



# Near Prime Residential Mortgages

# 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 Near Prime residential mortgage product range ("the Product") 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, primarily the need to secure finance on a first home. The product features and criteria are designed to support these needs.

- Free standard valuation/AVM<sup>†</sup> included
- Fee assisted legals<sup>^</sup> for remortgage cases
- A range of fixed rate options of 2 and 5 year terms
- Fixed rate products up to 85% loan to value (LTV)
- Mortgage term of up to 40 years
- Loan to Income (LTI) up to 5.5x (up to 85% LTV)
- 6 months mortgage offer validity
- Overpayment facility of 20% per annum
- Availability on new and existing homes subject to LTV limits
- No fee product options
- Porting – Option to apply to Port the product to another residential property six months after completion. Option to apply for additional secured borrowing as part of the Porting process. Subject to lending policy at the time. Early Repayment Charges may apply if the loan amount is reduced and a valuation of the new property will be required.

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

<sup>†</sup> One valuation accepted per application, per customer, when using our recommended surveyors. An Automated Valuation Model (AVM) may be used for suitable applications and the result is final.

<sup>^</sup> When using our recommended Solicitors. Remortgage applications for unencumbered properties are not eligible for this feature.

### 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
New Near Prime customers looking to purchase or remortgage their residential property in the UK.	Available through intermediary* channels	<ul style="list-style-type: none"> <li>• Access to various LTV lending</li> <li>• Access to various LTI lending</li> <li>• To fix their monthly payments for a defined period</li> <li>• To repay the capital by the end of the mortgage term</li> <li>• Ability to overpay, subject to a maximum per annum</li> <li>• To have advised processes from brokers (advice only given through brokers route)</li> <li>• To have access to clear documentation.</li> </ul>
Existing customers that are looking to undertake a product switch.	Available through: Direct • Execution only Intermediary* channels	<ul style="list-style-type: none"> <li>• As above – except Direct is execution only</li> <li>• Ability to switch to a Prime product option providing credit performance has not deteriorated through the initial fixed term.</li> </ul>

\*Intermediary distribution through:

- Selected Networks and their Appointed Representatives
- Selected Mortgage Clubs.

All intermediaries are registered with Atom bank.

The Product is not designed for customers who:

- Do not meet our lending or property criteria
- Are purchasing a property to let
- Meet our Prime residential criteria
- Are severely credit impaired borrowers and not up to date with all active credit commitments at the point of application
- Require an interest-only or part & part mortgage
- Have a need for an 'equity release' lending product.

## 4. Customers with characteristics of vulnerability

Customers who have experienced some form of recent but relatively minor adverse credit performance may share more characteristics of vulnerability particularly around financial health. Near Prime customers may require additional advice and support given previous experiences.

The Product is designed for the Near Prime residential market segment. By nature of the product being eligible for Near Prime customers it is likely to include some customers with characteristics of vulnerability or who will experience vulnerability over time. Having potentially had previous issues with credit and repayments, customers are required to understand the agreement they are entering when taking out a mortgage.

Some Near Prime residential customers are less likely to have a comprehensive understanding of mortgages or the mortgage market. Therefore, they may require additional advice and support to ensure they understand the information being presented to them and the implications of the arrangement they are entering into to reduce the risk of harm occurring.

We considered the needs, characteristics, and objectives of customers with characteristics of vulnerability at all stages of the design process for this Product to ensure the Product meets their needs.

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.
- Suitable customer service provision and communications.
- Flexible policies, where appropriate, to support vulnerable customers.
- Monitoring to ensure we continue to meet and respond to the needs of customers with characteristics of vulnerability.

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 for internal approval, 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.