

## Chapter 9

# Equity release: product disclosure

## 9.8 Disclosure after sale: lifetime mortgages

### Annual statements: content

#### 9.8.1

**R**

The statement required by ■ MCOB 7.5.1 R must contain the following information:

- (1) except in the case of *mortgage credit cards*, information on the type of *lifetime mortgage*, (for example, fixed rate or variable rate) including a clear statement of how the *firm* expects the capital, or capital and interest (whichever is applicable) to be repaid (for example, from the proceeds of the sale of the property);
- (2) details of the following transactions and information on the *lifetime mortgage* during the period since the last statement (or, where the statement is the first statement, since the *customer* entered into the *lifetime mortgage*):
  - (a) (if applicable) the date and amount of each payment made by the *customer*;
  - (b) (if applicable) the amount of each payment that was due from the *customer* during the statement period;
  - (c) for *drawdown mortgages*, the date and amount of each payment made to the *customer*;
  - (d) the rates(s) of interest applicable to the *lifetime mortgage* during the statement period and, if applicable, the date(s) on which the rate(s) of interest changed;
  - (e) the amount of interest charged under the *lifetime mortgage* during the statement period; and
  - (f) any other amounts charged under the *lifetime mortgage* during the statement period, including fees and any amounts due in relation to *tied products*;
- (3) where it is possible for *arrears* to occur, a reminder that the *customer* should contact the *firm* if they are unable to make their regular payments under the *lifetime mortgage*; and
- (4) information at the date the statement is issued on:
  - (a) the amount owed by the customer under the *lifetime mortgage*;
  - (b) the date at which any *early repayment charges* on the *lifetime mortgage* cease to apply, and the circumstances under which they will not apply;

- (c) where applicable, the *early repayment charge* that applies, expressed as a monetary amount (see ■ MCOB 9.4.83 R);
- (d) the cost of redeeming the *lifetime mortgage* at the date that the statement is issued (this must be shown as the sum of ■ MCOB 9.8.1 R(4)(a) and ■ MCOB 9.8.1 R(4)(c) 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
- (e) where applicable, the date on which the requirement for the *customer* to purchase any *tied products* from the *firm* comes an end.

- 9.8.2 **R** Where a *firm* provides a *customer* with a statement containing the information set out in ■ MCOB 9.8.1 R(2) more frequently than once a year, the information set out in ■ MCOB 9.8.1 R(1), ■ MCOB 9.8.1 R(3) and ■ MCOB 9.8.1 R(4) may be provided in a separate communication, but must be provided at least once a year.

### Event driven information

- 9.8.3 **R** A *firm* must give the *customer* reasonable notice, in advance, of any of the following:
- (1) any changes to the payments that the *customer* is required to make (where payments are required, and whether or not they are collected by deduction from the income provided by a linked *investment* product such as annuity) resulting from interest rate changes;
  - (2) the exercising of the *firm's* right (if allowed by the terms of the *lifetime mortgage* ) to enter the property to carry out essential repairs and maintenance (the cost must be confirmed to the *customer* where this will be added to the mortgage debt); and
  - (3) any material change by the *firm* (other than changes which come within ■ MCOB 7.6.2 R or are included in ■ MCOB 9.8.3 R(1) and (2)) to the terms and conditions of the *lifetime mortgage*, where that change is permitted without the *customer's* prior consent.

### Notification where additional borrowing taken up

- 9.8.4 **G** Examples of where ■ MCOB 7.6.5 R will apply are the release of tranches of money to the *customer* in relation to a self-build mortgage or other instalment mortgage, but not a *drawdown mortgage*.

