

## Chapter 7

Disclosure at start of contract  
and after sale



## 7.1 Application

### Who?

**7.1.1** **R** Subject to **MCOB 7.1.2A R**, this chapter applies to a *firm* in a category listed in column (1) of the table in **MCOB 7.1.2 R** in accordance with column (2) of that table.

**7.1.2** **R** This table belongs to **MCOB 7.1.1 R**

(1) Category of firm	(2) Applicable section
<i>mortgage lender</i>	whole chapter except MCOB 7.8
<i>mortgage administrator</i>	MCOB 7.1 - MCOB 7.3 and MCOB 7.5 - MCOB 7.7.
<i>mortgage adviser and mortgage arranger</i>	MCOB 7.1 - MCOB 7.3 and MCOB 7.6.7 R - MCOB 7.7.4 R
<i>home purchase provider</i>	MCOB 7.1.1 R to MCOB 7.1.4 R, MCOB 7.2, MCOB 7.3 and MCOB 7.8
<i>home purchase administrator</i>	As for a <i>home purchase provider</i> except MCOB 7.8.1 R and MCOB 7.8.2 G do not apply
<i>home purchase adviser and home purchase arranger</i>	MCOB 7.1.1 R to MCOB 7.1.4 R, MCOB 7.2 and MCOB 7.8.7 G
<i>reversion provider</i> <i>reversion administrator</i> <i>reversion adviser</i> <i>reversion arranger</i>	see MCOB 9.6 for the application of this chapter
<i>SRB administrator</i>	MCOB 7.9
<i>SRB agreement provider</i>	MCOB 7.1 to MCOB 7.3 and MCOB 7.9

**7.1.2A** **R** **MCOB 7.6.7 R** to **MCOB 7.6.17 R** do not apply to a *firm* that is an *MCD mortgage lender* or *MCD mortgage credit intermediary*.

**7.1.2B** **G** **MCOB 7B** applies to a *firm* that is an *MCD mortgage lender* or *MCD mortgage credit intermediary*, instead of **MCOB 7.6.7 R** to **MCOB 7.6.17 R**.

**What?**

- 7.1.3** **R** This chapter applies if a *firm*:
- (1) enters into a *home finance transaction* with a *customer*; or
  - (2) administers a *home finance transaction* which was entered into with a *customer*; or
  - (3) *arranges or advises on* or makes a further advance or other variation to the terms of a *home finance transaction* entered into with a *customer*.
- 7.1.4** **R** This chapter applies in relation to further advances and other variations (as specified in **■ MCOB 7.6.7 R** - **■ MCOB 7.7.4 R** in relation to a *regulated mortgage contract*) regardless of whether they are variations to an existing *home finance transaction* or are such that they involve the customer entering into a new *home finance transaction*.
- 7.1.5** **R** This chapter also applies in relation to *regulated mortgage contracts* in circumstances where the original *mortgage lender* has passed on ownership of the loan to a third party through *securitisation*. In such a case, the rules in **■ MCOB 7.5** - **■ MCOB 7.7.4 R** will apply to the *firm* which administers the *regulated mortgage contract*.
- 7.1.6** **R** In **■ MCOB 7.6.7 R** (Further advances), **■ MCOB 7.6.18 R** (Rate switches) and **■ MCOB 7.6.22 R** (Addition or removal of a party to the contract), if a *customer* submits an informal application as his first contact with a *firm*, the *illustration* required to be provided to a *customer* in accordance with those *rules* must be provided and the transaction must not proceed until the *customer* has made a formal application confirming that it should proceed.
- 7.1.7** **G** [deleted]
- 7.1.8** **R** In relation to a *lifetime mortgage*, this chapter is modified by **■ MCOB 9** (Equity release: product disclosure).



## 7.2 Purpose

### 7.2.1

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- (1) This chapter amplifies *Principle 6* and *Principle 7*.
- (1A) This chapter requires information to be supplied to *customers* at the start of a *regulated mortgage contract* to enable them to check that the *regulated mortgage contract* has been set up in accordance with their requirements and to notify them of the first and subsequent payments.
- (2) Where a *firm* provides services to a *customer* in relation to a further advance, rate switch, or addition or removal of a party to a *regulated mortgage contract*, this chapter also requires that the *customer* is provided with an *illustration* to make clear the price and features associated with that variation.
- (3) This chapter also ensures that *customers* are supplied with information which enables them to check the payments and charges on a *home finance transaction*, to keep track of the transactions on, and the features of, a *home finance transaction* and to be kept informed of material changes.
- (4) To ensure that a *customer* has a record of the information required by this chapter, ■ MCOB 7.3.2 R requires the information to be provided to the *customer* in a *durable medium*.



