

Chapter 5A

MCD Pre-application disclosure

Instructions to complete the ESIS

5A

[Note: Annex II Part B of the MCD]

1.1	R	This Annex belongs to MCOB 5A.5.3R (3) .	
1.2	R	Where a <i>MCD regulated mortgage contract</i> is divided into more than one part, the <i>firm</i> must set out the required <i>ESIS</i> content in respect of each part.	
1.3	R	Unless otherwise specified, the sections referred to in this Annex are sections in the <i>ESIS</i> .	
1.4	R	Where the form includes the following words and phrases in round brackets:	
		(1)	"repaid" (in sections 3 and 7);
		(2)	"right to" (in sections 9 and 10);
		(3)	"early repayment charge" (in section 9);
			the <i>firm</i> may use that word or phrase instead of the one immediately before it.
		(4)	MCOB 5A Annex 2 , 5.7R(3), 9.1R(2), 11.2R(3) and 12.1R(2) explain this in more detail.
2	Section 'Introductory text'		
2.1	R	(1)	The <i>firm</i> must properly highlight the validity date.
		(2)	For the purpose of (1), the 'validity date' means the length of time the information, eg, the borrowing rate, contained in the <i>ESIS</i> will remain unchanged and will apply should the <i>MCD mortgage lender</i> grant the <i>MCD regulated mortgage contract</i> within this period of time.
		(3)	Where the determination of the applicable <i>borrowing rate</i> and other costs depends on the results of the selling of underlying bonds, the eventual <i>borrowing rate</i> and other costs may be different from those stated. In those circumstances only, the <i>firm</i> must stipulate that the validity date does not apply to the <i>borrowing rate</i> and other costs by adding the words: 'apart from the interest rate and other costs'.
3	Section '1. Lender'		
3.1	R	(1)	The <i>firm</i> must provide the name, telephone number and geographical address of the <i>MCD mortgage lender</i> .
		(2)	The information provided under (1) must be the contact information that the <i>consumer</i> may use for future correspondence.
3.2	G	The <i>firm</i> need not provide the <i>MCD mortgage lender's</i> email address, fax number, web address or contact person/point.	
3.3	R	[deleted]	

3.4	G	The <i>firm</i> need not provide the telephone number, email address or web address of the <i>MCD mortgage lender's</i> representative referred to at MCOB 5A Annex 2, 3.3R .
3.5	R	Where section 2 does not apply, an <i>MCD mortgage lender</i> must inform the <i>consumer</i> whether advisory services are being provided and on what basis using the wording at the end of section 1 of MCOB 5A Annex 1 R .
4	(Where there is a credit intermediary who is not the lender)	Section '2. Credit intermediary'
4.1	R	Where an <i>MCD mortgage credit intermediary</i> (other than the lender) provides an <i>ESIS</i> to a <i>consumer</i> , the <i>MCD mortgage credit intermediary</i> must include the following information: <ul style="list-style-type: none"> (1) the name, telephone number and geographical address of the <i>MCD mortgage credit intermediary</i>; (2) whether the <i>MCD mortgage credit intermediary</i> is providing advisory services and on what basis, using the wording at the end of section 2 of MCOB 5A Annex 1 R; and (3) an explanation of how the <i>MCD mortgage credit intermediary</i> is being remunerated.
4.2	R	The information provided under MCOB 5A Annex 2, 4.1R(1) must be the contact information that the <i>consumer</i> may use for future correspondence.
4.3	R	The explanation provided under MCOB 5A Annex 2, 4.1R(3) must include: <ul style="list-style-type: none"> (1) where the <i>MCD mortgage credit intermediary</i> receives commission from an <i>MCD mortgage lender</i>, the amount of that commission; (2) where the <i>MCD mortgage lender</i> from whom the <i>MCD mortgage credit intermediary</i> receives commission is different from the <i>MCD mortgage lender</i> referred to section 1, the name of that <i>MCD mortgage lender</i>; and (3) where the amount of remuneration is not known at the time when the <i>ESIS</i> is provided, a range of representative examples.
4.4	R	The explanation provided under MCOB 5A Annex 2, 4.1R(3) must not include remuneration paid to a third party.
4.5	R	An <i>MCD mortgage credit intermediary</i> need not provide its email address, fax number, web address or contact person/point.
4.6	G	In the event that an <i>MCD mortgage lender</i> provides a <i>consumer</i> with a binding offer and the characteristics of the offer are different from the information in the <i>ESIS</i> previously provided by the <i>MCD mortgage credit intermediary</i> , if the <i>MCD mortgage credit intermediary</i> confirms to the <i>MCD mortgage lender</i> that the revised transaction can proceed, the <i>MCD mortgage lender</i> may complete section 2 and update the wording referred to at MCOB 5A Annex 2, 4.1R(2) to say "[Name of credit intermediary] recommends .../ [Name of credit intermediary] is not recommending..." instead of "We recommend .../We are not recommending".
5		Section '3. Main features of the loan'
5.1	R	In section 3, the <i>firm</i> must clearly explain the main characteristics of the <i>MCD regulated mortgage contract</i> , including the value and currency and the potential risks associated with the <i>borrowing</i>

