

MORTGAGES: CONDUCT OF BUSINESS SOURCEBOOK (HOME REVERSION AND HOME PURCHASE ACTIVITIES) INSTRUMENT 2006

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions listed in Schedule 4 to the Mortgages: Conduct of Business sourcebook (Powers exercised) of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Financial Services and Markets Act 2000.

Commencement

- C. Subject to The Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2006 (SI No 2006/2383) being in force on 6 November 2006, this instrument comes into force on 6 April 2007.

Amendments to the Handbook

- D. The Mortgages: Conduct of Business sourcebook (MCOB) shall be cited as the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB) and all references in the Handbook are changed accordingly.
- E. MCOB is amended in accordance with Annexes A and B to this instrument.

Citation

- F. This instrument may be cited as the Mortgages: Conduct of Business Sourcebook (Home Reversion and Home Purchase Activities) Instrument 2006.

By order of the Board
25 October 2006

Annex A

Amendments to the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)

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

Application and purpose

...

Purpose

1.1.2 G ... This chapter also provides *guidance* on the application of other parts of the ~~Handbook to a firm that carries on regulated mortgage activities.~~

1.2 General application: who? what?

1.2.1 R (1) ~~MCOB~~This sourcebook applies to every *firm* that:

- (a) carries on ~~regulated mortgage activities~~a home finance activity (subject to ~~MCOB 1.2.3R(1)~~the business loan application provisions); or
- (b) *communicates or approves a* ~~qualifying credit~~financial promotion of qualifying credit, of a home purchase plan or of a home reversion plan.

(2) ...

...

Firm types and the ~~regulated mortgage~~home finance activities

1.2.2 G (1) This sourcebook applies to activities carried out in respect of three types of product: regulated mortgage contracts (which includes lifetime mortgages), home purchase plans, and home reversion plans. Together, these products are referred to as home finance transactions.

(2) Lifetime mortgages and home reversion plans are together referred to as equity release transactions.

(3) The application of most of ~~MCOB~~this sourcebook is expressed by reference to four types of *firm*: ~~mortgage lenders, mortgage administrators, mortgage arrangers and mortgage advisers~~lenders/providers, administrators, arrangers, and advisers. Arrangers

and advisers are together referred to as intermediaries. ... *Guidance on these firm types, the regulated mortgage activities which they carry on, a description of what those activities cover and what is excluded is set out in MCOB 1 Annex 1. PERG 4 contains detailed guidance on those activities regulated mortgage activities and PERG 14 contains detailed guidance on home purchase activities and home reversion activities.*

...

1.2.4 G *MCOB 1 Annex 2 contains a table summarising the provisions of MCOB that apply to regulated mortgage contracts that are for a business purpose. ...*

...

Business loans: additional requirements if tailored route is used

1.2.7 R In relation to a *regulated mortgage contract* for a business purpose, if a *firm* has opted for the tailored route in *MCOB 1.2.3 R(2)*, it must adopt the following modifications to the provisions in *MCOB* the sourcebook:

- (1) (except in relation to sections 6 and 8 of any ~~initial disclosure document provided in accordance with MCOB 4.4.1 R(1)(c)(i)~~ *initial disclosure document* or sections 5 and 8 of any ~~initial disclosure document provided in accordance with MCOB 4.4.1 R(1)(c)(ii)~~ *combined initial disclosure document*) substitute an alternative description of the facility provided under the *regulated mortgage contract* for 'mortgage' where that term is used in any disclosure;

...

...

Home purchase plans

1.2.9A G For detail of the tailored provisions applying to *home purchase plans*, see the section on 'home purchase plans' set out in each relevant chapter.

Authorised professional firms

1.2.10 R *MCOB* does not apply to an *authorised professional firm* with respect to its *non-mainstream regulated activities* except for:

...

- (3) ~~MCOB 4.4 (Initial disclosure requirements)~~ initial disclosure requirements but only as regards providing the information contained in section 7 (What to do if you have a complaint) and section 8 (Are we covered by the Financial Services Compensation Scheme?) of ~~MCOB 4 Annex 1 or MCOB 4 Annex 2, and MCOB 8 Annex 1 or MCOB 8 Annex 2~~ an initial disclosure document or combined initial

disclosure document (see MCOB 4.4 and MCOB 4.10).

...

Pre-contractual arrangements by a ~~mortgage lender~~ home finance provider

1.2.12 R In *MCOB* the activities of a ~~mortgage lender~~ home finance provider which would be *arranging* but for article 28A of the *Regulated Activities Order* (Arranging contracts or plans to which the arranger is a party), are to be treated as *arranging* and therefore also as *regulated mortgage home finance activities*.

1.2.13 G The effect of article 28A of the *Regulated Activities Order* would normally mean that arrangements made by a party to a ~~regulated mortgage contract~~ home finance transaction would not fall within the ~~regulated mortgage home finance activity~~ of *arranging*. So in a direct sale, a ~~mortgage lender~~ home finance provider would not be carrying on the *regulated activity* of *arranging* but, where the transaction proceeds to completion, would instead be involved in ~~the regulated activity of~~ comprising entering into a regulated mortgage home finance transaction. However, the provisions in *MCOB* on arranging ~~regulated mortgage contracts~~ home finance transactions are applied to pre-contractual arrangements by a ~~mortgage lender~~ home finance provider.

~~Summary of the application of the chapters of MCOB~~ [deleted]

1.2.14 G ~~A table summarising the application of the various chapters of MCOB to firms that carry on regulated mortgage activities is set out in MCOB 1 Annex 3. For the detailed application of each chapter, see the application rule at the start of that chapter.~~ [deleted]

1.3 General application: where?

Location of the customer

1.3.1 R Except as set out in this section, *MCOB* applies if the *customer* of a *firm* carrying on ~~regulated mortgage~~ home finance activities is resident in:

- (1) the *United Kingdom*; or
- (2) another *EEA State*, but in this case only if the activity is carried on from an establishment maintained by the *firm* (or its *appointed representative*) in the *United Kingdom*;

at the time that the ~~regulated mortgage~~ home finance activity is carried on.

...

Distance contracts entered into from an establishment in another EEA State

- 1.3.4 R (1) The *rules* in (2) do not apply to a *firm* with respect to ~~an activity~~ regulated mortgage activity or a home purchase activity exclusively concerning a *distance contract* if the following conditions are satisfied:
- ...
- (2) The *rules* which do not apply are:
- (a) ~~MCOB 4.4 (Initial disclosure requirements)~~ initial disclosure requirements in MCOB 4.4 (in respect of regulated mortgage contracts) and MCOB 4.10 (in respect of home purchase plans);
- (b) *MCOB 4.5* (Additional disclosure for distance mortgage mediation contracts and distance home purchase mediation contracts with retail customers);
- (c) *MCOB 4.6* (Cancellation of distance mortgage mediation contracts and distance home purchase mediation contracts);
- ...
- (h) ~~MCOB 8.4 (Initial disclosure requirements: home reversion schemes)~~; ~~[deleted]~~
- ...
- (k) *MCOB 9.5* (Disclosure at offer stage for ~~lifetime mortgages~~ equity release transactions).

Distance contracts with retail customers

- 1.3.5 G Parts of *MCOB* relate to *distance contracts* (or *distance mortgage mediation contracts* and distance home purchase mediation contracts) with *retail customers*. ...

...

- 1.4 ~~Application of the Handbook in relation to mortgages~~ ~~[deleted]~~

- 1.4.1 G A table summarising the application of the *Handbook* to *firms* carrying on *regulated mortgage activities* is set out in *MCOB 1 Annex 4*. For the detailed application of each module, see the application provision at the start of the module, and each chapter or section. ~~[deleted]~~

...

- 1.6 Application to mortgages in relation to the Consumer Credit Act 1974

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MCOB 1 Ann 1 to MCOB 1 Ann 4 is deleted in its entirety. The deleted text is not shown.

Annex 1 [deleted]

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Annex 2 [deleted]

...

Annex 3 [deleted]

...

Annex 4 [deleted]

Conduct of business standards: general

2.1 Application

Who?

2.1.1 R This chapter applies to a *firm* in a category listed in column (1) of the table in *MCOB 2.1.2R* in accordance with column (2) of that table.

This table belongs to *MCOB 2.1.1R*

2.1.2 R	(1) Category of firm	(2) Applicable section
	<i>mortgage lender</i> <i>mortgage administrator</i> <i>mortgage adviser</i> <i>mortgage arranger</i>	whole chapter except <i>MCOB 2.2.6AR</i> , <i>MCOB 2.2.8AR</i> , <i>MCOB 2.2.8BG</i> , <i>MCOB 2.6A</i> and <i>MCOB 2.8.6G</i>
	<i>home purchase provider</i>	<i>MCOB 2.1</i> , <i>MCOB 2.2.1G</i> , <i>MCOB 2.2.6R</i> to <i>MCOB 2.2.9G</i> , <i>MCOB 2.5</i> , <i>MCOB 2.6</i> , <i>MCOB 2.6A.1R</i> to <i>MCOB 2.6A.4G</i> , <i>MCOB 2.6A.7G</i> to <i>MCOB 2.6A.10G</i> , <i>MCOB 2.7.4R</i> to <i>MCOB 2.7.6R</i> and <i>MCOB 2.8.6G</i>

<u>home purchase administrator</u>	As for a <u>home purchase provider</u> but <u>MCOB 2.6A1R to MCOB 2.6A.4G and MCOB 2.6A.7G</u> do not apply
<u>home purchase adviser</u> <u>home purchase arranger</u>	As for a <u>home purchase provider</u> but <u>MCOB 2.6A</u> does not apply
<u>reversion provider</u>	whole chapter except <u>MCOB 2.2.6AR, MCOB 2.2.8AR and MCOB 2.2.8BG, MCOB 2.6A.7G, MCOB 2.7.4R to MCOB 2.7.6R and MCOB 2.8.6G</u>
<u>reversion administrator</u> <u>reversion arranger</u>	As for a <u>reversion provider</u> but the relevant provisions of <u>MCOB 2.6A</u> apply only when <u>arranging for a home reversion plan to be entered into by a reversion occupier with, or administering a home reversion plan provided by, an unauthorised reversion provider.</u>
<u>reversion adviser</u>	As for a <u>reversion provider</u> but <u>MCOB 2.6A</u> does not apply
<u>a firm that communicates or approves a qualifying credit financial promotion of qualifying credit or of a home reversion plan</u>	<u>MCOB 2.5, MCOB 2.6, MCOB 2.7</u> (except, when the <u>financial promotion</u> relates to a <u>home reversion plan, MCOB 2.7.4R to MCOB 2.7.6R</u>) and <u>MCOB 2.8</u> (except <u>MCOB 2.8.6G</u>)
<u>a firm that communicates or approves a financial promotion of a home purchase plan</u>	<u>MCOB 2.2.6R to MCOB 2.2.9G, MCOB 2.5, MCOB 2.6, MCOB 2.7 and MCOB 2.8.6G</u>

What?

2.1.3 R This chapter applies in relation to:

(1) regulated mortgage home finance activities;

- (2) those activities in *MCOB 12* and *MCOB 13* that are carried on after a regulated mortgage contract or home purchase plan has come to an end following the sale of a *repossessed* property, and those activities in *MCOB 12* that are carried on after a home reversion plan has ended for any reason; and
- (3) the *communication* or *approval* of a ~~qualifying credit~~ financial promotion of qualifying credit, of a *home purchase plan* or of a home reversion plan.

2.2 Communications

...

General

2.2.2 G In many circumstances there will be two or more *customers* under any ~~regulated mortgage contract~~ home finance transaction, or two or more prospective *customers* looking to enter into the same ~~regulated mortgage contract~~ home finance transaction. In such circumstances, ...

Prescribed terms for regulated mortgage contracts and home reversion plans

2.2.3 R In any communication to a *customer*, a *firm* must:

- (1) describe any *early repayment charge* as an 'early repayment charge' ~~and not use any other expression to describe such charges~~;
- (2) describe any *higher lending charge* as a 'higher lending charge' ~~and not use any other expression to describe such charges~~; and
- (3) describe any ~~regulated lifetime mortgage contract~~ as a 'lifetime mortgage' ~~and not use any other expression to describe such a mortgage~~; ~~and~~;

(4) describe any home reversion plan as a 'home reversion plan';

and not use any other expression to describe them.

...

Related investment advice

2.2.5 G *Firms* are reminded that they should follow the relevant *rules* in *COB 5* and *COB 6* relating to advice and disclosure on *investments* if they are *advising* the *customer* on an *investment* such as an annuity ~~linked to a regulated lifetime mortgage contract~~ associated with an equity release transaction or an *ISA* used as a *repayment vehicle*.

