

Chapter 7

Disclosure at start of contract
and after sale

7.7 Business loans and loans to high net worth mortgage customers: tailored provisions

Further advances

7.7.1

R

- (1) Where, in relation to a *regulated mortgage contract* for a business purpose or a *high net worth mortgage customer* who is not a *consumer* under an *MCD regulated mortgage contract*, a *customer* either:
- (a) seeks an immediate increase in the borrowing provided under the *regulated mortgage contract*; or
 - (b) overdraws on the borrowing under the *regulated mortgage contract*;
- the further advance rules in ■ MCOB 7.6.7 R to ■ MCOB 7.6.17 R do not apply.
- (2) Where (1) applies, the *firm* must within five *business days* (for a loan for a business purpose) or in good time before the *customer* is bound by the *regulated mortgage contract* (for a *high net worth mortgage customer*) provide the *customer* with either:
- (a) a *business illustration* or *high net worth illustration* (as applicable) for the new total borrowing; or
 - (b) the following information, in a single communication:
 - (i) the new amount outstanding on the *regulated mortgage contract*;
 - (ii) details of any changes in the repayment arrangements or interest rate charged as a result of the change;
 - (iii) where there is a new *early repayment charge* or a change to the existing *early repayment charge*, the maximum amount payable as an *early repayment charge* in respect of the *regulated mortgage contract*; and
 - (iv) details of any charges that apply for changing the *regulated mortgage contract*.

7.7.1A

G

Firms are reminded that in accordance with ■ MCOB 1.2.3 R, they should comply in full with *MCOB*, but in doing so may opt to take account of all tailored provisions in *MCOB* that relate to business loans or loans to *high net worth mortgage customers*. Therefore, a *firm* may only follow the tailored provisions in ■ MCOB 7.7 in relation to one of these sectors if it also follows

all other tailored provisions in *MCOB* that relate to that sector. In either case, the rest of *MCOB* applies in full.

7.7.2 **G** Where a *customer* remains in breach, for more than one month, of an agreed borrowing limit or of an obligation to repay where the *regulated mortgage contract* does not have a regular repayment plan, *firms* are reminded that **■ MCOB 13** (Arrears and repossessions) applies.

7.7.3 **R** Where a *customer* applies for a further advance that is a *regulated mortgage contract* for a business purpose or a *high net worth mortgage customer* who is not a *consumer* under an *MCD regulated mortgage contract* and **■ MCOB 7.7.1 R** does not apply:

(1) the *business illustration* or *high net worth illustration* must be based upon the total borrowing; and

(2) **■ MCOB 7.6.9 R** to **■ MCOB 7.6.10 G** and **■ MCOB 7.6.12 G** do not apply.

Arrangements to repay capital

7.7.4 **R** Where **■ MCOB 7.6.28 R(5)** applies, a *firm* may omit the final sentence of the required text where it is aware, in the context of an *interest-only mortgage*, that the *customer's* intention is not to use a savings plan as a *repayment strategy*.

Disclosure

7.7.5 **R** **■ MCOB 7.4** (Disclosure at the start of the contract) does not apply in relation to a *regulated mortgage contract* that is for a business purpose or a *high net worth mortgage customer*.