			rate, including the ones referred to in MCOB 5A Annex 2, 5.7R , and the amortisation structure.
5.2	R		Where the currency of the <i>MCD regulated mortgage contract</i> is different from the national currency of the <i>consumer</i> , the <i>firm</i> must:
		(1)	indicate that the <i>consumer</i> will receive a regular warning at least when the exchange rate fluctuates by more than 20 %;
		(2)	where there is a provision in the <i>MCD regulated mortgage contract</i> to limit the exchange rate risk, indicate the maximum amount the <i>consumer</i> could have to pay back;
		(3)	where there is no provision in the <i>MCD regulated mortgage contract</i> to limit the exchange rate risk to which the <i>consumer</i> is exposed to a fluctuation in the exchange rate of less than 20 %, provide an <i>illustration</i> of the effect of a 20 % fall in the value of <i>consumer's</i> national currency relative to the currency of the <i>MCD regulated mortgage contract</i> on the value of the <i>MCD regulated mortgage contract</i> ;
		(4)	where applicable, indicate that the <i>consumer</i> has the right to convert the currency of the <i>MCD regulated mortgage contract</i> ;
		(5)	where applicable, indicate to the <i>consumer</i> the right to renegotiate the conditions of the <i>MCD regulated mortgage contract</i> ; and
		(6)	indicate any other arrangements available to the <i>consumer</i> to limit his exposure to exchange rate risk.
5.3	R	(1)	The <i>firm</i> must express the duration of the <i>MCD regulated mortgage contract</i> in years and months (or a combination of the two), whichever is the most relevant.
		(2)	Where the duration of the <i>MCD regulated mortgage contract</i> can vary during the lifetime of the <i>MCD regulated mortgage contract</i> , the <i>firm</i> must explain when and under which conditions this can occur.
		(3)	Where the <i>MCD regulated mortgage contract</i> is open-ended, for example, for a secured credit card, the <i>firm</i> must clearly state that fact.
		(4)	Where the <i>MCD regulated mortgage contract</i> is an <i>MCD lifetime mortgage</i> , the duration of the mortgage must be estimated in accordance with MCOB 9.4.10 R , as if the mortgage is an <i>MCD exempt lifetime mortgage</i> .
5.4	R	(1)	The <i>firm</i> must clearly indicate the type of <i>MCD regulated mortgage contract</i> (eg, mortgage credit, home loan, secured credit card).
		(2)	The description under (1) must clearly indicate how the capital and the interest shall be repaid during the life of the <i>MCD regulated mortgage contract</i> (ie, the amortisation structure), specifying clearly whether the <i>MCD regulated mortgage contract</i> is on a capital repayment or interest-only basis, or a mixture of the two.

5.5	R	Where all or part of the <i>MCD regulated mortgage contract</i> is an interest-only <i>MCD regulated mortgage contract</i> , the <i>firm</i> must insert a statement, clearly indicating that fact, prominently at the end of section 3 using the wording in section 3 of MCOB 5A Annex 1 R .	
5.6	R	(1)	In section 3, the <i>firm</i> must explain whether the <i>borrowing rate</i> of the <i>MCD regulated mortgage contract</i> is fixed or variable and, where applicable, the periods during which it will remain fixed; the frequency of subsequent revisions and the existence of limits to the <i>borrowing rate</i> variability, such as caps or floors.
		(2)	The <i>firm</i> must explain the formula used to revise the <i>borrowing rate</i> and its different components (eg, reference rate, interest-rate spread).
		(3)	The <i>firm</i> must indicate (eg, by means of a web address) where further information on the indices or rates used in the formula referred to in (2) can be found (eg, Euribor or central bank reference rate).
		(4)	If different borrowing rates apply in different circumstances, the <i>firm</i> must provide the information required by (1), (2) and (3) on all applicable rates.
5.7	R	(1)	The 'total amount to be repaid' corresponds to the total amount payable by the consumer. The <i>firm</i> must show this as the sum of the <i>credit</i> amount and the <i>total cost of the credit to the consumer</i> .
		(2)	Where the <i>borrowing rate</i> is not fixed for the duration of the <i>MCD regulated mortgage contract</i> , the <i>firm</i> must highlight that the amount in (1) is illustrative and may vary, in particular in relation with the variation in the <i>borrowing rate</i> .
		(3)	The <i>firm</i> may replace "reimbursed" with "repaid" (shown in round brackets), ie, "Total amount to be repaid".
5.8	R	(1)	Where the <i>credit</i> will be secured by an <i>MCD regulated mortgage contract</i> , another comparable security or by a right related to land, the <i>firm</i> must draw the <i>consumer's</i> attention to this.
		(2)	Where applicable, the <i>firm</i> must indicate the assumed value of the land or other security used for the purpose of preparing the <i>ESIS</i> .
5.9	G	In order for the <i>firm</i> to comply with the principle of 'fair, clear and not misleading' in MCOB 3A.2.1R(1), where the assumed value is not a value provided by the <i>consumer</i> , the valuation must be a reasonable assessment based on all the facts available at the time. For example, an overstated valuation could enable a more attractive <i>MCD regulated mortgage contract</i> to be illustrated on the basis of a lower ratio of the loan amount to the property value - for example, one with a lower rate of interest or without a <i>higher lending charge</i> .	
5.10	R	The <i>firm</i> must indicate, where applicable, either:	
		(1)	The 'maximum available loan amount relative to the value of the property', indicating the loan-to-value ratio. This ratio must be accompanied by an example in absolute terms of the maximum amount that can be borrowed for a given property value; or

