

Chapter 5

Pre-application disclosure

5.8 Home purchase plans

5.8 Applying for a home purchase plan

Note: The rules regarding applying for a *home purchase plan* are set out in ■ MCOB 5.3.

Financial information statement: timing

5.8.1

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Except in the circumstances in ■ MCOB 5.8.1A R, a *firm* dealing directly with a *customer* must ensure that the *customer* is, or has been, provided with an appropriate financial information statement for a *home purchase plan* in a *durable medium*:

- (1) before the *customer* submits an application for that particular plan to a *home purchase provider*; and
- (2) without undue delay when any of the following occurs:
 - (a) the *firm* advises the particular *customer* to enter into one or more *home purchase plans*, in which case a financial information statement must be provided at the point the advice is given (and financial information statements for all recommended *home purchase plans* must be provided), unless the advice is given by telephone, in which case the *firm* must provide a financial information statement within five *business days*; or
 - (b) [deleted]
 - (c) [deleted]
 - (d) the *customer* requests a financial information statement, unless the *firm* is aware that it is unable to offer that *home purchase plan* to him; or
 - (e) as part of an *execution-only sale* (or potential *execution-only sale*) the *customer* has provided the *firm* with the information in ■ MCOB 4.10.9D R (Execution-only sales) (see ■ MCOB 4.10.9B R and ■ MCOB 4.10.9C G) to indicate which *home purchase plan* or variation he wishes to enter into.
- (3) A *firm* may comply with (1) and (2) by providing an *offer document* if this can be done as quickly as providing a financial information statement.

5.8.1A

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A *firm* need not provide a financial information statement:

- (1) in relation to a *direct deal*; or

- (2) if the *customer* refuses to disclose key information (for example, in a telephone conversation, his name or a communication address) or where the *customer* is not interested in pursuing the enquiry; or
- (3) if the *firm* does not wish to do business with the *customer*.

5.8.1B **R** If the *firm* chooses not to give a financial information statement in the circumstances set out in **■ MCOB 5.8.1A R**, where it has given advice on a *direct deal*, the *firm* must give the *customer* a written record of the advice.

5.8.2 **G** In ensuring that the *customer* is provided with an appropriate financial information statement, a *firm* need not provide another when one that remains appropriate has already been provided for that particular *home purchase plan*. If a financial information statement ceases to be appropriate, for example because the terms of the proposed plan are subsequently materially altered, a new appropriate statement must be provided.

5.8.3 **G** The guidance on the timing of mortgage *illustrations* may be relevant (see **■ MCOB 5.5**).

Financial information statement: format

5.8.4 **R** A financial information statement must:

- (1) be personalised to reflect the *customer's* requirements;
- (2) contain only the material prescribed or permitted in this section;
- (3) contain that material in the order set out in this section; and
- (4) present the material concisely, clearly and consistently.

5.8.5 **R** A financial information statement, if not set out in a separate document, must be:

- (1) in a prominent place within the document and clearly identifiable as key information that the *customer* should read; and
- (2) separate from the other content of the document in which it is included.

5.8.6 **G** The guidance on the content, order and format of *illustrations* may be relevant (see **■ MCOB 5.6.4 G**).

Financial information statement: content

5.8.7 **R** A financial information statement must contain:

- (1) a prominent Key facts logo at the top of the statement;
- (2) the term of the *home purchase plan*;

- (3) the overall cost of the plan, comprising:
 - (a) the purchase price of the property;
 - (b) the deposit payable;
 - (c) the amount of the plan required;
 - (d) the amount of any *fees* added to the plan;
 - (e) the total amount payable; and
 - (f) the amount the *customer* must pay per £1 provided under the plan;
- (4) details of the payments the *customer* must make, including:
 - (a) the assumed start date;
 - (b) all rental rates that will apply;
 - (c) when the rental rates will apply and for how long;
 - (d) for each rental rate, the number, frequency and amount of the periodic payments that will apply;
 - (e) in relation to the first periodic payment, the amount of the purchase payment and of the rental payment;
 - (f) the amount of any insurance rent payments;
 - (g) a summary total; and
 - (h) details of when the summary total will change.

5.8.8 **R** A financial information statement may contain a figure equivalent to an *APR* after the amount the *customer* must pay per £1 provided under the *home purchase plan*. A *firm* must use an approach equivalent to the *APR rules* when calculating an *APR* equivalent.

5.8.9 **G** See the *Key facts logo provisions* for further requirements regarding the use of the Key facts logo and the location of specimens.

5.8.10 **G** The details of the rental rate charged should be based on information available to a *firm* at the time of producing the financial information statement. For example, if a rental rate cannot be ascertained at that time because it is based on a fluctuating rate of interest, a *firm* should base the information on the current fluctuating rate.

Opportunity to consider pre-application disclosure.....

5.8.11 **R** A *firm* must ensure that the *customer* has had a reasonable opportunity to consider the financial information statement and risks and features statement before committing the *customer* to an application.

Message to be given when providing information on home purchase plans.....

5.8.12 **R** (1) Except in the circumstances in (2), whenever a *firm* provides a *customer* with information specific to the amount of finance to be provided on a particular *home purchase plan* following an assessment

of the *customer's* needs and circumstances in order to comply with ■ MCOB 4.10.5D R, it must give, clearly and prominently, the following information:

- (a) the same information on the *firm's* product range as is required by ■ MCOB 4.4A.1R (1), ■ MCOB 4.4A.2 R and ■ MCOB 4.4A.4R (1) (as applied in relation to *home purchase plans* by ■ MCOB 4.10.3A R); and
 - (b) that the *customer* has the right to request a financial information statement for any *home purchase plan* which the *firm* is able to offer the *customer*.
- (2) A *firm* need not give the information in (1) if it has previously given that information in compliance with this *rule* within the last ten *business days*.

Message to be given when customer requests an execution-only sale

5.8.13

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Whenever, as part of an *execution-only sale* (or potential *execution-only sale*), a *customer* provides a *firm* with the information in ■ MCOB 4.10.9D R (Execution-only sales) (see ■ MCOB 4.10.9B R and ■ MCOB 4.10.9C G) the *firm* must inform the *customer*, clearly and prominently, unless the *firm* has previously given this information in compliance with this *rule* within the last ten *business days*, that the *customer* has the right to request a financial information statement for any *home purchase plan* which the *firm* is able to offer the *customer*.