

Product name: **Owner Occupied – Remortgage**

Information sheet produced: **26/11/2024**

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

This summary document is being provided to you to fulfil our responsibilities under PRIN 2A.4.15R and PRIN 2A.3.12 R (2).

It is designed to support you to comply with your responsibilities under PRIN 2A.3.16 R and PRIN 2A.4.16 R. Please note that you are ultimately responsible for meeting your obligations under 'The Consumer Duty'.

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

### **1. Summary of our assessment**

**We have assessed that:**

- Our Owner Occupied Remortgage Products (The Product) continue to meet the Needs, Characteristics, and objectives of customers in our identified Target Market;
- The intended distribution strategy remains appropriate for the Target Market;
- The Product provides fair value to customers in the Target Market i.e. the total benefits are proportionate to total costs.

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

Pepper Money has a wide Target Market and will lend to a diverse group of customers. Our Target Market are borrowers who do not fit the lending criteria or straight through process approach of the high street banks.

**The Target Market is further broken down using Characteristics as follows:**

- Those with Complex Income
- Those with historic Adverse Credit
- Prime customers
- Debt consolidators
- Those seeking cash release

The products are designed to meet the Needs of the Target market, most notably the need to secure finance to remortgage a residential property.

**The secured First Charge mortgage product features and criteria are designed to support these needs. The Product (characteristics include):**

- Has minimum and maximum loan amounts available based on LTV
- Is a fixed sum borrowing (loan amount)
- Is available on a mortgage term between 5 and 40 years
- Is available on new and existing homes
- Will have either a fixed or variable rate
- May be on a full capital repayment basis from the outset to ensure the loan is repaid by the end of the mortgage term
- May be available on an Interest-only basis or part-capital payment, part interest only basis, where supported with an acceptable repayment strategy
- Will usually have an application fee
- May require a completion fee to be paid. Variations of the product may exist with varying Completion Fees, enabling a lower pay-rate compared to a zero-fee product
- May have variations available that have a Free Legals incentive for remortgages

- May have variations available that have a cash back incentive.
- May have variations available that have a cash back incentive
- May have a free, standard valuation
- Will have an Early Repayment Charge if the borrower redeems the mortgage during the initial rate
- Will allow a 10% repayment of the capital balance, annually, without incurring an Early Repayment Charge.
- Will have procedures to redeem existing debts for Debt Consolidation (where applicable)
- Will have effective credit and affordability criteria to ensure the mortgage is affordable
- May be portable.

Full eligibility criteria can be accessed on our intermediary website via this [link](#).

### 3. Target market assessment and distribution strategy

This customer circumstance assessment matrix details the circumstances for the Product, to enable you to tailor the services you provide when you distribute the Product.

Customer Circumstances	Distribution Strategy	Customer Needs & Objectives
<ul style="list-style-type: none"> <li>• Borrowers are remortgaging their existing residential property in England or Wales;</li> <li>• Borrowers are living in the security property;</li> <li>• Borrowers with complex or non-traditional income sources that do not meet the criteria of a non-specialist lender;</li> <li>• Borrowers are employed or self employed;</li> <li>• Borrowers who have encountered payment difficulties (such as missed payments, CCJs) in the last 48 months;</li> <li>• Borrowers who wish to consolidate credit that is at a higher interest rate than the Pepper mortgage and/or there is a clear benefit to the borrower of extending or shortening the repayment term;</li> <li>• Borrowers who require additional funds, over and above what is needed to fully redeem the mortgage with their existing lender, and there is a clear benefit of raising the additional lending via a mortgage;</li> <li>• Borrowers who have another need that is not met by a non-specialist lender but is met by Pepper Money's criteria;</li> <li>• Borrowers are seeking a repayment mortgage to clear the capital by the end of the mortgage term or a mortgage with an element of Interest Only borrowing with a suitable repayment strategy in place to clear the balance at the end of the term.</li> <li>• Borrowers are over the age of 21, are resident in the UK and are a UK taxpayer;</li> <li>• Borrowers will be younger than 80 during the life of the mortgage;</li> <li>• Borrowers are able to meet our affordability tests and requirements</li> <li>• Borrowers are able to meet our Lending Criteria;</li> <li>• The property meets our Property Criteria.</li> </ul>	<p>Only available through non-Pepper advised sale.</p> <p>First charge mortgage products will be distributed through an approved network of intermediaries, where all mortgage applications are derived from FCA approved intermediaries and brokers who provide customer advice using their specific knowledge, expertise and competence to understand the features of the product.</p> <p>All intermediaries must be registered with us.</p> <p>First Charge marketing activity is targeted [exclusively] at the intermediary market. For mortgage brokers, there is a range of information online on our intermediary website via this <a href="#">link</a>.</p>	<ul style="list-style-type: none"> <li>• To remortgage their existing property which they reside in.</li> <li>• To fix their monthly repayments throughout the promotional period (Fixed Rate).</li> <li>• To take to take advantage of rate cuts and are comfortable with rate increases (Variable Rate).</li> </ul>

