

Chapter 7

Disclosure at start of contract
and after sale



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

- 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*.