

## Chapter 9

# Equity release: product disclosure

## 9.7 Disclosure at the start of the contract: lifetime mortgages

9.7.1 **G** ■ MCOB 9.7 applies to a *firm* when it enters into a *lifetime mortgage*.

### Disclosure requirements where interest payments are required

9.7.2 **R** A *firm* that enters into a *lifetime mortgage* with a *customer* where interest payments are required (whether or not they will be collected by deduction from the income from an annuity or other linked *investment* product) must provide the *customer* with the following information before the *customer* makes the first payment under the contract:

- (1) the amount of the first payment required;
- (2) the amount of the subsequent payments;
- (3) the method by which the payments will be collected (for example, by direct debit or by deduction from a linked *investment* product such as an annuity) and the frequency of such payments and the date of collection of the first and subsequent payments;
- (4) the net amount which the *customer* will receive, where the interest payment is deducted from the income generated by a linked *investment* product such as an annuity, and the method by which this amount will be paid to the *customer*;
- (5) confirmation of whether in connection with the *lifetime mortgage* insurance products such as buildings and contents insurance or payment protection insurance) have been purchased through the *firm*;
- (6) the first premium (and subsequent premiums where different) for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;
- (7) confirmation of whether the insurance premiums 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);
- (8) confirmation that the *lifetime mortgage* is on an interest-only basis, and details of how the *firm* expects the capital to be repaid (for example, from the proceeds of the sale of the property);

- (9) if it is possible for a *payment shortfall* to occur, what to do if the customer has a *payment shortfall*, explaining the benefit of making early contact with the *firm*, providing the name, address and telephone of a contact point with 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* that are available; and
- (11) whether the *lifetime mortgage* permits the *customer* to make any overpayments or underpayments of the amounts due.

**9.7.3** **R** The information in **■ MCOB 9.7.2 R** must be provided to the *customer* in a single communication, except (5), (6) and (9) which may be provided separately.

**Disclosure requirements where the regulated lifetime mortgage contract is a drawdown mortgage with fixed payments to the customer**

**9.7.4** **R** A *firm* that enters into a *lifetime mortgage* which is a *drawdown mortgage*, with fixed payments to the *customer*, must provide the *customer* with the following information before the first payment is drawn down by the *customer*:

- (1) the amount of the first payment to be made;
- (2) the amount of subsequent payments, if different;
- (3) the method by which the payment will be made (for example, by transfer to the *customer's* bank account) and the date of issue of the first and subsequent payments;
- (4) confirmation of whether in connection with the *lifetime mortgage* insurance products such as buildings and contents insurance or payment protection insurance) have been purchased through the *firm*;
- (5) the first premium (and subsequent premiums where different) for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;
- (6) confirmation of the method and date of collection of the premiums for insurance products purchased through the *firm*;
- (7) details of how the *firm* expects the capital and interest to be repaid (for example from the proceeds of the sale of the property);
- (8) confirmation of any *linked borrowing* and *linked deposits* that are available; and
- (9) whether the *lifetime mortgage* permits the *customer* to make any repayments on the *lifetime mortgage*

**9.7.5** **R** The information in **MCOB 9.7.4 R** must be provided to the *customer* in a single communication, except (4), (5) and (6) which may be provided separately.

**9.7.6** **R** Where the *lifetime mortgage* is a *drawdown mortgage* and the *customer* can choose the amount and frequency of the payments they receive, or the amount and frequency of payments can vary for other reasons (for example in line with interest rates) the *firm* must provide the *customer* with the following information before the first payment is drawn down by the *customer*:

- (1) (a) where the *customer* can choose the amount and frequency of the payments they receive, details of any limitations to the amount and frequency of the payments which the *customer* may request; or
- (b) where the amount and frequency of payments can vary for other reasons (for example in line with interest rates), the amount of the first payment and details of how the amount and frequency of the payments can be varied in future;
- (2) the method by which the payment will be made (for example, by transfer to the *customer's* bank account);
- (3) confirmation of whether in connection with the *lifetime mortgage* insurance products such as buildings and contents insurance or payment protection insurance) have been purchased through the *firm*.
- (4) the first premium (and subsequent premiums where different) for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;
- (5) confirmation of the method and date of collection of the premiums for insurance products purchased through the *firm*;
- (6) details of how the *firm* expects the capital and interest to be repaid (for example from the proceeds of the sale of the property);
- (7) confirmation of any *linked borrowing* and *linked deposits* that are available; and
- (8) whether the *lifetime mortgage* permits the *customer* to make any repayments on the *lifetime mortgage*.

**9.7.7** **R** The information in **MCOB 9.7.6 R** must be provided to the *customer* in a single communication, except (3), (4) and (5) which may be provided separately

**Disclosure requirements where a lump sum payment is made to the customer and interest is rolled up**

**9.7.8** **R** Where the *lifetime mortgage* provides for a lump sum payment to be made to the *customer*, and all or part of the interest will be rolled up during the life of the mortgage, the *firm* must provide the *customer* with the following

information before the *customer* makes the first payment under the contract, or if no payments are required from the *customer*, within seven days of completion of the mortgage:

- (1) if no payments are required from the *customer*, confirmation that no payments are required and details of how the *firm* expects the capital and interest to be repaid (for example from the proceeds of the sale of the property);
- (2) if payments are required from the *customer*:
  - (a) the amount of the first payment required;
  - (b) the amount of the subsequent payments;
  - (c) the method by which the payments will be collected, the frequency of such payments and the date of collection of the first and subsequent payments; and
  - (d) what to do if the *customer* has a *payment shortfall*, explaining the benefit of making early contact with the *firm*, providing the name, address and telephone of a contact point with the *firm*, and drawing the *customer's* attention to the *arrears* charges set out in the *tariff of charges*;
- (3) confirmation of whether in connection with the *lifetime mortgage* insurance products such as buildings and contents insurance or payment protection insurance) have been purchased through the *firm*.
- (4) the amount of the first premium (and subsequent premiums where different) for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;
- (5) confirmation of the method and date of collection of the premiums for insurance products purchased through the *firm* in connection with the *lifetime mortgage*;
- (6) confirmation of any *linked borrowing* and *linked deposits* that are available; and
- (7) whether the *lifetime mortgage* permits the *customer* to make any overpayments or underpayments of the amounts due.

**9.7.9** **R** The information in **■ MCOB 9.7.8 R** must be provided to the *customer* in a single communication, except (3) (4) and (5) which may be provided separately

### **Record keeping requirements**

**9.7.10** **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 *lifetime mortgage* 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*.