### Further advances

- 9.8.5 **R** The *illustration* provided in accordance with ■ MCOB 7.6.7 R must;
- (1) be based on the amount of the further advance only;

- (2) use the term 'additional borrowing' in place of the term 'lifetime mortgage' where appropriate throughout the titles and text of the *illustration*;
- (3) include an additional section headed: 'Total borrowing' and numbered '9' after Section 8, (with subsequent sections of the *illustration* renumbered accordingly) including the following text:
- (a) "This section gives you information about how your lifetime mortgage will be affected by taking out this additional borrowing. Talk to [your mortgage lender] [insert name of mortgage lender] if you are not sure of the details of your current lifetime mortgage.";
  - (b) a clear statement explaining the total amount that the *customer* will owe if they take out the additional borrowing; and,
    - (i) where payments are required on the *lifetime mortgage*, what the *customer's* new payments will be; or
    - (ii) where the *lifetime mortgage* is an *interest roll-up mortgage*, the effect on the amount the *customer* would owe at the end of the estimated term and details of the estimated term that has been used (see ■ MCOB 9.8.6 G for guidance on the estimated term).
- 9.8.6 G The estimated term required at ■ MCOB 9.8.5 R(3)(b)(ii) may be:
- (1) the term originally estimated in accordance with ■ MCOB 9.4.10 R; or
  - (2) where the term originally estimated in accordance with ■ MCOB 9.4.10 R has expired, a revised estimate in accordance with ■ MCOB 9.4.10 R; or
  - (3) a term of the customer's choice, if the customer expresses a preference.
- 9.8.7 R ■ MCOB 9.4.18 R is replaced with the following: "Section 1: 'About this information' Under the section heading 'About this information', the following text must be included: "We are required by the Financial Conduct Authority (FCA) - the independent watchdog that regulates financial services - to provide you with this illustration. All firms selling lifetime mortgages are required to give illustrations, like this one, that contain similar information presented in the same way."
- 9.8.8 R [deleted]
- 9.8.9 R **Changes to payments, amounts drawn down and amount owed**
- If a *customer* requests, or agrees to, a change to a *lifetime mortgage* (other than a change as described in ■ MCOB 7.6.7 R to ■ MCOB 7.6.27 R (as modified by MCOB 9)) that changes the amount of each payment due (where payments are required), a *firm* must provide the *customer* with the following information, in a single communication, before the change takes effect:

- (1) the amount outstanding on the *lifetime mortgage* at the date the change is requested;
- (2) the payment due and the frequency of payments; where it is known that the payment will change (for example at the end of a fixed rate period), the new payment and the date of the change must also be shown;
- (3) the rate of interest applying to the *lifetime mortgage*; where it is known that the rate of interest will change, the new rate and the date of the change must also be shown;
- (4) the type of interest rate (for example fixed, or discounted); where it is known that the type of interest rate will change the new type and the date of the change must also be shown;
- (5) details of any charges that apply for changing the *lifetime mortgage*.

**9.8.10**

**R**

If a *customer* requests, or agrees to, a change to a *lifetime mortgage* (other than a change as described in ■ MCOB 7.6.7 R to ■ MCOB 7.6.27 R (as modified by MCOB 9)) that changes the amount paid to the *customer* under a *drawdown mortgage*, or the amount that the *customer* will owe under an *interest roll-up mortgage*, or both, a *firm* must provide the *customer* with the following information, in a single communication, before the change takes effect:

- (1) the amount outstanding on the *lifetime mortgage* at the date the change is requested;
- (2) (if applicable) the revised amount to be paid to the *customer* under the *drawdown mortgage* and the frequency of payments;
- (3) (a) an estimate of the revised amount that will be owed at the end of the term; or  
(b) (if the original term has expired) a revised estimate;  
in accordance with ■ MCOB 9.4.10 R;
- (4) the rate of interest applying to the *lifetime mortgage*; where it is known that the rate of interest will change, the new rate and the date of the change must also be shown;
- (5) the type of interest rate (for example fixed, or discounted); where it is known that the type of interest rate will change the new type and the date of the change must also be shown; and
- (6) details of any charges that apply for changing the *lifetime mortgage*.