		(2)	the 'minimum value of the property required by the <i>firm</i> to lend the illustrated amount'.
5.11	R		Where an <i>MCD regulated mortgage contract</i> has more than one part (eg, concurrently part fixed rate, part variable rate), the <i>firm</i> must indicate this and must provide the information required by section 3 for each part.
5.12	R		The amount of the loan to be granted is:
		(1)	in cases where, on the basis of the information obtained from the <i>consumer</i> , before providing the <i>ESIS</i> it is clear that the <i>consumer</i> would not be eligible to borrow the amount he requested, an estimate of the amount that the <i>consumer</i> could borrow based on the information obtained from the <i>consumer</i> . This does not require information to be obtained from the <i>consumer</i> before providing an <i>ESIS</i> to ascertain the amount the <i>consumer</i> is eligible to borrow, instead, this means that the <i>firm</i> does not have to provide a <i>consumer</i> with an <i>ESIS</i> for an amount it knows the <i>consumer</i> would not be eligible for, based on whatever information it has obtained from the <i>consumer</i> before providing the <i>ESIS</i> ; or
		(2)	where the <i>MCD regulated mortgage contract</i> is a revolving credit agreement, such as a secured overdraft or <i>mortgage credit card</i> , the total borrowing that the <i>firm</i> is willing to provide under the <i>MCD regulated mortgage contract</i> ; or
		(3)	where it is known that the loan will be released in instalments, for example, in the case of a self-build mortgage:
		(a)	where the lender has made a binding offer for the full amount, the total amount of the loan required and not the amount of the initial instalment;
		(b)	where the lender has made a binding offer for an initial amount, the initial amount; and
		(c)	where the lender's binding offer for an initial amount has been replaced by a binding offer for a larger amount, the larger amount.
6			Section '4. Interest rate' and other costs
6.1	R		The reference to 'interest rate' corresponds to the <i>borrowing rate</i> or <i>borrowing rates</i> .
6.2	R		The <i>firm</i> must state the <i>borrowing rate</i> as a percentage value.
6.3	R	(1)	Where the <i>borrowing rate</i> is variable and based on a reference rate, the <i>firm</i> may indicate the <i>borrowing rate</i> by stating a reference rate and a percentage value of the <i>MCD mortgage lender's</i> spread.
		(2)	The <i>firm</i> must state the value of the reference rate in (1) as at the day it issues the <i>ESIS</i> .
6.4	R		Where the <i>borrowing rate</i> is variable, the <i>firm</i> must include:
		1)	the assumptions used to calculate the <i>APRC</i> ;

		(2)	where relevant, the applicable caps and floors; and
		(3)	a warning that the variability could affect the actual level of the <i>APRC</i> .
6.5	R		In order to attract the <i>consumer's</i> attention the <i>firm</i> must:
		(1)	use a font size for the warning required by MCOB 5A Annex 2, 6.4R(3) that is bigger than the font size it uses for the rest of the <i>ESIS</i> ;
		(2)	ensure that warning required by MCOB 5A Annex 2, 6.4R(3) figures prominently in the main body of the <i>ESIS</i> .
6.6	R	(1)	The <i>firm</i> must accompany the warning required by MCOB 5A Annex 2, 6.4R(3) with an illustrative example of the <i>APRC</i> .
		(2)	Where there is a cap on the <i>borrowing rate</i> , the example required by (1) must assume that the <i>borrowing rate</i> rises at the earliest possible opportunity to the highest level foreseen in the <i>MCD regulated mortgage contract</i> .
		(3)	Where there is no cap, the example required by (1) must illustrate the <i>APRC</i> at the highest <i>borrowing rate</i> in at least the last 20 years. Or, where the underlying data for the calculation of the <i>borrowing rate</i> is available for a period of less than 20 years, the longest period for which such data is available, based on the highest value of any external reference rate used in calculating the <i>borrowing rate</i> , where applicable, or the highest value of a benchmark rate specified by the <i>FCA</i> where the <i>MCD mortgage lender</i> does not use an external reference rate.
		(4)	The requirement under (1) does not apply to an <i>MCD regulated mortgage contract</i> where the <i>borrowing rate</i> is fixed for a material initial period of several years and may then be fixed for a further period following negotiation between the <i>MCD mortgage lender</i> and the <i>consumer</i> .
		(5)	For an <i>MCD regulated mortgage contract</i> within (4), the <i>firm</i> must include a warning that the <i>APRC</i> is calculated on the basis of the borrowing rate for the initial period.
		(6)	The <i>firm</i> must accompany the warning required by (5) with an additional, illustrative <i>APRC</i> calculated in accordance with MCOB 10A.1.5R .
6.7	R	(1)	Where the <i>credit</i> secured by an <i>MCD regulated mortgage contract</i> is a multi-part <i>credit</i> (eg, concurrently part fixed rate, part variable rate), the <i>firm</i> must provide the information about the <i>borrowing rate</i> required by MCOB 5A Annex 2, 6 for each part of the <i>credit</i> .
		(2)	Where the <i>credit</i> secured by an <i>MCD regulated mortgage contract</i> is a multi-part <i>credit</i> , the <i>firm</i> must calculate and provide the additional illustrative <i>APRC</i> required by MCOB 5A Annex 2, 6 once in respect of the entire <i>MCD regulated mortgage contract</i> .