Clear, fair and not misleading communications and financial promotions

- 2.2.6 R (1) When a *firm* communicates information to a *customer*, it must take reasonable steps to communicate in a way that is clear, fair and not misleading.
- (2) ~~Paragraph (1) does not apply to a *firm* when it communicates a *qualifying credit promotion* in circumstances in which *MCOB 3* (Financial promotion) applies to the *firm*. [deleted]~~
- 2.2.6A R A *firm* which approves a financial promotion of a home purchase plan must take reasonable steps to ensure that the financial promotion is clear, fair and not misleading.
- 2.2.7 G When considering how to comply with the requirements of *MCOB 2.2.6R* ~~these rules~~ on clear, fair and not misleading communications and *financial promotions*, a *firm* should have regard to the *customer's* knowledge of the ~~regulated mortgage contract~~ home finance transaction to which the information relates.
- 2.2.8 G ~~*MCOB 2.2.6R*~~ The rule on clear, fair and not misleading communications covers all communications with *customers*, for example any oral or written statements, telephone calls and any correspondence which is not a ~~*qualifying credit*~~ financial promotion to which *MCOB 3* (Financial promotion) applies. In respect of ~~*qualifying credit*~~ financial promotions of qualifying credit or of home reversion plans, *firms* should note the separate requirements of *MCOB 3*.
- 2.2.8A R If a *firm* uses a figure equivalent to an *APR* in a communication of a *financial promotion* of a *home purchase plan*, when calculating that figure it must use an approach equivalent to the *APR rules*.
- 2.2.8B G The following guidance may be relevant to a *firm* that communicates or approves a financial promotion of a home purchase plan:
- (1) guidance on what 'communicate', 'approve' and 'financial promotion' mean, and on the media of communication to which *financial promotion rules* apply (see *MCOB 3.2.1G* and *MCOB 3.2.2G*);
 - (2) guidance on other *Handbook* provisions relevant to *financial promotions* (see *MCOB 3.2.8G* to *MCOB 3.2.9G*);
 - (3) guidance on other regulations and guidelines relevant to *financial promotions* (see *MCOB 3.5.3G*);
 - (4) guidance on referring to the *FSA* (see *MCOB 3.6.2G(3)*);
 - (5) guidance on the clear, fair and not misleading standard (see *MCOB*

3.6.5G, MCOB 3.6.10G and MCOB 3.6.14G); and

- (6) guidance on the use of the Internet for *communicating financial promotions* (see MCOB 3.12 and PERG 8.22).

Note: A comparative *financial promotion* will need to comply with regulation 4A of the Control of Misleading Advertisements Regulations 1988.

...

2.3 Inducements: regulated mortgage contracts and home reversion plans

Purpose

- 2.3.1 G ~~*Principles 1 and 6* require a *firm* to conduct its business with integrity, to pay due regard to the interests of its *customers* and to treat them fairly. The purpose of MCOB 2.3 is to ensure, in accordance with *Principles 1, 6 and 8*, that a *firm* does not conduct business under arrangements that might give rise to a conflict with its duty to *customers* or to unfair treatment of them.~~

Prohibition of inducements

- 2.3.2 R A *firm* must take reasonable steps to ensure that it, and any *person* acting on its behalf, does not:

- (1) offer, give, solicit or accept an inducement; or
(2) direct or refer any actual or potential business in relation to a *regulated mortgage contract* or *home reversion plan* to another *person* on its own initiative or on the instructions of an *associate*;

if it is likely to conflict to a material extent with any duty that the *firm* owes to its *customers* in connection with such a *regulated mortgage contract* or *home finance transaction* or any duty which such a recipient *firm* owes to its *customers* in connection with such a *regulated mortgage contract* or *home finance transaction*.

...

- 2.3.5 G MCOB 2.3.2R does not prevent a *firm*:

- (1) assisting a ~~*mortgage*~~ *home finance intermediary* so that the quality of the ~~*mortgage*~~ *home finance intermediary's* service to *customers* is enhanced; or

...

- 2.3.6 R (1) A *firm* must not operate a system of giving or offering inducements to a *mortgage intermediary*, *reversion intermediary* or any other

third party whereby the value of the inducement increases if the ~~mortgage intermediary~~intermediary or third party, such as a packager, exceeds a target set for the amount of business referred (for example, a volume override).

(2)

Quantification of inducements

2.3.7 R (1) A mortgage lender or reversion provider must quantify, in cash terms, any material inducement it offers to a mortgage intermediary, reversion intermediary or a third party.

(2) In quantifying the value of the material inducement, the firm must include any subsequent payments (such as a trail fee) made where the customer continues with the same regulated mortgage contract home finance transaction.

2.3.8 G (1) Quantification of any material inducement offered by the mortgage lender or reversion provider supports the disclosure requirements elsewhere in MCOB. Further guidance on the disclosure of any inducement in cash terms is provided in MCOB 5.6.118G for regulated mortgage contracts other than lifetime mortgages, MCOB 9.4.124G for lifetime mortgages and MCOB 9.4.173G for home reversion plans.

(2) A payment made to a third party unconnected with the mortgage home finance intermediary, where that payment only reflects the cost of outsourcing work relating to the processing of mortgage applications, would not be considered an inducement for these purposes in the context of MCOB 2.3.7R.

2.4 High pressure sales: regulated mortgage contracts and home reversion plans

Purpose

2.4.1 G The purpose of ~~MCOB 2.4~~this section is to remind firms of the relevance of the high level standards in PRIN, especially with regard to the use of sales methods that may lead a customer to feel pressurised to enter into, or vary, a regulated mortgage contract or home reversion plan.

Fair treatment

2.4.2 G ... a firm should avoid selling practices that commit customers (or lead customers to believe that they are committed) to any regulated mortgage contract or home reversion plan before they have been able to consider the illustration and offer document. ...

Information

2.4.3 G ... a firm should avoid giving any customer a false impression about the

availability of a *regulated mortgage contract* or *home reversion plan*, such as ...

2.5 Reliance on others

Purpose

2.5.1 G ... MCOB 2.5 indicates the extent to which *firms* that carry on ~~*regulated mortgage contract*~~ *home finance* activities and that *communicate* or *approve* a ~~*qualifying credit*~~ *financial* promotion can meet this requirement by relying on others.

...

After MCOB 2.6 insert the following new section. The inserted text is not underlined.

2.6A Protecting customers' interests: home purchase plans and home reversion plans

Protecting customers' interests: home purchase plans and home reversion plans

2.6A.1 R A *firm* must ensure that the interests of its *customer* under a *home purchase plan* or *home reversion plan* are protected to a reasonable standard.

2.6A.2 G Circumstances that a *firm* should consider include how the *customer* will be protected in the event of:

- (1) the *failure* of a *reversion provider* or *home purchase provider*;
- (2) the transfer of a *reversion provider's* or *home purchase provider's* interest (or the interest the provider would have had, had it not nominated a third party to hold it) in the property to a third party;
- (3) other dealings by a *reversion provider* or *home purchase provider* (or its nominee) with a third party; and
- (4) a *reversion provider's* or *home purchase provider's* (or its nominee's) failure to perform obligations owed to third parties, or imposed by statute.

2.6A.3 G The steps that a *firm* might take in order to protect its *customer's* interests will depend on a number of factors, including the nature and structure of the *home purchase plan* or *home reversion plan* and the jurisdiction in which the property is situated. If it is not possible to achieve reasonable protection (for example, due to impediments under a particular legal system) then a *firm* should not enter into, arrange or administer the plan.

2.6A.4 G (1) In the *FSA's* view, a *customer's* interests will include:

- (a) protection of the *customer's* rights under the plan, in

particular the right to occupy the property throughout its term;

- (b) protection of any interest (legal or beneficial) that the *customer* retains, acquires or is intended to acquire in the property, including the expectation that such interests will be unencumbered by third party interests; and
- (c) that, where a *customer* pays sums under a *home purchase plan* towards the purchase price of the property, those sums will be applied towards the purchase price. Or, in circumstances where that is not practicable (for example, on *repossession*), that an appropriate amount will be returned to the *customer*.

(2) The protections that a *firm* should consider include:

- (a) the extent to which different forms of tenure protect the tenant's right to occupy the property and afford protection against removal. In particular, granting the *customer* a licence to occupy the property is unlikely to provide an adequate level of security;
- (b) (except in Scotland) the need for any agreement under which a *customer* has a right to acquire an interest in the property to be specifically enforceable;
- (c) the extent to which appropriate registrations, restrictions, notices or other entries should be made in the relevant land register;
- (d) the timing of entries in the relevant land register and who should be responsible for making them; and
- (e) the *customer's* need for a full and clear understanding of all the steps that the *firm* expects him or his advisers to take to protect his interests both at the time the plan is entered into, and throughout its duration.

Protecting customers' interests: additional material for home reversion plans

2.6A.5 R Unless it is satisfied on reasonable grounds based on the *customer's* knowledge, expertise and experience that it is unnecessary, a *firm* must obtain from its *customer's* legal adviser, before its *customer* enters into a *home reversion plan*, confirmation that:

- (1) he has been instructed to ensure that the *customer's* legal rights under the plan are protected to a reasonable standard; and
- (2) he has explained to the *customer* those aspects of the *customer's* legal rights and obligations under the *home reversion plan* that he needs to understand.

- 2.6A.6 G *Firms* remain responsible for ensuring that their *customers'* interests are protected to a reasonable standard.

Protecting customers' interests: additional material for home purchase plans

- 2.6A.7 G A *home purchase provider* should consider obtaining confirmation from the *customer's* legal adviser that he has carried out, or will carry out, the steps that the *firm* expects the *customer* or his legal advisers to take to protect his interests at the time the plan is taken out.

Treating customers fairly: home purchase plans and home reversion plans

- 2.6A.8 R A *firm* must pay due regard to the interests of its *customer* and treat him fairly when drafting, amending the terms of, or imposing obligations or exercising rights or discretions under, a *home purchase plan* or *home reversion plan*.

- 2.6A.9 G A *firm* is unlikely, for example, to be treating its *customer* fairly in relation to termination of a *home purchase plan* or *home reversion plan* if:

- (1) the grounds on which it may terminate all or part of a plan are unduly wide, or on which a *customer* may terminate are unduly narrow; or
- (2) the *customer* is not given appropriate notice of termination.

- 2.6A.10 G A *firm* is also unlikely to be treating its *customer* fairly if, upon termination of an agreement under a *home purchase plan* or *home reversion plan*, the *customer* does not receive (net of any reasonable sums payable by the *customer*):

- (1) in the case of a *home reversion plan* where the *customer* retains a beneficial interest in the property, the value of that beneficial interest; or
- (2) in the case of a *home purchase plan*, the value of purchase payments made.

Note: The terms of a *home purchase plan* or *home reversion plan* should take into account relevant legal obligations such as those under the *Unfair Terms Regulations* and, where applicable, the Housing Act 1988 (or, in Scotland, the Housing (Scotland) Act 1988). A *firm* may find material on the FSA website concerning the FSA's consumer protection powers useful. The Office of Fair Trading has also published guidance on the impact of the *Unfair Terms Regulations* on tenancy agreements.

Treating customers fairly: home reversion plans

- 2.6A.11 G A *firm* is unlikely, for example, to be treating a *reversion occupier* fairly if:

- (1) the *reversion occupier* is obliged to maintain the property to a standard which exceeds the standard that the property is in when the

home reversion plan commences;

- (2) the *reversion occupier* is not entitled to, or is not given, reasonable notice of an inspection, or the inspection is conducted in a way that is biased against him;
- (3) unreasonable restrictions are imposed on who may occupy the property, taking into account the potential needs of the *reversion occupier* throughout the duration of the *home reversion plan*;
- (4) unreasonable restrictions are imposed on the uses to which the property may be put;
- (5) the *reversion occupier* is unreasonably treated as having abandoned the property. For example, it is likely to be unreasonable to treat a property as abandoned based only on a period of non-occupation;
- (6) where the *reversion occupier* has a reasonable expectation that the *home reversion plan* can be transferred to another property, agreement to such a transfer is, or can be, refused unreasonably.

Independent valuation: home reversion plans

- 2.6A.12 R A *firm* must ensure that any valuation is carried out by a competent valuer who is independent of the *reversion provider*.
- 2.6A.13 E
- (1) A valuer may be considered competent if he is a suitably qualified member of a professional body.
 - (2) A valuer may be considered independent if:
 - (a) the *customer* can choose the valuer subject to the *firm* objecting on reasonable grounds and to the valuer being competent;
 - (b) he owes a duty of care to the *customer* in valuing the property; and
 - (c) the *customer* has an appropriate remedy against him under a complaints procedure which allows the complaint to be referred to an independent person whose decision is binding on the valuer.
 - (3) Compliance with (1) and (2) may be relied on as tending to establish compliance with *MCOB 2.6A.12R*.
- 2.6A.14 G Members of the Royal Institution of Chartered Surveyors, for example, are required to operate a complaints procedure that allows the complaint to be referred to an independent person whose decision binds the valuer and which, in the *FSA*'s view, provides a *customer* with an appropriate remedy.

