Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in or under the Financial Services and Markets Act 2000 (the “Act”):

(1) section 138 (General rule-making power);

(2) section 145 (Financial promotion rules);

(3) section 156 (General supplementary powers); and

(4) section 157(1) (Guidance).

B. The rule-making powers listed above are specified for the purpose of section 153(2) of the Act (Rule-making instruments).

Commencement

C. This instrument comes into force on 31 October 2004.

Amendments to the Mortgages: Conduct of Business sourcebook

D. MCOB is amended in accordance with the Annex to this instrument.

Citation

E. This instrument may be cited as the Mortgages: Conduct of Business Sourcebook (Amendment) Instrument 2004.

By order of the Board
19 February 2004
Annex

Amendments to MCOB

In this Annex, underlining indicates new text and striking through indicates deleted text.

MCOB Transitional Provisions

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2) Material to which the transitional provision applies</th>
<th>(3) Transitional provision</th>
<th>(4) Transitional provision: dates in force</th>
<th>(5) Transitional provision: coming into force</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Every rule in MCOB unless the context otherwise requires and subject to any more specific transitional provision relating to the matter.</td>
<td>R</td>
<td>If the application of any provision in MCOB is dependent on the occurrence of a series of events, some of which occur before, and some of which occur on or after, 31 October 2004, the provision applies with respect to the events that occur on or after 31 October 2004.</td>
<td>From 31 October 2004 for six months.</td>
</tr>
<tr>
<td></td>
<td>Material to which the transitional provision applies</td>
<td>Transitional provision</td>
<td>Transitional provision: dates in force</td>
<td>Handbook provision: coming into force</td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------------------------------</td>
<td>------------------------</td>
<td>----------------------------------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>2</td>
<td>G</td>
<td>(1) For example, if a customer submits an application for a regulated mortgage contract before 31 October 2004, a firm responding to that application on or after 31 October 2004 will not be required to provide the customer with an illustration in accordance with MCOB 5. However, the firm will have to comply with the requirements in MCOB when taking any further action (such as issuing an offer) regarding the application on or after 31 October 2004.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) An offer document may have to be issued under transitional provision 1R even though no illustration has been given out (because that part of the transaction occurred before 31 October 2004). In such cases the suitably adapted illustration required by MCOB 6.4.4R would need to omit:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(a) the required text in MCOB 6.4.4R(§ 4)(b); and</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material to which the transitional provision applies</td>
<td>Transitional provision</td>
<td>Transitional provision: dates in force</td>
<td>Handbook provision: coming into force</td>
<td></td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>------------------------</td>
<td>----------------------------------------</td>
<td>---------------------------------------</td>
<td></td>
</tr>
<tr>
<td>3 G MCOB applies to regulated mortgage contracts entered into on or after 31 October 2004. Variations made on or after that date to mortgage contracts entered into before that date are not subject to FSA regulation but may be subject to the Consumer Credit Act 1974. …</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 MCOB 2.2.6R (1) A firm must disclose to a customer: … (c) details concerning complaints and redress for services provided before 31 October 2004 and those provided on or after 31 October 2004. (2) Unless already given to the customer before 31 October 2004, the information required in (1) must be communicated in a durable medium at the time of the first contact between the firm and the customer on or after 31 October 2004.</td>
<td>From 31 October 2004 for six months.</td>
<td>31 October 2004</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>------------------------------------------------------</td>
<td>----------------------------</td>
<td>-------------------------------------</td>
<td>--------------------------------------</td>
</tr>
<tr>
<td>5</td>
<td>MCOB 2.2.6R</td>
<td>At 31 October 2004, there will be cases where a firm has issued documentation which satisfies the requirements of the Consumer Credit Act 1974, but where no CCA agreement has been concluded. A customer may even have signed a CCA agreement, which has not been executed before the onset of mortgage regulation. In such cases, a firm must take care to avoid giving the impression that any agreement reached on or after 31 October 2004 will be subject to the Consumer Credit Act 1974, …</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 6   | MCOB 3.6 R                                        | (1) Providing it does not state or imply that protections under the Consumer Credit Act 1974 apply, a non-real time qualifying credit promotion communicated:  

(a) in a directory (or similar publication) that is updated annually;  