6.8	R	The <i>FCA's</i> benchmark rate is the difference in percentage points between the Bank of England's base rate on the date the <i>ESIS</i> is issued and the highest value of the Bank of England's base rate over at least the last 20 years, added to the <i>borrowing rate</i> shown in the <i>ESIS</i> .												
6.9	R	When more than one interest rate applies during the term of the <i>MCD regulated mortgage contract</i> , for example, because there is an initial fixed or discounted interest rate period, the <i>firm</i> must calculate the <i>FCA's</i> benchmark rate by reference to the reversionary <i>borrowing rate</i> shown in the <i>ESIS</i> .												
6.10	G	When calculating the <i>FCA's</i> benchmark rate, the <i>firm</i> may: <div><div>(1)</div>calculate the last 20 years from up to three <i>months</i> prior to the date the <i>ESIS</i> is issued; and <div>(2)</div>extend the period for calculating the <i>FCA's</i> benchmark rate beyond the last 20 years to any period longer than 20 years.</div>												
6.11	R	In the event of a scenario in column (1) in the table MCOB 5A Annex 2 , 6.12R, the <i>firm</i> must calculate the illustrative example of the <i>APRC</i> (the additional <i>APRC</i>) in accordance with column (2) of that table.												
6.12	R	<div>This table belongs to MCOB 5A Annex 2, 6.11R.</div> <table><tr><th>(1) Scenario</th><th>(2) Calculation of additional <i>APRCNB</i>: A <i>MCD mortgage lender's</i> standard variable rate is not to be used as an external reference rate (ERR)</th></tr><tr><td>Mortgage with an interest-rate cap</td><td>Calculate the <i>APRC</i> based on the <i>borrowing rate</i> rising at the earliest possible opportunity to the level of the cap.</td></tr><tr><td>Where the product is not linked to an ERR</td><td>Use the <i>FCA's</i> benchmark rate.</td></tr><tr><td><i>MCD mortgage lender</i> uses an ERR and has 20 years of data relating to the margin applied by the <i>MCD mortgage lender</i></td><td>Use the highest ERR in the previous 20 years, and apply the highest margin over that or lowest margin under it, to produce the highest additional <i>APRC</i>.</td></tr><tr><td><i>MCD mortgage lender</i> uses an ERR and has less than 20 years of data relating to the margin applied by the <i>MCD mortgage lender</i></td><td>Use the highest ERR in the previous 20 years, and apply the highest margin over that or lowest margin under it, used in the period of data available, to produce the highest additional <i>APRC</i>.</td></tr><tr><td><i>MCD mortgage lender</i> comprises a group which contains separate legal entities or comprises distinct product brands and has 20 years of data relating to the margin applied by that legal entity or product brand. It may have similar products across entities or brands within the same group or company with different margins above or below the ERR.</td><td>Use the highest ERR in the previous 20 years with respect to the pricing approach for the specific legal entity or product brand and apply the highest margin over that or lowest margin under it to produce the highest additional <i>APRC</i>.</td></tr></table>	(1) Scenario	(2) Calculation of additional <i>APRCNB</i> : A <i>MCD mortgage lender's</i> standard variable rate is not to be used as an external reference rate (ERR)	Mortgage with an interest-rate cap	Calculate the <i>APRC</i> based on the <i>borrowing rate</i> rising at the earliest possible opportunity to the level of the cap.	Where the product is not linked to an ERR	Use the <i>FCA's</i> benchmark rate.	<i>MCD mortgage lender</i> uses an ERR and has 20 years of data relating to the margin applied by the <i>MCD mortgage lender</i>	Use the highest ERR in the previous 20 years, and apply the highest margin over that or lowest margin under it, to produce the highest additional <i>APRC</i> .	<i>MCD mortgage lender</i> uses an ERR and has less than 20 years of data relating to the margin applied by the <i>MCD mortgage lender</i>	Use the highest ERR in the previous 20 years, and apply the highest margin over that or lowest margin under it, used in the period of data available, to produce the highest additional <i>APRC</i> .	<i>MCD mortgage lender</i> comprises a group which contains separate legal entities or comprises distinct product brands and has 20 years of data relating to the margin applied by that legal entity or product brand. It may have similar products across entities or brands within the same group or company with different margins above or below the ERR.	Use the highest ERR in the previous 20 years with respect to the pricing approach for the specific legal entity or product brand and apply the highest margin over that or lowest margin under it to produce the highest additional <i>APRC</i> .
(1) Scenario	(2) Calculation of additional <i>APRCNB</i> : A <i>MCD mortgage lender's</i> standard variable rate is not to be used as an external reference rate (ERR)													
Mortgage with an interest-rate cap	Calculate the <i>APRC</i> based on the <i>borrowing rate</i> rising at the earliest possible opportunity to the level of the cap.													
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<i>MCD mortgage lender</i> comprises a group which contains separate legal entities or comprises distinct product brands and has 20 years of data relating to the margin applied by that legal entity or product brand. It may have similar products across entities or brands within the same group or company with different margins above or below the ERR.	Use the highest ERR in the previous 20 years with respect to the pricing approach for the specific legal entity or product brand and apply the highest margin over that or lowest margin under it to produce the highest additional <i>APRC</i> .													

MCD mortgage lender comprises a group which contains separate legal entities or comprises distinct product brands and has less than 20 years of data relating to the margin applied by that legal entity or product brand. It may have similar products across entities or brands within the same group or company with different margins above or below the ERR.

MCD mortgage lender has previously purchased a brand that uses an ERR and has 20 years of data relating to the margin applied by the *MCD mortgage lender* for the same product

MCD mortgage lender has previously purchased a brand that uses an ERR and has less than 20 years of data relating to the margin applied by the *MCD mortgage lender* for the same product

MCD mortgage lender has different ERR calculation methods that apply over time (eg, 0.5% over Bank of England rate for the first two years and then 2% over Bank of England rate for the rest of the mortgage lifetime).

