **G** The requirements in ■ MCOB 9.4.130 R(1)(c) and (d) may be presented in a tabular format.

**Risk warning**

**9.4.132** **R** The requirements at ■ MCOB 9.4.130 R(1) must be immediately followed by the following additional text, prominently displayed: "You will need to pay this share in the value of your home to [name of mortgage lender] [insert time at which share must be paid - for example 'when your lifetime mortgage is repaid']. Think carefully about how this will affect the amount left over for you or your estate."

**Certain lifetime mortgages**

**9.4.132A** **R** ■ MCOB 9.4.132DR applies if the terms of a *lifetime mortgage* contract:

- (1) (a) require the *customer* to make regular payments to the *mortgage lender*; or
  - (b) expect that the *customer* will make regular payments to the *mortgage lender*,
    - in respect of all or part of the interest, or part of the capital, due under those terms, either over the duration of the *lifetime mortgage* or until a specified date; but
- (2) permit the *customer* to stop making the payments referred to in paragraph (1) at any time of his or her choosing (which may be a time before the specified date, if there is one); and
- (3) provide that, if the *customer* does stop making the payments referred to in paragraph (1), no payment in respect of interest or capital due under those terms is payable to the *mortgage lender* until the *lifetime mortgage* comes to an end.

**9.4.132B** **G** The type of *lifetime mortgage* described in ■ MCOB 9.4.132AR starts out with the *customer* making regular payments as they would with a regular (non-lifetime) *interest-only mortgage* or *repayment mortgage*, but converts into an *interest roll-up mortgage* if and when the *customer* chooses to stop making payments.

**9.4.132C** **G** If only part of the loan under the *lifetime mortgage* is of the type described in ■ MCOB 9.4.132AR (for example, if part of the loan is on an interest roll-up basis from the outset, and part is convertible from interest-paying to interest roll-up):

- (1) the modifications set out in ■ MCOB 9.4.132DR apply only to that part of the loan that is of the type described in ■ MCOB 9.4.132AR; and
- (2) the projection of roll-up of interest on the part of the loan that is on an interest roll-up basis from the outset should also be shown in Section 8B of the *illustration*, added to the projection of roll-up of interest on the convertible part of the loan.

**9.4.132D R**

■ MCOB 9.4 applies to the *lifetime mortgage illustration* with the following modifications:

- (1) Section 7 of the *illustration* (“Risks – important things you must consider”) must also include information about any fees that may be charged, and other adverse consequences (such as a change in interest rate) that may occur, as a result of the *customer* choosing to convert the mortgage to interest roll-up.
- (2) Section 8(A) of the *illustration* should be headed “What you will owe and when (A) Details of mortgage payments.” It should be completed on the assumption that the required or expected regular payments are made until the date on which the *lifetime mortgage* converts automatically to an *interest roll-up mortgage* or, if there is no such date, throughout the life of the *lifetime mortgage* as calculated according to ■ MCOB 9.4.10R.
- (3) The text accompanying the *illustration* in Section 8(A) must explain the basis on which it was prepared.
- (4) The following text must be shown in a box immediately under the heading to the table in Section 8(A) of the *illustration* (“What you will owe and when: Details of mortgage payments”) as referred to in ■ MCOB 9.4.36G: “This shows the amounts you will pay if you keep up mortgage payments [throughout the estimated life of the lifetime mortgage][until [the date of automatic conversion to interest roll-up], when [Part [the number of the part] of] the mortgage will convert to an interest roll-up mortgage.] Under the terms of this mortgage, you can choose at any time to stop making payments and instead have interest added to the amount you owe. The illustration in Section 8(B) shows an example of how choosing to stop making payments could affect the amount you would owe under this lifetime mortgage.”
- (5) Section 8(B) of the *illustration*, referred to in ■ MCOB 9.4.49G, should be headed “What you will owe and when (B) Projection of roll-up of interest”. It must be based on the assumption that the interest due is added to the loan from an assumed date of conversion to an *interest roll-up mortgage* until the end of its term.
- (6) For the purpose of ■ MCOB 9.4.132DR(5), the assumed date of conversion must be:
  - (a) if the *customer* has estimated the date at which they will decide to convert the mortgage to an interest roll-up basis, that date; or
  - (b) in the absence of such an estimate, the earlier of:
    - (i) the date (if any) on which the *lifetime mortgage* converts automatically to an *interest roll-up mortgage*, or
    - (ii) the date at which one-third of the assumed term for the *lifetime mortgage* (calculated as set out in ■ MCOB 9.4.10R) has passed.
- (7) If the *customer* must pay an additional fee for converting the loan to an interest roll-up basis at a time of their choosing, that fee must be included in the column headed “Fees charged during the year” for the year of conversion assumed for the purposes of Section 8(B) of the *illustration*.

- (8) Immediately under the heading of the table required by ■ MCOB 9.4.51R, instead of the text set out in ■ MCOB 9.4.50R, the following text must appear:

“This shows how the amount(s) paid to you and the interest and any fees that we charge mount up over [insert number of years estimated in accordance with ■ MCOB 9.4.10R or ■ MCOB 9.4.12R] years. It has been calculated based on the assumption that [Part [the number of the part] of] the mortgage converts to an interest roll-up basis after [insert number of years used for purposes of the illustration, as determined under ■ MCOB 9.4.132DR(6)] years. The amounts are calculated using the current interest rate(s) of [insert interest rate(s)]. After conversion to interest roll-up, interest is added to the amount you owe [insert frequency of roll-up of interest - e.g. monthly]. Remember that you may choose to convert [Part [the number of the part] of the mortgage] to interest roll-up earlier than after the [insert number of years used for the purposes of the illustration, as determined under ■ MCOB 9.4.132DR(6)] years assumed, and that the mortgage could run for a longer time than [insert number of years estimated in accordance with ■ MCOB 9.4.10R or ■ MCOB 9.4.12R] years. If you decide to convert earlier, or if the mortgage runs for longer than assumed, the amount you owe will be more than the amount shown in this illustration.”

- (9) In Section 15 of the *illustration* (“Overall cost of this mortgage”), the calculation of the total amount paid and the *APR* must be based on the assumption that the expected payments are made until the date on which the *lifetime mortgage* converts automatically to an *interest-roll-up mortgage* or, if there is no such date, throughout the life of the *lifetime mortgage* as calculated according to ■ MCOB 9.4.10R. An explanation of the assumption used should be included with the *illustration*, in addition to the text prescribed by ■ MCOB 9.4.111R.

**9.4.132E** G

- (1) An *illustration* for the type of *lifetime mortgage* described in ■ MCOB 9.4.132AR will include both Section 8(A) and Section 8(B). Section 8(A) will show the number and amount of required or expected regular payments from the start of the *lifetime mortgage* until maturity (i.e. what will happen if the mortgage never converts to an interest roll-up basis), or until the date (if any) at which the mortgage automatically converts. Section 8(B) will show what happens if the mortgage converts to interest roll-up at the date assumed for the purpose of the *illustration*. The first line of the table in Section 8(B) will show the number of years for which it is assumed payments will be made, referring to Section 8(A) for the number and amounts, and subsequent lines will show how the interest rolls up from the date of conversion onwards.
- (2) For this type of *lifetime mortgage*, Section 8(B) may appear immediately after Section 8(A), or at the end of the *illustration*, or in a separate document.

**Section 1 of a home reversion plan illustration: "About this information"**

**9.4.133** R

Under the section heading "About this information", the prescribed text under this heading in the *home reversion plan illustration* must be included.