(b) otherwise than in (a);  

on or after 31 October 2004 that was first communicated before that date will be in compliance with the rules in MCOB 3.6 if it satisfies the advertising requirements under the Consumer Credit Act 1974. … |
|     |                                                     | (1)(a) From 31 October 2004 for one year;  

(1)(b) From 31 October 2004 for three months. |
|     |                                                     | 31 October 2004 |
1.6.1 **MCOB** applies to *regulated mortgage contracts* entered into on or after 31 October 2004. …

Annex 1 **G**

2 Table

The exclusions listed in this table are only a summary of the exclusions in the *Regulated Activities Order*. This summary is not a complete explanation of the exclusions and should not be relied on as if it were.

<table>
<thead>
<tr>
<th>Type of firm</th>
<th>Regulated activity</th>
<th>Description of activity</th>
<th>Summary of exclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>mortgage administrator</td>
<td>administering a regulated mortgage contract where that contract is entered into on or after 31 October 2004 (article 61(2) (Regulated mortgage contracts)).</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>mortgage adviser</td>
<td>advising on regulated mortgage contracts (article 53A (Advising on regulated mortgage contracts)).</td>
<td>Giving advice to a person in his capacity as borrower or potential borrower on the merits of doing any of the following: ...</td>
<td>...</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) varying the terms of a regulated mortgage contract entered into on or after 31 October 2004 in such a way as to vary the borrower’s obligations under the contract (see <em>AUTH App 4.6</em> (Advising on regulated mortgage contracts)).</td>
<td>...</td>
</tr>
</tbody>
</table>
### Annex 3 G

#### Table

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Who does the chapter apply to?</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>
| **MCOB 5 (Pre-application disclosure)** | The whole chapter applies to a mortgage lender; mortgage administrator; mortgage adviser and mortgage arranger, when it:
| (1) makes a personal recommendation about a particular mortgage regulated mortgage contract to a customer; or |
| ...     | ...                           |

---

### Annex 4G

#### 2 This table belongs to MCOB 1.4.1G

[Note: Handbook modules marked with an asterisk will be amended to take account of the introduction of mortgage regulation. The relevant amendments will take effect on 31 October 2004].

<table>
<thead>
<tr>
<th>Module</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td>Business Standards</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>{PRU 9.2}</strong></td>
<td></td>
</tr>
<tr>
<td><strong>PRU 9.2</strong></td>
<td>(Professional indemnity insurance requirements for insurance and mortgage mediation activities)</td>
</tr>
<tr>
<td></td>
<td>{Applies to every mortgage adviser and mortgage arranger where they are also a firm carrying on insurance mediation activities.}</td>
</tr>
</tbody>
</table>
3.6.9 R A non-real time qualifying credit promotion must:

(1) …; and

(2) …—; and

(3) not contain the 'key facts' logo unless it is required by a rule.

4.1.4 R (1) MCOB 4.4 (Initial disclosure requirements) applies only in relation to varying the terms of a regulated mortgage contract entered into by the customer in any of the following ways:

…

(c) switching all or part of the regulated mortgage contract from one type of interest rate to another.

4.1.8 G The FSA would not view the removal of a party to the regulated mortgage contract following the death of that party (and where no other variation is proposed) as a variation for the purposes of MCOB 4.1.4R(1).

4.4.7 R (1) If the initial contact of a kind in MCOB 4.4.1R(1) is by telephone, then unless MCOB 4.4.1R(2)(a) applies, the following information must be given before proceeding further:

…

(c) if the scope of the service is not based on the whole market MCOB 4.3.1R(1)(b), that the customer can request a copy of the list of mortgage lenders whose regulated mortgage contracts it offers …
4.8.1 R (1) If a firm arranges a regulated mortgage contract or a variation to an existing regulated mortgage contract without giving a personal recommendation, it must ensure that all the questions it asks the customer about the customer's needs and circumstances are scripted in advance.

(2) In the remainder of MCOB 4.8, a reference to a firm providing information to a customer in relation to a regulated mortgage contract is to be read as including a reference to providing information in relation to varying the terms of an existing regulated mortgage contract if the context so requires.

Annex 1 R: Initial disclosure document (“IDD”)

---

**keyfacts** about our mortgage services [Note 2]

XYZ FINANCIAL SERVICES

[Note 5]

[123 Any Street
Some Town
ST21 7QB]

1. ...