Obtaining best price: partial home reversion plans

- 2.6A.15 R *A firm* must take reasonable steps to ensure that, when a *home reversion plan* ends and the *customer* retains a beneficial interest in the property:
- (1) the property is sold within a reasonable period of time; and
 - (2) the best price that might reasonably be obtained is paid.
- 2.6A.16 G It is recognised that a balance has to be struck between the need to sell the property as soon as possible, and other factors, such as market conditions, which may prompt the delay of the sale. Legitimate reasons for deferring action might include the expiry of a period when a grant is repayable on re-sale, or the discovery of a title defect that needs to be remedied if the optimal selling price is to be achieved.
- Arranging or administering for unauthorised providers: home reversion plans
- 2.6A.17 R For the purpose of this section (except this *rule*), a *reversion arranger* or *reversion administrator's customer*:
- (1) includes a *reversion occupier* or potential *reversion occupier* who enters, or proposes to enter, into a *home reversion plan* with an *unauthorised reversion provider* who is the *firm's customer*; and
 - (2) excludes an *unauthorised reversion provider*.
- 2.6A.18 G *A person* may enter into a *home reversion plan* as provider without being regulated by the *FSA* (or an *exempt person*) if the *person* does not do so by way of business (see *PERG* 14.5). If a *firm* arranges for such a *person* to enter into a *home reversion plan* as provider, the *firm* will be responsible for ensuring that the *reversion occupier's* interests are protected to a reasonable standard, even if the *reversion arranger* is not acting for the *reversion occupier*. A *reversion administrator* is under the same obligation in relation to a *reversion occupier* under a *home reversion plan* which it *administers* on behalf of an *unauthorised reversion provider*.

In this section underlining indicates new text and striking through indicates deleted text.

2.7 Application to electronic media and distance communications

...

- 2.7.2 G For any electronic communication with a *customer* in relation to a ~~*regulated mortgage contract*~~ *home finance transaction*, a *firm* should:

...

...

General provisions related to distance contracts

- 2.7.4 R During the course of a *distance contract* with a *retail customer*, the making or performance of which constitutes or is part of a *regulated mortgage contract* or *home purchase plan*:
- (1) the *firm* must, at the *retail customer's* request, provide a paper copy of the contractual terms and conditions of the *regulated mortgage contract*, *home purchase plan* or ~~of the~~ services being provided by the *firm*; and
 - (2) the *firm* must comply with the *customer's* request to change the *means of distance communication* used, unless this is incompatible with the *regulated mortgage contract*, *home purchase plan* or service being provided by the *firm*.

...

Unsolicited services

- 2.7.6 R (1) ...
- (2) Paragraph (1) applies in relation to ~~advising on, arranging or entering into a regulated mortgage contract~~ *mortgage mediation activities, entering into a regulated mortgage contract, home purchase mediation activities or entering into a home purchase plan* under an organised distance sales or service-provision scheme ...

...

2.8 Record keeping

...

Home purchase plans

- 2.8.6 G This sourcebook does not specify detailed record keeping requirements for a firm that carries on a home purchase activity or that communicates or approves a financial promotion of a home purchase plan (but note the high-level record-keeping provisions in the Senior Management Arrangements, Systems and Controls sourcebook).

Financial promotion of qualifying credit and of home reversion plans

3.1 Application: who?

- 3.1.1 R This chapter applies to every *firm* which *communicates* or *approves* a ~~qualifying credit~~ *financial promotion of qualifying credit* or of a *home*

reversion plan.

3.1.2 G This chapter applies generally to *firms* in relation to all ~~*qualifying credit financial promotions of qualifying credit*~~ or of a *home reversion plan*. This wide application is however cut back by *MCOB 3.2* (Application: what?) and *MCOB 3.3* (Application: where?) which limit the application of this chapter for:

- (1) ~~*qualifying credit financial promotions*~~ which would fall within the scope of the exemptions in the *Financial Promotion Order* or the additional exemptions set out in *MCOB 3.2.5R* (Applications: what? Exemptions); and
- (2) ~~*qualifying credit financial promotions*~~ to persons outside the *United Kingdom*.

...

3.1.6 R This chapter does not apply to a *firm* in relation to the *communication* or *approval* of a *financial promotion of a home reversion plan to an unauthorised reversion provider* that is not a ~~*qualifying credit promotion*~~ (but see ~~*COB 3*~~ (*Financial promotion*)).

3.1.7 G A ~~*communication*~~ may contain both a *financial promotion* and a *qualifying credit promotion* and *home reversion plans*, for example a building society leaflet which describes the range of mortgage, and savings and insurance products it provides. In such cases, both ~~*MCOB 3*~~ and ~~*COB 3*~~ the *financial promotion rules* in this and other sourcebooks will each apply as be relevant.

...

Nationals of other EEA States

3.1.11 G A national of an *EEA State* (other than the *United Kingdom*) wishing to take advantage of the exemption in article 36 of the *Financial Promotion Order* in respect of a ~~*qualifying credit financial promotion of qualifying credit*~~ or of a *home reversion plan* should act in conformity with the *rules* in this chapter.

...

3.2 Application: what?

Application for a financial promotion of qualifying credit

3.2.-3 R This chapter applies to the *communication* or *approval* of a *financial promotion of qualifying credit* as follows:

<u>Application, purpose and general</u>	<u>MCOB 3.1 to MCOB 3.5</u>
<u>Form and content of non-real time qualifying credit promotions</u>	<u>MCOB 3.6</u>
<u>Unsolicited real time promotions of qualifying credit or home reversion plans</u>	<u>MCOB 3.7</u>
<u>Form and content of real time qualifying credit promotions</u>	<u>MCOB 3.8</u>
<u>Confirmation of compliance: financial promotions of qualifying credit or home reversion plans</u>	<u>MCOB 3.9</u>
<u>Records: non-real time financial promotions of qualifying credit or home reversion plans</u>	<u>MCOB 3.10</u>
<u>Communication and approval of qualifying credit promotions for an overseas person or an unauthorised person</u>	<u>MCOB 3.11</u>
<u>The Internet and other electronic media</u>	<u>MCOB 3.12</u>

Application for a financial promotion of a home reversion plan

3.2.-2 R This chapter applies to the communication or approval of a financial promotion of a home reversion plan as follows:

<u>Application, purpose and general</u>	<u>MCOB 3.1 to MCOB 3.5</u>
<u>Form and content of non-real time qualifying credit promotions</u>	<u>MCOB 3.6 in accordance with MCOB 3.8A</u>
<u>Unsolicited real time financial promotions of qualifying credit or home reversion plans</u>	<u>MCOB 3.7</u>
<u>Form and content of financial promotions of home reversion plans</u>	<u>MCOB 3.8A</u>
<u>Confirmation of compliance: financial promotions of qualifying credit or home reversion plans</u>	<u>MCOB 3.9</u>
<u>Records: non-real time financial promotions of qualifying credit or home reversion plans</u>	<u>MCOB 3.10</u>
<u>The Internet and other electronic media</u>	<u>MCOB 3.12</u>

Application for a financial promotion of a home purchase plan

3.2.-1 G The rules in this chapter do not apply to the communication or approval of a financial promotion of a home purchase plan. However, the clear, fair and not misleading standard still applies as does certain relevant guidance from this chapter (see MCOB 2.2).

...

Media of communication

3.2.2 G ...

(2) ~~Qualifying credit~~Financial promotions may be communicated for example, by means of:

...

(h) other publications, which may contain non-personal recommendations as to obtaining qualifying credit or entering into a home reversion plan.

3.2.3 G Guidance on the use of the Internet for ~~communicating qualifying credit~~financial promotions is in MCOB 3.12 (The Internet and other electronic media) and PERG 8.22 (The Internet).

Exemptions

3.2.4 R This chapter does not apply to a firm in relation to a ~~qualifying credit~~financial promotion of qualifying credit of a kind listed in MCOB 3.2.5R, except that if the firm approves the ~~qualifying credit~~financial promotion, the following apply:

(1) ...

(2) ~~MCOB 3.6.3R (Non-real time qualifying credit promotions: e~~Clear, fair and not misleading);

...

(4) if the firm approves a ~~non-real time qualifying credit~~financial promotion of qualifying credit by an overseas person MCOB 3.11.5R (Non-real time qualifying credit promotions for overseas persons) applies.

3.2.4A R This chapter does not apply to a firm in relation to a financial promotion of a home reversion plan of a kind listed in MCOB 3.2.5R, unless the firm approves the financial promotion.

3.2.5 R This table belongs to MCOB 3.2.4R and MCOB 3.2.4AR.

...

- 3.2.6 G *MCOB 3.2.5R(2) exempts a ~~qualifying credit~~financial promotion made by a firm or an appointed representative which refers to its activities only in general terms in image or brand advertising. The items identified in MCOB 3.2.5R(2) do not enable detailed information to be given about the ~~qualifying credit or home reversion plan~~ available from the firm. Thus firms should avoid the use of names, logos or addresses, for example, which attempt to convey additional ~~mortgage~~product or cost-related information.*

...

Other relevant handbook rules ~~relevant to qualifying credit promotions~~

...

- 3.2.9 G *Firms are reminded that if in the course of making a ~~qualifying credit~~financial promotion of any kind an adviser gives specific advice on ~~regulated mortgage contracts~~a home finance transaction to a customer about the suitability of a product for that individual, the adviser in giving the advice is subject to the rules, as appropriate, on advising and selling in MCOB 4 (Advising and selling standards) and MCOB 8 (~~Lifetime mortgages~~Equity release: advising and selling standards).*

3.3 Application: where?

Territorial Scope

- 3.3.1 R This chapter applies to a firm only in relation to:
- (1) the communication of a ~~qualifying credit~~financial promotion to a person inside the United Kingdom;
 - (2) the communication of an unsolicited real time ~~qualifying credit~~financial promotion of qualifying credit or of a home reversion plan, unless:

...
 - (3) the approval of a non-real time ~~qualifying credit~~financial promotion of qualifying credit or a home reversion plan for communication to a person inside the United Kingdom;
-
- 3.3.2 G (1) The application under MCOB 3.3.1R is relevant both when a firm communicates a ~~qualifying credit~~financial promotion itself and when a firm approves a non-real time ~~qualifying credit~~financial

promotion for communication by others. But see also *MCOB 3.3.3R* (Exceptions to territorial scope: rules without territorial limitation for approval of financial promotions) ~~regarding approvals.~~

...

Exceptions to territorial scope: rules without territorial limitation for approval of financial promotions

- 3.3.3 R Subject to *MCOB 3.3.5R* the following parts of this chapter apply without any territorial limitation if a *firm approves a qualifying credit/financial promotion of qualifying credit* or of a *home reversion plan*:

...

- (2) rules requiring a financial promotion to be clear, fair and not misleading (see *MCOB 3.6.3R(1)* (~~Non-real-time qualifying credit promotions: clear, fair and not misleading~~) in relation to *qualifying credit* and *MCOB 3.8A.1R* in relation to a *home reversion plan*); and
- (3) the provisions regarding *approval of financial promotions* (except those relating to *approval of financial promotions of qualifying credit* provided by an *overseas person*) (see *MCOB 3.11.1G* to *MCOB 3.11.4G* (~~Approval of qualifying credit promotions; No approval of real-time qualifying credit promotions; Approval of real-time qualifying credit promotions when not all the rules apply~~) and *MCOB 3.8A.6R*).

- 3.3.4 G There is no need for a *qualifying credit/financial promotion* which is indicated in *MCOB 3.3.1R* to be outside the territorial scope of the application of *MCOB 3* to be *approved* ... If a *firm* nevertheless *approves* such a *qualifying credit/financial promotion*, it must comply with the *rules* indicated in ~~*MCOB 3.3.3R*~~. However, a *firm* must not *approve* a *real-time qualifying credit/financial promotion* (see *MCOB 3.11.2R* (No approval of real-time qualifying credit promotions) or *MCOB 3.8A.6R* (No approval of real-time financial promotions of a home reversion plan)).

Exceptions to territorial scope: financial promotions of qualifying credit relating to distance contracts

- 3.3.5 R ...

- (3) The *rules* which do not apply are:
- (a) *MCOB 3.6.1R* (~~Non-real-time qualifying credit promotions: name and contact point~~);

...

- (f) *MCOB 3.8.2R(3) and (4) (Form and content of real time qualifying credit promotions).*

... Meaning of 'directed only at persons outside the United Kingdom'

3.3.7 R ...

- (4) The conditions are that:

...

- (d) there are in place proper systems and procedures to prevent recipients in the *United Kingdom* (other than those to whom the ~~*qualifying credit financial promotion*~~ might otherwise lawfully have been made) obtaining the ~~*qualifying credit product*~~ to which the ~~*qualifying credit financial promotion*~~ relates, from the *person* directing the ~~*qualifying credit financial promotion*~~, a *close relative* of his or a member of the same *group*;

...

3.4 Purpose

3.4.1 G (1) Section 21(1) of the *Act* (Restriction on financial promotion) imposes a restriction on the *communication of financial promotions* (~~*qualifying credit promotions in MCOB*~~) by *unauthorised persons*. A *person* must not, in the course of business, *communicate a qualifying credit financial promotion* unless:

- (a) he is an *authorised person*; or
- (b) the content of the ~~*qualifying credit financial promotion*~~ is *approved by an authorised person*.