**Section 2 of a home reversion plan illustration: "Which service are we providing you with?"**

9.4.134 **R**

- (1) Unless (2) applies, under the section heading "Which service are we providing you with?" the prescribed text in the *home reversion plan illustration* under this heading must be included with a "check box" for each statement, one of which must be marked prominently to indicate the level of service provided to the *customer*;
- (2) If the level of service described in the *illustration* is provided by another *firm*, (1) may be replaced by the following: under the section heading "Which service are we providing you with?" the following text should be presented as two options with a "check box" for each option, one of which must be marked prominently to indicate the level of service provided to the *customer*: "[name of the *firm*] recommends, having assessed your needs, that you take out this home reversion plan." "[name of the *firm*] is not recommending a particular home reversion plan for you. However, based on your answers to some questions, it is giving you information about this home reversion plan so that you can make your own choice, or find out about other ways in which you may be able to release equity from your home."

**Section 3 of a home reversion plan illustration: "What is a home reversion plan?"**

9.4.135 **R**

Under the section heading "What is a home reversion plan?", the prescribed text in the *home reversion plan illustration* under this heading must be included.

**Section 4 of a home reversion plan illustration: "What you have told us"**

9.4.136 **R**

- (1) Under the section heading "What you have told us", the *illustration* must state the minimum information a *firm* must obtain from the *customer* (apart from details of the plan that the *customer* is interested in, which is in Section 5 of the *illustration*), and can include brief details of any other information that has been obtained from the *customer* and used to produce the *illustration*.
- (2) For an *instalment reversion plan*, where the *customer* requests an additional *illustration* showing a term of their choice, the term chosen by the *customer* must be stated in this section, together with a statement to the effect that the term is the *customer's* choice.
- (3) If the amount on which the *illustration* is based includes the amount that the *customer* wants to release less charges and other payments that have been deducted from the amount to be released:
  - (a) except where there are some fees or charges that have not been deducted, this section must include the following text after the amount to be released: " less £ [insert total amount of fees and other charges deducted from the amount to be released] for fees that have been deducted from the amount to be released - see Section 9 for details."; or
  - (b) where there are other fees or charges that the *customer* must pay that have not been deducted this section must include the



following text after the amount to be released: "less £ [insert total amount of fees and other charges deducted from the amount to be released] for fees that have been deducted from the amount to be released. These and the additional fees that you need to pay are shown in Section 9."

- (4) If the amount on which the *illustration* is based includes the amount that the *customer* wants to release less insurance premiums or insurance-related charges that have been deducted from the amount to be released:
- (a) except where there are other insurance premiums or insurance-related charges that have not been deducted, this section must include the following text after the amount to be released (which may be combined with the prescribed text in (3) if applicable): "less £ [insert amount of premium or charges, or both, to be deducted from the amount to be released] for insurance [premiums] [and] [charges] that have been deducted from the amount to be released - see Section 10 for details."; or
  - (b) where there are other insurance premiums or insurance-related charges, or both, this section must include the following text after the amount to be released (which may be combined with the prescribed text in (3) if applicable): "less £ [insert amount of premium or charges, or both, to be deducted from the amount to be released] for insurance [premiums] [and] [charges] that have been deducted from the amount to be released. These and any additional insurance [premiums] [and] [charges] that you need to pay are shown in Section 10."
- (5) If the amount on which the *illustration* is based does not involve any charges or payments being deducted from the amount to be released, but there are charges that must be paid by the *customer*, Section 4 of the *illustration* must include the following text after the amount to be released: "No fees have been deducted from this amount but the fees you need to pay are shown in Section 9. For details of any insurance charges, see Section 10."
- (6) If the *home reversion plan* on which the *illustration* is based has no charges that must be paid by the *customer*, and no insurance premiums are being deducted from the amount to be released, Section 4 of the *illustration* must include the following text after the amount to be released: "We do not charge any fees for this home reversion plan."

**9.4.137** **R** At the end of Section 4 of the *illustration* a statement must be included making clear that changes to any of the information obtained from the *customer*, and where appropriate to the valuation of the property, could alter the details elsewhere in the *illustration* and encouraging the *customer* to ask for a revised *illustration* in this event.

**9.4.138** **G** An example is: "An independent valuation will be carried out and this, or changes to any of the information that you have given us, could alter the information in this illustration. If this is the case please ask for a revised illustration."

**Section 5 of a home reversion plan illustration: "Description of this home reversion plan"**

9.4.139

**R**

Under the section heading "Description of this home reversion plan" the *illustration* must:

- (1) state the name of the *reversion provider* providing the *home reversion plan* to which the *illustration* relates (a trading name used by the *reversion provider* may also be stated), and the name, if any, used to market the *home reversion plan*;
- (2) include a statement describing the *home reversion plan*;
- (3) if the *home reversion plan* is linked to an *investment*, and payments required from the *customer* on the *home reversion plan* will be deducted from the income from the *investment*, include a statement that this is the case;
- (4) if the *customer* is obliged to buy any *tied products* under the *home reversion plan*, include the following information:
  - (a) details of the *tied products* required;
  - (b) the following text: "You are obliged to take out [insert details of the *tied product(s)*] through [insert name of *reversion provider* or *reversion intermediary*] as a condition of this home reversion plan", and if the *tied product* is an insurance policy, "Please refer to Section 10 of this illustration for further details [of the insurance policies].";
- (5) state the term or estimated term of the *home reversion plan*;
- (6) state very briefly any restrictions that apply to the availability of the *home reversion plan* (for example, it is only available to certain types of *customer* or cannot be transferred to another property).

9.4.140

**R**

Further information about the *home reversion plan* may be included as long as it does not significantly:

- (1) duplicate information contained elsewhere in the *illustration*; and
- (2) extend the length of this section.

9.4.141

**G**

An example of further information that may be included might be that an "approval in principle" has been granted subject to valuation.

**Section 6 of a home reversion plan illustration: "Benefits"**

9.4.142

**R**

Under the section heading "Benefits", the *illustration* must include:

- (1) a description of the monetary amount(s), and in a box aligned to the right of the document, the monetary amount(s), that the *customer* will receive as a lump sum and/or as a regular payment;
- (2) if the *home reversion plan* is linked to an *investment* and the payments required from the *customer* on the *home reversion plan*

will be deducted from the income from the *investment*, the monetary amount of the net income the *customer* will receive;

- (3) if applicable, statements of any other benefits, incentives and guarantees that apply to the *home reversion plan*;
- (4) an explanation of how the monetary amount that the *customer* will receive was calculated; and
- (5) if the *home reversion plan* is an *instalment reversion plan*:
  - (a) whether the monetary amount that the *customer* will receive is guaranteed or variable (for example, because it is linked to the performance of another *investment*);
  - (b) an explanation of what happens to the monetary amount(s) not yet paid by the *reversion provider* if the *customer* (and, in the case of a joint plan, the surviving spouse or civil partner) dies; and
  - (c) if the monetary amount that the *customer* will receive is subject to the *customer* selling further parts of a qualifying interest in land to the *reversion provider*, whether these further sales are optional or compulsory.

**9.4.143**

**G**

Examples that may be appropriate to describe what the *customer* will receive are:

- (1) "Subject to the independent valuation, this home reversion plan will provide you with a lump sum of £[x] [or [state number of instalments] lump sums of £[x]].";
- (2) "The amount you are releasing will automatically be used to purchase a [name of linked *investment* product] from [name of provider]. The amount is £[x]."; and
- (3) "Subject to the independent valuation, this home reversion plan will provide you with a monthly payment from the start of your plan for [state period]. This will be £[x]."

**9.4.144**

**G**

An example that may be appropriate to explain how the amount the *customer* will receive was calculated is: "How we calculate this sum: Your property is worth about £[x]. Taking the information in Section 4 above into consideration, this plan will pay you [x] % [the amount, as a percentage, that the *reversion provider* will pay for the property] of the full market value of any portion of the property you decide to sell. For a lump sum of about £ [x] [insert the amount that the *customer* wants to release from the property], you will need to sell [x]% [state the proportion of the property, as a percentage, that the *customer* needs to sell to release the amount required] of your home. This will leave you with [x]% [state the proportion of the property, as a percentage, that will still be owned by the *customer*] of your property. At current values, this would be worth £[x] though the value of property may rise or fall in the future."

