

# Fair Value Assessment

**Product name: Perenna Prime Interest Only Residential Purchase and Remortgage**

**Information sheet produced: 21 August 2024**

## **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 Prime Residential Interest Only Purchase and Remortgage product range meets 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 product is designed to meet the needs of the target group, providing customers with the finance needed to support the purchase or remortgage of their home in the form of a long-term fixed rate mortgage. The customer can repay the interest accrued monthly, whilst maintaining the same level of borrowing for the duration of the loan term. The product features and criteria are designed to support these needs.

Characteristics:

- Available for purchase or remortgage in England and Wales.
- Product interest rate is fixed for the full term of the loan.
- Terms are available between 10 and 40 years.
- No maximum age restrictions.
- Interest Only payment only, where a suitable repayment strategy is in place to ensure that the capital balance can be repaid in full at the end of the term.
- Prime residential lending only.
- Loans available between £25,000 and £1m.
- LTV available up to 75% (subject to product availability)
- Flexible features such as porting, transferability, further borrowing.
- Early Repayment Charges only for an initial period of no more than 5 years
- Interest Only provides customers with flexibility on how they repay the capital amount borrowed.

- At the end of the agreed term, customers must repay the amount borrowed. The product features and criteria are designed to support these needs.
- Customers must demonstrate that they have a suitable repayment vehicle in place to be able to repay the loan at the end of the agreed term. We will engage with customers throughout the life of their loan to ensure their repayment vehicle remains robust and we can support customers where deficits or vulnerabilities are identified.

#### Benefits:

- Guaranteed fixed rate payments for the full term of the loan.
- No SVR or reversion rates at any point in the term.
- Early Repayment Charges for only an initial period, with flexibility to make fee free overpayments after this period, or to switch to a new product if one is available.
- Flexible features allowing the mortgage to be ported, or for additional borrowing where there is sufficient equity and affordability.
- Fee free and fee paid options available to suit customer circumstances.
- Product incentives such as free valuations and free conveyancing available on some product variants.
- Intermediaries incentivised to continue to review customer circumstances on a regular basis.
- Increased affordability for some customers.
- Longer terms available for later life borrowers with no age caps restricting borrowing.
- A key benefit for the customer is the ability to use other assets to repay the capital at the end of the term, and utilise their resources (derived from lower monthly repayments) to invest in other endeavours.
- Interest Only provides customers with flexibility on how they repay the capital amount borrowed.
- Customers have the option to make overpayments, in line with their terms & conditions and any applicable ERCs, to repay the capital throughout the term of their loan, reducing interest charged.

Full eligibility criteria can be accessed on our intermediary website at [www.intermediary.perenna.com](http://www.intermediary.perenna.com)

### **3. Target market assessment and distribution strategy**

This product is suitable for a range of prime customers where the customers want flexibility in how the capital balance of the loan is repaid and have a suitable repayment strategy to do so.

The product is solely available via our Intermediary distribution, including selected mortgage clubs, Directly Authorised firms, and Appointed Representative networks. Our Intermediary distribution is supported by our Business Development Team and Intermediary Support Team.

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.

<b>Customer Circumstances</b>	<b>Distribution Strategy</b>	<b>Customer Needs &amp; Objectives</b>
Existing homeowners looking to move home or remortgage their existing property who have a repayment strategy	Intermediaries	<ul style="list-style-type: none"> <li>• Ability to get a product suited to their needs, that matches their loan to value, and which they can afford.</li> <li>• Quick lending decisions with certainty of a fixed monthly repayment.</li> <li>• Low risk tolerance for rate increases in the future.</li> <li>• Access to flexible features should their circumstances change in the future.</li> <li>• Have savings or similar asset in place to repay the capital balance of their loan in the future and wish to use this to reduce their monthly mortgage costs by only paying the interest on their mortgage.</li> </ul>
Existing homeowners looking to move home or remortgage their existing property who do not wish to borrow into retirement and plan to downsize in the future	Intermediaries	<ul style="list-style-type: none"> <li>• Ability to get a product suited to their needs, that matches their loan to value, and which they can afford.</li> <li>• Quick lending decisions with certainty of a fixed monthly repayment.</li> <li>• Low risk tolerance for rate increases in the future.</li> <li>• Access to flexible features should their circumstances change in the future.</li> <li>• Intention to sell the property in the future and have sufficient equity in their property to be able to repay their mortgage and purchase a smaller property in their region.</li> <li>• Want to repay their interest only mortgage before retirement.</li> </ul>
Later life borrowers who are borrowing into retirement	Intermediaries	<ul style="list-style-type: none"> <li>• Looking to purchase or remortgage later in life and have savings or alternative repayment vehicle in place to repay capital at the end of the mortgage term and therefore want to reduce their monthly outgoings by paying only the interest on their mortgage.</li> <li>• Do not want or do not qualify for an equity release or retirement interest only product.</li> <li>• Are not eligible for other prime purchase or remortgage products due to their age.</li> <li>• Certainty of a fixed monthly repayment.</li> </ul>