7.3 General

7.3.1 **G** MCOB 3A.2.1 (Fair, clear and not misleading communication) applies to information provided to a *customer* by a *firm* in accordance with this chapter.

7.3.2 **R** A *firm* must provide all of the information required by this chapter in a *durable medium*.

**Information provided in more than one document**

7.3.3 **R** The information required by this chapter, **■ MCOB 7**, may be provided in more than one document, provided the use of several documents does not materially diminish the significance of any information the *firm* is required to give the *customer*, or the ease with which this can be understood.



## 7.4 Mortgages: disclosure at the start of the contract

### 7.4.1

**R**

#### Disclosure requirements

(Subject to ■ MCOB 7.7.5 R) a *firm* that enters into a regulated mortgage contract with a *customer* must provide the *customer* with the following information before the *customer* makes the first payment under that *regulated mortgage contract*:

- (1) the amount of the first payment required;
- (2) the amount of the subsequent payment(s) if different from the first payment;
- (3) the method by which the payment will be collected (for example, by direct debit) and the date of collection of the first and subsequent payment;
- (4) confirmation of whether, in connection with the *regulated mortgage contract*, insurance or *investments* (such as a *repayment strategy*, term assurance, buildings and contents insurance or payment protection insurance) have been purchased through the *firm*;
- (5) the first premium (and subsequent premium where different) for any insurance or *investments* purchased through the *firm* in connection with the *regulated mortgage contract*;
- (6) confirmation of whether the insurance or *investment* premiums in (5) are to be collected with the mortgage payment or separately (where the latter applies, the *firm* must give details or state that these will be confirmed separately);
- (7) confirmation of whether the *regulated mortgage contract* is a *repayment mortgage* or *interest-only mortgage*, or a combination of both;
- (8) if all or part of the *regulated mortgage contract* is an *interest-only mortgage*, a reminder to the *customer* to check that a *repayment strategy* is in place, if the *repayment strategy* is not provided by the *firm*;
- (9) what to do if the *customer* falls into a *payment shortfall*, explaining the benefit of making early contact with the *firm*, providing the address and telephone number of a contact point for the *firm*, and drawing the *customer's* attention to the *arrears* charges set out in the *tariff of charges*;

- (10) confirmation of any *linked borrowing* and *linked deposits*; and
- (11) whether the *regulated mortgage contract* permits the *customer* to make any overpayments or underpayments of the amounts due.

**7.4.2** **R** The information in **■ MCOB 7.4.1 R** must be provided to the customer in a single communication, except (4), (5) and (6) which may be provided separately.

**7.4.3** **G** In the case of a *regulated mortgage contract* under which the loan is advanced to the *customer* in separate tranches, the amount required under **■ MCOB 7.4.1 R(1)** will be the repayment relating to the first tranche. The amount(s) required under **■ MCOB 7.4.1 R(2)** will need to reflect the fact that when each subsequent tranche is advanced, the payment that the *customer* will need to make will change.

**Record keeping**

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- 7.4.4** **R**
- (1) A *firm* must make and retain an adequate record of the information that it provides to each *customer* at the start of the *regulated mortgage contract* in accordance with this section.
  - (2) The record required by (1) must be maintained for a year from the date that the information is provided to the *customer*.

## 7.5 Mortgages: statements

### Annual statement: requirement

**7.5.1** **R** Subject to **■** MCOB 7.5.2 R, a *firm* must provide the *customer* with a statement at least once a year (or, in relation to the first statement, within the first 13 months):

- (1) covering the *regulated mortgage contract* and any *tied product* purchased through the *firm*; and
- (2) giving information about the existence of any *linked borrowing* or *linked deposits*, or any other products purchased through the *firm* where the payments for those products are combined with the payments on the *regulated mortgage contract*.

**7.5.2** **R** Where a *tied product* is operated separately from the *regulated mortgage contract*, for example where the premiums on a tied insurance product are not combined with payments on the *regulated mortgage contract*, the statement required by **■** MCOB 7.5.1 R in relation to the tied product may be provided in a separate communication.

