

Chapter 9

Equity release: product disclosure

9.3 Pre-application disclosure

9.3.1

R

- (1) ■ MCOB 5.1 to ■ MCOB 5.5 (with the modifications stated in ■ MCOB 9.3.2 R to ■ MCOB 9.3.12 R) apply to a *firm* where the *home finance transaction* is an *equity release transaction*, except that those provisions that by their nature are only relevant to *regulated mortgage contracts* do not apply to *home reversion plans* (see ■ MCOB 9.1.2A G).
- (2) The table in ■ MCOB 9.3.2 R shows how the relevant *rules* and *guidance* in *MCOB 5* must be modified by replacing the cross-references with the relevant cross-references to *rules* and *guidance* applicable to *equity release transactions*.
- (3) The table in ■ MCOB 9.3.3 R replaces certain *rules* and *guidance* in *MCOB 5* with *rules* and *guidance* from ■ MCOB 9.3 and ■ MCOB 9.4.
- (4) The table in ■ MCOB 9.3.4 R disapplies certain *rules* in *MCOB 5* for the purposes of *MCOB 9*.
- (5) The terms that by their nature are relevant only to *regulated mortgage contracts* must be replaced with the appropriate equivalent terms and expressions for *home reversion plans*.

9.3.1A

G

The provisions in this sourcebook that apply to *home reversion plans* should be read in a purposive way. This means that *firms* should substitute equivalent home reversion terminology for *lifetime mortgage* terminology, where appropriate. Examples of terms and expressions that must be replaced are 'loan' or 'amount borrowed', which should be replaced with 'amount released' or 'amount to be released', as appropriate, and '*mortgage lender*' and '*mortgage intermediary*' which should be replaced with '*reversion provider*' and '*reversion intermediary*'.

9.3.2

R

Table of modified cross-references to other rules.

This table belongs to ■ MCOB 9.3.1 R.

Subject	Rule or guidance	Reference in rule or guidance	To be read as a reference to:
Variations	MCOB 5.1.3R(2)	MCOB 7	MCOB 7 as modified by MCOB 9
Part of loan not an	MCOB 5.1.9G	MCOB 5.6.6R(2)	MCOB 9.4.6R(2)

Subject	Rule or guidance	Reference in rule or guidance	To be read as a reference to:
<i>equity release transaction</i>			
Waiver of provisions	MCOB 5.1.10G	MCOB 5.6	MCOB 9.4.
Purpose	MCOB 5.2.1G	MCOB 5	MCOB 5 as modified by MCOB 9
Applying for a <i>lifetime mortgage</i>	MCOB 5.3.2G	MCOB 5.6.26R and MCOB 5.6.27R	MCOB 9.4.26R and MCOB 9.4.27R
Messages to be given when providing information on <i>equity release transactions</i>	MCOB 5.4.18AR (1) MCOB 5.4.18AR (1)(a)	MCOB 4.7A.2 R MCOB 4.4A.1R (1), MCOB 4.4A.2 R and MCOB 4.4A.4R (1)	MCOB 8.5A.2 R MCOB 4.4A.1R (1), MCOB 4.4A.2 R and MCOB 4.4A.4R (1), each as applied by MCOB 8.3.1 R in modified form
Messages to be given when customer requests an <i>execution-only sale</i>	MCOB 5.4.18BR (1)	MCOB 4.8A.14R (1) to MCOB 4.8A.14R (3)	MCOB 8.6A.4R (2)
<i>Guidance relevant to messages given to customer</i>	MCOB 5.4.18C G	MCOB 5 Annex 1	MCOB 9 Annex 1 R for a <i>lifetime mortgage</i> ; MCOB 9 Annex 2 R for a <i>home reversion plan</i> .
<i>Tied products</i>	MCOB 5.4.24G	MCOB 5.6.74R	MCOB 9.4.73R or MCOB 9.4.160R
Provision of illustrations: timing	MCOB 5.5.1 R (2)(e)	MCOB 4.8A.14R (1), (2) or (3)	MCOB 8.6A.4R (2)
Issue of <i>offer document</i> in place of <i>illustration</i>	MCOB 5.5.3G	MCOB 6.4 and MCOB 6.6	MCOB 6.4 and MCOB 6.6 as modified by MCOB 9
<i>Customer's credit record</i>	MCOB 5.5.16R	MCOB 5.5.15R(4)	MCOB 9.3.12R(3)

9.3.3

R Table of rules in *MCOB 5* replaced by rules in *MCOB 9*: This table belongs to *MCOB 9.3.1R*

Subject	Rule(s) or guidance	Rule(s) or guidance replaced by:
Accuracy of the <i>illustration</i>	MCOB 5.4.2R - MCOB 5.4.7G	MCOB 9.3.5R - MCOB 9.3.10G

Subject	Rule(s) or guidance	Rule(s) or guidance replaced by:
Providing an illustration	MCOB 5.5.15R -	MCOB 9.3.12R -
Content of illustration	MCOB 5.6	MCOB 9.4

9.3.4 **R** Table of rules in *MCOB 5* which do not apply to *MCOB 9*: This table belongs to *MCOB 9.3.1R*.