2. Whose mortgages do we offer? [Note 6] [Note 7]
   - [ ] We offer mortgages from the whole market.
   - [ ] We [can] [Note 8] only offer mortgages from a limited number of lenders. Ask us for a list of the lenders we offer mortgages from. [Note 9]
   - [ ] We [can] [Note 8] only offer [a limited range of the] [a] mortgage[s] from [a single lender] [name of single lender]. [Note 10]
   - [or]
     - [Name of lender] [can] We only offer its own mortgages. [Note 11]

3. ...

4. What will you have to pay us for this service? [Note 6]
   - [ ] No fee [we will be paid by commission from the lender]. [Note 12]
   - A fee [of £[ ] payable at the outset and £[ ] payable when you apply for a mortgage. [We will also be paid commission from the [lender].] [Note 12] [Note 13]
You will receive a key facts illustration when considering a particular mortgage which will tell you about any fees relating to a particular mortgage.

5. ...

6. **Who regulates us? [Note 18]**

   [XYZ Financial Services] [123 Any Street, Some Town ST21 7QB] [Note 19] [Note 5] [Note 19A] is authorised [Note 20] and regulated by the Financial Services Authority. Our FSA Register number is [].

   Our permitted business is [   ]. [Note 21]

   [or] [Note 19B]

   [Name of appointed representative] [Notes 3 and 4] is an appointed representative of [name of firm] [123 Any Street, Some Town ST21 7QB address of firm] [Note 19] [Note 5] [Note 19A] which is authorised and regulated by the Financial Services Authority. [Name of firm]’s FSA registration Register number is [   ].

   Our [Name of firm’s] permitted business is [advising on and arranging mortgages.] [Note 21]

   You can check this on the FSA’s Register by visiting the FSA’s website www.fsa.gov.uk/register/ or by contacting the FSA on 0845 606 1234.

7. ...

   ...

   **Note 12** – if the firm receives commission instead of, or in addition to, fees from the customer, it must insert a plain language explanation of this (see specimen for a plain language example).

   **Note 13** – insert a plain language description of when any fees are payable. This description could include, for example, a cash amount, a percentage of the loan amount or the amount per hour, as appropriate. However, where a cash amount is not disclosed, one or more examples of the cash amount must be included. If the firm offers more than one pricing option, it may illustrate each with a separate box. If a firm does not charge a fee, the text for the second box should be abbreviated to ‘A fee’.

   ...

   **Note 18** – these sections may be omitted in accordance with MCOB 4.4.1R(3). If this section is omitted, the other sections of the IDD must be renumbered accordingly.

   ...

   **Note 19A** – if the firm’s address on the FSA Register differs from that given on the IDD under note 5, the address on the FSA Register must be given in this section. If the address is the same as that given under note 5, it should be repeated in this section.
Note 19B – where the information is provided by an appointed representative, the appointed representative must use this text instead.

5.4.3 R A mortgage intermediary must take reasonable steps to ensure that an illustration which it issues, or which is to be 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:

... 

(iv) the amount by which the regular instalment (or the total amount payable for loans without a term or a regular repayment plan) would increase following a one percentage point increase in interest rates in Section 7 of the illustration;

... 

(2) except in the case of conveyancing fees and insurance premiums (where estimates may be used), is absolutely accurate in respect of other figures quoted in the illustration including fees payable to the mortgage lender or mortgage intermediary in Section 8 of the illustration and cash examples of early repayment charges, calculated in accordance with the rules in MCOB 5.6.84R to MCOB 5.6.88R, in Section 10 of the illustration.

... 

5.6.18 R ... 

(3) If the amount on which the illustration is based includes the amount that the customer wants to borrow plus insurance premiums (other than a higher lending charge or where the premium is repaid over a term of 12 months or less and no interest is charged on the premium) that have been added to the loan:

... 