### Annual statement: content

**7.5.3** **R** The statement required by **■** MCOB 7.5.1 R must contain the following:

- (1) except in the case of *mortgage credit cards*, information on the type of *regulated mortgage contract*, including:
  - (a) a clear statement of whether the *regulated mortgage contract* is an *interest-only mortgage*, or *repayment mortgage*, or a combination of both; and
  - (b) a prominent reminder, where all of the *regulated mortgage contract* is an *interest-only mortgage*, that:
    - (i) the *customer's* payments to the *firm* do not include any costs of the *repayment strategy* (if that is the case); and
    - (ii) the *customer* should have in place arrangements to pay off the capital, and should check the performance of any *investments* they might have in place for this purpose;
  - (c) a prominent reminder, where only part of the *regulated mortgage contract* is an *interest-only mortgage*, that:
    - (i) the *customer's* payments to the *firm* do not include any costs of the *repayment strategy* (if that is the case); and

- (ii) the *customer* should have in place arrangements to pay off the amount of the loan that is on an *interest-only* basis, and should check the performance of any *investments* they might have in place for this purpose;
- (2) details of the following transactions and information on the *regulated mortgage contract* during the period since the last statement (or, where the statement is the first statement, since the *customer* entered into the *regulated mortgage contract*):
  - (a) the date and amount of each payment made;
  - (b) the amount of each payment that was due during the statement period;
  - (c) the rate(s) of interest applicable to the *regulated mortgage contract* during the statement period and, if applicable, the date(s) on which the rate(s) of interest changed;
  - (d) the amount of interest charged under the *regulated mortgage contract* during the statement period; and
  - (e) any other amounts charged under the *regulated mortgage contract* during the statement period, including fees and any amounts due in relation to *tied products*;
- (3) a reminder that the *customer* should contact the *firm* if they are unable to make their regular payments under the *regulated mortgage contract*; and
- (4) information at the date the statement is issued on:
  - (a) the amount owed by the *customer* under the *regulated mortgage contract*;
  - (b) the actual remaining term of the *regulated mortgage contract* (but if the term of the *regulated mortgage contract* is open-ended this should be clearly stated);
  - (c) the date at which any *early repayment charges* on the *regulated mortgage contract* cease to apply;
  - (d) where applicable, the *early repayment charge* that applies, expressed as a monetary amount (see ■ MCOB 5.6.84 R);
  - (e) the cost of redeeming the *regulated mortgage contract* (this must be shown as the sum of ■ MCOB 7.5.3 R(4)(a) and ■ MCOB 7.5.3 R(4)(d) plus any *linked borrowing* that cannot be retained (including the outstanding balances) plus any other charges that can be quantified at the date the statement is issued); if additional charges are payable that cannot be quantified at the point that the statement is issued (for example if the *customer* is in arrears) a warning must be included to that effect; and
  - (f) where applicable, the date on which the requirement for the *customer* to purchase any *tied products* from the *firm* comes an end.

**7.5.3A**



- (1) ■ MCOB 7.5.3 R (1)(b) does not apply where as a result of the *customer* having payment difficulties:

- (a) the *regulated mortgage contract* has changed to an *interest-only mortgage*; and
  - (b) interest is being deferred and capitalised by the *firm*.
- (2) Paragraph (1) applies only where the *customer* continues to have payment difficulties.

**7.5.3B** R ■ MCOB 7.5.3R(1)(b) and ■ MCOB 7.5.3R(1)(c) do not apply where the *regulated mortgage contract* is a *retirement interest-only mortgage*.

**7.5.4** R [deleted]

**7.5.5** R Where a *firm* provides a *customer* with a statement containing the information set out in ■ MCOB 7.5.3 R(2) more frequently than once a year, the information set out in ■ MCOB 7.5.3 R(1), ■ MCOB 7.5.3 R(3) and ■ MCOB 7.5.3 R(4) may be provided in a separate communication, but must be provided at least once a year.

**7.5.6** G Whether a *firm* is likely to provide the information set out in ■ MCOB 7.5.3 R(2) more frequently than once a year will depend on the nature of the *regulated mortgage contract*. In determining how frequently to provide that information, a *firm* should take into account the need to keep the *customer* informed of any changes in the amount they owe, the *customer's* expectations and, where appropriate, the duration of the loan. For example, for a *mortgage credit card* the information might be provided monthly.

**7.5.7** R [deleted]

**Annual statement - additional content for customers in arrears**

**7.5.8** G If a *firm* chooses to use the annual statement to provide a *customer* with a regular written statement in accordance with ■ MCOB 13.5.1 R (Statements of

charges), as described in ■ MCOB 13.5.2 G(4), it will need to include the actual *payment shortfall* in the annual statement.

7.5.9

G

In some circumstances, a *firm* may agree a temporary payment plan with a *customer* that does not involve the *customer* paying the full amount he owes in each payment period. Where an account in *arrears* is subject to such a payment plan, and the amount that falls due each payment period is greater than the agreed payment, the *firm* will still need to show the payments that were due in accordance with ■ MCOB 7.5.3 R(2)(b). However, in these circumstances, the *firm* may wish to add information to acknowledge that a temporary payment plan is in place.