Subject	Rule(s)
Business loans and loans to high net worth mortgage customers: tailored provisions	MCOB 5.7

9.3.5 **R** An *illustration* on a particular *equity release transaction* issued by, or on behalf of an *equity release provider*, must be an accurate reflection of the costs of the *equity release transaction*.

9.3.6 **R** A *mortgage intermediary* must take reasonable steps to ensure that an *illustration* which it issues, or which is issued on its behalf, other than that provided by a *mortgage lender*:

(1) is accurate within the following tolerances:

- (a) no more than one percent or £1, whichever is the greater, below the actual figures charged by the *mortgage lender* for the following:
 - (i) the *total amount payable* in Section 15 of the *illustration*;
 - (ii) the amounts that the *customer* must pay by regular instalment (where payments are required), or the amounts of interest charged, in Section 8 of the *illustration*; and
 - (iii) the amount by which the regular instalment, or the estimated amount owed, would increase following a one percentage point increase in interest rates in Section 9 of the *illustration*.
- (b) the *APR* in Section 15 of the *illustration* cannot be understated by more than 0.1%; and

(2) except in the case of conveyancing fees and insurance premiums (where estimates may be used), is accurate in respect of other figures quoted in the *illustration* including fees payable to the *mortgage lender* or *mortgage intermediary* in Section 11 and cash examples of *early repayment charges*, calculated in accordance with the rules at ■ MCOB 9.4.83 R to ■ MCOB 9.4.88 R, in Section 13.

9.3.6A **R** A *reversion intermediary* must take reasonable steps to ensure that an *illustration* which it issues, or which is issued on its behalf, other than that provided by an *reversion provider*, is accurate, except in the case of conveyancing fees and insurance premiums (where estimates may be used).

9.3.7 **G** Given that the *APR* is presented as a percentage, and must be rounded to one decimal place in accordance with *MCOB 10* (Annual Percentage Rate),

firms should note that the tolerance allowed for the *APR* in ■ MCOB 9.3.6 R(1)(b) means that, for example, where the actual *APR* is 5.0%, the quoted *APR* must be no lower than 4.9%, or where the actual *APR* is 16.0%, the quoted *APR* must be no lower than 15.9%.

9.3.8 **G** There are no restrictions on figures which are quoted as higher than those actually charged by the *equity release provider* although this should not be purposely done in order to make one *equity release transaction* look more expensive than another.

9.3.9 **G** It is the responsibility of an *equity release intermediary* to ensure an *illustration* is accurate. However, where a *firm* can show that it was reasonable for it to rely on information provided to it by another *person*, other than the *equity release provider*, he may be able to rely on that *person* (see ■ MCOB 2.5.2 R).

9.3.10 **G** An *offer document* may not always exactly match the *illustration* provided before application even when the *equity release* requirements have not changed. For example, where a fixed rate has a defined end date, the *total amount payable* may be different because the number of payments at the fixed rate has reduced, or the estimated amount of interest to be charged has changed, assuming a later date at which the *lifetime mortgage* will start.

9.3.11 **R** [deleted]

9.3.12 **R** In meeting a request an *illustration* in relation to a particular *equity release transaction* (see ■ MCOB 5.5.1 R (2)(d)), the *firm* must not delay the provision of the *illustration* by requesting information other than:

- (1) the information necessary to personalise the *illustration*, if the *firm* does not already know it;
- (2) where the *firm* is uncertain whether the transaction will be an *equity release transaction*, such information as is necessary to ascertain this;
- (3) where the interest rates, payments (if required) or any other terms and conditions to be included in the *illustration* are dependent on the *customer's* credit record, such information as is necessary to produce an *illustration*;
- (4) where the *firm* includes a quotation for any *tied products* or compulsory insurance in the *illustration*, such information as is necessary to produce those quotations; and
- (5) where the *customer* agrees to receive a quotation for insurance in the *illustration* (other than that provided for in (4)), such information as is necessary to produce those quotations