- (2) However, the *Financial Promotion Order* exempts from the restriction created by section 21(1) of the *Act* certain types of *financial promotions* (~~*qualifying credit promotions in MCOB*~~).

3.4.2 G (1) The purpose of this chapter is to provide *rules and guidance* for a *firm* which wishes to *communicate or approve a qualifying credit financial promotion of qualifying credit or of a home reversion plan*. ~~*MCOB 3.5.2G (Application: what? Exemptions) provides a guide to the topics covered in this chapter.*~~

- (2) This chapter amplifies, for activities within its scope:

- (a) *Principle 6* (Customers' interests) ~~which requires a *firm* to pay due regard to the interests of its *customers* and treat them fairly;~~ and

- (b) *Principle 7* (Communications with clients) ~~which requires a~~

firm to pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.

3.5 General

~~Topics covered in this chapter~~

3.5.1 G ~~[deleted – see application tables in MCOB 3.2]MCOB 3 includes some provisions which are applicable to all types of *qualifying credit promotion* and others which apply only to specific types. MCOB 3.5.2G has been provided to help locate the areas of particular relevance to types of *qualifying credit promotion*.~~

3.5.2 G ~~[deleted]This table belongs to MCOB 3.5.1G~~

Areas of particular relevance to types of qualifying credit promotion			
(1)	Provisions applying to all <i>qualifying credit promotions</i>	Application – who?	<i>MCOB 3.1</i>
		Application – what?	<i>MCOB 3.2</i>
		Application – where?	<i>MCOB 3.3</i>
		Purpose	<i>MCOB 3.4</i>
		General	<i>MCOB 3.5</i>
(2)	Provisions applying only to <i>non-real time qualifying credit promotions</i>	Form and content of non-real time qualifying credit promotions	<i>MCOB 3.6</i>
		Confirmation of compliance	<i>MCOB 3.9</i>
		Records	<i>MCOB 3.10</i>
(3)	Provisions applying only to <i>real time qualifying credit promotions</i>	Unsolicited real time qualifying credit promotions	<i>MCOB 3.7</i>
		Form and content of real time qualifying credit promotions	<i>MCOB 3.8</i>
(4)	Provisions applying only to certain types of <i>qualifying credit promotions</i>	Communication and approval of qualifying credit promotions for an overseas or unauthorised person	<i>MCOB 3.11</i>
		The Internet and other electronic media	<i>MCOB 3.12</i>

...

~~Non-real time qualifying credit promotions:~~ nName and contact point

3.6.1 R ...

3.6.2 G ...

(3) A *firm* is not required in a ~~qualifying credit~~financial promotion which it *communicates* or *approves* to name the *FSA* as its regulator. However, to ~~comply with MCOB 3.6.3R (Non-real time qualifying credit promotions:~~ ensure the financial promotion is clear, fair and not misleading), if the *firm* chooses to name the *FSA* as its regulator and the ~~qualifying credit~~financial promotion refers to matters not regulated by the *FSA*, it should also make clear that those matters are not regulated by the *FSA*. This might arise, for example, where the communication included both a ~~qualifying credit~~financial promotion of qualifying credit and a promotion for *unsecured lending*...

~~Non-real time qualifying credit promotions:~~ eClear, fair and not misleading

...

3.6.8 R In ~~complying with its obligations under MCOB 3.6.3R (Non-real time qualifying credit promotions:~~ ensuring a financial promotion is clear, fair and not misleading), a *firm* must...

...

Required risk statements

3.6.13 R A *non-real time* ~~qualifying credit~~financial promotion must, unless ~~MCOB 3.6.15R (the~~ Transient advertising) *rule* applies, prominently contain one or more of the following statements in the circumstances described:

(1) where ~~the qualifying credit promotion~~it relates to a *regulated lifetime mortgage contract*: 'This is a lifetime mortgage. To understand the features and risks, ask for a personalised illustration.'. If the promotion also relates to a home reversion plan the statement may be adapted to the extent necessary to comply with the equivalent requirement for a home reversion plan (see MCOB 3.8A.3R(2)(a));

(2) where ~~the qualifying credit promotion~~it refers to paying off unsecured debts...

...

(5) where more than one of the statements in (1) to (4) applies, each relevant statement should be included ~~in the qualifying credit promotion~~....

...

...

3.7 ~~Qualifying credit~~financial promotions of qualifying credit or a home reversion plan

Meaning of 'solicited' and 'unsolicited' real time ~~qualifying credit~~financial promotion

3.7.1 R ...

(4) If a ~~qualifying credit~~financial promotion is solicited by a person ('R') it is treated as also having been solicited by any other person to whom it is made at the same time as R if that other person is a close relative of R or is expected to enter into a home reversion plan or any contract for qualifying credit jointly with R.

...

Prohibition on unsolicited real time ~~qualifying credit~~financial promotions to customers

3.7.3 R A firm must not make an *unsolicited real time* ~~qualifying credit~~financial promotion of qualifying credit or of a home reversion plan unless ... the customer envisages receiving such ~~unsolicited real time qualifying credit~~financial promotions.

...

3.8 Form and content of real time qualifying credit promotions

...

3.8.6 G Firms should note the additional disclosure requirements in ... *MCOB 4.5* (Additional disclosure for distance mortgage mediation contracts and distance home purchase mediation contracts with retail customers) ...

After MCOB 3.8 insert the following new section. Inserted text is not underlined.

3.8A Form and content of financial promotions of home reversion plans

Clear, fair and not misleading

3.8A.1 R A firm which communicates or approves a financial promotion of a home reversion plan must take reasonable steps to ensure that the financial

promotion is clear, fair and not misleading.

- 3.8A.2 G The guidance on the clear, fair and not misleading standard at *MCOB* 3.6.5G, *MCOB* 3.6.10G and *MCOB* 3.6.14G may be relevant.

Note: A comparative *financial promotion* will need to comply with regulation 4A of the Control of Misleading Advertisements Regulations 1988.

Non-real time financial promotions to customers

- 3.8A.3 R A *non-real time financial promotion* of a *home reversion plan* must:

- (1) describe any *home reversion plan* as a 'home reversion plan' and not use any other expression to describe it; and
- (2) unless it is *communicated* by way of sound broadcasting or television where the primary purpose of the programming in which the promotion is contained is not to promote home finance or by an exhibition of pictures or photographic or cinematographic films:
 - (a) (if made to or directed at a *customer* other than an *unauthorised reversion provider*) prominently state that it relates to a *home reversion plan* and that the *customer* should ask for a personalised illustration to understand its features and risks; or
 - (b) (if made to or directed at an *unauthorised reversion provider*) prominently state that a *home reversion plan* is a long-term investment and a complex legal arrangement, and that expert independent legal advice should always be obtained before entering into any agreement.

- 3.8A.4 E (1) A *firm* should take reasonable steps to ensure that, for a *non-real time financial promotion*:
- (a) it includes any matters the omission of which causes the *financial promotion* not to be clear, fair and not misleading;
 - (b) if it describes a feature of any *home reversion plan*, it gives no less prominence to the possible disadvantages than to the benefits associated with that feature;
 - (c) it uses plain and intelligible language, and is easily legible (or, in the case of oral promotions, clearly audible);
 - (d) the accuracy of all statements of fact in it can be substantiated;
 - (e) its promotional purpose is not in any way disguised or misrepresented;

- (f) any statement of fact, promise or prediction is clear, fair and not misleading and any relevant assumptions are clearly and prominently disclosed;
 - (g) any statement of opinion is honestly held and, unless consent is impracticable, given with the written consent of the *person* concerned;
 - (h) the facts on which any comparison or contrast is made are verified, or, alternatively, that relevant assumptions are prominently disclosed and that the comparison or contrast is presented in a fair and balanced way, which is not misleading and includes all factors which are relevant to the comparison or contrast;
 - (i) it does not contain any false indications, in particular as to:
 - (i) the *firm's* independence; or
 - (ii) the *firm's* resources and scale of activities;
 - (j) the design, content or format does not in any way disguise, obscure or diminish the significance of any statement, warning or other matter which the *home reversion plan* is required by this chapter to contain;
 - (k) it does not include any reference to approval by the *FSA* or any government body, unless such approval has been obtained in writing from the *FSA* or that body (see also *GEN* 1.2 (Referring to approval by the *FSA*));
- (2)
- (a) Contravention of (1) may be relied on as tending to show contravention of *MCOB* 3.8A.1R.
 - (b) Compliance with (1) may be relied on as tending to show compliance with *MCOB* 3.8A.1R.

3.8A.5 G The effect of giving no less prominence to the possible disadvantages than to the benefits associated with a feature will depend upon the content of the promotion. The following non-exhaustive examples would satisfy the requirement:

- (1) a promotion which, when describing any possible monetary saving, also clearly states how this could be achieved; and
- (2) a promotion which, when including references to non-standard services or facilities, also clearly states that an additional fee may be payable for these.

No approval of real time financial promotions of a home reversion plan

3.8A.6 R A *firm* must not approve a real time financial promotion of a home

reversion plan.

Referring to the FSA

- 3.8A.7 G The guidance on referring to the *FSA* in a *financial promotion* may be relevant (see *MCOB 3.6.2G(3)*).

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

3.9 Confirmation of compliance: financial promotions of qualifying credit or home reversion plans

...

- 3.9.2 G (1) ~~In *MCOB 3.9.1R(2)*'a'~~ Appropriate expertise' will vary depending on the complexity of the ~~*qualifying credit financial promotion*~~ and the *qualifying credit or home reversion plan* to which it relates. The individuals engaged by a *firm* to confirm the compliance of its ~~*qualifying credit financial promotions*~~ with this chapter may themselves have different levels of expertise and therefore a different level of authority for confirmation depending on the type of promotion and the *qualifying credit or home reversion plan* involved.
- (2) A *firm* may arrange for a third party with appropriate expertise to carry out the confirmation exercise on the *firm's* behalf, but the responsibility for the ~~*qualifying credit financial promotion*~~ remains with the *firm*.

...

Communicating a ~~*qualifying credit financial promotion*~~ where another firm has confirmed compliance

- 3.9.5 R ...

...

3.10 Records: non-real time financial promotions of qualifying credit or of a home reversion plan

...

Content of records

- 3.10.2 G In deciding what is an adequate record ~~under *MCOB 3.10.1R*~~, a *firm* should consider including, or providing reference to, where appropriate,

such matters as:

...

- (4) the evidence supporting any material factual statement about *qualifying credit* or a *home reversion plan* in the ~~*qualifying credit/financial*~~ promotion. ...

...

...

Approval of qualifying credit promotions

- 3.11.1 G (1) Section 21(1) of the *Act* (Restrictions on financial promotion) prohibits an *unauthorised person* from *communicating a financial promotion* (~~*qualifying credit promotion*~~ in the case of *MCOB*), in the course of business, unless an exemption applies or the ~~*qualifying credit/financial*~~ promotion is approved by a firm.
- (2) Most of the *rules* in this chapter apply when a firm approves a ~~*qualifying credit/financial*~~ promotion of *qualifying credit* in the same way as when a firm communicates a ~~*qualifying credit/financial*~~ promotion of *qualifying credit* itself. A firm therefore has a similar responsibility for a ~~*qualifying credit/financial*~~ promotion of *qualifying credit* that it approves as for one that it communicates. For example, a firm which approves a non-real time ~~*qualifying credit/financial*~~ promotion must:
- (a) ~~if *MCOB 3.9.1R* applies,~~ confirm that the ~~*qualifying credit/financial*~~ promotion complies with the *rules* in this chapter; and
- (b) ~~if *MCOB 3.6.3R(1)* applies,~~ be able to show that it has taken reasonable steps to ensure that the ~~*qualifying credit/financial*~~ promotion is clear, fair and not misleading.
- (3) A firm may also wish to approve a ~~*qualifying credit/financial*~~ promotion of *qualifying credit* that it communicates itself. This would ensure that an *unauthorised person* who then also communicates ~~the *qualifying credit promotion*~~ it to another person will not contravene the restriction in section 21(1) of the *Act* (Restrictions on financial promotion).

...

...

3.12 The Internet and other electronic media

...

- 3.12.2 G Any material, which meets the definition of a ~~qualifying credit~~financial promotion of qualifying credit or of a home reversion plan, including any video or moving image material incorporated in any website containing such a ~~qualifying credit~~financial promotion, should comply with the rules in this chapter. ...
- 3.12.3 G ...
- (2) ... a description of the qualifying credit or home reversion plan ...
- 3.12.4 G (1) ...
- (2) In relation to ~~qualifying credit~~financial promotions communicated by way of television...
- (3) ... Any ~~qualifying credit~~financial promotion of qualifying credit or of a home reversion plan communicated by the Internet, digital or other forms of interactive television is subject to the requirements in ~~MCOB 3.6 (Form and content of non-real time qualifying credit promotions)~~ and ~~MCOB 3.8 (Form and content of real-time qualifying credit promotions)~~ as applicable on form and content in this chapter.

...