MCD mortgage lender has different methods that apply to different proportions of the principal (eg, ERR + x% applies to 50% principal and SVR applies to the other 50%)

MCD mortgage lender uses an ERR where its basis has changed in the past 20 years

MCD mortgage lender has an ERR calculation method that applies for a fixed period of time after which the lender's standard variable rate applies (eg, 0.5% over Bank of England rate for the first two years and then the lender's standard variable

Use the highest ERR in the previous 20 years with respect to the pricing approach for the specific legal entity or product brand and apply the highest margin over that or lowest margin under it used in the period of data available to produce the highest additional *APRC*.

Where the purchaser is carrying on new lending under the purchased brand - same as above, using previous *firm's* data where relevant and where it may be reasonably obtained.

Where the purchaser is carrying on new lending under the purchased brand - same as above, using previous *firm's* data, where relevant and where it may be reasonably obtained. Otherwise, use the *FCA's* benchmark rate.

Calculate using the method which produces the highest additional *APRC*.

Calculate using the ERR where applicable and the *FCA's* benchmark rate, where applicable, and use both to calculate the additional *APRC*.

Consider whether there was an equivalent predecessor ERR and use the ERR (and its equivalent predecessor(s), if any) provided that it (or they) have existed at least 20 years, otherwise use the *FCA's* benchmark rate.

Calculate using the method which produces the highest additional *APRC*.

		rate applies for the rest of the mortgage lifetime).
6.13	R	<p>(1) The <i>firm</i> must list all the costs other than the <i>borrowing rate</i> in the section on 'other components of the <i>APRC</i>', including one-off costs, such as administration fees, and regular costs, such as annual administration fees.</p> <p>(2) the <i>firm</i> must list each of the costs referred to in (1) by the categories set out in in (3) and indicate for each cost:</p> <p>(a) the amount;</p> <p>(b) to whom the cost is to be paid; and</p> <p>(c) when the cost is to be paid.</p> <p>(3) The categories referred to in (1) are:</p> <p>(a) costs to be paid on a one-off basis;</p> <p>(b) costs to be paid regularly and included in the instalments; and</p> <p>(c) costs to be paid regularly but not included in the instalments.</p> <p>(4) Where the amount in (2)(a) is not known, the <i>firm</i> must provide an indication of the amount if possible or, if not possible, how the amount will be calculated and specify that the amount provided is indicative only.</p> <p>(5) The <i>firm</i> must highlight where certain costs are not included in the <i>APRC</i> because they are unknown to the <i>firm</i>.</p>
6.14	G	The costs in MCOB 5A Annex 2 , 6.13R(1) need not include costs incurred for breaches of contractual obligations.
6.15	R	Where a <i>consumer</i> has informed the <i>firm</i> of one or more components of his preferred <i>MCD regulated mortgage contract</i> , such as the duration of the <i>MCD regulated mortgage contract</i> and the total amount of <i>credit</i> , the <i>firm</i> must, where possible, use those components.
6.16	R	If an <i>MCD regulated mortgage contract</i> provides for different ways of drawdown with different charges or borrowing rates and the <i>MCD mortgage lender</i> uses the assumptions set out in MCOB 10A.3.1 R , the <i>firm</i> must indicate that other drawdown mechanisms for this type of <i>MCD mortgage lender</i> may result in a higher <i>APRC</i> .
6.17	R	Where the <i>firm</i> uses the conditions for drawdown for calculating the <i>APRC</i> , the <i>firm</i> must highlight the charges associated with other drawdown mechanisms that are not necessarily the ones used in calculating the <i>APRC</i> .
6.18	R	<p>(1) Where a fee is payable for registration of the <i>MCD regulated mortgage contract</i> or comparable security, the <i>firm</i> must disclose that in section 3 with the amount, where known, or where this is not possible the basis for determining the amount.</p> <p>(2) Where the fees in (1) are known and included in the <i>APRC</i>, the <i>firm</i> must list the existence and amount of the fee under 'Costs to be paid on a one-off basis'.</p>

		(3)	Where the fees in (1) are not known to the <i>firm</i> and, therefore, not included in the <i>APRC</i> , the <i>firm</i> must clearly indicate the existence of the fee in the list of costs which are not known to the lender.
		(4)	The <i>firm</i> must use the standardised wording in section 4 of MCOB 5A Annex 1 R under the appropriate heading.
7	Section '5. Frequency and number of payments'		
7.1	R		Where a <i>consumer</i> will be required to make payments under an <i>MCD regulated mortgage contract</i> on a regular basis, the <i>firm</i> must indicate the frequency of those payments (eg, monthly).
7.2	R		Where a <i>consumer</i> will be required to make payments under an <i>MCD regulated mortgage contract</i> on an irregular basis, the <i>firm</i> must clearly explain this to the <i>consumer</i> .
7.3	R		The <i>firm</i> must indicate the number of payments under the <i>MCD regulated mortgage contract</i> that the <i>consumer</i> will be required to make over the entire duration of the <i>MCD regulated mortgage contract</i> .
8	Section '6. Amount of each instalment'		
8.1	R		The <i>firm</i> must clearly indicate the currency of the <i>MCD regulated mortgage contract</i> and the currency and amount of the instalments.
8.2	R		Where the amount of the instalments may change during the life of the <i>MCD regulated mortgage contract</i> , the <i>firm</i> must specify the period during which that initial instalment amount will remain unchanged and when and how frequently afterwards it will change.
8.3	R		Where all or part of the <i>MCD regulated mortgage contract</i> is an interest-only <i>MCD regulated mortgage contract</i> , the <i>firm</i> must insert a statement clearly indicating that fact, prominently at the end of section 6 using the wording in section 6 of MCOB 5A Annex 1 R .
8.4	R		If there is a requirement for the <i>consumer</i> to take out a tied savings product as a condition for being granted an interest-only <i>MCD regulated mortgage contract</i> , the <i>firm</i> must provide the amount and frequency of any payments for this product.
8.5	R	(1)	Where the <i>borrowing rate</i> is variable, the <i>firm</i> must include a statement indicating that fact, using the wording in section 6 of MCOB 5A Annex 1 R and an illustration of a maximum instalment amount.
		(2)	Where there is a cap, the illustration under (1) must show the amount of the instalments if the <i>borrowing rate</i> rises to the level of the cap.
		(3)	Where there is no cap, the illustration under (1) must illustrate the level of instalments at the highest <i>borrowing rate</i> in the last 20 years, or where the underlying data for the calculation of the <i>borrowing rate</i> is available for a period of less than 20 years, the longest period for which such data is available, based on:
		(a)	the highest value of any external reference rate used in calculating the <i>borrowing rate</i> , where applicable,

