

Product name: **Owner Occupied – 2nd Charge Wholesale**

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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 – Seconds product range (The Product) continues 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 homeowners, with first charge mortgages, seeking to unlock accumulated wealth in their property to secure finance to help with debt consolidation and/or capital raising.

The target market is further broken-down using Characteristics as follows:

- Prime customers
- Near-prime customers
- Those borrowing to a higher loan to value
- Those with Complex Income
- Those with current and/or historic Adverse Credit
- Debt consolidators

The product is designed to meet the Needs of the Target Market, most notably homeowners, with first charge mortgages, seeking to unlock accumulated wealth in their property to secure finance to help with debt consolidation and/or capital raising.

The secured Second Charge product features and criteria are designed to support these Needs. The Product (characteristics include):

- Fixed sum, secured second charge mortgage
- All products are on a capital repayment basis to ensure the loan is repaid by the end of the contractual term
- Debt consolidation procedures will redeem existing debts directly (where applicable)
- Low interest rate compared to some other forms of borrowing (e.g. credit cards)
- Effective credit and affordability criteria to ensure the mortgage is affordable
- Fixed, Variable, Discount and initial Interest Only period (Hybrid) product options
- Mortgage Term between 3 and 30 years
- System will dictate the type of valuation required if not eligible for an Automated Valuation
- There are no legal fees payable
- A lender fee is payable in addition to the broker fee (these fees may be added to the loan or paid up front)
- An Early Repayment Charge if the borrower redeems the mortgage during the period of the fixed rate or discounted period (with a no ERC product option available)
- Overpayments or lump sum payments of part at any time, without penalty

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
- Borrowers who are over the age of 21 and resident in the UK and a UK taxpayer - Security property must be in England, Scotland or Wales - Borrowers who are younger than 80 and will repay their mortgage before they retire - Borrowers looking to keep their existing mortgage on their existing residential property in the UK - Borrowers who are living in the security property. - Borrowers who are seeking a repayment mortgage to clear the capital by the end of the term - Borrowers who are employed and/or self employed - Borrowers who are able to meet our affordability tests and requirements - For Prime Products - Borrowers with limited or no adverse credit (Defaults, CCJ's or missed payments) - For Pepper Plus customers - Borrowers who have adverse credit units (subject to additional criteria) - For Pepper Plus customers - Borrowers with a credit score or financial event that prevents them obtaining a "Prime Mortgage" - Customers with a loan to value of 85% and above	Second 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 All intermediaries must be registered with us and complete an initial due diligence process Second Charge marketing activity is targeted at the intermediary market. For second charge brokers, there is a range of information online on our intermediary website via this link	- To obtain capital raising or clear existing debts - To fix their costs for a period of time (fixed rate) - To be comfortable for monthly payments to rise, as well as fall (variable rate) - To improve monthly Cashflow (when loan purpose is to consolidate debts) - To improve quality of Home (when loan purpose is home improvements) - To release equity Access to adverse credit lending (when customer have adverse credit)

The Product is not designed for customers who:

- Wish to let the security property.
- Are severely credit impaired (in-house system will determine most suitable Prime or Plus product available).
- Do not meet our lending or property criteria.
- Are under 21
- Are already retired or will be over 80 years old in the life of the mortgage (dependent on Product type).
- Are who are not UK residents.
- Are without a repayment strategy when lending into retirement.
- Are unable to demonstrate affordability for their monthly mortgage payment and their ongoing living expenses and declared credit commitments.
- Expect to prepay their loan within 12 months, to amortise full repayments over a term of less than 36 months, as spreading the loan setup costs and associated fees over a short period may create a disproportionately high cost of credit.

- Wish to borrow less than £15,000, as the sum of the broker and lender fees may create a disproportionately high cost of credit.
- Have an existing second charge loan and wish to borrow only a small amount more, as spreading the loan setup costs and associated fees over a small amount of incremental borrowing may create a disproportionately high cost of credit.
- 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.
- 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 when interest charges are spread over the sum actually required.
- May borrow more easily and cost-effectively from their first charge mortgage lender, once all relevant factors such as debt consolidation, fees, redemption costs, interest rate changes, loan term and other requirements imposed by the lender are considered; or
- May borrow more cost effectively on an unsecured basis, once all relevant factors such as loan size, interest rate and loan term are considered.
- Are looking to refinance shortly, as the higher loan to value may restrict opportunities to refinance.
- Do not wish to have a 2nd charge mortgage secured against their property.
- High LTV products, offered to borrowers above 85% LTV, charge a relatively high rate of interest and may not be suitable for borrowers who could limit the size of their borrowing to remain at a lower LTV.
- Debt consolidation is not suitable for customers known to have payment difficulties, where it would be more appropriate for a customer to negotiate an arrangement with their creditors.

This product should not be bought by customers where:

- The discount or fixed rate period are not matched to the borrower's refinancing expectations.
- A customer requires the flexibility to repay their mortgage early and there is an ERC attached, as the ERC cost will add to the cost of credit.
- A customer has no requirement of flexibility to repay their mortgage early and there is no ERC attached (when there is an equivalent product with an ERC and a lower rate), as the higher interest rate will increase the cost of credit.

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 Second Charge 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 the target market for the Product.