5.6.34 R The following text must be included after the text required by MCOB 5.6.31R or MCOB 5.6.32R with the relevant cost measures shown in the right-hand column of Section 5 in accordance with the layout shown in MCOB 5 Ann 1R:

...
(2) "This means you pay back £ [insert the total amount payable divided by the amount on which the illustration is based from MCOB 5.6.6R(2) plus all fees, charges and insurance premiums added to the loan in accordance with MCOB 5.6.18R(2) and MCOB 5.6.18R(3)] for every £1 borrowed"; and

5.6.35 R ...

(3) Where all the interest rolls up and is repaid as a lump sum at the end of the regulated mortgage contract, as, for example, in the case of a secured bridging loan, the APR and total amount payable must be based on the total amount that the customer would owe at the end of the term. [deleted]

...

5.6.59 R Under the section heading 'Are you comfortable with the risks?':

...

(2) paragraphs (1)(g) and (1)(h) do not apply where:

(a) the interest rate is fixed throughout the term of the regulated mortgage contract; and or

(b) ...

5.6.65 R The following text must be included at the end of Section 7 'Are you comfortable with the risks?':

"The FSA's guide information sheet 'You can afford your mortgage now, but what if …?' will help you consider the risks. …

5.6.66 R Under the section heading 'What fees must you pay?' the illustration must:

(1) itemise all the fees that are included in the calculation of the APR in accordance with MCOB 10 (Annual Percentage Rate), excluding any charges for any compulsory mortgage payment protection insurance set out in Section 9 in accordance with MCOB 5.6.73R; and

...

5.6.77 R The following information must be included under the sub-heading 'Insurance you must take out as a condition of this mortgage but that you do not have to
take out through [insert the name of the mortgage lender, or where relevant the name of the mortgage intermediary, or both]”:

…

(3) if no insurance policies are required (other than that which is a tied product), the sub-heading 'Insurance you must take out as a condition of this mortgage but that you do not have to take out through [insert name(s) of mortgage lender and, where relevant the mortgage intermediary]’ must be retained in the illustration …

5.6.78 G Under the sub-heading 'Insurance you must take out as a condition of this mortgage but that you do not have to take out through [insert name of mortgage lender or where relevant the name of the mortgage intermediary, or both]’, the illustration should not …

…

5.6.93 R …

(3) If a firm provides a customer with supplementary information about any additional features or facilities over and above the information required under MCOB 5.6.92R to MCOB 5.6.112G, the firm may include a reference to that supplementary information in Section 12.

…

5.6.103 R Where any of the additional features under MCOB 5.6.99R to MCOB 5.6.102R inclusive apply, then the following must also be stated if the amount of additional borrowing that would be available to the customer is stated in the illustration:

…

(4) (where there is a regular payment plan) the payments on this total debt based on the frequency of payments in MCOB 5.6.40R and the current interest rate(s) that would apply applying on the date the illustration is issued;

…

5.6.104 R Where more than one additional borrowing facility from MCOB 5.6.99R to MCOB 5.6.102R applies, MCOB 5.6.102R(3) and (4) must each be based on the total debt and total payments due under all these linked borrowing facilities and must be included under a separate sub-section titled 'Total additional borrowing'.

…

5.6.106 R (1) Where additional features are included in accordance with MCOB 5.6.92R and these are credit facilities that do not meet the definition of a regulated mortgage contract, the relevant parts of Section 12 of the illustration must include the following text:
"This additional feature is not regulated by the Financial Services Authority FSA".

...  

5.6.117 R The amount payable in MCOB 5.6.113R(1) or MCOB 5.6.114R must include, but is not limited to:

...  

5.6.118 G MCOB 2.3.7R requires any material inducements provided by a mortgage lender, whether directly or indirectly, to a mortgage intermediary or third party connected to the mortgage intermediary (unless the payment only reflects the cost of outsourcing work relating to the processing of mortgage applications by a firm unconnected to the mortgage intermediary), by a mortgage lender, whether directly or indirectly, to be quantified in cash terms,

...  

5.6.129 R If the regulated mortgage contract is a shared appreciation mortgage, MCOB 5.6 applies to the illustration with the following amendments:

...  

(2) Section 5 'Overall cost of this mortgage' of the illustration must contain the following text at the end of the section:

"The APR and the total amount you must pay do not take account of the share that [insert name of mortgage lender] takes in any increase in the value of your property as described in Section 3 4. ...  

...  

5.6.140 R Under the section heading 'Are you comfortable with the risks?':

...  