		(b)	or the highest value of a benchmark rate specified by the FCA in MCOB 5A Annex 2, 6.8R to 6.10G; where the <i>MCD mortgage lender</i> does not use an external reference rate.
		(4)	The requirement under (1) does not apply to an <i>MCD regulated mortgage contract</i> where the <i>borrowing rate</i> is fixed for a material initial period of several years and may then be fixed for a further period following negotiation between the <i>MCD mortgage lender</i> and the <i>consumer</i> .
		(5)	Where the <i>credit</i> secured by an <i>MCD regulated mortgage contract</i> is a multi-part <i>credit</i> (eg, concurrently part fixed rate, part variable rate), the <i>firm</i> must provide the information about the <i>borrowing rate</i> required by MCOB 5A Annex 2, 8 for each part of the <i>credit</i> and for the overall <i>credit</i> .
8.6	R	(1)	Where the currency of the <i>MCD regulated mortgage contract</i> is different from the <i>consumer's</i> national currency or where the <i>MCD regulated mortgage contract</i> is indexed to a currency which is different from the <i>consumer's</i> national currency, the <i>firm</i> must include a numerical example clearly showing how changes to the relevant exchange rate may affect the amount of the instalments using the wording in section 6 of MCOB 5A Annex 1 R .
		(2)	The <i>firm</i> must base the example under (1) on a 20 % reduction in the value of the <i>consumer's</i> national currency.
		(3)	The <i>firm</i> must accompany the example under (1) with a prominent statement that the instalments could increase by more than the amount assumed in that example.
		(4)	Where there is a cap which limits the increase in (1) to less than 20 %, the <i>firm</i> must state the maximum value of the payments in the <i>consumer's</i> currency instead and omit the statement in (3) on the possibility of further increases.
8.7	R		Where the <i>MCD regulated mortgage contract</i> is fully or partly a variable rate <i>MCD regulated mortgage contract</i> and MCOB 5A Annex 2, 8.3R applies, the <i>firm</i> must give the <i>illustration</i> under MCOB 5A Annex 2, 8.6R(1) on the basis of the instalment amount indicated under MCOB 5A Annex 2, 8.1R .
8.8	R	(1)	Where the currency used for the payment of instalments is different from the currency of the <i>MCD regulated mortgage contract</i> or where the amount of each instalment expressed in the <i>consumer's</i> national currency depends on the corresponding amount in a different currency, the <i>firm</i> must in section 6 indicate the date at which the applicable exchange rate is calculated and either the exchange rate or the basis on which it will be calculated and the frequency of their adjustment.
		(2)	Where applicable, the <i>firm</i> must include in its indication under (1) the name of the institution publishing the exchange rate.

8.9	R	Where the <i>MCD regulated mortgage contract</i> is a deferred-interest <i>MCD regulated mortgage contract</i> under which interest due is not fully repaid by the instalments and is added to the total amount of the <i>MCD regulated mortgage contract</i> outstanding, the <i>firm</i> must include an explanation of how and when deferred interest is added to the <i>MCD regulated mortgage contract</i> as a cash amount, and what the implications are for the <i>consumer</i> in terms of his remaining debt.	
9	Section '7. Illustrative repayment table'		
9.1	R	(1)	The <i>firm</i> must include section 7 where the <i>MCD regulated mortgage contract</i> is a deferred-interest <i>MCD regulated mortgage contract</i> under which interest due is not fully repaid by the instalments and is added to the total amount of <i>MCD regulated mortgage contract</i> outstanding, or where the <i>borrowing rate</i> is fixed for the duration of the <i>MCD regulated mortgage contract</i> .
		(2)	The <i>firm</i> may replace the word "reimbursed" with "repaid" (shown in round brackets), ie "the amount of the loan that remains to be repaid after each instalment".
9.2	R	Where the <i>consumer</i> has the right to receive a revised amortisation table, the <i>firm</i> must indicate this along with the conditions under which the <i>consumer</i> has that right.	
9.3	R	The <i>firm</i> must include in section 7 an illustrative amortisation table including the following columns:	
		(1)	'repayment schedule' (eg, month 1, month 2, month 3);
		(2)	'amount of the instalment';
		(3)	'interest to be paid per instalment';
		(4)	'other costs included in the instalment' (where relevant);
		(5)	'capital repaid per instalment'; and
		(6)	'outstanding capital after each instalment'.
9.4	R	The <i>firm</i> must:	
		(1)	for the first repayment year, provide an illustrative amortisation table in accordance with MCOB 5A Annex 2, 9.3R for each instalment and include a subtotal for each of the columns at the end of that first year;
		(2)	for the following years, provide an illustrative amortisation table in accordance with MCOB 5A Annex 2, 9.3R on an annual basis;
		(3)	add an overall total at the end of the table and provide the total amounts for each column; and
		(4)	clearly highlight the total cost of the <i>MCD regulated mortgage contract</i> paid by the <i>consumer</i> (ie, the overall sum of the 'amount of the instalment' column) and present it as such.
9.5	G	Where the <i>borrowing rate</i> is subject to revision and the amount of the instalment after each revision is unknown, the <i>firm</i> may indicate in the illustrative amortisation table required by MCOB 5A Annex 2, 9.3R the same instalment amount for the whole credit duration.	