Advising and selling standards

4.1 Application

Who?

- 4.1.1 R This chapter applies to a *firm* in a category listed in column (1) of the table in *MCOB 4.1.2R* in accordance with column (2) of that table.
- 4.1.2 R This table belongs to *MCOB 4.1.1R*

(1) Category of firm	(2) Applicable section
<i>mortgage lender</i>	whole chapter except MCOB 4.5—MCOB 4.7 <u>MCOB 4.1 to MCOB 4.4, and MCOB 4.8 to MCOB 4.9</u>
<i>mortgage adviser</i>	whole chapter <u>except MCOB 4.10</u>
<i>mortgage arranger</i>	whole chapter except MCOB 4.7 <u>and MCOB 4.10</u>

<u>home purchase provider</u>	<u>MCOB 4.1, MCOB 4.2 and MCOB 4.10 (except MCOB 4.10.5G to MCOB 4.10.7G).</u> <u>MCOB 4.3, MCOB 4.4 and MCOB 4.8 in accordance with MCOB 4.10</u>
<u>home purchase adviser</u>	<u>MCOB 4.1, MCOB 4.2, MCOB 4.5, MCOB 4.6 and MCOB 4.10.</u> <u>MCOB 4.3, MCOB 4.4, MCOB 4.7 and MCOB 4.8 in accordance with MCOB 4.10</u>
<u>home purchase arranger</u>	<u>As for a home purchase adviser except MCOB 4.10.5G to MCOB 4.10.7G and MCOB 4.7 do not apply</u>
<u>reversion provider</u> <u>reversion adviser</u> <u>reversion arranger</u>	<u>see MCOB 8 for the application of this chapter</u>

What?

- 4.1.3 R This chapter applies if a *firm* in the course of carrying on a *regulated mortgage home finance activity*:
- (1) makes, or anticipates making, a *personal recommendation* about; or
 - (2) gives, or anticipates giving, personalised information relating to; the *customer*:
 - (3) entering into a *regulated mortgage contract home finance transaction*; or
 - (4) varying the terms of a *regulated mortgage contract home finance transaction* entered into by the *customer*.
- ...
- 4.1.5 R In relation to an *regulated lifetime mortgage contract* or a *home reversion scheme equity release transaction*, this chapter ~~MCOB 4~~ is modified by *MCOB 8 (Lifetime mortgages Equity release: advising and selling standards)*.
- 4.1.6 G *MCOB 4.1.5R* means that this chapter, *MCOB 4*, deals with standard *regulated mortgage contracts* and *home purchase plans* only and therefore *firms* should note that the scope of service rules in ~~MCOB 4.3.1R~~ this chapter do not apply in respect of ~~standard regulated mortgage contracts only~~ *equity*

release transactions.

- 4.1.7 G If a firm is an authorised professional firm, ~~MCOB 1.2.10R(3) has the effect that when the firm conducts non-mainstream regulated activities with a customer, the only initial disclosure requirements that apply are those relating to the Financial Ombudsman Service and the FSCS (see MCOB 1.2.10R(3)).~~ MCOB 4.4 (Initial disclosure requirements) applies. The firm is only required to provide the initial disclosure information in MCOB 4 Annex 1 or MCOB 4 Annex 2 section 7 (What to do if you have a complaint) and section 8 (Are we covered by the Financial Services Compensation Scheme (FSCS)?).

...

4.2 Purpose

- 4.2.1 G (1) This chapter amplifies *Principle 6* (Customers' interests), *Principle 7* (Communications with clients) and *Principle 9* (Customers: relationships of trust). ~~*Principle 6* requires a firm to pay due regard to the interests of its customers and treat them fairly. *Principle 7* requires a firm to pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading. *Principle 9* requires a firm to take reasonable care to ensure the suitability of its advice.~~

- (2) The purpose of this chapter is to ensure that:

- (a) *customers* are adequately informed about the nature of the service which they may receive from a firm in relation to ~~regulated mortgage contracts~~ home finance transactions. In particular firms need to make clear to customers the scope of ~~regulated mortgage contracts~~ home finance transactions available from them; and
- (b) ... will vary depending on the demands and needs of the customer and the type of ~~regulated mortgage contract~~ home finance transaction.

...

- (3) This chapter also implements certain requirements of the *Distance Marketing Directive* in relation to *distance mortgage mediation contracts* (see ~~MCOB 4.5 (Additional disclosure for distance mortgage mediation contracts with retail customers) and MCOB 4.6 (Cancellation of distance mortgage mediation contracts)~~) and distance home purchase mediation contracts.

4.3 Scope of service provided

Providing services within and beyond scope

- 4.3.1 R (1) Subject to (2), a *firm* must take reasonable steps to ensure that the scope of the service given to a *customer*, and the ~~regulated mortgage contracts~~home finance transactions offered, is based on a selection from one of the following:
- (a) the whole market; or
 - (b) a limited number of ~~mortgage lenders~~home finance providers; or
 - (c) a single ~~mortgage lender~~home finance provider.
- (2) ...

...

- 4.3.4A R In applying this chapter, there is:
- (1) one market for regulated mortgage contracts that are not lifetime mortgages; and
 - (2) another market for home purchase plans.

...

Independence

- 4.3.7 R (1) When providing information or giving advice to a *customer* on ~~regulated mortgage contracts~~home finance transactions, a *firm* must not hold itself out as acting independently unless it intends to:
- (a) provide that service wholly or predominantly based on the whole market in the relevant type of home finance transaction; and
 - (b) ...
- (2) A *firm* which in accordance with (1) holds itself out as independent must ensure that the information or advice subsequently given to the *customer* concerned is information or advice on ~~regulated mortgage contracts~~home finance transactions from the whole market in the relevant type of home finance transaction.
- 4.3.8 G (1) ... A *firm* which wishes to hold itself out generally as acting independently should ensure that doing so (for example through a trading name or advertising) is consistent with the kind of service which *customers* receive in relation to ~~regulated mortgage contracts~~the relevant home finance transactions.

- (2) A *firm* that sells both *investments* and ~~*regulated mortgage contracts*~~ home finance products can offer from the whole market (or the whole market for a type of home finance transaction) and therefore be 'independent' for one but offer only a limited range for the other. ...

...

Appointed representatives

- 4.3.10 R A *firm* may restrict the ~~*regulated mortgage contracts*~~ home finance transactions it authorises a particular *appointed representative* to sell. If it does so, the *appointed representative* must reflect this restricted scope in ~~the initial disclosure document~~ any initial disclosure document or combined initial disclosure document provided to the *customer* ~~in accordance with MCOB 4.4.1R(1)(e)~~.

4.4 Initial disclosure requirements

Disclosure where initial contact is not made by telephone

- 4.4.1 R (1) A *firm* must ensure that, on first making contact with a *customer* when it anticipates giving personalised information or advice on a *regulated mortgage contract*, it:
- ...
- (c) ~~(unless (2) applies)~~ provides the *customer* with either:
- (i) ~~the initial disclosure document in MCOB 4 Annex 1~~ initial disclosure document; or
 - (ii) if the *firm* has reasonable grounds to be satisfied that the services which it is likely to provide to the *customer* will, ~~in addition to relating to regulated mortgage contracts or regulated lifetime mortgage contracts~~ relate to a combination of different types of home finance transaction, or will relate to home finance transactions and one or more of *non-investment insurance contracts* or *packaged products*, ~~the combined initial disclosure document in MCOB 4 Annex 2~~ a combined initial disclosure document;
- subject to (3) and in a *durable medium*.

...

- (3) A *firm* may choose not to include the initial disclosure information required by sections 6, 7 and 8 of ~~MCOB 4 Annex 1~~ the initial disclosure document, and sections 5, 7 and 8 of ~~MCOB 4 Annex 2~~ the

combined initial disclosure document, if ...

(4) A firm must not use a combined initial disclosure document in relation to a combination of:

(a) regulated mortgage contracts or home purchase plans; and

(b) equity release transactions.

...

4.4.7 R ...

(2) ... the firm must send the customer a copy of ~~the initial disclosure document required by MCOB 4.4.1R in the form set out in MCOB 4 Annex 1 or MCOB 4 Annex 2~~ an initial disclosure document or combined initial disclosure document...

...

...

4.5 Additional disclosure for distance mortgage mediation contracts and distance home purchase mediation contracts with retail customers

4.5.1 G (1) There are certain additional disclosure requirements laid down by the *Distance Marketing Directive* that will have to be provided by a mortgage intermediary and a home purchase intermediary to a retail customer prior to the conclusion of a distance mortgage mediation contract or a distance home purchase mediation contract. The purpose of this section, MCOB 4.5, is to set out those additional requirements. MCOB 4.6 sets out the cancellation rights that apply in relation to ~~a distance mortgage mediation contracts~~ such contracts.

(2) The FSA expects the requirements in MCOB 4.5 and MCOB 4.6 to be relevant only in a small minority of cases. Mediation at a distance (see MCOB 1.3.5G and MCOB 1.3.6G) is unlikely in the ~~mortgage home finance~~ market. MCOB 4.5 and MCOB 4.6 will only be relevant if a mortgage intermediary or a home purchase intermediary enters into a distance contract in respect of its mortgage mediation activities or home purchase mediation activities quite independent of any contractual arrangement with a retail customer relating to a particular regulated mortgage contract or home purchase plan. ...

4.5.2 R If the initial contact of a kind in MCOB 4.4.1R(1) is with a retail customer with a view to concluding a distance mortgage mediation contract or a distance home purchase mediation contract-, a firm must:

(1) in addition to ~~the~~ initial disclosure information ~~required by MCOB~~

4.4.1R(1)(e) and any other required information, provide the *retail customer* with the information in MCOB 4 Annex 3 in a *durable medium* in good time before the conclusion of the *distance mortgage mediation contract* or *distance home purchase mediation contract* with that *customer* unless an exemption in (2), (3), (4) or (5) applies.

...

- (3) Exemption: certain other means of distance communication. ... In that case, the *firm* must provide the *retail customer* with the information in a *durable medium* immediately after its conclusion of the *distance mortgage mediation contract*.

...

4.5.3 G (1) ...

- (2) ... However, if a service of a different nature is proposed, the *firm* is expected to provide a fresh initial disclosure document and, in respect of *distance mortgage mediation contracts* and *distance home purchase mediation contracts* with *retail customers*, this will need to be accompanied by the information in MCOB 4 Annex 3.

...

4.6 Cancellation of distance mortgage mediation contracts and distance home purchase mediation contracts

4.6.1 G A *retail customer* has no right to cancel a ~~*regulated mortgage contract*~~ *home finance transaction* concluded with a *firm* but may have a right to cancel a *distance contract* concluded with a *mortgage intermediary* or a *home purchase intermediary* for the provision of his services. Whether a *mortgage intermediary* or a *home purchase intermediary* concludes a *distance mortgage mediation contract* or a *distance home purchase mediation contract* with a *retail customer* will depend on the circumstances. For example, an intermediary may not, in *advising on* or *arranging a regulated mortgage contract* or *home purchase plan*, act contractually on behalf of, or for, the *customer*. In such circumstances, no *distance mediation contract* will arise for the *firm's* services, and therefore no right to cancel. If there is a contract between the *customer* and the ~~*mortgage intermediary*~~ *firm*, however, and therefore there is a right to cancel, the *firm* is required by MCOB 4.5.2R(1) to provide the information in MCOB 4 Annex 3(5).

...

Cancellation period

4.6.4 R (1) A *retail customer* has a right to cancel a *distance mortgage mediation contract* or a *distance home purchase mediation contract* in accordance with this section.

...

Exercising the right to cancel

4.6.5 R A *retail customer* who has a right to cancel a *distance mortgage mediation contract* or a *distance home purchase mediation contract* may, without giving any reason, cancel the contract by ...

...

4.7.12 G ...

(2) Where the scope of the *advice* provided is ~~restricted (within the meaning of MCOB 4.3.1R(1)(b) or (c)), MCOB 4.7.4R(2) means that~~ based on a selection of *regulated mortgage contracts* from a single or limited number of lenders, the assessment of suitability should not be limited to the types of *regulated mortgage contracts* which the *firm* offers. ~~MCOB 4.7.4R(2) prevents a firm recommending~~ A *firm* cannot recommend the 'least worst' *regulated mortgage contract* where the *firm* does not have access to products appropriate to the *customer's* needs and circumstances. ~~¶~~ This means, for example, that a *firm* dealing solely in the sub-prime market should not recommend one of these *regulated mortgage contracts* if approached for advice by a *customer* with an unblemished credit record.

...

4.7.14 G ...

(2) ... the *customer's* wish for a *regulated mortgage contract* that is compliant with ~~Sharia~~ Islamic law. ...

...

...

4.9.4 G (1) *Firms* are reminded that MCOB 1.2.7R enables them to substitute an alternative for 'mortgage' in the initial disclosure document (except in relation to sections 6 and 8 of any ~~initial disclosure document provided in accordance with MCOB 4.4.1R(1)(e)(i)~~ initial disclosure document or sections 5 and 8 of any ~~initial disclosure document provided in accordance with MCOB 4.4.1 R(1)(e)(ii)~~ combined initial disclosure document).

