

Chapter 11

Responsible lending, and responsible financing of home purchase plans

11.5 Purpose

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- (1) This chapter requires a *firm* to treat *customers* fairly by assessing, before deciding to:
 - (a) *enter into a regulated mortgage contract or home purchase plan;*
or
 - (b) *vary a regulated mortgage contract or home purchase plan;*
whether the *customer* will be able to repay the sums borrowed and interest (in the case of a *regulated mortgage contract*) or pay the sums due (in the case of a *home purchase plan*).
- (2) This chapter aims to ensure that *customers* are not exploited by *firms* that provide finance in circumstances where the *customers* are self-evidently unable to repay (or pay) through income and have no alternative means of repayment (or payment).
- (3) This chapter sets out some limited exceptions to the requirement to assess the *customer's* ability to repay (or pay), including transitional arrangements in relation to *customers* with existing *regulated mortgage contracts or home purchase plans* which satisfy certain conditions.
- (4) This chapter also applies in relation to extending the term of a *bridging loan*.