(2) paragraph (1)(e) does not apply:

(a) where the interest rate is fixed throughout the term of the regulated mortgage contract; and or

...  

...  

5.6.145 R The following text must be included at the end of Section 7 'Are you comfortable with the risks?':
"The FSA's guide information sheet 'You can afford your mortgage now, but what if …?' will help you consider the risks. …

5.7.2 R A business illustration provided to a customer must:

(2) include the content required by MCOB 5.6.3R to MCOB 5.6.103R (except MCOB 5.6.5R, MCOB 5.6.101R, MCOB 5.6.109R – to MCOB 55.6.112G, and MCOB 5.6.120R and MCOB 5.6.121R);

6.1.3 R This chapter applies with respect to an offer made by a firm to a customer with a view to the firm:

(2) varying the terms of a regulated mortgage contract entered into by the customer in any of the following ways:

(c) switching all or part of the regulated mortgage contract from one type of interest rate to another;

6.4.4 R The illustration provided as part of the offer document in accordance with MCOB 6.4.1R(1) must meet the requirements of MCOB 5.6 (Content of illustrations) with the following modifications:

(8) the fees recorded in the illustration that is part of the offer document in accordance with MCOB 5.6.66R(1) must include any fees that have been paid or payable by the customer;

7.4.1 R (Subject to MCOB 7.7.5R) A firm that enters into a regulated mortgage contract with a customer must provide the customer with the following information…

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

(4) information at the date the statement is issued on:
(e) the cost of redeeming the regulated mortgage contract (this must be shown as the sum of MCOB 7.5.3R(4)(a) and MCOB 7.5.3R(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 (see MCOB 7.5.7R regarding what is included in the cost of redeeming the regulated mortgage contract); and

...

7.5.7 R The cost of redeeming a regulated mortgage contract referred to in MCOB 7.5.3R(4)(e) includes the full amount owed by the customer that must be repaid on surrendering the mortgage. This means that the balances of any linked borrowing that cannot be retained after the mortgage has been redeemed must be included in the calculation of the cost of redeeming the regulated mortgage contract. [deleted]

...

7.6.18 R Before a customer submits an application to a firm to change all or part of a regulated mortgage contract from one type of interest rate to another …

...

7.6.22 R (1) Except where (2) applies, Before a customer submits an application to add or remove a party to a regulated mortgage contract, a firm must provide any customer who will remain or become a party to the contract with an illustration for the whole loan that complies with the requirements of MCOB 5 (Pre-application disclosure).

(2) A firm is not required to provide the illustration required by (1) where the removal of a party to a regulated mortgage contract is the result of the death of that party, and no other party is to be added to the regulated mortgage contract.

7.6.23 G The FSA would not view:

(1) a simple notification of the death of a party to the regulated mortgage contract as an application for the purposes of MCOB 7.6.22R; or

(2) a guarantor as a party to a regulated mortgage contract;

so MCOB 7.6.22R(4) does not mean that someone becoming a surviving joint borrower on or a guarantor to the regulated mortgage contract should receive an illustration.

...

7.6.28 R If a customer requests, or agrees to, a change …
where the regulated mortgage contract will change to an interest-only mortgage, a prominent reminder that the customer should have in place arrangements to repay the capital, using the following text:

'You will still owe [insert amount borrowed or, where part of the regulated mortgage contract is an interest-only mortgage, insert the amount borrowed under the interest-only mortgage] at the end of the mortgage term. You will need to make separate arrangements to repay this. When comparing the new payments on this mortgage with your existing mortgage previous payments, remember to add any money you may need to pay into a separate savings plan to build up a lump sum to repay the amount you have borrowed.’; and

Simultaneous request for a product rate switch and addition or removal of a party to a contract

7.6.33 G Where a customer simultaneously requests a product rate switch and the addition or removal of a party to the loan, ...

7.7 Business loans

Further advances

7.7.1 R ...

Arrangements to repay capital

7.7.4 R ...

Disclosure

7.7.5 R MCOB 7.4 (Disclosure at the start of the contract) does not apply in relation to a regulated mortgage contract that is for a business purpose.