**Section 7 of a home reversion plan illustration: "Risks - important things you must consider"**

9.4.145

**R**

The *illustration* must include under the heading "Risks - important things you must consider" brief statements and warnings on all material risks involving a *home reversion plan*, including:

- (1) prominently at the beginning of the section: "A home reversion is a complex property transaction. You should seek legal advice to ensure that you fully understand all of the implications for you and your home and for anyone who might otherwise inherit the property.";
- (2) the effect of the *customer* wanting or needing to move home (whether into another property, sheltered accommodation, long-term care or residential care), covering the circumstances in which the *home reversion plan* is portable;
- (3) the effect on the *home reversion plan* of another party moving into the property (for example on marriage or the formation of a civil partnership or where a family member acts as a carer);
- (4) the *reversion provider's* requirements for repair and maintenance of the property, including the *reversion provider's* right (if any) to enter the property to effect essential repairs, and the circumstances in which this may occur;
- (5) a warning that taking out the *home reversion plan* may affect the *customer's* tax and welfare benefits position, that tax and welfare benefits can change and that the *customer* should consider seeking further information from HM Revenue and Customs, Benefits Agency or another source of advice such as a Citizens' Advice Bureau;
- (6) a warning that under a *home reversion plan* the *customer* will cease to own any part of the property sold to the *reversion provider*, and so will neither benefit from any increase in the value of that part nor be able to leave his home to his beneficiaries on his death;
- (7) a warning (where appropriate) that the right to occupy the property will depend on the *customer* fulfilling the terms of the *home reversion plan*;
- (8) that the *illustration* contains a statement about the duration of the *home reversion plan*, and that the *customer* should ensure that the duration will be adequate given the *customer's* circumstances;
- (9) whether the *customer* can, in the future, secure borrowing from any other source on the property (and if applicable a warning that an increasing debt may mean that it may not be possible to borrow more in the future); and
- (10) if the provider is an *unauthorised reversion provider*, a warning that:
  - (a) the provider is not authorised or regulated by the *FCA*, and that key protections under the *regulatory system* will not apply; and
  - (b) the provider is not subject to the jurisdiction of the *Financial Ombudsman Service*, and that the *customer* will not be entitled to refer complaints against the provider to the *Financial Ombudsman Service*.

9.4.146 **G**

9.4.147 **R**

Under the heading "Risks - important things you must consider" the *illustration* must also include the following if they apply:

- (1) for an *instalment reversion plan*, a statement that if the customer dies in the early years of the plan, income payments will cease and therefore the full expected benefits of the plan will not be obtained;
- (2) (a) for an *instalment reversion plan* where there is a regular cash sum payable; and  
(b) where:
  - (i) the *home reversion plan* is linked to an *investment*; and
  - (ii) the payments required from the *customer* on the *home reversion plan* will be deducted from the income from the *investment*; and
  - (iii) the *customer* will receive a fixed net income;
 a statement that inflation can erode the value of the cash sum over time; and
- (3) for all *home reversion plans*, a statement or warning with regard to any material issue not covered elsewhere in this section of the *illustration*.

**Section 8 of a home reversion plan illustration: "What you will have to pay and when"**

9.4.148 **R**

The heading of the right-hand column of Section 8 of the *illustration* must state the frequency with which payments must be made by the *customer*. (For example, if payments are to be made on a monthly basis, the heading for this section must be "What you will have to pay and when" and the column must be headed "Monthly payments").

9.4.149 **R**

All the payments in Section 8 must be calculated based on the frequency used for the purposes of the heading in the right-hand column of the section and must be shown in that column.

9.4.150 **R**

Section 8 of the *illustration* must contain the following information:

- (1) a statement at the beginning of the section regarding rent and charges using the following text: "A home reversion plan is not a loan. Once you have paid the fees shown in section 9, you will only have to pay the charges shown below.";
- (2) the amount and frequency of annual rent, if any, to be paid by the *customer*; and
- (3) a description and the amount of other periodic charges to be paid by the *customer*.

**9.4.151** **R** Where the payment due to the *reversion provider* is to be deducted from the income provided by a linked *investment* product (such as an annuity) such that the *customer* receives the net income, the *firm* must make a clear statement to this effect.

**Section 9 of a home reversion plan illustration: "What fees must you pay?"**

**9.4.152** **R** Under the section heading "What fees must you pay?" the *illustration* must:

- (1) itemise all the fees that the *customer* must pay, excluding any charges for insurance set out in Section 10 of the *illustration*; and
- (2) include a statement regarding taxes and costs using the following text: "You may have to pay other taxes or costs in addition to any fees shown here."

**9.4.153** **G** An example of a fee that would not be included would be a fee payable by the *customer* to insure their property elsewhere (however this would need to be stated in the separate "Insurance" section).

**9.4.154** **R** The fees included in this section must be itemised under the relevant sub-headings as follows:

- (1) the fees that are payable by the *customer* to the *reversion provider* must be itemised under the sub-heading "Fees payable to [name of *reversion provider*]";
- (2) the remaining fees must be itemised under the sub-heading: "Other fees"; and
- (3) (a) if there are no fees to be itemised in accordance with (1), the sub-heading must be retained and a statement must be included that no fees apply;  
 (b) if there are no fees to be itemised in accordance with (2), the sub-heading must be retained and only the text in **■ MCOB 9.4.152R (2)** applies.

**9.4.155** **R** The following information must be provided for each fee included in this section of the *illustration*:

- (1) a description of the fee;
- (2) the amount payable by the *customer* specified in the column on the right-hand side of the section;
- (3) for fees included under the sub-heading "Other fees", to whom the fee is payable;
- (4) when the fee is payable;
- (5) whether or not the fee is refundable, and if so, the extent to which it is refundable;

- (6) which fees (if any) are estimated and based on representative information; and
- (7) if any fee is payable after the start of the *home reversion plan* and subject to change in the future, the amount of that fee, along with a statement that this is the 'current fee'.
- 9.4.156** **R** (1) If any fees are to be deducted from the amount to be released, this must be stated alongside each fee.
- (2) If the *customer* has the option of deducting from the amount to be released any of the fees included in this section, the following text must be included: "If you wish you can deduct [this/these/the {type of fee}] fee(s) from the amount to be released under this home reversion plan. This will reduce the amount you get to £ [insert amount of the amount to be released minus the fee(s)]. If you want to do this, you should ask for another illustration that shows the effect of this on the amount you will get."
- 9.4.157** **G** "Other fees" will include any fee charged by a *reversion intermediary*, or another third party, for *advising on or arranging a home reversion plan*, but not commission or *procurator fees* (which are dealt with in Section 12 of the *illustration*).
- 9.4.158** **R** A *reversion provider* must provide a *tariff of charges* to the *customer*, if the *customer* so requests.
- Section 10 of a home reversion plan illustration: "Insurance".....**
- 9.4.159** **R** (1) Under the section heading "Insurance" the *illustration* must include details of:
- (a) insurance which is a *tied product*; and
- (b) insurance which is required as a condition of the *home reversion plan* which is not a *tied product*.
- (2) Under this section heading a *firm* may also provide details of insurance which is optional for the *customer* to take out.
- (3) It must be clear to the *customer* which products he is required to purchase under which circumstances (for example, where both a *tied product* and a *reversion intermediary* are involved, whether the policy must be purchased from the *reversion provider* or the *reversion intermediary*).
- 9.4.160** **R** The following information must be included if the *home reversion plan* requires the *customer* to take out insurance that is a *tied product* either through the *reversion provider* or the *reversion intermediary*:
- (1) details of which insurance is a *tied product*;
- (2) the name of the *firm* imposing the requirement for the insurance;

- (3) for how long the *customer* is obliged to purchase the insurance;
- (4) an accurate quotation or a reasonable estimate of any payments the *customer* needs to make for the insurance;
- (5) where a quotation is provided for insurance on the basis of an estimated sum insured, because the actual required sum insured is unknown, the fact that it is estimated should be stated along with the level of cover that has been assumed;
- (6) details of when the *customer's* payments for such insurance change, for example, if premiums are reviewed annually; and
- (7) where a quotation is not provided, a statement of when and how a quotation will be provided (for example, separately and as soon as possible).