The Product is not designed for customers who:

- Are classed as sub-prime, or where they cannot satisfy our affordability or lending policy requirements.
- Later life borrowers whose circumstances would be more suitable for an equity release, interest roll up, or retirement interest only product.
- Customers under the age of 18, or who reside outside of the UK.
- Want to ensure that the capital balance is repaid each month alongside the interest, ensuring the loan is fully repaid by the end of the mortgage term.

- Do not have a suitable repayment strategy in place for repayment of the capital at the end of the term.
- Want to use sale of the security property as the repayment vehicle but also need to borrow into retirement.
- Customers who cannot afford the same loan balance on a Capital and Interest basis.
- Customers who need a loan to value (LTV) higher than 75%.

#### **4. Customers with characteristics of vulnerability**

The Product is designed for the prime mortgage market, which is likely to include some customers with characteristics of vulnerability or who will experience vulnerability over time.

We have designed an overarching vulnerability framework to help identify, support, and manage customers with characteristics of vulnerability from loan inception through to maturity or closure. The framework we have in place allows to provide flexibility in our processes to support vulnerable customers, as well as allowing us to monitor and ensure that we achieve good customer outcomes for vulnerable customers, and includes but is not limited to the following:

- All front line Perenna staff receive training on how to identify and support vulnerable customers.
- We have a dedicated vulnerability point of contact, with a direct dial phone line and dedicated email address. Where appropriate, a customer will be given these contact details.
- All communications are available in Braille or large print if requested.
- Support can be put in place for customers in financial difficulty, including payment plans, payment holidays etc.
- Documents are issued digitally but can also be sent physically if required.

This product has no maximum age cap, there is an additional risk of customer vulnerability due to age. To mitigate the risk of customer harm due to vulnerability in later life, Perenna has introduced additional lending criteria relating to older borrowers. Specifically, lending is restricted by loan to value, and some older borrowers, or those with vulnerabilities and where we deem it appropriate, will be asked to seek independent legal advice before we will allow funds to be disbursed. By getting independent legal advice we can ask that customers have been met face-to-face and that they fully understand the terms and conditions of the loan. This helps us prevent mortgage fraud, and ensure customers are aware of the terms of the loan and the associated risks.

Intermediaries should continue to comply with your obligations to ensure that you treat customers in vulnerable circumstances fairly. You should inform us if you identify a vulnerable applicant for a Perenna mortgage.

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 Marketing and Product 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:

<b>Benefits</b>	<b>Price</b>	<b>Costs</b>	<b>Limitations</b>
<p>The product provides benefits to customers in the form of a long-term guaranteed fixed payment with no reversion period or SVR to consider during the term. We have also considered the flexible features included with the product, and the ongoing service and support available to customers once they have completed their purchase or remortgage to Perenna. The way we communicate with our customers has also been considered in this assessment and has been designed to be flexible and easily accessible.</p>	<p>The interest rate charged for the product is calculated using an approved model, considering the cost to Perenna of financing the loan, operational costs, acquisition costs, reasonable business profits, and appropriate charges to cover the risk profile of the loan. A management overlay is applied to pricing within an approved framework that allows for competitiveness in the market and allows us to maintain service levels.</p>	<p>All fees associated with the loan have been assessed to ensure that they are fair and reflect actual costs and/or risks associated with the product. Fees are regularly reviewed to ensure they remain fair and are published on our website. This includes origination costs and those associated with in-life servicing.</p>	<p>Where the product has restrictions or limitations these have been assessed to ensure they are fair and reasonable.</p>

## **Results of our assessment**

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

This product provides fair value as it:

- Is designed to meet the needs of the identified target market.
- Offered via Intermediaries who can offer the customer choice, as well as making a recommendation based upon their needs and circumstances.
- Offered to customers who are provided with suitable pre-sale and post-sale information about the product features, risks, and benefits.

No unfair or unreasonable product limitations restrict the benefits that customers can realise from their product and therefore inhibit them extracting a fair value exchange.

We regularly monitor and review our products, and if there are any material changes identified then this document will be updated and reissued, highlighting the changes.