

Legal & General Home Finance Information sharing document – Retirement Interest Only Mortgage



**Product name: Retirement Interest Only Mortgage
Information sheet – April 2023**



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 your 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 Retirement Interest Only Mortgage continues to meet the needs, characteristics, and objectives of customers in the identified target market.
- The 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

The product is designed to meet the needs of its target group; customers aged 55+ looking to unlock equity from their home without moving. It enables customers to pay off an existing interest-only mortgage or to release equity in their property.

Every month a customer will pay the interest on the balance of the mortgage. The amount borrowed will be based on the value of the home and an affordability assessment will ensure they can keep up with the payments.



The customers will benefit from a fixed interest rate for the duration of the mortgage, giving them certainty on the monthly payments that they need to make. In addition, customers will also benefit from the following features:

Feature	Description
Downsizing Protection	Allows customers to move house without incurring an Early Repayment Charge when moving to a property outside of our lending criteria.
Optional Partial Repayments	Allows customers to make an overpayment with no Early Repayment Charge, provided it is within the limits and terms that apply.
Porting	Allows customers to move their mortgage to a new property should they wish to move house during the term of the mortgage, subject to terms and conditions.
Compassionate Feature	In the case of joint borrowers, for three years following the first borrower passing away or moving out of the home into long-term care, the loan can be repaid without an Early Repayment Charge.

Full eligibility criteria can be accessed on our intermediary website via [Retirement Interest Only Mortgage | Adviser | Legal & General \(legalandgeneral.com\)](#)

3. Target market assessment and distribution strategy

This target market assessment matrix segments the target customers for the Product, recognising their different needs to enable you to tailor the services you provide when you distribute the Product.

Full details of our target market can be accessed on our intermediary website via [Product governance | Later life mortgages | Adviser | Legal & General \(legalandgeneral.com\)](#). You can find a summary below:



Customer Circumstances	Distribution Strategy	Customer Needs & Objectives
<p>In all circumstances our target market includes customers who:</p> <ul style="list-style-type: none"> • Are single or joint applicants aged 55 and over. • Have a main residence property of standard construction worth at least £70,000 (£100,000 for flats, maisonettes and ex local authority). • Are of any tax status. • Are of any health status. • Are of all levels of financial understanding. <p>Are willing to take financial advice and are willing to pay the upfront costs to take out a Retirement Interest Only Mortgage.</p>	<p>Legal & General Home Finance (LGHF) products are available via intermediary distribution only and require advice.</p> <p>Intermediary distribution through:</p> <ul style="list-style-type: none"> • Networks and their Appointed Representatives. • Mortgage clubs. • Directly authorised mortgage intermediaries. <p>All intermediaries must be registered with us.</p>	<p>The product is aimed at customers who are still working or are retired and have sufficient income / pension income to afford the monthly interest payments:</p> <ul style="list-style-type: none"> • Have a need for borrowing in later life either to pay off an existing interest-only mortgage or who wish to release equity in their property. • Require the certainty of an interest rate fixed for the life of the mortgage. • Require the certainty of a regular monthly mortgage payment to pay the interest owed in line with their past mortgage experience.

The product may not be suitable for customers:

- Who are in receipt of means tested benefit(s).
- Who have savings that they can use instead.
- Who cannot prove a reliable income pre / in retirement.
- Who claim benefits that supplement their income.

4. Customers with characteristics of vulnerability

The product is designed specifically for customers who are aged over 55, which is likely to include some customers with characteristics of vulnerability or who are more likely to experience vulnerability over time. We recognise that all customers are at risk of becoming vulnerable, particularly if they display one or more characteristics of vulnerability. They may become more or less vulnerable, and so have an increased or reduced risk of harm or disadvantage throughout their lives.



The nature of a Retirement Interest Only Mortgage does pose additional risks around vulnerability, including:

- Average age of 70: Retirement Interest Only Mortgage customers are generally older than those taking out a residential mortgage, which can pose additional risks around age and health associated vulnerabilities. These customers may require additional support when taking out a mortgage and throughout the lifecycle of their mortgage in communicating with us or managing their account.
- Financial vulnerability: Some Retirement Interest Only Mortgage customers may be taking this product to repay both secured and unsecured debts, which could pose a greater risk around financial vulnerability. They must also be able to afford the monthly interest payments into retirement, and where they cannot afford to make these payments, there is a risk of arrears and repossession.

We provide support to customers in vulnerable circumstances throughout the life of the product, from sale and servicing through to end of contract and use learnings to support and inform future initiatives. We consider vulnerability in all product design and process improvements and think about the communication channels available to customers ensuring we use clear/jargon free language across our business.

- We have robust oversight and controls in relation to the treatment of customers in vulnerable circumstances.
- Vulnerabilities are recorded on our system and the information is easily accessible so that we can appropriately signpost support.
- Our vulnerable customer training programme ensures new and existing staff have the skills and capabilities to deal with customers in vulnerable circumstances.
- Our communication testing programme ensures our customers fully understand our literature and the product features available to them.

You 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 to customers.

The outcomes of the assessment process are presented to our Senior Management, 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:

- 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.

A summary of our assessment can be found below:

Value Category	Value Outcome
Product Features and Benefits	Our product features are regularly reviewed against the market, our own internal flexibility reviews, and any associated intermediary and customer feedback.
Interest Rates and Price	Our Retirement Interest Only Mortgage has a fixed interest rate for life, which means this does not change for the duration of the loan. Our interest rates are regularly reviewed against the market and our own internal pricing models to ensure they continue to offer fair value to our customers. Where a price change is made, a fair value assessment is conducted to ensure the new interest rates continue to provide fair value.
Loan to Value	The loan to value on our Retirement Interest Only Mortgage is comparable with the rest of the market. This is reflective of the needs of our target market, allowing customers to release higher amounts when compared to our Lifetime Mortgage product. Where changes are made to our loan to values, a fair value assessment is conducted to ensure the new loan to values still provide fair value to our customers.
Costs and Charges	Our fees and charges are currently set at a rate that is deemed fair value when compared to the rest of the market and our own internal costs. A tariff of charges is available on our website and provided to customers alongside their annual statement. In addition, our Exit Fee is reviewed against the market and our own internal models to ensure the charge is reflective of the cost.
Quality of Service	Our service standards are regularly monitored and are currently being met across the end-to-end customer journey. We actively request feedback from our customers and intermediaries, and any feedback received is acted upon in a timely manner. Where we receive complaints, these are dealt with in accordance with DISP rules. We have a robust framework for identifying and fairly treating vulnerable customers.
Distribution	Our products are distributed fairly through Intermediaries in accordance with our distribution strategy. Commission levels are in line with the market and regularly reviewed internally considering several factors to ensure fair value. We consider the impact of intermediary advice fees in our assessment, and we closely monitor any outliers through our distribution oversight framework.

Our assessment concluded that the product continues to deliver fair value to customers in the target market for the product.