**9.4.161** **G** A *firm* must provide a *customer* with an accurate quotation for any *tied products* (see ■ MCOB 5.4.23 R). Where the level of cover the *firm* requires the *customer* to take up is known at the outset, then the quotation should reflect that level of cover.

**9.4.162** **R** If the *home reversion plan* does not require the *customer* to take out insurance as a *tied product*, a statement must be provided under this section that the *customer* is not obliged to take out insurance through the *reversion provider* or the *reversion intermediary*.

**9.4.163** **R** The following information must be included if the insurance required, as a condition of the *home reversion plan*, is not a *tied product*:

- (1) a brief statement of the type of insurance the *firm* requires; a quotation for such insurance may be included in the *illustration*, estimated where necessary; and
- (2) if a charge is made if the *customer* does not arrange insurance through the *reversion provider* or the *reversion intermediary*, this must be stated, together with the amount of the charge and the frequency with which this charge is payable.

**9.4.164** **R** A *firm* may include in the *illustration*, quotations (estimated where necessary) for any insurance products (other than the insurance products covered elsewhere in the *illustration*) that the *firm* issuing the *illustration* wishes to sell to the *customer*.

**9.4.165** **R**

- (1) If any quotations for insurance are included in the *illustration* it:
  - (a) must include a brief description of the type of insurance;
  - (b) must include the total price to be paid by the *customer* in a column on the right hand side of the *illustration* under the heading "[insert frequency of payments quoted] payments"; and
  - (c) may refer the *customer* to the relevant insurance product disclosure documentation.



(2) If the *customer* has asked to deduct any insurance premiums or insurance-related charges from the amount released, the *illustration* must state that this is the case.

**9.4.166** **G** The terms on which an insurance premium has been calculated should be presented to the *customer* in the format determined by the relevant regulatory requirements.

**Section 11 of a home reversion plan illustration: "What happens if you do not want this home reversion plan any more?"**

**9.4.167** **R** Under the heading "What happens if you do not want this home reversion plan any more?", the *illustration* must set out whether the *customer* can cancel the *home reversion plan* and if so, explain any relevant conditions attached and costs.

**Section 12 of a home reversion plan illustration: "Using a home reversion intermediary"**

**9.4.168** **R** Where the *illustration* is issued to a *customer* by, or on behalf of, a *reversion intermediary* Section 12 "Using a home reversion intermediary" must be included in the *illustration* and must include the following:

- (1) a clear statement of the amount payable (either directly or indirectly) by the *reversion provider* to the *reversion intermediary*, or to any third parties; and
- (2) the name of the *reversion provider* who will make the payment, the name of the *reversion intermediary* and the names of any third parties who will be paid.

**9.4.169** **R** If the amount payable by the *reversion provider* to the *reversion intermediary* and to third parties is £250 or less, the *reversion intermediary* need only state that the amount of the payment is "no more than £250", unless the *customer* requests the actual amount.

**9.4.170** **R** If the *reversion intermediary* will pass to the *customer* all or part of the amount payable to the *reversion intermediary* by the *reversion provider*, that fact may be stated in this section, along with the amount payable to the *customer*.

**9.4.171** **R** If the *reversion provider* will make no payment to the *reversion intermediary* or any third party, this section may state that the *reversion intermediary* will receive no payment.

**9.4.172** **R** The amount disclosed as payable to the *reversion intermediary* or third parties must include, but is not limited to:

- (1) any *procurator fee*; and

(2) a cash value for any material non-cash inducements that the *reversion provider* provides, whether payable directly or indirectly.

**9.4.173** **G** Any material inducements provided by a *reversion provider*, whether directly or indirectly, to a *reversion intermediary* or third party (unless the payment only reflects the cost of outsourcing work relating to the processing of home reversion applications by a *firm* unconnected to the *reversion intermediary*) must be quantified in cash terms (see ■ MCOB 2.3.7 R). This enables the cash values to be included in the *illustration*.

**9.4.174** **G** An example of a statement which would comply with ■ MCOB 9.4.168 R would be: "[name of *reversion provider*] will pay [name of *reversion intermediary*] £[x] in cash and benefits, if you proceed with this home reversion plan."

**Contact details**  
.....

**9.4.175** **R** This section must:

- (1) follow Section 11 "What happens if you do not want this home reversion plan any more?", unless the *illustration* is issued by a *reversion intermediary*, in which case it must follow Section 12 "Using a home reversion intermediary"; and
- (2) include the name, address and contact point of the *firm* providing the *illustration*.

**9.4.176** **G** An example would be: "If you wish to discuss this home reversion plan illustration, please contact [name of individual] at [address] or call [him/her] on [telephone number]."



## 9.5 Disclosure at the offer stage for equity release transactions

### 9.5.1

**R**

- (1) ■ MCOB 6.1 to ■ MCOB 6.6 (with the modifications stated in ■ MCOB 9.5.2 R to ■ MCOB 9.5.4 R) apply to an *equity release provider* where the *home finance transaction* is an *equity release transaction*, except that those provisions that by their nature are only relevant to *regulated mortgage contracts* do not apply to *home reversion plans* (see ■ MCOB 9.1.2A G).
- (2) The table in ■ MCOB 9.5.2 R shows how the relevant *rules* and *guidance* in ■ MCOB 6 must be modified by replacing the cross-references with the relevant cross-references to *rules* and *guidance* in ■ MCOB 9.4, and ■ MCOB 9.5.
- (3) The table in ■ MCOB 9.5.3 R replaces certain *rules* and *guidance* in ■ MCOB 6 with *rules* and *guidance* from ■ MCOB 9.5.
- (4) The terms and expressions in the *rules* and *guidance* in ■ MCOB 6 that by their nature are only connected to *regulated mortgage contracts* must be replaced with the appropriate equivalent terms and expressions for *home reversion plans* (see ■ MCOB 9.3.1A G).

### 9.5.2

**R**

#### Table of modified cross-references to other rules:

This table belongs to ■ MCOB 9.5.1 R.

