

Chapter 7

Disclosure at start of contract
and after sale

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

R

- (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

R

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.