(2) MCOB 1.2.7R also means that a *firm* must amend ~~the initial disclosure document in MCOB 4 Annex 1~~ any initial disclosure document so that the final sentence of prescribed text in section 4 states: 'You will receive an illustration which will tell you about any fees relating to a particular [term used by the firm to describe the

borrowing, for example "mortgage"]].

...

After MCOB 4.9 insert the following new section. The inserted text is not underlined.

4.10 Home purchase plans

Scope of service provided

- 4.10.1 R A *firm* must comply with the scope of service requirements at *MCOB* 4.3.1R and *MCOB* 4.3.2R (Providing services within and beyond scope), *MCOB* 4.3.4AR (Whole of market) and *MCOB* 4.3.10R (Appointed representatives).

Initial disclosure requirements

- 4.10.2 R (1) A *firm* must, on first making contact with a *customer* when it anticipates giving personalised information or *advice* on *entering into a new home purchase plan*, ensure that the *customer* is, or has been, provided with an appropriate *initial disclosure document* or *combined initial disclosure document* in a *durable medium*.
- (2) If the initial contact in (1) is by telephone, a *firm* must:
- (a) (if the call is with a view to concluding a *distance home purchase mediation contract*) give the following information before proceeding further:
- (i) the name of the *firm* and (if initiated by the *firm*) the commercial purpose of the call;
- (ii) the scope of the service provided by the *firm*; and
- (iii) whether or not the *firm* will provide the *customer* with *advice* on those *home purchase plans* within its scope; and
- (b) ensure that the *customer* is, or has been, provided with such a document in a *durable medium* as soon as is practicable.
- 4.10.3 G In accordance with *Principle 7*, where a *firm* is likely to provide services in relation to both *regulated mortgage contracts* and *home purchase plans*, it should provide a *combined initial disclosure document* rather than two separate *initial disclosure documents*.

- 4.10.4 G The guidance on initial disclosure requirements at *MCOB 4.4.2G* to *MCOB 4.4.4G* may be relevant.

Additional requirements for distance home purchase mediation contracts with retail customers

Note: The rules regarding additional disclosure requirements for, and cancellation of, *distance home purchase mediation contracts* are set out in *MCOB 4.5* and *MCOB 4.6* respectively.

Advised sales: suitability

- 4.10.5 G In accordance with *Principle 9*, a *firm* should take reasonable steps to obtain from a *customer* all information likely to be relevant to ensuring the suitability of its advice.
- 4.10.6 R A *firm*, before making a *personal recommendation* on a *home purchase plan*, must take reasonable steps to ensure that it is:
- (1) affordable;
 - (2) appropriate to the *customer's* needs and circumstances; and
 - (3) the most suitable of those *home purchase plans* that the *firm* has available to it within the scope of the service provided to the *customer*.
- 4.10.7 G The guidance on suitability at *MCOB 4.7.8G* to *MCOB 4.7.10G* and *MCOB 4.7.16G* may be relevant.

Non-advised sales

- 4.10.8 R If a *firm* arranges a *home purchase plan* or a variation to an existing *home purchase plan* without giving a *personal recommendation*, it must ensure that the questions it asks about the *customer's* needs and circumstances are scripted in advance.
- 4.10.9 G The guidance on non-advised sales at *MCOB 4.8.2G* and on scripted questions at *MCOB 4.8.5G* and *MCOB 4.8.6G* may be relevant.

Risks and features statement and tariff of charges

- 4.10.10 R A *firm* must, before making a *personal recommendation* to a *customer* of, or when a *customer* requests or selects, a *home purchase plan*, ensure that the *customer* is, or has been, provided with an appropriate risks and features statement about that plan.

- 4.10.11 R A risks and features statement need not be personalised to the *customer's* circumstances but must:
- (1) include the keyfacts logo in a prominent position at the top of the statement;
 - (2) state that the *FSA* requires a *firm* to provide the statement;
 - (3) state that mortgages are available and that the *customer* should think carefully about the product appropriate to his needs;
 - (4) describe the significant features of the plan, including:
 - (a) how the *home purchase plan* works;
 - (b) the nature of the *customer's* commitment;
 - (c) when and how a *customer's* commitment is reviewed;
 - (d) any significant restrictions of the plan; and
 - (e) the charges that a *customer* may incur under the plan, including the reason for, and amount of, each charge, when they are payable, whether they will be reimbursed and, if so, when;
 - (5) describe the risks associated with the plan, including:
 - (a) the risks to the *customer* if he fails to keep up repayments and the circumstances in which this might occur; and
 - (b) risks to the *customer* of the *home purchase provider failing* or disposing of any of its obligations or rights (including its interest in the property) to a third party (taking into account steps that will be taken by the *home purchase provider* to mitigate such risks); and
 - (6) state the importance of obtaining independent legal advice.
- 4.10.12 R A *firm* may omit details of the charges that a *customer* may incur under a *home purchase plan* from the risks and features statement if they are included in a separate *tariff of charges* provided to the *customer* at the same time.

...

Amendments to MCOB 4 Annex 1R, MCOB 4 Annex 2R and MCOB 4 Annex 3R.
Underlining indicates new text and striking through indicates deleted text.


Annex 1R: Initial disclosure document ("IDD")

Table 1R

This Annex belongs to *MCOB 4.4.1R(1)* and *MCOB 4.10.2R*

Firms must omit the notes and square brackets that appear in the following IDD. The IDD must contain the keyfacts logo, headings and text in the order shown and in accordance with the Notes.

[Note 1]

 **about our [mortgage/Islamic home purchase plan] services [Note 1A][Note 2]**

...

[1A.] Compliance with Islamic law [Note 5A]

Our services are regularly checked by [name(s) of scholar(s)] to ensure compliance with Islamic law. Ask us if you want further information about the role of our scholar(s).]

2. Whose [mortgages/Islamic home purchase plans] do we offer? [Note 6][Note 7]

We offer [mortgages/Islamic home purchase plans] from the whole market.

We [can] **[Note 8]** only offer [mortgages/Islamic home purchase plans] from a limited number of [lenders/providers].

Ask us for a list of the [lenders/providers] we offer [mortgages/Islamic home purchase plans] from. **[Note 9]**

We [can] **[Note 8]** only offer [a limited range of the] [a] [mortgage[s] / Islamic home purchase plan[s]] from [a single lender/provider] [name of single lender/provider]. **[Note 10]**

[or]

We only offer our own [mortgages/Islamic home purchase plans]. **[Note 11]**

....

4. What will you have to pay us for this service? [Note 6]

No fee [we will be paid by commission from the lender/provider]. **[Note 12]**

A fee [of £ [] payable at the outset and £ [] payable when you apply for a mortgage/Islamic home purchase plan]. [We will also be paid commission from the lender/provider.] **[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 it. **[Note 13A]**

5. Refund of fees **[Note 14] [Note 15]**

If we charge you a fee, and your [mortgage/Islamic home purchase plan] does not go ahead, you will receive:

A full refund [if the lender/provider rejects your application]. **[Note 16]**

A refund of £ [] [if the purchase falls through]. **[Note 16] [Note 17]**

No refund [if you decide not to take out a [mortgage/Islamic home purchase plan]. **[Note 16]**

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

[XYZ Financial Services][123 Any Street, Some Town ST21 7QB] **[Note 19] [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*] [address of *firm*] **[Note 19] [Note 19A]** which is authorised and regulated by the Financial Services Authority. [Name of *firm*]'s FSA Register number is [].

[Name of *firm*]'s permitted business is []. **[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. What to do if you have a complaint **[Note 18]**

If you wish to register a complaint, please contact us:

... in writing Write to [XYZ Financial Services], [Complaints Department, 123 Any Street,

Some Town, ST21 7QB] [Note 22]

... by phone Telephone [0121 100 1234] [Note 22]

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service. [Note 22A]

8. Are we covered by the Financial Services Compensation Scheme (FSCS)?
[Note 18] [Note 23] [Note 24]

We are covered by the FSCS. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

[Mortgage/Home purchase plan] advising and arranging is covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000.

Further information about the compensation scheme arrangements is available from the FSCS.

<p><u>Think carefully about the product and services you need. [We can only offer services in relation to Islamic home purchase plans and cannot provide advice on standard mortgages.] [If you want [information] [or] [advice] on standard mortgages, please ask.]</u> [Note 25]</p>
--

...

Note 1 - ...

Note 1A – insert the appropriate description using the words in square brackets based on the *firm's* scope of service. A firm's scope of service cannot combine regulated mortgage activities and home purchase activities in the same IDD. A firm that carries on home purchase activities may omit the word "Islamic" from "Islamic home purchase plan(s)" provided that it does so consistently throughout the document. However, a firm may omit the word "Islamic" in sections 6 and 8 without having to omit it throughout the document. A firm that wishes to hold itself, its products or services out as compliant with religious or philosophical beliefs other than Islamic law in the IDD may make appropriate amendments to references to 'Islamic' and 'Islamic law'.

Note 2 - ... The keyfacts logo and the text "about our [mortgage/Islamic home purchase plan] services" must be used ...

...

Section 1A: Compliance with Islamic law

Note 5A – Section 1A is optional unless the *firm* holds itself, its products or services out as compliant with Islamic law in the IDD. If a *firm* includes Section 1A then it must describe the

section on the IDD as section 2 and renumber subsequent sections accordingly.

A firm that wishes to hold itself, its products or services out as compliant with religious or philosophical beliefs other than Islamic law in the IDD may also use Section 1A in accordance with this note and modify the wording in the section to the extent appropriate.

...

Section 2: Whose [mortgages/Islamic home purchase plans] do we offer?

...

Note 8 – insert "can" if the *firm's* range of *regulated mortgage contracts* or home purchase plans is determined by any contractual obligation.

Note 9 – this sentence is required only where a firm selects this service option. It may also be omitted if a *firm* chooses to list all of the lenders or providers it offers *home finance transactions*~~mortgages~~ from instead of the text "a limited number of [lenders/providers]", in the previous line, so long as the *firm* offers all of the mortgages or home purchase plans generally available from each lender or provider.

Note 10 – if the *firm* selects this box, it must insert the name of the lender or provider. If the *firm* does not select this box, it must insert the words "a single lender/provider" instead. If the *firm* does not offer all of the mortgages or home purchase plans generally available from that lender or provider, it must insert the words "a limited range of", as shown. If the lender or provider only has one ~~mortgage~~ relevant product, the *firm* should amend the text to "We can only offer a [mortgage/home purchase plan] from [name of single lender/provider]."

Note 11 – if the *firm* is a provider or lender~~mortgage lender~~ offering only its own *home finance transactions*~~mortgages~~, or is part of a provider or lender~~mortgage lender~~ offering only the *home finance transactions*~~mortgages~~ sold under that part's trading name, it may use this alternative text.

...

Note 13 – insert a plain language description of when any fees are payable. ...

Note 13A – A firm must not include this paragraph if the services to which the IDD relates are home purchase activities.

...

Note 14 – if, in section 4, it has been indicated that there will be 'No fee' or that any *fee* will be payable only if the ~~mortgage~~ transaction completes...

...

Note 18 – ~~these sections may be omitted in accordance with MCOB 4.4.1R(3).~~ A firm may choose not to include these sections if it provides the customer with the information required by them in some other durable medium before the customer makes an application for a home finance transaction. ...

...

Note 21 – insert a plain language description of the business for which the firm has permission in relation to either regulated mortgage contracts or home purchase plans, as relevant to the scope of service described.

...

Note 25 – a firm must only include this paragraph if the services to which the IDD relates are home purchase activities. If the firm does not carry on regulated mortgage activities, it must include the second sentence and delete the third. If the firm carries on regulated mortgage activities as well as home purchase activities it must omit the second sentence and include the third.

Delete MCOB 4 Annex 2R in its entirety. The deleted text is not shown

MCOB 4 Annex 2R: Combined initial disclosure document (“CIDD”)
[deleted – see COB 4 Annex 5R]

Annex 3R Additional information requirements in respect of distance mortgage mediation contracts and distance home purchase mediation contracts with retail customers

This table belongs to MCOB 4.5.2R

Additional information for distance contracts with retail customers	
All the contractual terms and conditions on which the service will be provided including, in particular, the following information:	
...	...
(6)	details of:

	<p>(a) the <i>EEA State</i> or States whose laws are taken by the <i>firm</i> as a basis for the establishment of relations with the <i>customer</i> prior to the conclusion of the <i>regulated mortgage contract</i> <u>or home purchase plan</u>;</p> <p>(b) any contractual clause on law applicable to the <i>regulated mortgage contract</i> <u>or home purchase plan</u>, or on competent court, or both; and</p> <p>(c) the language in which the contract is supplied and in which the <i>firm</i> will communicate during the course of the <i>regulated mortgage contract</i> <u>or home purchase plan</u>.</p>
--	--

Pre-application disclosure

5.1 Application

Who?