Subject	Rule or guidance	Reference in rule or guidance	To be read as a reference to:
Application: What?	MCOB 6.1.5R	MCOB 6	MCOB 6 as modified by MCOB 9.5
Content of <i>offer document</i>	MCOB 6.1.6G	MCOB 5.6	MCOB 9.4
Purpose	MCOB 6.2.1G	MCOB 6	MCOB 6 as modified by MCOB 9.5
General Records	MCOB 6.3.2R MCOB 6.4.3R		
Modifications to the <i>illustration</i>	MCOB 6.4.5G	MCOB 6.4.4R(5)(b)	MCOB 9.5.4R(6)(b)
Modifications to the <i>illustration</i>	MCOB 6.4.6R	MCOB 6.4.4(1)	MCOB 9.5.4R(1)
Modifications to the <i>illustration</i>	MCOB 6.4.6R(1) and (2)	MCOB 5.6	MCOB 9.4

Subject	Rule or guidance	Reference in rule or guidance	To be read as a reference to:
Modifications to the <i>illustration</i>	MCOB 6.4.7R	MCOB 6.4.4R(1)	MCOB 9.5.4R(1)
Modifications to the <i>illustration</i>	MCOB 6.4.7R(2)	MCOB 5	MCOB 9
Modifications to the <i>illustration</i>	MCOB 6.4.7R(3)	MCOB 5.6.73R to MCOB 5.6.83G	MCOB 9.4.72R to MCOB 9.4.82G
Modifications to the <i>illustration</i>	MCOB 6.4.7R(3)	MCOB 5.6.92R to MCOB 5.6.112G	MCOB 9.4.91R to MCOB 9.4.110R
Other information contained in the <i>offer document</i>	MCOB 6.4.13R	MCOB 5.6.122R	MCOB 9.4.126R
<i>Offer documents</i> in place of <i>illustrations</i>	MCOB 6.6.1R	MCOB 5.4 and MCOB 5.5	MCOB 5.4 and MCOB 5.5 as modified by MCOB 9

9.5.3

**R** Table of rules in ■ MCOB 6 replaced by rules in ■ MCOB 9:

This table belongs to ■ MCOB 9.5.1 R

Subject	Rule	Rule replaced by
Modifications to the <i>illustration</i>	MCOB 6.4.4R	MCOB 9.5.4R

9.5.4

**R** The *illustration* provided as part of the *offer document* in accordance with ■ MCOB 6.4.1 R(1) must meet the requirements of ■ MCOB 9.4, with the following modifications:

- (1) the *illustration* must be suitably adapted and revised to reflect the fact that the *firm* is making an offer to a *customer* and updated to reflect changes to, for example, for a *lifetime mortgage* the interest rate, charges, the exchange rate or the APR required by ■ MCOB 10 (Annual Percentage Rate) at the date the *illustration* is issued;
- (2) the *illustration* must be based on the example term estimated in accordance with ■ MCOB 9.4.10 R;
- (3) ■ MCOB 9.4.2 R(2)(a) does not apply;
- (4) ■ MCOB 9.4.17 R (Information to be included at the head of the *illustration*) does not apply;
- (5) Section 1: 'About this information' is replaced by the following: "Section 1: 'About this offer document'. Under the section heading 'About this offer document', the following text must be included:
  - (a) "You are not bound by the terms of this offer document until [insert relevant circumstances, including the names of any documents that must be signed. For example "you have signed the legal charge and the funds are released for your lifetime

mortgage"] or "you have signed the agreement to sell your property to the reversion provider"]. We are required by the Financial Conduct Authority (FCA) - the independent watchdog that regulates financial services - to provide you with this offer document."

(b) (unless the offer document is being provided in place of an *illustration*) "You should compare this offer document with the key facts illustration given to you before you applied for this [lifetime mortgage] [home reversion plan], to see how the details may have changed."

(6) either:

(a) The heading for Section 2 is replaced with 'Which service did we provide you with?' and the following text should be presented as two options each with a 'check box', one of which must be marked prominently to indicate the level of service provided to the *customer*: "We have recommended, having assessed your needs, that you take out this [lifetime mortgage] [home reversion plan]." "We have not recommended a particular [lifetime mortgage] [home reversion plan] for you. You must make your own choice whether to accept this [lifetime mortgage] [home reversion] offer."; or

(b) if the service described in Section 2 of the earlier *illustration* was provided by another *firm*, the heading for Section 2 is replaced by 'Which service were you provided with?' and the following text should be presented as two options each with a 'check box' one of which must be marked prominently to indicate the level of service provided to the *customer*: "[name of firm] recommended that you take out this [lifetime mortgage] [home reversion plan]." "[name of firm] did not recommend a particular [lifetime mortgage] [home reversion plan], for you. You must make your own choice whether to accept this [mortgage] [home reversion] offer.";

(7) the fees recorded in the *illustration* that is part of the *offer document* must include any fees paid or payable by the *customer*;

(8) any requirements to disclose whether a fee is refundable must be read as including fees that have already been paid;

(9) [deleted]

(10) for a *lifetime mortgage*:

(a) where additional features are included in accordance with ■ MCOB 9.4.91 R and these are credit facilities that meet the definition of a *regulated credit agreement* regulated by the Consumer Credit Act 1974 and the *Act*, the relevant parts of Section 14 of the *illustration* that is part of the *offer document* must include the following text: "This credit facility is regulated under the Consumer Credit Act 1974 and the Financial Services and Markets Act 2000. Please refer to the separate credit agreement which describes the facility and the terms on which the credit is available.";

(b) The text required by ■ MCOB 9.4.102 R (2)(a) or ■ MCOB 9.4.102 R (2)(b) should be adapted to include, or tell the

*customer* where they can find, the information required by  
■ MCOB 6.5.4 R; and

- (c) ■ MCOB 9.4.119 R and ■ MCOB 9.4.120 R apply to the *illustration* that is part of the *offer document* if the *illustration* given out in accordance with ■ MCOB 9 was issued by, or on behalf of, a *mortgage intermediary*.

**9.5.5**

**R**

For *home reversion plans*, the *firm* must provide the *customer* with copies of the valuation report for the property and the terms of the *home reversion plan* including the terms on which he will occupy the property, together with the *offer document*.



## 9.6 Disclosure at the start of the contract and after sale for equity release transactions

### 9.6.1

**R**

- (1) (a) ■ MCOB 7.1 to ■ MCOB 7.3, ■ MCOB 7.5 and ■ MCOB 7.6 (as modified by this section) apply to a *firm* where the *home finance transaction* is a *lifetime mortgage*.  
 (b) ■ MCOB 7.1 to ■ MCOB 7.3 (as modified by this section) apply to a *firm* where the *home finance transaction* is a *home reversion plan*, except that those provisions that by their nature are only relevant to *regulated mortgage contracts* do not apply to *home reversion plans* (see ■ MCOB 9.1.2A G).
- (2) The table in ■ MCOB 9.6.2 R shows how the relevant *rules* and *guidance* in ■ MCOB 7 must be modified by replacing the cross-references with the relevant cross-references to *rules* and *guidance* in ■ MCOB 9.4 to ■ MCOB 9.8.
- (3) The table in ■ MCOB 9.6.3 R replaces certain rules and guidance in ■ MCOB 7 with *rules* and *guidance* from ■ MCOB 9.7 and ■ MCOB 9.8.
- (4) The table in ■ MCOB 9.6.4 R disapplies certain *rules* in ■ MCOB 7 for the purposes of ■ MCOB 9.
- (5) The terms and expressions in ■ MCOB 7 that by their nature are only connected to *regulated mortgage contracts* must be replaced with the appropriate equivalent terms and expressions for *home reversion plans* (see ■ MCOB 9.3.1A G).

### 9.6.2

**R**

#### Table of modified cross-references to other rules:

This table belongs to MCOB 9.6.1R.