8.1.4 R (1) MCOB 4.4 (Initial disclosure requirements) (as modified by MCOB 8) applies only in relation to varying the terms of a regulated lifetime mortgage contract entered into by the customer in any of the following ways:

(c) switching all or part of the regulated lifetime mortgage contract from one type of interest rate to another.
2. Whose products do we offer? [Note 7] [Note 8]

☐ We offer products from the whole market.

☐ We [can] [Note 9] only offer products from a limited number of companies. Ask us for a list of the companies we offer products from. [Note 10]

☐ We [can] [Note 9] only offer [a limited range of the] [a product[s] from [a single company] [name of single company]. [Note 11] [or]

[Name of firm] [can] We only offer its [our own products].[Note 12]

4. What will you have to pay us for this service? [Note 7]

☐ No fee [we will be paid by commission from the company]. [Note 13]

☐ A fee of £[ ] [payable at the outset and £[ ] payable when you apply for a lifetime mortgage [or home reversion scheme]].[We will also be paid commission from the company.][Note 14]

You will receive a key facts illustration when considering a particular lifetime mortgage, [or further information about a particular home reversion scheme] which will tell you about any fees relating to it. [Note 3]

6. Who regulates us? [Note 19]
Note 20 – if the firm's address on the FSA Register differs from that given on the IDD under note 5, the address on the FSA Register must be given in this section. If the address is the same as that given under note 5, it should be repeated in this section.

Note 20B – where the information is provided by an appointed representative, the appointed representative must use this text instead.
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:

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

If the amount on which the illustration is based includes the amount that the customer wants to borrow plus insurance premiums (other than a higher lending charge or where the premium is repaid over a term of 12 months or less and no interest is charged on the premium) that have been added to the loan or amount to be drawn down:

The heading of the column on the right-hand side of for Section 8 of the illustration must state the frequency with which payments must be made by the customer. (For example, if payments are to be made on a monthly basis, the heading for this section must be 'What you will need to pay each month and when' and the column must be headed 'Monthly payments'.)

The table showing the projection in the section headed 'Projection of roll-up of interest' should show annual details in columns under the following headings:

'Interest charged at [insert percentage(s)] per year': this must be the interest charge for the year in question, calculated on the balance at the start of the year plus the amount drawn down during the year (if applicable) and any fees added to the loan during the year. The percentage(s) used must be as follows:

Under the section heading 'What fees must you pay?' the illustration must:

(1) itemise all the fees that are included in the calculation of the APR in accordance with MCOB 10 (Annual Percentage Rate), excluding any
charges for any compulsory mortgage payment protection insurance set out in Section 12 in accordance with MCOB 9.4.72R; and

...

9.4.76 R The following information must be included under the sub-heading 'Insurance you must take out as a condition of this mortgage but that you do not have to take out through [insert name of mortgage lender or where relevant the name of the mortgage intermediary, or both]':

...

(3) if no insurance policies are required (other than that which is a tied product), the sub-heading 'Insurance you must take out as a condition of this mortgage but that you do not have to take out through [insert name(s) of mortgage lender and, where relevant the mortgage intermediary] must be retained in the illustration …

9.4.77 G Under the sub-heading 'Insurance you must take out as a condition of this mortgage but that you do not have to take out through [insert name of mortgage lender or where relevant the name of the mortgage intermediary or both]', the illustration should not …

...

9.4.92 R …

(3) If a firm provides a customer with supplementary information about any additional features or facilities over and above the information required under MCOB 9.4.91R to MCOB 9.4.110R, the firm may include a reference to that supplementary information in Section 14.

...

9.4.103 R Where any of the additional features under MCOB 9.4.99R to MCOB 9.4.102R inclusive apply, then the following must also be stated if the amount of additional borrowing that would be available to the customer is stated in the illustration:

...

(4) the payments on this total debt based on the frequency of payments in MCOB 9.4.37R (if payments are required) and the current interest rate(s) that would apply applying on the date the illustration is issued;

...

9.4.104 R Where more than one additional borrowing facility from MCOB 9.4.99R to MCOB 9.4.102R applies, MCOB 9.4.103R(3) and (4) must each be based on the total debt and total payments due (if payments are required) under all these linked borrowing facilities and must be included under a separate subsection titled 'Total additional borrowing'.