5.1.1 R This chapter applies to a *firm* in a category listed in column (1) of the table in *MCOB 5.1.2R* in accordance with column (2) of that table.

5.1.2 R This table belongs to *MCOB 5.1.1R*

(1) Category of firm	(2) Applicable section
<i>mortgage lender</i> <i>mortgage adviser</i> <i>mortgage arranger</i>	whole chapter <u>except MCOB 5.8</u>
<i>home purchase provider</i> <i>home purchase adviser</i> <i>home purchase arranger</i>	<u>MCOB 5.1.1R to MCOB 5.1.3R,</u> <u>MCOB 5.1.6R to MCOB 5.1.8G,</u> <u>MCOB 5.2, MCOB 5.3 and MCOB 5.8.</u> <u>MCOB 5.5 and MCOB 5.6 in</u> <u>accordance with MCOB 5.8</u>
<i>reversion provider</i> <i>reversion adviser</i> <i>reversion arranger</i>	see <u>MCOB 9.3</u> for the application of <u>this chapter</u>

What?

5.1.3 R (1) This chapter applies if a *firm*:

- (a) makes a *personal recommendation* to a *customer* to enter into a ~~*regulated mortgage contract*~~ *home finance transaction*; or
- (b) provides information to a *customer* that is specific to the amount ~~that the *customer* wants to borrow~~ to be provided on

a particular ~~regulated mortgage contract~~ home finance transaction, including information provided in response to a request from a customer; or

- (c) provides the means for a customer to make an application to it;

in connection with entering into, or agreeing to enter into, a ~~regulated mortgage contract~~ home finance transaction provided by a mortgage lender home finance provider, other than an ~~regulated lifetime mortgage contract~~ equity release transaction or a variation to an existing ~~regulated mortgage contract~~ home finance transaction.

- (2) In relation to further advances and other variations, MCOB 5 is modified by MCOB 7 (Disclosure at start of contract and after sale), regardless of whether they are variations to an existing ~~regulated mortgage contract~~ home finance transaction, or are such that they involve the customer entering into a new ~~regulated mortgage contract~~ home finance transaction.
- (3) In relation to an ~~regulated lifetime mortgage contract~~ equity release transaction, MCOB 5 is modified by MCOB 9 (Lifetime mortgages Equity release: product disclosure).

...

5.1.6 R In this chapter, references to a ~~regulated mortgage contract~~ home finance transaction include, where the context requires, references to arrangements which are capable of becoming a ~~regulated mortgage contract~~ home finance transaction.

5.1.7 G (1) MCOB 5.1.3R means that this chapter applies where the customer can apply to enter into a ~~regulated mortgage contract~~ home finance transaction. This includes circumstances where, for example, the means to apply is provided in person, by telephone, through a website or through an application pack sent through the post.

(2) The effect of this chapter is to require a customer to be provided with an illustration key information about a home finance transaction before he submits an application to a mortgage lender home finance provider.

5.1.8 G Although an illustration is a financial promotion in respect of the ~~controlled activity of providing qualifying credit~~, the effect of MCOB 3.2.5R(1), section 145(3) of the Act (Financial promotion rules) and article 28 of the Financial Promotion Order (One-off non-real time communications and solicited real time communications) is that an illustration is exempt from the provisions of MCOB 3 (Financial promotion). However, the general requirement to communicate information in a way which is clear, fair and

not misleading applies to both an illustration and (in relation to a home purchase plan) a financial information statement (see MCOB 5.8.1R).

- 5.1.9 G In relation to a regulated mortgage contract, ~~W~~where part of the loan is not a regulated mortgage contract, for example it is a linked unsecured loan, the details of this loan can be shown in Section 12 of the illustration as an additional feature. It should not be added to the regulated mortgage contract loan amount in MCOB 5.6.6R(2).

...

5.2 Purpose

- 5.2.1 G (1) ~~MCOB 5 amplifies Principle 6 and Principle 7, which require a firm to pay due regard to the information needs of its customers and to treat them fairly.~~
- (2) The purpose of MCOB 5 is to ensure that, before a customer submits an application for a particular ~~regulated mortgage contract~~home finance transaction, he is supplied with information that makes clear:
- (a) ~~(in relation to a regulated mortgage contract) its~~the features, any linked deposits, any linked borrowing and any tied products of that regulated mortgage contract, and
- (b) the price that the customer will be required to pay under that ~~regulated mortgage contract~~home finance transaction, to enable the customer to assess whether it is affordable to him;
and
- (c) ~~any linked deposits, and linked borrowing and any tied products.~~[deleted]
- (3) MCOB 5 requires information to be disclosed in a consistent way to facilitate comparison between ~~regulated mortgage contracts provided by different mortgage lenders~~products of different providers.

5.3 Applying for a ~~regulated mortgage contract~~home finance transaction

- 5.3.1 R A ~~mortgage lender~~home finance provider must not enter into a ~~regulated mortgage contract~~home finance transaction, or agree to do so, with a customer unless the customer has submitted an application for that particular ~~regulated mortgage contract~~home finance transaction.

- 5.3.2 G (1) The purpose of MCOB 5.3.1R, taken in conjunction with other rules in this chapter, is to ensure that the customer has received details of the particular ~~regulated mortgage contract~~home finance transaction for which he has applied, ~~in the form of an illustration~~, and has had

the opportunity to satisfy himself that it is appropriate for him.

- (2) In relation to a regulated mortgage contract, ~~The~~ application should
...

...

5.4 Mortgage illustrations: general

...

MCOB 5 Annex 1

The mortgage illustration: table of contents, prescribed text and prescribed section headings and subheadings.

...

After MCOB 5.7 insert the following new section. The inserted text is not underlined.

5.8 Home purchase plans

Applying for a home purchase plan

Note: The rules regarding applying for a *home purchase plan* are set out in *MCOB 5.3*.

Financial information statement: timing

- 5.8.1 R A *firm* dealing directly with a *customer* must ensure that the *customer* is, or has been, provided with an appropriate financial information statement for a *home purchase plan* in a *durable medium*:
- (1) before the *customer* submits an application for that particular plan to a *home purchase provider*; and
 - (2) without undue delay when any of the following occurs:
 - (a) the *firm* makes a *personal recommendation* to the *customer* to enter into a *home purchase plan* (unless the *personal recommendation* is made by telephone, in which case a *firm* must ensure the financial statement is or has been provided as soon as practicable after the telephone call);
 - (b) the *firm* provides written information that is specific to the amount of finance to be provided on a particular plan; or
 - (c) the *customer* requests written information from the *firm* that is specific to the amount of finance to be provided on a particular plan, unless the *firm* does not wish to do business with the *customer*.

(3) A *firm* may comply with (1) and (2) by providing an *offer document* if this can be done as quickly as providing a financial information statement.

5.8.2 G In ensuring that the *customer* is provided with an appropriate financial information statement, a *firm* need not provide another when one that remains appropriate has already been provided for that particular *home purchase plan*. If a financial information statement ceases to be appropriate, for example because the terms of the proposed plan are subsequently materially altered, a new appropriate statement must be provided.

5.8.3 G The guidance on the timing of mortgage *illustrations* may be relevant (see *MCOB 5.5*).

Financial information statement: format

5.8.4 R A financial information statement must:

- (1) be personalised to reflect the *customer's* requirements;
- (2) contain only the material prescribed or permitted in this section;
- (3) contain that material in the order set out in this section; and
- (4) present the material concisely, clearly and consistently.

5.8.5 R A financial information statement, if not set out in a separate document, must be:

- (1) in a prominent place within the other document and clearly identifiable as key information that the *customer* should read; and
- (2) separate from the other content of the document in which it is included.

5.8.6 G The guidance on the content, order and format of *illustrations* may be relevant (see *MCOB 5.6.4G*).

Financial information statement: content

5.8.7 R A financial information statement must contain:

- (1) a prominent keyfacts logo at the top of the statement;
- (2) the term of the *home purchase plan*;
- (3) the overall cost of the plan, comprising:
 - (a) the purchase price of the property;
 - (b) the deposit payable;

- (c) the amount of the plan required;
 - (d) the amount of any *fees* added to the plan;
 - (e) the total amount payable; and
 - (f) the amount the *customer* must pay per £1 provided under the plan;
- (4) details of the payments the *customer* must make, including:
- (a) the assumed start date;
 - (b) all rental rates that will apply;
 - (c) when the rental rates will apply and for how long;
 - (d) for each rental rate, the number, frequency and amount of the periodic payments that will apply;
 - (e) in relation to the first periodic payment, the amount of the purchase payment and of the rental payment;
 - (f) the amount of any insurance rent payments;
 - (g) a summary total; and
 - (h) details of when the summary total will change.

5.8.8 R A financial information statement may contain a figure equivalent to an *APR* after the amount the *customer* must pay per £1 provided under the *home purchase plan*. A *firm* must use an approach equivalent to the *APR rules* when calculating an *APR* equivalent.

5.8.9 G See the *keyfacts logo provisions* for further requirements regarding the use of the *keyfacts logo* and the location of specimens.

5.8.10 G The details of the rental rate charged should be based on information available to a *firm* at the time of producing the financial information statement. For example, if a rental rate cannot be ascertained at that time because it is based on a fluctuating rate of interest, a *firm* should base the information on the current fluctuating rate.

Opportunity to consider pre-application disclosure

5.8.11 R A *firm* must ensure that the *customer* has had a reasonable opportunity to consider the financial information statement and risks and features statement before committing the *customer* to an application.

Disclosure at the offer stage

6.1 Application

Who?

6.1.1 R This chapter applies to a *firm* in a category listed in column (1) of the table in *MCOB 6.1.2R* in accordance with column (2) of that table.

6.1.2 R This table belongs to *MCOB 6.1.1R*

(1) Category of firm	(2) Applicable section
<i>mortgage lender</i>	whole chapter <u>except <i>MCOB 6.8</i></u>
<i>home purchase provider</i>	<i>MCOB 6.1</i> (except <i>MCOB 6.1.6G</i>), <i>MCOB 6.2</i> and <i>MCOB 6.8</i>
<i>reversion provider</i>	see <i>MCOB 9.5</i> for the application of <u>this chapter</u>

What?

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*:

- (1) *entering into a ~~regulated mortgage contract~~ home finance transaction; or*
- (2) *varying the terms of a ~~regulated mortgage contract~~ home finance transaction entered into by the *customer* in any of the following ways:*

...

(whether or not the *customer* agrees to enter into the ~~regulated mortgage contract~~ home finance transaction or variation).

6.1.4 R In relation to a ~~regulated lifetime mortgage contract~~, this chapter, *MCOB 6*, is modified by *MCOB 9* (~~Lifetime mortgages~~ Equity release: product disclosure).

6.1.5 R In *MCOB 6*, a reference to an offer to enter into a ~~regulated mortgage contract~~ home finance transaction is to be read as including a reference to an offer to vary an existing ~~regulated mortgage contract~~ home finance transaction in a manner specified in ~~*MCOB 6.1.3R*~~ this section if the context so requires.

...

6.2 Purpose

- 6.2.1 G (1) ~~MCOB 6 amplifies Principle 6 and Principle 7, which require a firm to pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.~~ The purpose of MCOB 6 is to ensure that a *customer* receives a clear *offer document* to enable him to check the features and price of the ~~regulated mortgage contract~~home finance transaction before he enters into it. The *offer document* should include an updated and suitably adapted *illustration* (for a regulated mortgage contract) or financial information statement (for a home purchase plan) so that the *customer* can compare it with the illustration he received before he applied for the ~~regulated mortgage contract~~home finance transaction.
- (2) ~~To ensure that the customer has a record of the information required by MCOB 6, MCOB 6.3.2R requires the information to be provided to the customer in a durable medium.~~[deleted]

...

6.4 ~~€~~Mortgages: content of the offer document

...

6.5 ~~£~~Mortgages: information to be provided in the offer document or separately

...

6.6 ~~Ø~~Mortgages: offer documents in place of illustrations

...

After MCOB 6.7 insert the following new section. The inserted text is not underlined.

6.8 Home purchase plans

Offer document

- 6.8.1 R (1) If a *firm* offers to *enter into a home purchase plan* with a *customer*, it must ensure that the *customer* is, or has been provided with an appropriate *offer document* in a *durable medium* which includes:
- (a) the period for which the offer is valid;
 - (b) an explanation of the consequences that might arise from the *customer* not entering into the *home purchase plan* including details of any *fees* that the *customer* has paid which will not be refunded;
 - (c) an explanation of when the *customer* will become bound by

the offer and the implications of this;

- (d) the charges that a *customer* may incur under the plan, including the reason for, and amount of, each charge, when they are payable, whether they will be refunded and, if so, when;
- (e) a financial information statement;
- (f) the *firm's* contact details, including its name and address; and
- (g) how to complain to the *firm* and whether or not complaints may subsequently be referred to the *Financial Ombudsman Service*.

- (2) A *firm* may omit details of the charges that a customer may incur under a *home purchase plan* from the risks and features statement if they are included in a separate *tariff of charges* provided to the customer at the same time.