Subject	Rule or guidance	Reference in rule or guidance	To be read as a reference to:
Application	MCOB 7.1.4R	MCOB 7.6.7R - MCOB 7.7.4R	MCOB 7.6.7R - MCOB 7.6.33G as modified by MCOB 9.8.5R - 9.8.9R
Application	MCOB 7.1.5R	MCOB 7.5 - MCOB 7.7.4R	MCOB 7.5 - MCOB 7.6.33G as modified by MCOB 9.8

Subject	Rule or guidance	Reference in rule or guidance	To be read as a reference to:
Information in more than one document	<i>MCOB 7.3.3R</i>	<i>MCOB 7</i>	<i>MCOB 7 as modified by MCOB 9</i>
Frequency of statements	<i>MCOB 7.5.6G</i>	<i>MCOB 7.5.3R(2)</i>	<i>MCOB 9.8.1R(2)</i>
Annual statement - additional content	<i>MCOB 7.5.9G</i>	<i>MCOB 7.5.3R(2)(b)</i>	<i>MCOB 9.8.1R</i>
Further advances	<i>MCOB 7.6.7R</i>	<i>MCOB 5</i>	<i>MCOB 9.4</i>
Further advances	<i>MCOB 7.6.10G</i>	<i>MCOB 7.6.9R(10)</i>	<i>MCOB 9.8.5R(1)</i>
Further advances	<i>MCOB 7.6.10G</i>	<i>MCOB 5.6.34</i>	<i>MCOB 9.4.114R</i>
Further advances	<i>MCOB 7.6.11G</i>	<i>MCOB 7.6.9R(3) and (4)</i>	<i>MCOB 9.8.5R(3)</i>
Further advances	<i>MCOB 7.6.11G(2)</i>	<i>MCOB 5.6.40R</i>	<i>MCOB 9.4.37R</i>
Further advances	<i>MCOB 7.6.12G</i>	<i>MCOB 7.6.9R(3)</i>	<i>MCOB 9.8.5R(3)</i>
Further advances	<i>MCOB 7.6.13R</i>	<i>MCOB 5.6.25R(2)(a)</i>	<i>MCOB 9.4.24R(4)(a)</i>
Further advances	<i>MCOB 7.6.13R</i>	<i>MCOB 7.6.9R(3)(b)</i>	<i>MCOB 9.8.5R(3)(b)</i>
Further advances	<i>MCOB 7.6.14R</i>	<i>MCOB 5</i>	<i>MCOB 9</i>
Rate switches	<i>MCOB 7.6.20R</i>	<i>MCOB 5</i>	<i>MCOB 9</i>
Rate switches	<i>MCOB 7.6.20R</i>	<i>MCOB 5</i>	<i>MCOB 9</i>
Addition or removal of party to contract	<i>MCOB 7.6.22R</i>	<i>MCOB 5</i>	<i>MCOB 9</i>
Addition or removal of party to contract	<i>MCOB 7.6.25R</i>	<i>MCOB 5</i>	<i>MCOB 9</i>
Changes to payments	<i>MCOB 7.6.29R</i>	<i>MCOB 7.6.28R</i>	<i>MCOB 9.8.9R or MCOB 9.8.10R</i>
Changes to payments	<i>MCOB 7.6.30R</i>	<i>MCOB 7.6.28R</i>	<i>MCOB 9.8.9R or MCOB 9.8.10R</i>
Use of illustrations	<i>MCOB 7.6.31R</i>	<i>MCOB 7.6.28R</i>	<i>MCOB 9.8.9R or MCOB 9.8.10R</i>
Use of illustrations	<i>MCOB 7.6.31R</i>	<i>MCOB 5</i>	<i>MCOB 9</i>
Use of illustrations	<i>MCOB 7.6.32R</i>	<i>MCOB 7.6.28R</i>	<i>MCOB 9.8.9R or MCOB 9.8.10R</i>
Use of illustrations	<i>MCOB 7.6.32R</i>	<i>MCOB 7.6.18R and MCOB 7.6.22R</i>	<i>MCOB 7.6.18R and MCOB 7.6.22R as modified by MCOB 9</i>
Simultaneous requests	<i>MCOB 7.6.33G</i>	<i>MCOB 7.6.18R and MCOB 7.6.22R</i>	<i>MCOB 7.6.18R and MCOB 7.6.22R as modified by MCOB 9</i>
Simultaneous requests	<i>MCOB 7.6.33G</i>	<i>MCOB 5</i>	<i>MCOB 9</i>



**9.6.3** **R** **Table of rules in MCOB 7 replaced by rules in this chapter:**

This table belongs to MCOB 9.6.1R.

Subject	Rule or guidance	Rule replaced by:
Information at start of contract	<i>MCOB 7.4</i>	<i>MCOB 9.7</i>
Content of statement	<i>MCOB 5.3R</i>	<i>MCOB 9.8.1R</i>
Frequency of statements	<i>MCOB 7.5.5R</i>	<i>MCOB 9.8.2R</i>
Event-driven information	<i>MCOB 7.6.1R</i>	<i>MCOB 9.8.3R</i>
Release of additional borrowing	<i>MCOB 7.6.6G</i>	<i>MCOB 9.8.4G</i>
Further advances	<i>MCOB 7.6.9R</i>	<i>MCOB 9.8.5G</i>
Further advances	<i>MCOB 7.6.16R</i>	<i>MCOB 9.8.7R</i>
Addition or removal of party to contract	<i>MCOB 7.6.27R</i>	<i>MCOB 9.8.8R</i>
Changes to payments	<i>MCOB 7.6.28R</i>	<i>MCOB 9.8.9R</i> and <i>MCOB 9.8</i>

**9.6.4** **R** **Table of rules in MCOB 7 which do not apply in relation to lifetime mortgage:**

This table belongs to MCOB 9.6.1R.

Subject	Rule
Annual statements: content	<i>MCOB 7.5.4R</i>
Business loans	<i>MCOB 7.7</i>

## 9.7 Disclosure at the start of the contract: lifetime mortgages

9.7.1 **G** ■ MCOB 9.7 applies to a *firm* when it enters into a *lifetime mortgage*.

### Disclosure requirements where interest payments are required

9.7.2 **R** A *firm* that enters into a *lifetime mortgage* with a *customer* where interest payments are required (whether or not they will be collected by deduction from the income from an annuity or other linked *investment* product) must provide the *customer* with the following information before the *customer* makes the first payment under the contract:

- (1) the amount of the first payment required;
- (2) the amount of the subsequent payments;
- (3) the method by which the payments will be collected (for example, by direct debit or by deduction from a linked *investment* product such as an annuity) and the frequency of such payments and the date of collection of the first and subsequent payments;
- (4) the net amount which the *customer* will receive, where the interest payment is deducted from the income generated by a linked *investment* product such as an annuity, and the method by which this amount will be paid to the *customer*;
- (5) confirmation of whether in connection with the *lifetime mortgage* insurance products such as buildings and contents insurance or payment protection insurance) have been purchased through the *firm*;
- (6) the first premium (and subsequent premiums where different) for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;
- (7) confirmation of whether the insurance premiums are to be collected with the mortgage payment or separately (where the latter applies, the *firm* must give details or state that these will be confirmed separately);
- (8) confirmation that the *lifetime mortgage* is on an interest-only basis, and details of how the *firm* expects the capital to be repaid (for example, from the proceeds of the sale of the property);

- (9) if it is possible for a *payment shortfall* to occur, what to do if the customer has a *payment shortfall*, explaining the benefit of making early contact with the *firm*, providing the name, address and telephone of a contact point with the *firm*, and drawing the *customer's* attention to the *arrears* charges set out in the *tariff of charges*;
- (10) confirmation of any *linked borrowing* and *linked deposits* that are available; and
- (11) whether the *lifetime mortgage* permits the *customer* to make any overpayments or underpayments of the amounts due.

**9.7.3** **R** The information in **■ MCOB 9.7.2 R** must be provided to the *customer* in a single communication, except (5), (6) and (9) which may be provided separately.

**Disclosure requirements where the regulated lifetime mortgage contract is a drawdown mortgage with fixed payments to the customer**

**9.7.4** **R** A *firm* that enters into a *lifetime mortgage* which is a *drawdown mortgage*, with fixed payments to the *customer*, must provide the *customer* with the following information before the first payment is drawn down by the *customer*:

- (1) the amount of the first payment to be made;
- (2) the amount of subsequent payments, if different;
- (3) the method by which the payment will be made (for example, by transfer to the *customer's* bank account) and the date of issue of the first and subsequent payments;
- (4) confirmation of whether in connection with the *lifetime mortgage* insurance products such as buildings and contents insurance or payment protection insurance) have been purchased through the *firm*;
- (5) the first premium (and subsequent premiums where different) for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;
- (6) confirmation of the method and date of collection of the premiums for insurance products purchased through the *firm*;
- (7) details of how the *firm* expects the capital and interest to be repaid (for example from the proceeds of the sale of the property);
- (8) confirmation of any *linked borrowing* and *linked deposits* that are available; and
- (9) whether the *lifetime mortgage* permits the *customer* to make any repayments on the *lifetime mortgage*

**9.7.5** **R** The information in **■ MCOB 9.7.4 R** must be provided to the *customer* in a single communication, except (4), (5) and (6) which may be provided separately.

