

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

While Buy-to-Let lending is outside the scope of Consumer Duty rules, we have taken the voluntary decision to apply the same PRIN principles to our Buy-to Let Lending, and 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 Buy to Let – Purchase 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 historic Adverse Credit.
- Prime customers.

The products are designed to meet the Needs of the Target Market, most notably the need to secure finance to purchase a property to let.

**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.
- Fixed sum borrowing (loan amount).
- Is available on a mortgage term between 5 and 35 years.
- Is available on new and existing properties with an EPC rating of A – E.
- Will support portfolio landlords with up to a maximum of 10 properties.
- Will support Limited Company BTL purchases.
- Will support an HMO purchase.
- Will have either a fixed or variable rate.
- Capital repayment products ensure the loan is repaid by the end of the mortgage term.
- Interest only to 80% LTV, supported by an acceptable repayment strategy and maximum age of 85.
- Will usually have an application fee.
- May require a completion fee to be paid - product variations with differing completions fees may be available, but which may have differing rates.
- Product variations may be available that have a cash back to assist with legal fees.
- May have a free, standard valuation or be eligible for an AVM.
- 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.
- Effective credit and affordability criteria to ensure the mortgage is affordable.

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

### 3. Customer Circumstances Assessment and Distribution strategy

The 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 & Characteristics	Distribution Strategy	Customer Needs & Objectives
<ul style="list-style-type: none"> <li>• Borrowers are purchasing a property in England or Wales to let.</li> <li>• Borrowers are existing homeowners or already own an investment property.</li> <li>• Borrowers who 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 have another need that is not met by a non-specialist lender but is met by Pepper Money's criteria;</li> <li>• Borrowers who are seeking a repayment mortgage to clear the capital by the end of the term or a mortgage with Interest Only borrowing up to a maximum LTV of 80% supported by an acceptable repayment strategy.</li> <li>• Borrowers are employed or self-employed.</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 85 during the life of the mortgage.</li> <li>• Borrowers are able to meet rental yield requirements.</li> <li>• Borrowers are able to meet our Lending Criteria.</li> <li>• The property meets our Property Criteria.</li> </ul>	<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 get a mortgage to purchase a property to let.</li> <li>• To fix their monthly repayments throughout the promotional period (Fixed Rate).</li> <li>• To take advantage of rate cuts and are comfortable with rate increases (Variable Rate).</li> </ul>

**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 for 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 reside in the security.
- Borrowers without a repayment strategy.
- Borrowers who are unable to meet the rental yield requirements.
- Borrowers who are already retired or will be over 85 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.
- 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.
- Borrowers whose circumstances result in the application qualifying as a consumer buy-to-let contract or Regulated BTL contract.

**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 Credit and Pricing Committee, 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.