

## Chapter 7

Disclosure at start of contract  
and after sale



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 <i>MCOB</i> that relate to that sector. In either case, the rest of <i>MCOB</i> applies in full.
7.7.2	G	Where a <i>customer</i> remains in breach, for more than one month, of an agreed borrowing limit or of an obligation to repay where the <i>regulated mortgage contract</i> does not have a regular repayment plan, <i>firms</i> are reminded that ■ <b>MCOB 13</b> (Arrears and repossessions) applies.
7.7.3	R	<p>Where a <i>customer</i> applies for a further advance that is a <i>regulated mortgage contract</i> for a business purpose or a <i>high net worth mortgage customer</i> who is not a <i>consumer</i> under an <i>MCD regulated mortgage contract</i> and ■ <b>MCOB 7.7.1 R</b> does not apply:</p> <p>(1) the <i>business illustration</i> or <i>high net worth illustration</i> must be based upon the total borrowing; and</p> <p>(2) ■ <b>MCOB 7.6.9 R</b> to ■ <b>MCOB 7.6.10 G</b> and ■ <b>MCOB 7.6.12 G</b> do not apply.</p>
		<b>Arrangements to repay capital</b>
7.7.4	R	Where ■ <b>MCOB 7.6.28 R(5)</b> applies, a <i>firm</i> may omit the final sentence of the required text where it is aware, in the context of an <i>interest-only mortgage</i> , that the <i>customer's</i> intention is not to use a savings plan as a <i>repayment strategy</i> .
		<b>Disclosure</b>
7.7.5	R	■ <b>MCOB 7.4</b> (Disclosure at the start of the contract) does not apply in relation to a <i>regulated mortgage contract</i> that is for a business purpose or a <i>high net worth mortgage customer</i> .