**Annual statement: additional content if tariff of charges has changed**

7.5.10

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If the *tariff of charges* has changed since the last annual statement was sent to the *customer* (or, where the annual statement is the first statement, since the *customer* entered into the *regulated mortgage contract*) and a *firm* has not already sent a revised *tariff of charges* to the *customer*, it must include one with the annual statement.



## 7.6 Mortgages: event-driven information

### Notification of payment changes and other material changes to terms and conditions

7.6.1

**R**

A *firm* must give the *customer* reasonable notice, in advance, of:

- (1) any changes to the payments that the *customer* is required to make resulting from interest rate changes; and
- (2) any material change by the *firm* (other than changes which come within **MCOB 7.6.2 R**) to the terms and conditions of the *regulated mortgage contract*, where that change is permitted without the *customer's* prior consent.

### Notification where the regulated mortgage contract is sold, assigned or transferred

7.6.2

**R**

A *firm* must notify a *customer*, as soon as the details are known, of who will be responsible for setting interest rates and charges on the *regulated mortgage contract* if any interest in the *regulated mortgage contract* is to be sold, assigned, or transferred, and the *firm* will no longer be responsible for this.

7.6.3

**R**

For the purposes of **MCOB 7.6.2 R** the *firm* may be treated as continuing to be responsible for setting interest rates and charges if, under the terms of the sale, assignment or transfer, it is expected that the rates and charges will continue to be set by reference to, and be no higher than, those set by the *firm* for other contracts of the same kind.

7.6.4

**G**

**MCOB 7.6.2 R** and **MCOB 7.6.3 R** may be relevant where a *regulated mortgage contract* is transferred to a third party through *securitisation*.

### Notification where additional borrowing taken up

7.6.5

**R**

Where the *customer* has, in accordance with the terms of the *regulated mortgage contract*, taken up an additional tranche of borrowing on a mortgage that is released in tranches and this did not require any further approval of the *mortgage lender*, a *firm* must provide confirmation as soon as possible of:

- (1) the new amount owed by the *customer* under the *regulated mortgage contract*;

- (2) the amount of each payment that is due; and
- (3) the interest rate charged.

**7.6.6** **G** Examples of where **■ MCOB 7.6.5 R** will apply are the release of tranches of money to the *customer* in relation to a self-build mortgage or other instalment mortgage.

**Further advances**

**7.6.7** **R** Before a *customer* submits an application to a *firm* for a further advance on an existing *regulated mortgage contract* or for a further advance that is a new *regulated mortgage contract*, if the further advance requires the approval of the *mortgage lender*, the *firm* must provide the *customer* with either

- (1) an *illustration* that complies with the requirements of **■ MCOB 5** (Pre-application disclosure) and **■ MCOB 7.6.9R** to **■ MCOB 7.6.17R**; or
- (2) an *ESIS* that complies with **■ MCOB 5A** (*MCD* pre-application disclosure) and **■ MCOB 7B.1.4R** (*MCD*: further advances);

unless:

- (3) such an *illustration* or *ESIS* has already been provided; or
- (4) the *regulated mortgage contract* is for a business purpose and the *firm* has chosen to comply with the tailored provisions for *regulated mortgage contracts* for a business purpose; or
- (5) the *regulated mortgage contract* is with a *high net worth mortgage customer* and the *firm* has chosen to comply with the tailored provisions for loans to *high net worth mortgage customers*;

(see **■ MCOB 7.7** (Business loans and loans to high net worth mortgage customers: tailored provisions)).

**7.6.8** **G** If a number of different *firms* are involved in relation to the transaction referred to in **■ MCOB 7.6.7 R**, having regard to **■ MCOB 2.5.4 R(2)**, those *firms* should take reasonable steps to establish which one of them is responsible for providing the *customer* with the *illustration* or *ESIS* required by **■ MCOB 7.6.7 R**.

**7.6.9** **R** An *illustration* provided in accordance with **■ MCOB 7.6.7R(1)** must:

- (1) be based on the amount of the further advance only;
- (2) use the term 'additional borrowing' in place of the term 'mortgage' where appropriate throughout the titles and text of the *illustration*;
- (3) include an additional section headed: 'Total borrowing' and numbered '7a' after Section 7, including the following text:
  - (a) "This section gives you information about how your mortgage will be affected by taking out this additional borrowing. Talk to

[your mortgage lender] [insert name of mortgage lender] if you are not sure of the details of your current mortgage."; and

(b) a clear statement explaining the total amount that the *customer* will owe if he takes out the additional borrowing and what the *customer's* new payments will be.

(4) include a clear statement, where all or part of the *regulated mortgage contract* is an *interest-only mortgage* and the amount paid in each instalment does not include the cost of a *repayment strategy*, to indicate that these payments do not include the cost of any savings plan or other investment.