**9.7.6** **R** Where the *lifetime mortgage* is a *drawdown mortgage* and the *customer* can choose the amount and frequency of the payments they receive, or the amount and frequency of payments can vary for other reasons (for example in line with interest rates) the *firm* must provide the *customer* with the following information before the first payment is drawn down by the *customer*:

- (1) (a) where the *customer* can choose the amount and frequency of the payments they receive, details of any limitations to the amount and frequency of the payments which the *customer* may request; or
- (b) where the amount and frequency of payments can vary for other reasons (for example in line with interest rates), the amount of the first payment and details of how the amount and frequency of the payments can be varied in future;
- (2) the method by which the payment will be made (for example, by transfer to the *customer's* bank account);
- (3) confirmation of whether in connection with the *lifetime mortgage* insurance products such as buildings and contents insurance or payment protection insurance) have been purchased through the *firm*.
- (4) the first premium (and subsequent premiums where different) for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;
- (5) confirmation of the method and date of collection of the premiums for insurance products purchased through the *firm*;
- (6) details of how the *firm* expects the capital and interest to be repaid (for example from the proceeds of the sale of the property);
- (7) confirmation of any *linked borrowing* and *linked deposits* that are available; and
- (8) whether the *lifetime mortgage* permits the *customer* to make any repayments on the *lifetime mortgage*.

**9.7.7** **R** The information in **■ MCOB 9.7.6 R** must be provided to the *customer* in a single communication, except (3), (4) and (5) which may be provided separately

**Disclosure requirements where a lump sum payment is made to the customer and interest is rolled up**

**9.7.8** **R** Where the *lifetime mortgage* provides for a lump sum payment to be made to the *customer*, and all or part of the interest will be rolled up during the life of the mortgage, the *firm* must provide the *customer* with the following

information before the *customer* makes the first payment under the contract, or if no payments are required from the *customer*, within seven days of completion of the mortgage:

- (1) if no payments are required from the *customer*, confirmation that no payments are required and details of how the *firm* expects the capital and interest to be repaid (for example from the proceeds of the sale of the property);
- (2) if payments are required from the *customer*:
  - (a) the amount of the first payment required;
  - (b) the amount of the subsequent payments;
  - (c) the method by which the payments will be collected, the frequency of such payments and the date of collection of the first and subsequent payments; and
  - (d) what to do if the *customer* has a *payment shortfall*, explaining the benefit of making early contact with the *firm*, providing the name, address and telephone of a contact point with the *firm*, and drawing the *customer's* attention to the *arrears* charges set out in the *tariff of charges*;
- (3) confirmation of whether in connection with the *lifetime mortgage* insurance products such as buildings and contents insurance or payment protection insurance) have been purchased through the *firm*.
- (4) the amount of the first premium (and subsequent premiums where different) for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;
- (5) confirmation of the method and date of collection of the premiums for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;
- (6) confirmation of any *linked borrowing* and *linked deposits* that are available; and
- (7) whether the *lifetime mortgage* permits the *customer* to make any overpayments or underpayments of the amounts due.

**9.7.9** **R** The information in **■ MCOB 9.7.8 R** must be provided to the *customer* in a single communication, except (3) (4) and (5) which may be provided separately

### **Record keeping requirements**

**9.7.10** **R**

- (1) A *firm* must make and retain an adequate record of the information that it provides to each *customer* at the start of the *lifetime mortgage* in accordance with this section.
- (2) The record required by (1) must be maintained for a year from the date that the information is provided to the *customer*.

## 9.8 Disclosure after sale: lifetime mortgages

### Annual statements: content

#### 9.8.1

**R**

The statement required by ■ MCOB 7.5.1 R must contain the following information:

- (1) except in the case of *mortgage credit cards*, information on the type of *lifetime mortgage*, (for example, fixed rate or variable rate) including a clear statement of how the *firm* expects the capital, or capital and interest (whichever is applicable) to be repaid (for example, from the proceeds of the sale of the property);
- (2) details of the following transactions and information on the *lifetime mortgage* during the period since the last statement (or, where the statement is the first statement, since the *customer* entered into the *lifetime mortgage*):
  - (a) (if applicable) the date and amount of each payment made by the *customer*;
  - (b) (if applicable) the amount of each payment that was due from the *customer* during the statement period;
  - (c) for *drawdown mortgages*, the date and amount of each payment made to the *customer*;
  - (d) the rates(s) of interest applicable to the *lifetime mortgage* during the statement period and, if applicable, the date(s) on which the rate(s) of interest changed;
  - (e) the amount of interest charged under the *lifetime mortgage* during the statement period; and
  - (f) any other amounts charged under the *lifetime mortgage* during the statement period, including fees and any amounts due in relation to *tied products*;
- (3) where it is possible for *arrears* to occur, a reminder that the *customer* should contact the *firm* if they are unable to make their regular payments under the *lifetime mortgage*; and
- (4) information at the date the statement is issued on:
  - (a) the amount owed by the customer under the *lifetime mortgage*;
  - (b) the date at which any *early repayment charges* on the *lifetime mortgage* cease to apply, and the circumstances under which they will not apply;

- (c) where applicable, the *early repayment charge* that applies, expressed as a monetary amount (see ■ MCOB 9.4.83 R);
- (d) the cost of redeeming the *lifetime mortgage* at the date that the statement is issued (this must be shown as the sum of ■ MCOB 9.8.1 R(4)(a) and ■ MCOB 9.8.1 R(4)(c) plus any *linked borrowing* that cannot be retained (including the outstanding balances) plus any other charges that can be quantified at the date the statement is issued). If additional charges are payable that cannot be quantified at the point that the statement is issued (for example if the *customer* is in *arrears*) a warning must be included to that effect; and
- (e) where applicable, the date on which the requirement for the *customer* to purchase any *tied products* from the *firm* comes an end.

**9.8.2** **R** Where a *firm* provides a *customer* with a statement containing the information set out in ■ MCOB 9.8.1 R(2) more frequently than once a year, the information set out in ■ MCOB 9.8.1 R(1), ■ MCOB 9.8.1 R(3) and ■ MCOB 9.8.1 R(4) may be provided in a separate communication, but must be provided at least once a year.

**Event driven information**

**9.8.3** **R** A *firm* must give the *customer* reasonable notice, in advance, of any of the following:

- (1) any changes to the payments that the *customer* is required to make (where payments are required, and whether or not they are collected by deduction from the income provided by a linked *investment product* such as annuity) resulting from interest rate changes;
- (2) the exercising of the *firm's* right (if allowed by the terms of the *lifetime mortgage* ) to enter the property to carry out essential repairs and maintenance (the cost must be confirmed to the *customer* where this will be added to the mortgage debt); and
- (3) any material change by the *firm* (other than changes which come within ■ MCOB 7.6.2 R or are included in ■ MCOB 9.8.3 R(1) and (2)) to the terms and conditions of the *lifetime mortgage*, where that change is permitted without the *customer's* prior consent.

**Notification where additional borrowing taken up**

**9.8.4** **G** Examples of where ■ MCOB 7.6.5 R will apply are the release of tranches of money to the *customer* in relation to a self-build mortgage or other instalment mortgage, but not a *drawdown mortgage*.