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### **The Product is not designed for:**

- Borrowers who have considerable uncertainty over the total amount they wish to borrow, as the product does not allow further draw-downs, and borrowing more than is actually required as a safety-net could disproportionately increase the cost of credit.
- Borrowers with requirements that can be met by a non-specialist lender.
- Borrowers who wish to consolidate credit that is at a lower interest rate than the Pepper mortgage unless there is a clear benefit to the borrower of extending or shortening the repayment term or the interest rate is expected to increase sharply, such as a 0% balance transfer credit card.
- Borrowers whose needs for additional lending would be better served through an alternative vehicle where the overall cost of credit is affordable and the total amount payable is more cost effective.

### **Borrowers looking to capital raise for the following reasons:**

- o illegal or immoral purposes
  - o purchase of Timeshare
  - o repayment of business debtors, business creditor and business supplier arrangements
  - o repayment of tax debts
  - o repayment of gambling debts
  - o speculative purposes.
- Borrowers who wish to let the property.
- Interest Only borrowers without a repayment strategy.
- Borrowers who are unable to demonstrate affordability for their monthly mortgage payment and their ongoing living expenses and declared credit commitments.
- Borrowers who are already retired or will be over 80 years old in the life of the mortgage.
- Borrowers who plan to retire during the mortgage and are unable to demonstrate affordability in their retirement.
- Borrowers who are aware of a reason why the mortgage will not be affordable in the future.
- Borrowers who are seeking short-term finance, for example, borrowers who expect to repay their loan early.
- Borrowers who are not UK residents.
- Borrowers who do not meet our Lending Criteria.
- Borrowers for a property that doesn't meet our Property Criteria.

### **This product should not be bought by borrowers where:**

- The fixed rate or discount periods are not matched to a borrower's refinancing expectations.
- The promotional rate is variable, but the borrowers require certainty of payments for a fixed period.
- The promotional rate is fixed but the borrowers would like to take advantage of rate cuts and are comfortable with rate increases.
- An ERC is present, and the borrowers require flexibility to repay their loan within the promotional period, as the cost of ERCs, will add substantially to the cost of credit.
- There is no expectation they will repay their loan early, but a higher rate of interest is charged in place of an ERC.

#### 4. Customers with characteristics of vulnerability

The Product is designed for a wide Target Market, and not to meet any inherent characteristics of vulnerability in the target market. However, it is likely to include some customers with characteristics of vulnerability or who will experience vulnerability over time.

The products will align with our Vulnerable Customer Policy and aim to achieve fair value and good outcomes for customers who are vulnerable.

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

Please contact us if you need any further information about how we support the needs of all our customers in relation to the Product.

#### 5. Our assessment of value

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

The outcomes of the assessment process are presented to the Board Risk Committee, including the Pepper Money Consumer Duty Champion, allowing for challenge and further investigation before we sign-off the outcomes and share the summary of our assessment with you.

**Our fair value assessment has considered the following:**

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

#### Results of our assessment

Our assessment concluded that the Product continues to deliver fair value for customers in our Target Market.