**7.6.10** **G** In order to comply with **MCOB 7.6.9 R(1)**, a *firm* should calculate the *APR* required by **MCOB 5.6.34 R** on the basis of the further advance amount only.

**7.6.11** **G** For the purposes of **MCOB 7.6.9 R(3)** and (4):

(1) a *customer's* existing mortgage includes a mortgage entered into prior to 31 October 2004 as well as a *regulated mortgage contract*;

(2) the frequency of payments is that in **MCOB 5.6.40 R**; and

(3) a *firm* may generally rely on information provided by the *customer* unless, taking a common-sense view of this information, it has reason to doubt it.

**7.6.12** **G** An example of the total borrowing section referred to in **MCOB 7.6.9 R(3)** is in **MCOB 7 Annex 1**.

**7.6.13** **R** Where not all of the mortgage interest rates described in accordance with **MCOB 5.6.25 R(2)(a)** apply for the term of the loan part to which they apply, the *firm* must disclose the amount that will be paid in each instalment when complying with **MCOB 7.6.9 R(3)(b)**, including the following information:

(1) when a change in payment will occur;

(2) the reason for the change in payment; and

(3) confirmation that the payment illustrated assumes rates will not change.

**7.6.14** **R** (1) The *illustration* provided in accordance with **MCOB 7.6.7R(1)** may diverge from the requirements of **MCOB 5** (Pre-application disclosure) where it is necessary to do so in order to reflect the fact that the *illustration* is being provided for a further advance.

(2) The *ESIS* provided under **MCOB 7.6.7R(2)** may diverge from the requirements of **MCOB 5A** where it is necessary to do so to reflect that the *ESIS* is being provided for a further advance.

**7.6.15** **G** ■ MCOB 7.6.14 R allows the *firm* to make changes to wording and to add, remove or alter information that would otherwise be misleading for the *customer*. For example, the *firm* may add text to let the *customer* know if conditions applying to the original mortgage do not apply to the additional borrowing, such as 'The early repayment charges applying to your existing loan do not apply to this additional borrowing.'

**7.6.16** **R** (1) (In the case of a *business illustration*), ■ MCOB 5.6.16 R is replaced with the following: "Section 1: 'About this illustration' Under the section heading 'About this illustration', the following text must be included:'We are required by the Financial Conduct Authority (FCA) - the independent watchdog that regulates financial services - to provide you with this illustration.' "

(2) (In the case of any other *illustration* ), ■ MCOB 5.6.16 R is replaced with the following; "Section 1: 'About this illustration' Under the section heading 'About this illustration, the following text must be included: 'We are required by the Financial Conduct Authority (FCA) - the independent watchdog that regulates financial services - to provide you with this illustration. All firms selling mortgages are required to give illustrations like this one, that contain similar information presented in the same way.' "

**7.6.17** **R** (1) Where the further advance for which the *customer* has applied is in the form of an annual insurance premium secured by a first legal charge, a *firm*:

(a) may, instead of providing an *illustration* or *ESIS* in accordance with ■ MCOB 7.6.7 R, provide confirmation of the matters required by ■ MCOB 7.6.5 R; and

(b) where (a) applies use the following text:"Your annual insurance premium has been/will be added to your mortgage account [unless you pay it by dd/mm/yy]. If you choose to pay it in full on or before dd/mm/yy there will be no extra cost. If you do not, interest will be charged on the amount outstanding at [insert details of the applicable interest rate e.g. 'the same rate as your mortgage' or 'the standard variable rate which is currently x%']."

(2) If the insurance premium described in (1) is not an annual premium, (1)(a) and (b) apply but a *firm* must amend the text in (1)(b) to reflect the length of the contract.

**Rate switches**

**7.6.18** **R** Before a *customer* submits an application to a *firm* to change all or part of a *regulated mortgage contract* from one interest rate to another (for example, a transfer from a variable rate *regulated mortgage contract* to a fixed rate *regulated mortgage contract*, or from one fixed rate *regulated mortgage contract* to another fixed rate *regulated mortgage contract*), the *firm* must provide the *customer* with either:

(1) an *illustration* for the whole loan that complies with the requirements of ■ MCOB 5 (Pre-application disclosure); or

(2) an *ESIS* for the whole loan that complies with the requirements of ■ MCOB 5A (MCD Pre-application disclosure),  
unless such an *illustration* or *ESIS* has already been provided.

**7.6.19** **G** If a number of different *firms* are involved in relation to the transaction referred to in ■ MCOB 7.6.18 R, having regard to ■ MCOB 2.5.4 R(2), those *firms* should take reasonable steps to establish which one of them is responsible for providing the *customer* with the *illustration* or *ESIS* required by ■ MCOB 7.6.18 R.