**Further advances**

**9.8.5** **R** The *illustration* provided in accordance with ■ MCOB 7.6.7 R must;

- (1) be based on the amount of the further advance only;

- (2) use the term 'additional borrowing' in place of the term 'lifetime mortgage' where appropriate throughout the titles and text of the *illustration*;
- (3) include an additional section headed: 'Total borrowing' and numbered '9' after Section 8, (with subsequent sections of the *illustration* renumbered accordingly) including the following text:
  - (a) "This section gives you information about how your lifetime mortgage will be affected by taking out this additional borrowing. Talk to [your mortgage lender] [insert name of mortgage lender] if you are not sure of the details of your current lifetime mortgage.";
  - (b) a clear statement explaining the total amount that the *customer* will owe if they take out the additional borrowing; and,
    - (i) where payments are required on the *lifetime mortgage*, what the *customer's* new payments will be; or
    - (ii) where the *lifetime mortgage* is an *interest roll-up mortgage*, the effect on the amount the *customer* would owe at the end of the estimated term and details of the estimated term that has been used (see ■ MCOB 9.8.6 G for guidance on the estimated term).

9.8.6

G

The estimated term required at ■ MCOB 9.8.5 R(3)(b)(ii) may be:

- (1) the term originally estimated in accordance with ■ MCOB 9.4.10 R; or
- (2) where the term originally estimated in accordance with ■ MCOB 9.4.10 R has expired, a revised estimate in accordance with ■ MCOB 9.4.10 R; or
- (3) a term of the customer's choice, if the customer expresses a preference.

9.8.7

R

■ MCOB 9.4.18 R is replaced with the following: "Section 1: 'About this information' Under the section heading 'About this information', the following text must be included: "We are required by the Financial Conduct Authority (FCA) - the independent watchdog that regulates financial services - to provide you with this illustration. All firms selling lifetime mortgages are required to give illustrations, like this one, that contain similar information presented in the same way."

9.8.8

R

[deleted]

### **Changes to payments, amounts drawn down and amount owed**

9.8.9

R

If a *customer* requests, or agrees to, a change to a *lifetime mortgage* (other than a change as described in ■ MCOB 7.6.7 R to ■ MCOB 7.6.27 R (as modified by MCOB 9)) that changes the amount of each payment due (where payments are required), a *firm* must provide the *customer* with the following information, in a single communication, before the change takes effect:



- (1) the amount outstanding on the *lifetime mortgage* at the date the change is requested;
- (2) the payment due and the frequency of payments; where it is known that the payment will change (for example at the end of a fixed rate period), the new payment and the date of the change must also be shown;
- (3) the rate of interest applying to the *lifetime mortgage*; where it is known that the rate of interest will change, the new rate and the date of the change must also be shown;
- (4) the type of interest rate (for example fixed, or discounted); where it is known that the type of interest rate will change the new type and the date of the change must also be shown;
- (5) details of any charges that apply for changing the *lifetime mortgage*.

**9.8.10**

**R**

If a *customer* requests, or agrees to, a change to a *lifetime mortgage* (other than a change as described in ■ MCOB 7.6.7 R to ■ MCOB 7.6.27 R (as modified by MCOB 9)) that changes the amount paid to the *customer* under a *drawdown mortgage*, or the amount that the customer will owe under an *interest roll-up mortgage*, or both, a *firm* must provide the *customer* with the following information, in a single communication, before the change takes effect:

- (1) the amount outstanding on the *lifetime mortgage* at the date the change is requested;
- (2) (if applicable) the revised amount to be paid to the *customer* under the *drawdown mortgage* and the frequency of payments;
- (3) (a) an estimate of the revised amount that will be owed at the end of the term; or  
(b) (if the original term has expired) a revised estimate;  
in accordance with ■ MCOB 9.4.10 R;
- (4) the rate of interest applying to the *lifetime mortgage*; where it is known that the rate of interest will change, the new rate and the date of the change must also be shown;
- (5) the type of interest rate (for example fixed, or discounted); where it is known that the type of interest rate will change the new type and the date of the change must also be shown; and
- (6) details of any charges that apply for changing the *lifetime mortgage*.

## 9.9 Disclosure after sale: home reversion plans

### Provision of statements: instalment reversion plans

- 9.9.1** **R** (1) In relation to an *instalment reversion plan*, a *firm* must provide the *customer* with a statement at least once a year (or, in relation to the first statement, within the first 13 months of the plan term):
- (a) covering the *instalment reversion plan* and any *tied product* purchased through the *firm*; and
  - (b) giving information of any other product purchased through the *firm* where the payments for those products are combined with amounts released under the *instalment reversion plan*.
- (2) A *firm* need not provide a statement if it has provided an *offer document* to the *customer* in respect of the *instalment reversion plan* within the previous year.

- 9.9.2** **R** Where a *tied product* is operated separately from the *instalment reversion plan*, for example where the premiums on a tied insurance product are not combined with amounts released under the *instalment reversion plan*, the statement relating to the *tied product* may be provided in a separate communication.

### Annual statement for instalment reversion plans: content

- 9.9.3** **R** The statement must contain:
- (1) details of the following transactions during the period since the last statement (or, where it is the first statement, since the *customer* entered into the *instalment reversion plan*):
    - (a) the date and amount of each payment made by the *reversion provider*; and
    - (b) any amounts charged under the *instalment reversion plan* during the statement period, including fees and any amounts due in relation to *tied products*;
  - (2) information at the date the statement is issued on:
    - (a) the amount owed by the *reversion provider* to the *customer* under the *instalment reversion plan*;
    - (b) if the amount to be received by the *customer* under the *instalment reversion plan* is linked to the performance of another

investment, the amount to be received (or estimated amount likely to be received) by the *customer*;

- (c) the actual remaining term of the *instalment reversion plan* (but if the term of the *instalment reversion plan* is open-ended this should be clearly stated);
- (d) where applicable, the date on which the requirement for the *customer* to purchase any *tied products* from the *firm* ends; and
- (e) the proportion of the property that is owned by the *reversion provider* and *reversion occupier* respectively.

**Annual statement for instalment reversion plans: additional content if tariff of charges has changed**

**9.9.4** **R** If the *tariff of charges* has changed since the last annual statement was sent to the *customer* (or, where it is the first statement, since the *customer* entered into the *instalment reversion plan*) and a *firm* has not already sent a revised *tariff of charges*, it must include one with the annual statement.

**Event-driven information for instalment reversion plans: material changes**

**9.9.5** **R** A *firm* must give the customer reasonable notice of any material change by the *firm* to the terms of the *instalment reversion plan*, where the change is permitted without the *customer's* prior consent.

**Responsibilities of reversion providers and administrators: instalment reversion plans**

**9.9.6** **R** The *reversion administrator* and *reversion provider* may agree who will be responsible for producing and providing to the *customer* the statement and information required by this section.

**9.9.7** **R** The *reversion administrator* is solely responsible for producing and providing to the *customer* the information required by this section if the provider is an *unauthorised reversion provider*.

**Further releases: all home reversion plans**

**9.9.8** **R** If the *customer* wants to release further equity from the property through a *home reversion plan*, the *firm* must treat this transaction as a new *home reversion plan*, even if the parties to the arrangement are the same.



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## **The illustration: table of contents, prescribed text and prescribed section headings and subheadings**

This annex consists only of one or more forms. Forms are to be found through the following address:

*The illustration: table of contents, prescribed text and prescribed section headings and subheadings*  
MCOB 9 Annex 1



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## **The illustration: table of contents, prescribed text and prescribed section headings and sub-headings**

This annex forms part of ■ MCOB 9.4.2 R.

This annex consists only of one or more forms. Forms are to be found through the following address:

*The illustration: table of contents, prescribed text and prescribed section headings and sub-headings: -*  
MCOB 9 Annex 2

