

# Fair Value Assessment

**Product name: Perenna Retirement Interest Only (RIO)**

**Information sheet produced: 22 January 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 Retirement Interest Only (RIO) product range meets the needs, characteristics, and objectives of customers in the identified target market.
- The intended distribution strategy is 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 later life 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 until the occurrence of one of the defined 'life events' or the property is otherwise sold. 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 until the loan is repaid.
- The product is termless, with no requirement to repay the capital until a 'life event' as defined below
- No maximum age restrictions.
- Interest Only payment only with no requirement to evidence a repayment strategy.
- Prime residential lending only.
- Loans available between £25,000 and £1m.
- LTV available up to 60% (subject to product availability)
- Flexible features such as porting, 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.

#### Life Events:

Under a RIO product, we are not entitled to seek full repayment of the loan until the occurrence of one or more of the specified life events as defined by the Financial Conduct Authority (FCA), unless the customer breaches their contractual obligations (including any obligation to pay interest during the term) in a way which allows us to terminate the agreement.

Life events are defined by the FCA as the following:

- The death of the last remaining borrower; or
- The last remaining borrower leaves the property to live elsewhere and has no reasonable prospect of returning (for example, by moving into residential care); or
- The last remaining borrower acquires another dwelling for use as their main residence; or
- The customer sells the mortgaged property; or
- The lender exercises its legal right to take possession of the mortgaged property under the terms of the contract.

#### Benefits:

- Guaranteed fixed rate payments until a 'life event'.
- 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.
- Interest Only provides customers with reduced monthly costs and allows them to continue to afford to live in a property they may otherwise have to sell.
- 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 prime later life customers aged over 50 who do not have a suitable repayment vehicle other than the sale of the property in the future, who can afford the loan payments on an Interest Only basis, and who are looking to remain in their property for the rest of their lives.

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>
Customers over the age of 50, looking to borrow into retirement to either refinance an existing mortgage, raise capital against their home, or purchase a new home.	Intermediaries	<ul style="list-style-type: none"> <li>• Looking for access to a mortgage when they are not yet ready to downsize or move into retirement accommodation.</li> <li>• Need a mortgage that will last the rest of their life.</li> <li>• To fix their mortgage costs indefinitely.</li> <li>• Reduced monthly payments by only paying the interest on the loan each month.</li> <li>• Do not want or qualify for an equity release loan.</li> <li>• Do not want or qualify for a standard interest only loan.</li> <li>• Certainty of a fixed monthly payment.</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.
- Are later life borrowers whose circumstances would be more suitable for an equity release or interest roll up product.
- Are under the age of 50, 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.
- Have a suitable repayment strategy in place for repayment of the capital at the end of the term other than sale of property and who might benefit from a standard interest only product.
- Customers who need a loan to value (LTV) higher than 60%.

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

The Product is designed for the later life mortgage market, which will 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 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 is termless, and only available to applicants over 50, so there is an additional risk of customer vulnerability due to age. The nature of the product significantly increases the likelihood of the death of a borrower before the loan is repaid. Where possible, Perenna will offer the same product and service to a later life borrower as any other potential customer, however, to mitigate the increased risk of customer harm due to vulnerability in later life, we have introduced additional lending criteria relating to older borrowers. Specifically, lending is restricted by loan to value, and all RIO purchase borrowers 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.

RIO remortgage customers will be required to meet face to face with our chosen conveyancer. These face-to-face visits allow us to ensure the customer fully understands the loan terms and conditions, is legally able to contract, and reduces the risk of fraud.

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 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:

Benefits	Price	Costs	Limitations
<p>The product provides benefits to customers in the form of a long-term guaranteed payment with no reversion period or SVR to consider. 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.</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 or risks associated with them. 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 delivers 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.