**7.6.20** **R** (1) The *illustration* provided in accordance with ■ MCOB 7.6.18 R may diverge from the requirements of ■ MCOB 5 where it is necessary to do so to reflect the fact that the *illustration* is being provided for a rate switch.  
  
(2) The *ESIS* provided under ■ MCOB 7.6.18R (2) may diverge from the requirements of ■ MCOB 5A where it is necessary to do so to reflect that the *ESIS* is being provided for a rate switch.

**7.6.21** **G** ■ MCOB 7.6.20R (1) and ■ (2) allow a *firm* to make changes to wording and to add, remove or alter information that would otherwise be misleading to the *customer*. For example, a *firm* could replace the statement in Section 3 of the *illustration*, explaining that if information provided by the *customer* changes, the *illustration* may be affected, with a statement explaining that the *illustration* is based on information gathered in the past, which may no longer be accurate.

**Switch to a retirement interest-only mortgage**

**7.6.21A** **R** Where a *firm* proposes to vary the term of a *regulated mortgage contract* so that it becomes a *retirement interest-only mortgage*:  
  
(1) ■ MCOB 7.6.18R to ■ MCOB 7.6.21G apply as though references to a rate switch were references to such a contract variation; and  
  
(2) ■ MCOB 5.4 applies as though a reference to entering into a *home finance transaction* included such a contract variation.

**Addition or removal of a party to the contract**

**7.6.22** **R** Before a *customer* submits an application to add or remove a party to a *regulated mortgage contract*, a *firm* must provide any *customer* who will remain or become a party to the contract with either:  
  
(1) an *illustration* for the whole loan that complies with the requirements of ■ MCOB 5 (Pre-application disclosure); or  
  
(2) an *ESIS* for the whole loan which complies with the requirements of ■ MCOB 5A (MCD Pre-application disclosure).

- 7.6.23** **G** The *FCA* would not view:
- (1) a simple notification of the death of a party to the *regulated mortgage contract* as an application for the purposes of **■** MCOB 7.6.22 R; or
  - (2) a guarantor as a party to a *regulated mortgage contract*;
- so **■** MCOB 7.6.22 R does not mean that someone becoming a surviving joint borrower on or a guarantor to the *regulated mortgage contract* should receive an *illustration*.
- 7.6.24** **G** If a number of different *firms* are involved the transaction referred to in **■** MCOB 7.6.22 R, having regard to **■** MCOB 2.5.4 R(2), those *firms* should take reasonable steps to establish which one of them is responsible for providing the *customer* with the *illustration* or *ESIS* required by **■** MCOB 7.6.22 R.
- 7.6.25** **R**
- (1) The *illustration* provided in accordance with **■** MCOB 7.6.22 R may diverge from the requirements of **■** MCOB 5 (Pre-application disclosure) where it is necessary to do so to reflect the fact that the *illustration* is being provided in respect of the addition or removal of a party to the contract.
  - (2) The *ESIS* provided under **■** MCOB 7.6.22R (2) may diverge from the requirements of **■** MCOB 5A (MCD Pre-application disclosure) where it is necessary to do so to reflect that the *ESIS* is being provided for the addition or removal of a party to the contract.
- 7.6.26** **G** **■** MCOB 7.6.25R (1) and **■** (2) allow the *firm* to make changes to wording and to add, remove or alter information that would otherwise be misleading to the *customer*. For example, a *firm* may choose not to include a property valuation in the 'What you have told us' section of the *illustration* if the property value does not have a bearing on the terms of the *regulated mortgage contract*.
- 7.6.27** **R** [deleted]
- Changes to the amount of each payment due**.....
- 7.6.28** **R** If a *customer* requests, or agrees to, a change to a *regulated mortgage contract* (other than a change as described in **■** MCOB 7.6.7 R to **■** MCOB 7.6.26 G) that changes the amount of each payment due, a *firm* must provide the *customer* with the following information, in a single communication (subject to **■** MCOB 7.6.28AR (3)), before the change takes effect:
- (1) the amount outstanding on the *regulated mortgage contract* at the date the change is requested;
  - (2) the payment due and the frequency of payments; where it is known that the payment will change (for example at the end of a fixed rate period), the new payment and the date of the change must also be shown;

- (3) the rate of interest applying to the *regulated mortgage contract*; where it is known that the rate of interest will change, the new rate and the date of the change must also be shown;
- (4) the type of interest rate (for example fixed, or discounted); where it is known that the type of interest rate will change the new type and the date of the change must also be shown;
- (5) where the *regulated mortgage contract* will change to an *interest-only mortgage*, a prominent reminder that the *customer* should have in place arrangements to repay the capital, using the following text: 'You will still owe [insert amount borrowed or, where part of the *regulated mortgage contract* is an *interest-only mortgage*, insert the amount borrowed under the *interest-only mortgage*] at the end of the mortgage term. You will need to make separate arrangements to repay this. When comparing the new payments on this mortgage with your previous payments, remember to add any money you may need to pay into a separate savings plan to build up a lump sum to repay the amount you have borrowed.'; and
- (6) details of any charges that apply for changing the *regulated mortgage contract*.