...
9.4.106 R (1) Where additional features are included in accordance with MCOB 9.4.91R and these are credit facilities that do not meet the definition of a regulated mortgage contract, the relevant parts of Section 14 of the illustration must include the following text:

"This additional feature is not regulated by the Financial Services Authority FSA".

...

9.4.123 R The amount payable in MCOB 9.4.119R(1) or MCOB 9.4.120R must include, but is not limited to:

...

9.4.124 G MCOB 2.3.7R requires any material inducements provided by a mortgage lender, whether directly or indirectly, to a mortgage intermediary or third party connected to the mortgage intermediary (unless the payment only reflects the cost of outsourcing work relating to the processing of mortgage applications by a firm unconnected to the mortgage intermediary), by a mortgage lender, whether directly or indirectly, to be quantified in cash terms, ...

...

9.5.4 R The illustration provided as part of the offer document in accordance with MCOB 6.4.1R(1) must meet the requirements of MCOB 9.4, with the following modifications:

...

(7) the fees recorded in the illustration that is part of the offer document in accordance with MCOB 9.4.65R(1) must include any fees that have been paid or payable by the customer;

...

9.6.2 R Table of modified cross-references to other rules:

This table belongs to MCOB 9.6.1R.

<table>
<thead>
<tr>
<th>Subject</th>
<th>Rule or guidance</th>
<th>Reference in rule or guidance</th>
<th>To be read as a reference to:</th>
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<td>...</td>
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<tr>
<td>Frequency of statements</td>
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<td>MCOB 7.5.3R(2)</td>
<td>MCOB 9.8.1R(2)</td>
</tr>
<tr>
<td>Cost of redeeming</td>
<td>MCOB 7.5.7R</td>
<td>MCOB 7.5.3R(4)(e)</td>
<td>MCOB 9.8.1R(4)(d)</td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Addition or removal of party to contract

MCOB 7.6.22R(4)

...

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

...

(4) information at the date the statement is issued on:

...

(d) the cost of redeeming the regulated lifetime mortgage contract at the date that the statement is issued (this must be shown as the sum of MCOB 9.8.1R(4)(a) and MCOB 9.8.1R(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 (see MCOB 7.5.7R regarding what is included in the cost of redeeming the regulated lifetime mortgage contract); and

...

Notification where additional borrowing taken up

9.8.4 G ...

...

10.3.1 R (1)—The APR must be calculated so that, subject to (4) MCOB 10.3.1AR(3), the annual percentage rate of charge is the rate for \( i \) which satisfies the equation set out in (2) MCOB 10.3.1AR, expressed as a percentage.

(2)

10.3.1A R Table

This table belongs to MCOB 10.3.1R

The equation referred to in (1) MCOB 10.3.1R is:

\[
\sum_{K=1}^{K=m} \frac{A_K}{(1+i)^{v_K}} = \sum_{K'=1}^{K'=m'} \frac{A'_{K'}}{(1+i)^{v_{K'}}}
\]
where
K is the number identifying a particular advance of credit;
K’ is the number identifying a particular instalment;
AK is the amount of advance K;
A’K’ is the amount of instalment K’;
\( \sum \) represents the sum of all the terms indicated;
m is the number of advances of credit;
m’ is the total number of instalments;
tK is the interval, expressed in years, between the relevant date and the date of the second advance and those of any subsequent advances numbered three to m; and
tK’ is the interval, expressed in years, between the relevant date and the dates of instalments numbered one to m’.

10.3.1B R (31) In (2) MCOB 10.3.1AR, references to instalments are references to…

(42) Where more than one rate is given under (1) MCOB 10.3.1R, the APR is the positive rate nearest to zero …

…

10.3.3 R …

(2) For the purposes of this chapter:

…

Annex 1 G

Substantively Identical Provisions

<table>
<thead>
<tr>
<th>MCOB 10</th>
<th>Total Charge for Credit Regulations</th>
</tr>
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<tr>
<td>10.3.3R</td>
<td>Regulation 2</td>
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<tr>
<td>...</td>
<td></td>
</tr>
</tbody>
</table>

12.4.1 R (1) A firm must ensure that any regulated mortgage contract that it enters into does not impose, and cannot be used to impose, a charge for arrears on a customer except where that charge is a reasonable estimate of the cost of the as a result of the individual rules above, additional administration required as a result of the customer being in arrears.