

Product name: Complex Discounted Variable Rate Product Range

Information sheet produced: April 23

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 Complex Discounted Variable Rate product range continues to meet the needs, characteristics, and objectives of customers in the 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

The products are designed to meet the needs of the target group. The product features and criteria are designed to support these needs.

- Loans of up to £1.5m (potential exceptions with credit committee approval).
- Lending up to 80% LTV.
- Interest only lending available up to 70% LTV.
- Lending up to 6 times income (where evidenced earnings exceed £200k per annum).
- Bonus acceptance = 75% (for financial services professionals 60% for other professionals).

- Ability to evaluate a range of financial assets for income, monetising wealth for affordability.
- No assets under management (AUM) requirements.
- Options for borrowing jointly with family where there are complex needs.

Full eligibility criteria can be accessed on our intermediary website:

<https://www.teachersbuildingsociety.co.uk/intermediaries/complex-lending/lending-criteria>

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.

Customer Circumstances	Distribution Strategy	Customer Needs & Objectives
<ul style="list-style-type: none"> - Mass Affluent/ High Net Worth borrowers with unusual incomes, buying an atypical property, with 'timing' issues or whose age means they're considered 'non-standard'. 	<p>Available only through Intermediary* channels.</p>	<ul style="list-style-type: none"> • Secure lending on the basis of atypical income. • Use a range of financial assets for income, monetising wealth for affordability. • Solve a short term borrowing need. • Buy a more unusual property. • Borrow more than standard income multiples. • Borrow jointly with family where there are complex needs. • Repay the capital by the end of the mortgage term. • Secure an interest only lending solution. • Have a preference for discounted variable rate mortgages over fixed rates because they value minimising (or having the potential to minimize) their monthly payments more than having certainty of the stability of those payments.

		<ul style="list-style-type: none"> • Are aware that the payments may fluctuate with interest rate changes and have sufficient disposable income to afford an increase in payment in the event of interest rate rises. • Wish to maintain the discount over a short to medium term horizon (up to 2 years). • May be willing to be tied in for a set period to secure the discounted rate in question.
<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>		

The Product is not designed for customers who:

- Meet our standard lending or property criteria.
- Are not considered as ‘prime’.
- Have as their main priority stable mortgage payments. While affordability is a criteria for all consumers, financial stretch is potentially an issue of particular concern in relation to consumers to whom these products have an appeal.
- Who require a long product term (2 years +) or lifetime product.

4. Customers with characteristics of vulnerability

This group can be characterised as financially sophisticated. To be in need of ‘complex’ mortgage solutions they need to have strong careers, often with large bonus payments. They will have above average income and wealth often including investments and other assets

For this group, ‘vulnerability’ is most likely to be driven by a change in health or a change in life event, including career (with high paying, high pressured jobs comes the risk of burnout/ corporate change impacting position).

4.1 Life events

A change in relationship status, becoming a parent, a bereavement or income shock in the face of unexpected career changes could push these customers into a ‘vulnerable’ status as they adjust to change.

4.2 Health

With a top career paying a large salary comes a degree of pressure which could trigger a stress-related illness, either mental or physical (depression, anxiety, high blood pressure, stroke, heart attack). Whilst 'top' jobs traditionally come with private health packages, a long term impact on health may push this group into vulnerability, especially if significant changes in lifestyle are triggered as a result of a health scare.

4.3 Resilience

Whilst they may be asset rich, complex customers are oftentimes unable to gain immediate access to their savings which are locked into investment accounts to secure higher returns, meaning in the very short term they may find servicing their debts problematic if their income were to change drastically.

We have in place a framework to achieve good outcomes for vulnerable customers, which includes:

- Education and training for our staff to ensure they have the appropriate skills and experience to recognise and respond to the needs of vulnerable customers.
- A customer service provision that ensures our vulnerable customers experience as good an outcome as other customers.
- Continual monitoring to ensure we meet and respond to the needs of customers with characteristics of vulnerability. We make suitable adjustments when their needs change.
- A flexible approach wherever possible, to ensure we support our vulnerable customers with sensitivity

A robust testing and feedback framework to ensure our communication is effective and understood and takes into consideration the needs of vulnerable customers.

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 Executive 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
<ul style="list-style-type: none"> - All cases are manually underwritten which might improve the chances of getting a home loan with your client having a unique or more complicated financial situation. - Secure lending on the basis of atypical income. - Use a range of financial assets for income, monetising wealth for affordability. - Solve a short term borrowing need. - Buy a more unusual property. - Borrow more than standard income multiples. - Borrow jointly with family where there are complex needs. - Repay the capital by the end of the mortgage term. - Secure an interest only lending solution. 	<ul style="list-style-type: none"> - We regularly review products and update our pricing to ensure that we offer fair value. - We develop a price to cover the costs and risks associated with this type of lending and deliver an appropriate return commensurate with our position as a mutual. Any resulting price is then compared to similar criteria offered to the target market. We only offer the price if it is competitive. The price, therefore, contributes to fair value for the borrower by enabling borrowers to select a competitively priced product compared to other products with similar lending criteria. 	<ul style="list-style-type: none"> - Our fee structure is transparent and reflects the increased complexity of these cases versus our standard mortgage range and, therefore, the effort required from the initial assessment through to the servicing of the loan. It is limited to £2,499/£3,499 for these purposes. - It is refunded to the customer if the application is declined if the case meets the bare eligibility requirements but nevertheless the underwriter feels the case should be declined. - If the loan is redeemed or capital repayments in excess of 10% of the loan per calendar year are made during the product term, an early Redemption Charge (ERC) of 3% of amount repaid is applicable. 	<ul style="list-style-type: none"> - The only restrictions that these products may have will be the 3% ERC. Where applicable, this is considered fair because: - up to 10% of the balance can be repaid without the ERC applying. - it represents a reasonable assessment of the lost costs associated with the marketing and acquisition of the mortgage, averaged over the mortgage book.

		<ul style="list-style-type: none">- A valuation fee is payable for all properties worth £800,000 or more.- TBS paid an average broker procurement fee of £907 (TBS Mortgage Completions April 2022 to March 2023).- Our brokers were paid an average £455 by their clients (TBS Complex Mortgage Completions Jan to March 2023).	
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Results of our assessment

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