9.6	R	If the <i>firm</i> acts in accordance with MCOB 5A Annex 2, 9.5G, the <i>firm</i> must:	
		(1)	draw the fact that the <i>borrowing rate</i> is subject to revision and the amount of the instalment after each revision is unknown to the attention of the <i>consumer</i> by visually differentiating the amounts which are known from the hypothetical ones (eg, using a different font, borders or shading); and
		(2)	in a clearly legible text explain for which periods the amounts represented in the table may vary and why.
10	Section '8. Additional obligations'		
10.1	R	(1)	The <i>firm</i> must specify in section 8 any obligations imposed on the <i>consumer</i> in order to benefit from the <i>MCD regulated mortgage contract</i> , such as the obligation to insure the property, to purchase life insurance, to have a salary paid into an account with the <i>MCD mortgage lender</i> or to buy any other product or service.
		(2)	For each obligation specified under (1), the <i>firm</i> must specify:
		(a)	towards whom and by when the obligation needs to be fulfilled;
		(b)	the duration of the obligation, eg, until the end of the <i>MCD regulated mortgage contract</i> ;
		(c)	any costs to be paid by the <i>consumer</i> which are not included in the <i>APRC</i> .
10.2	R	(1)	The <i>firm</i> must state whether it is compulsory for the <i>consumer</i> to purchase any ancillary services to obtain the <i>MCD regulated mortgage contract</i> on the stated terms and, if so, whether the <i>consumer</i> is obliged to purchase them from the <i>MCD mortgage lender's</i> preferred supplier or whether they may be purchased from a provider chosen by the <i>consumer</i> .
		(2)	Where the possibility referred to in (1) is conditional on the ancillary services meeting certain minimum characteristics, the <i>firm</i> must describe those characteristics in section 8.
		(3)	Where applicable, the <i>firm</i> must state the possible consequences of terminating the ancillary services.
10.3	R	Where the <i>MCD regulated mortgage contract</i> is bundled with other products the <i>firm</i> must clearly state:	
		(1)	the key features of those other products; and
		(2)	whether the <i>consumer</i> has a right to terminate the <i>MCD regulated mortgage contract</i> or the bundled products separately and the conditions for and implications of doing so.
11	Section '9. Early repayment'		
11.1	R	The <i>firm</i> must indicate under what conditions the <i>consumer</i> can repay the <i>MCD regulated mortgage contract</i> early, either fully or partially.	

11.2	R	(1)	In the section on early repayment charges, the <i>firm</i> must draw the <i>consumer's</i> attention to any early repayment charge or other costs payable on early repayment in order to compensate the <i>MCD mortgage lender</i> and, where possible, indicate their amount.
		(2)	In cases where the amount of compensation would depend on different factors, such as the amount repaid or the prevailing interest rate at the moment of the early repayment, the <i>firm</i> must indicate how the compensation will be calculated and provide the maximum amount that the charge might be, or where this is not possible, an illustrative example in order to demonstrate to the <i>consumer</i> the level of compensation under different possible scenarios.
		(3)	The <i>firm</i> may make the following changes to the wording in this section: <ul style="list-style-type: none"> (a) replace the word "possibility" with "right" (shown in round brackets) ie, "You have the right to repay this loan early, either fully or partially"; (b) replace the words "Exit charge" and "exit charge" with "Early repayment charge" or "early repayment charge" (shown in round brackets).
12		Section '10. Flexible features'	
12.1	R	(1)	Where applicable, the <i>firm</i> must explain the right to, and conditions for, transferring the <i>MCD regulated mortgage contract</i> to another <i>MCD mortgage lender</i> or property.
		(2)	The <i>firm</i> may replace "possibility to" with the "the right to" (shown in round brackets).
12.2	R		Where the product contains any of the features listed in MCOB 5A Annex 2 , 12.6R, the <i>firm</i> must list those features as additional features in section 10 and provide a brief explanation of:
		(1)	the circumstances in which the <i>consumer</i> can use the feature;
		(2)	any conditions attached to the feature;
		(3)	if the feature being part of the <i>credit</i> secured by an <i>MCD regulated mortgage contract</i> or comparable security means that the <i>consumer</i> loses any statutory or other protections usually associated with the feature; and
		(4)	the <i>firm</i> providing the feature (if not the <i>MCD mortgage lender</i>).
12.3	R		If the feature listed in accordance with MCOB 5A Annex 2 , 12.2R contains any additional <i>credit</i> , then the <i>firm</i> must, in section 10, state:
		(1)	the <i>total amount of credit</i> (including the <i>credit</i> secured by the <i>MCD regulated mortgage contract</i> or comparable security);
		(2)	whether the additional <i>credit</i> is secured or not;
		(3)	the relevant <i>borrowing rates</i> ; and