**7.6.28A**

**R**

- (1) ■ MCOB 7.6.28 R (5) does not apply where the *regulated mortgage contract* is changing to an *interest-only mortgage* and interest is being deferred and capitalised by the *firm* as a result of the *customer* having payment difficulties.
- (2) Where (1) applies, the *firm* must instead provide a prominent reminder to the *customer* of the amount outstanding together with an explanation of the implications of deferred payments being capitalised, before the change in the *regulated mortgage contract* takes effect.
- (3) The reminder in (2) may be provided in a separate communication.

**7.6.29**

**G**

Examples of where ■ MCOB 7.6.28 R will apply are where the *customer* requests a change from an *interest-only mortgage* to a *repayment mortgage*, requests a change to the term of his mortgage or agrees to his *arrears* being capitalised.

**7.6.30**

**G**

If a number of different *firms* are involved in relation to the transaction referred to in ■ MCOB 7.6.28 R, having regard to ■ MCOB 2.5.4 R(2), those *firms* should take reasonable steps to establish which one of them is responsible for providing the *customer* with the information required by ■ MCOB 7.6.28 R.

**Use of illustrations or ESISs in place of information under MCOB 7.6.28R**

**7.6.31**

**R**

Where ■ MCOB 7.6.28 R applies, a *firm* may issue either:

- (1) an *illustration* in accordance with ■ MCOB 5 (Pre-application disclosure) in place of the information set out in ■ MCOB 7.6.28 R; or

(2) an *ESIS* in accordance with ■ MCOB 5A (MCD Pre-application disclosure),

in place of the information set out in ■ MCOB 7.6.28 R.

**7.6.31A** **R**

(1) The *illustration* provided under ■ MCOB 7.6.31R (1) may diverge from the requirements of ■ MCOB 5 (Pre-application disclosure) where it is necessary to do so to reflect the circumstances in which it is being provided.

(2) The *ESIS* provided under ■ MCOB 7.6.31R (2) may diverge from the requirements of ■ MCOB 5A (MCD Pre-application disclosure) where it is necessary to do so to reflect the circumstances in which it is being provided.

**7.6.31B** **G**

■ MCOB 7.6.31AR (1) and ■ (2) allow the *firm* to make changes to wording and to add, remove or alter information that would otherwise be misleading to the *customer*.

**7.6.32** **R**

Where ■ MCOB 7.6.28 R applies and the *customer* simultaneously requests a rate switch or the addition or removal of a party to the contract, a *firm* will not be required to provide the information in accordance with ■ MCOB 7.6.28 R where it is provided as part of:

(1) an *illustration* issued in accordance with ■ MCOB 7.6.18R (1) or ■ MCOB 7.6.22R (1); or

(2) an *ESIS* issued under ■ MCOB 7.6.18R (2) or ■ MCOB 7.6.22R (2).

**Simultaneous request for a rate switch and addition or removal of a party to a contract**

**7.6.33** **G**

(1) Where a *customer* simultaneously requests a rate switch and the addition or removal of a party to the loan, a *firm* will not be required to provide the *customer* with a separate *illustration* for each in accordance with ■ MCOB 7.6.18R (1) and ■ MCOB 7.6.22R (1). The *firm* may provide the *customer* with a single *illustration* that complies with the requirements of ■ MCOB 5(Pre-application disclosure) for both.

(2) Where a *customer* simultaneously requests a rate switch and the addition or removal of a party to the loan, a *firm* will not be required to provide the *customer* with a separate *ESIS* for each under ■ MCOB 7.6.18R (2) and ■ MCOB 7.6.22R (2). The *firm* may provide the *customer* with a single *ESIS* that complies with the requirements of ■ MCOB 5A (MCD Pre-application disclosure) for both.

**European Standardised Information Sheet (ESIS): additional APRC**

**7.6.34** **R**

Where a *firm* is required to provide a *customer* with an *ESIS* under ■ MCOB 7.6.18R (2) or ■ MCOB 7.6.22R (2), or a *firm* chooses to provide a *customer* with an *ESIS* under ■ MCOB 7.6.31R (2), the *firm* need not include the additional *APRC* required under ■ MCOB 10A.1.6 R, Section 4 of ■ MCOB 5A Annex 1 and ■ MCOB 5A Annex 2, 6.2R to 6.8R.