12.4	R	(4) whether the additional <i>credit</i> is regulated or not. The <i>firm</i> must either include any additional <i>credit</i> amount in the original creditworthiness assessment or, if it is not, the <i>firm</i> must, in section 10, make clear that the availability of the additional amount is dependent on a further assessment of the <i>consumer's</i> ability to repay.
12.5	R	If the feature listed in accordance with MCOB 5A Annex 2 , 12.2R involves a savings vehicle, the <i>firm</i> must explain the relevant interest rate.
12.6	R	The possible additional features are: (1) 'Overpayments/Underpayments' (paying more or less than the instalment ordinarily required by the amortisation structure); (2) 'Payment holidays' (periods where the <i>consumer</i> is not required to make payments); (3) 'Borrow back' (ability for the <i>consumer</i> to borrow again funds already drawn down and repaid); (4) 'Additional borrowing available without further approval'; (5) 'Additional secured or unsecured borrowing' (completed in accordance with MCOB 5A Annex 2 , 12.3R); (6) 'Credit card'; (7) 'Linked current account'; and (8) 'Linked savings account'.
12.7	G	The <i>firm</i> may include any other features offered by the <i>MCD mortgage lender</i> as part of the <i>MCD regulated mortgage contract</i> not mentioned in previous sections.
13		Section '11. Other rights of the borrower'
13.1	R	The <i>firm</i> must clearly specify the <i>consumer's</i> reflection period.
13.2	R	Where applicable, the <i>firm</i> must clearly state any other rights of the <i>consumer</i> (other than the reflection period), such as portability (including subrogation) that exist and for each right specify: (1) the conditions to which that right is subject; (2) the procedure that the <i>consumer</i> will need to follow in order to exercise that right, including payment of any fees;
13.3	R	Where the <i>firm</i> offers the <i>MCD regulated mortgage contract</i> at a distance, the <i>firm</i> must inform the <i>consumer</i> of the absence of a right of withdrawal.
14		Section '12. Complaints'
14.1	R	(1) The <i>firm</i> must, in section 12, indicate to whom within the <i>firm</i> , the <i>consumer</i> can make a complaint and provide: (a) the name of the relevant department; (b) contact details, such as a geographical address, telephone number or contact person (including in the case of the contact person, their contact details); and

		(c)	a link to the complaints procedure on the relevant page of the <i>firm's</i> website or similar information source.
		(2)	The information required by (1) is in respect of the <i>firm</i> providing the <i>ESIS</i> .
14.2	R	The <i>firm</i> must, in section 12, indicate:	
		(1)	the name of the <i>Financial Ombudsman Service</i> ; and
		(2)	that using the <i>firm's</i> internal complaint procedure is a precondition for access to the <i>Financial Ombudsman Service</i> , using the wording in section 12 of MCOB 5A Annex 1 R .
14.3	R	[deleted]	
15	Section '13. Non-compliance with the commitments linked to the MCD regulated mortgage contract: consequences for the borrower'		
15.1	R	(1)	The <i>firm</i> must in section 13, describe the different main cases (eg, late payments/ default, failure to respect the obligations set out in Section 8 'Additional obligations') where non-observance of any of the <i>consumer's</i> obligations linked to the <i>MCD regulated mortgage contract</i> may have financial or legal consequences for the <i>consumer</i> and indicate where the <i>consumer</i> can obtain further information.
		(2)	The description required by (1) must be a summary which can be read and understood on its own.
		(3)	For each of the cases described under (1), the <i>firm</i> shall specify, in clear, easy comprehensible terms, the sanctions or consequences to which they may give rise and highlight any serious consequences.
15.2	G	The disclosure required by MCOB 5A Annex 2 , 15.1R(1) relates to "main cases", rather than every case.	
15.3	G	The <i>firm</i> may provide the detail relating to the summary provided under MCOB 5A Annex 2 , 15.1R(2) separately in the terms and conditions of the <i>MCD regulated mortgage contract</i> .	
15.4	R	Where the land used to secure the <i>MCD regulated mortgage contract</i> may be returned or transferred to the <i>MCD mortgage lender</i> , if the <i>consumer</i> does not comply with the obligations, the <i>firm</i> must, in section 13, include a statement indicating that fact, using the wording in section 13 of MCOB 5A Annex 1 R .	
16	Section '14. Additional information'		
16.1	R	If the <i>firm</i> is carrying on distance marketing, it must, in section 14 of MCOB 5A Annex 1 R , state the law applicable to the <i>MCD regulated mortgage contract</i> or the competent court.	
16.2	R	Where the <i>MCD mortgage lender</i> intends to communicate with the <i>consumer</i> during the life of the <i>MCD regulated mortgage contract</i> in a language different from the language of the <i>ESIS</i> , the <i>firm</i> must include that fact and state the language that will be used.	
16.3	R	The <i>firm</i> must state the <i>consumer's</i> right to be provided with a copy of the draft <i>MCD regulated mortgage contract</i> when the <i>MCD mortgage lender</i> provides the <i>consumer</i> with a binding offer.	
17	Section '15. Supervisor'		
17.1	The <i>firm</i> must state the relevant authority or authorities for the supervision of the pre-contractual stage of the <i>MCD regulated mortgage contract</i> .		