**7.6.35** **R** Where a *firm* provides a *customer* with an *ESIS* under ■ MCOB 7.6.18R (2), ■ MCOB 7.6.22R (2) or ■ MCOB 7.6.31R (2), that includes an additional *APRC*, the *firm* must either:

- (1) base that additional *APRC* on the *APRC* previously provided to the *customer* under ■ MCOB 5A (MCD Pre-application disclosure); or
- (2) calculate that additional *APRC* in accordance with ■ MCOB 10A.1.6 R, Section 4 of ■ MCOB 5A Annex 1 and ■ MCOB 5A Annex 2, 6.2R to 6.12R.

**7.6.36** **G** When considering whether to apply ■ MCOB 7.6.35R (1) or ■ MCOB 7.6.35R (2), a *firm* should consider its obligations under MCOB 3A.2.1R(2) to communicate in a way that is fair, clear and not misleading.



## **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 ■ **MCOB 7.7** 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*.



## 7.8 Home purchase plans

### 7.8 General

**Note:** The rules in this chapter regarding how a *firm* must provide information required by this section apply (see ■ MCOB 7.3).

### Post-sale disclosure

**7.8.1** **R** A *firm* that enters into a home purchase plan with a *customer* must ensure that before making the first payment the *customer* is provided with a prominent reminder that the *customer* should check that his right to occupy the property has been properly safeguarded.

**7.8.2** **G** A *firm* is reminded of its obligation to ensure that its *customer's* interests are protected to a reasonable standard (see ■ MCOB 2.6A).

### Annual statement

**7.8.3** **R** A *firm* must provide the *customer* with a statement at least once a year (or, in relation to the first statement, within the first 13 months of the plan term) covering the *home purchase plan* and including information about:

- (1) payments due and made during the period since the last statement (or, where the statement is the first statement, since the *customer* entered into the *home purchase plan*), including:
  - (a) whether the payment is a rental payment or a purchase payment;
  - (b) the applicable rental rate(s);
  - (c) where relevant, the *customer's* beneficial interest in the property;
- (2) the remaining acquisition amount;
- (3) the actual remaining term;
- (4) the ability of the *customer* to terminate it early and sell the property, together with any charges that would apply.

### Annual statement - additional content for customers in arrears

**7.8.4** **G** If a *firm* uses the annual statement to provide a *customer* with a written statement relating to *arrears*, it will need to include the actual *payment shortfall* in the annual statement (see ■ MCOB 13.5.2 G (4)).

7.8.5 **G** In some circumstances, a *firm* may agree a temporary payment plan with a *customer* that does not involve the customer paying the full amount he owes in each payment period. Where an account in *arrears* is subject to such a payment plan, and the amount that falls due each payment period is greater than the agreed payment, the *firm* will still need to show the payments that were due during the period since the last statement. However, in these circumstances, the *firm* may wish to add information to acknowledge that a temporary payment plan is in place.

**Tariff of charges**

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7.8.6 **R** A *firm* must include a *tariff of charges* with the annual statement if it has changed since the previous version provided.

**Event-driven information**

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7.8.7 **G** When a post-sale variation of the *home purchase plan* is proposed or takes place, a *firm* should have regard to the *Principles* (in particular, *Principles 6* and *7*) in determining the action it should take and what information to provide to the *customer*.



**7.9 Post-sale disclosure for regulated sale and rent back agreements**

7.9.1

**R**

Where the terms of a *regulated sale and rent back agreement* include a provision conferring upon the *SRB agreement seller* a right to receive any sum, or exercise any option, in relation to the transaction after it has been concluded, the *SRB agreement provider* must take reasonable steps to inform the *SRB agreement seller* in good time of any steps which the *SRB agreement seller* must take if he wishes to receive the sum or exercise the option.



**An example of the Total Borrowing section.**

This Annex belongs to MCOB 7.6.12G

<b>7a. Total Borrowing</b>	
This section gives you information about how your mortgage will be affected by taking out this additional borrowing. Talk to your mortgage lender if you are not sure of the details of your current mortgage.	
When this additional borrowing is added to your existing mortgage, the total amount you owe will be £ x and your monthly payments based on this amount will be	<b>Monthly Payment</b>
Initial monthly payment	£a
After 12 months the discount period on your further borrowing will end, and assuming rates do not change, your new monthly payment will be	£b
After 26 months the fixed rate period on a portion of your mortgage will end, and assuming rates do not change, your new monthly payment will be	£c
Remember to add the cost of any savings plan to these monthly payments	