6.8.2 G Although an *offer document* may not match information given in a financial information statement before an offer is made, an *offer document* should be an accurate reflection of the actual costs of the *home purchase plan*.

6.8.3 G A *firm* should bear in mind its obligations under *Principle 6*. For example, if a *firm* knows that its interest in a *home purchase plan* will be assigned and the *firm* will no longer be responsible for setting rental payments and charges, the *offer document* should state this fact and who will become responsible after the assignment (if this is not known at the offer stage the *customer* should be notified as soon as it becomes known).

6.8.4 R A *firm* must ensure that the financial information statement forms the main, and an integral, part of the *offer document*.

Distance contracts with retail customers

6.8.5 R (1) A *firm* must communicate to a *retail customer* the *distance marketing information* in a *durable medium* available and accessible to the *retail customer* in good time before the *retail customer* is bound by any *distance contract* or offer to *enter into a home purchase plan*.

- (2) If the *distance contract* or offer has been concluded at the *retail customer's* request using a *means of distance communication* which does not enable providing the information in accordance with (1) then it must be communicated no later than immediately after the conclusion of the *home purchase plan*.

[**Note:** article 5 *DMD*]

6.8.6 G *Distance contract* information may be included in an *offer document* provided that it does not significantly increase its length.

After MCOB 6.8 insert the following new annex. The inserted text is not underlined.

MCOB 6 Annex 1

Distance home purchase plans: information to be provided to retail customers.

1R This table belongs to *MCOB 6.8.5R*.

Distance home purchase plans: information to be provided to retail customers	
(1)	the identity and the main business of the <i>home purchase provider</i> , the geographical address at which the <i>home purchase provider</i> is established and any other geographical address relevant for the <i>retail customer's</i> relations with the <i>home purchase provider</i> ;
(2)	the identity of the representative of the <i>home purchase provider</i> established in the <i>retail customer's</i> Member State of residence and the geographical address relevant for the customer's relations with the representative, if such a representative exists;
(3)	when the <i>retail customer's</i> dealings are with any professional other than the <i>home purchase provider</i> , the identity of this professional, the capacity in which he is acting vis-à-vis the <i>retail customer</i> , and the geographical address relevant for the <i>customer's</i> relations with this professional;
(4)	Details of the <i>FSA Register</i> and any other trade register in which the <i>home purchase provider</i> is entered and his registration number or an equivalent means of identification in that register;
(5)	confirmation that the <i>home purchase provider</i> is authorised and regulated by the <i>FSA</i> ;
(6)	the total price to be paid by the <i>retail customer</i> to the <i>home purchase provider</i> for the financial service, including all related fees, charges and expenses, and all taxes paid via the <i>home purchase provider</i> or, when an exact price cannot be indicated, the basis for the calculation of the price enabling the <i>retail customer</i> to verify it;
(7)	notice of the possibility that other taxes and/or costs may exist that are not paid via the <i>home purchase provider</i> or imposed by him;
(8)	any specific additional cost for the <i>retail customer</i> of using the <i>means of distance communication</i> , if such additional cost is charged;
(9)	the absence of a right of withdrawal;
(10)	information on any rights the parties may have to terminate the contract early or unilaterally by virtue of the terms of the <i>distance contract</i> , including any penalties imposed by the contract in such cases;

(11)	the <i>EEA State</i> or <i>States</i> whose laws are taken by the <i>home purchase provider</i> as a basis for the establishment of relations with the <i>retail customer</i> prior to the conclusion of the <i>distance contract</i> ;
(12)	any contractual clause on law applicable to the <i>distance contract</i> and/or on competent court;
(13)	in which language, or languages, the contractual terms and conditions, and the prior information referred to in this table are supplied, and furthermore in which language, or languages, the <i>home purchase provider</i> , with the agreement of the <i>retail customer</i> , undertakes to communicate during the duration of this <i>distance contract</i> ; and
(14)	whether or not there is an out-of-court complaint and redress mechanism for the <i>retail customer</i> that is party to the <i>distance contract</i> and, if so, the methods for having access to it;
(15)	whether or not compensation may be available from the <i>compensation scheme</i> should the <i>firm</i> be unable to meet its liabilities, and information about any other applicable named compensation scheme; and, for each applicable scheme, the extent and level of cover and how further information can be obtained; and
(16)	all the contractual terms and conditions of the <i>home purchase plan</i> to which the <i>offer document</i> relates.

[**Note:** articles 3 and 5 *DMD*]

2G A *firm* is not required to provide this information if it has already done so, for example in an initial disclosure document, and that information remains accurate.

Disclosure at start of contract and after sale

7.1 Application

Who?

7.1.1 R This chapter applies to a *firm* in a category listed in column (1) of the table in *MCOB 7.1.2R* in accordance with column (2) of that table.

7.1.2 R This table belongs to *MCOB 7.1.1R*

(1) Category of firm	(2) Applicable section
<i>mortgage lender</i>	whole chapter <u>except</u> <i>MCOB 7.8</i>
<i>mortgage administrator</i>	<i>MCOB 7.1 - MCOB 7.3-3R</i> and <i>MCOB 7.5 - MCOB 7.7</i>

<i>mortgage adviser and mortgage arranger</i>	<i>MCOB 7.1 - MCOB 7.3-3R and MCOB 7.6.7R - MCOB 7.7</i>
<i>home purchase provider</i>	<i>MCOB 7.1.1R to MCOB 7.1.4R, MCOB 7.2, MCOB 7.3 and MCOB 7.8</i>
<i>home purchase administrator</i>	<i>As for a home purchase provider except MCOB 7.8.1R and MCOB 7.8.2G do not apply</i>
<i>home purchase adviser and home purchase arranger</i>	<i>MCOB 7.1.1R to MCOB 7.1.4R, MCOB 7.2 and MCOB 7.8.7G</i>
<i>reversion provider</i> <i>reversion administrator</i> <i>reversion adviser</i> <i>reversion arranger</i>	<i>see MCOB 9.6 for the application of this chapter</i>

What?

- 7.1.3 R This chapter applies if a *firm*:
- (1) enters into a ~~regulated mortgage contract~~ home finance transaction with a *customer*; or
 - (2) ~~administers a regulated mortgage contract~~ administers a home finance transaction which was entered into with a *customer*; or
 - (3) *arranges or advises on* or makes a further advance or other variation to the terms of a ~~regulated mortgage contract~~ home finance transaction entered into with a *customer*.
- 7.1.4 R This chapter applies in relation to further advances and other variations (as specified in ~~MCOB 7.6.7R - MCOB 7.7.4R~~ in relation to a regulated mortgage contract) regardless of whether they are variations to an existing ~~regulated mortgage contract~~ home finance transaction or are such that they involve the customer entering into a new ~~regulated mortgage contract~~ home finance transaction.
- ...
- 7.1.7 G ~~Firms are reminded that in MCOB, references to "arranging" include the activities of a mortgage lender which would be arranging but for article 28A of the Regulated Activities Order (Arranging contracts to which the arranger is a party). [deleted]~~
- 7.1.8 R In relation to a ~~regulated lifetime mortgage contract~~, this chapter ~~MCOB 7~~ is modified by ~~MCOB 9 (Lifetime mortgages)~~ Equity release: product disclosure.

7.2 Purpose

- 7.2.1 G (1) This chapter amplifies *Principle 6* and *Principle 7*, ~~which require a firm to pay due regard to the information needs of its customers and to treat them fairly.~~
- (1A) This chapter requires information to be supplied to *customers* at the start of ~~the~~ *a regulated mortgage contract* to enable them to check that the *regulated mortgage contract* has been set up in accordance with their requirements and to notify them of the first and subsequent payments.
- (2) ...
- (3) This chapter also ensures that *customers* are supplied with information which enables them to check the payments and charges on a ~~regulated mortgage contract~~ *home finance transaction*, to keep track of the transactions on, and the features of, a ~~regulated mortgage contract~~ *home finance transaction* and to be kept informed of material changes.
- (4) ...

...

7.4 ~~D~~Mortgages: disclosure at the start of the contract

...

7.5 ~~S~~Mortgages: statements

...

7.6 ~~E~~Mortgages: event-driven information

...

After MCOB 7.7 insert the following new section. The inserted text is not underlined.

7.8 Home purchase plans

General

Note: The rules in this chapter regarding how a *firm* must provide information required by this section apply (see *MCOB 7.3*).

Post-sale disclosure

- 7.8.1 R A *firm* that enters into a home purchase plan with a *customer* must ensure that before making the first payment the *customer* is provided with a prominent reminder that the *customer* should check that his right to occupy the property has been properly safeguarded.

- 7.8.2 G A *firm* is reminded of its obligation to ensure that its *customer's* interests are protected to a reasonable standard (see *MCOB 2.6A*).

Annual statement

- 7.8.3 R A *firm* must provide the *customer* with a statement at least once a year (or, in relation to the first statement, within the first 13 months of the plan term) covering the *home purchase plan* and including information about:

- (1) payments due and made during the period since the last statement (or, where the statement is the first statement, since the *customer* entered into the *home purchase plan*), including:
 - (a) whether the payment is a rental payment or a purchase payment;
 - (b) the applicable rental rate(s);
 - (c) where relevant, the *customer's* beneficial interest in the property;
- (2) the remaining acquisition amount;
- (3) the actual remaining term;
- (4) the ability of the *customer* to terminate it early and sell the property, together with any charges that would apply.

Annual statement - additional content for customers in arrears

- 7.8.4 G If a *firm* uses the annual statement to provide a *customer* with a written statement relating to *arrears*, it will need to include the actual payment shortfall in the annual statement (see *MCOB 13.5.2G(4)*).

- 7.8.5 G In some circumstances, a *firm* may agree a temporary payment plan with a *customer* that does not involve the *customer* paying the full amount he owes in each payment period. Where an account in *arrears* is subject to such a payment plan, and the amount that falls due each payment period is greater than the agreed payment, the *firm* will still need to show the payments that were due during the period since the last statement. However, in these circumstances, the *firm* may wish to add information to acknowledge that a temporary payment plan is in place.

Tariff of charges

- 7.8.6 R A *firm* must include a *tariff of charges* with the annual statement if it has changed since the previous version provided.

Event-driven information

- 7.8.7 G When a post-sale variation of the *home purchase plan* is proposed or takes place, a *firm* should have regard to the *Principles* (in particular, *Principles 6* and *7*) in determining the action it should take and what information to

provide to the *customer*.

~~Lifetime mortgages~~ Equity release: advising and selling standards

...

8.1.2 R This table belongs to *MCOB 8.1.1R*

(1) Category of firm	(2) Applicable section
mortgage lender <u>equity release provider</u>	whole chapter except <i>MCOB 8.5</i> and <i>MCOB 8.7</i>
mortgage adviser <u>equity release adviser</u>	whole chapter <u>except <i>MCOB 8.6</i></u> . <i>MCOB 8.7</i> does not apply in relation to a <i>lifetime mortgage</i>
mortgage arranger <u>equity release arranger</u>	whole chapter except <i>MCOB 8.5</i> . <i>MCOB 8.7</i> does not apply in relation to a <i>lifetime mortgage</i>

8.1.3 R What?

(1) This chapter applies if a *firm*:

(1) in the course of carrying on a ~~regulated mortgage activity~~ an equity release activity:

- (a) makes, or anticipates making, a *personal recommendation* about; or
- (b) gives, or anticipates giving, personalised information relating to;

the *customer*:

(c) entering into a ~~regulated lifetime mortgage contract~~ an equity release transaction; or

(d) varying the terms of a ~~regulated lifetime mortgage contract~~ an equity release transaction entered into by the *customer*; ~~or~~

(2) ~~in addition to (1), gives advice or personalised information to the customer on home reversion schemes.~~

(2) In respect of arranging or advising on a home reversion plan for a customer who is acting in his capacity as an unauthorised reversion provider, only *MCOB 8.1*, *MCOB 8.2* and *MCOB 8.7* apply.

- 8.1.4 R (1) ~~MCOB 4.4 (Initial disclosure requirements) (as modified by MCOB 8)~~ applies Initial disclosure requirements apply only in relation to varying the terms of an *regulated lifetime mortgage contract equity release transaction* entered into by the customer in any of the following ways:
- (a) ...
- (2) Otherwise, this chapter, ~~MCOB 8~~, applies in relation to any form of variation of an *regulated lifetime mortgage contract equity release transaction*.
- 8.1.5 G ... The *firm* is only required to provide the initial disclosure information in ~~MCOB 8 Annex 1R or MCOB 4 Annex 2R~~ section 7 (What to do if you have a complaint) and section 8 (Are we covered by the Financial Services Compensation Scheme (FSCS)?) of the *initial disclosure document* or *combined initial disclosure document*.
- 8.2 Purpose
- 8.2.1 G The purpose of this chapter for ~~*regulated lifetime mortgage contracts equity release transactions*~~ is the same as that for *regulated mortgage contracts and home purchase plans* in MCOB 4.
- 8.3 Application of rules in MCOB 4
- 8.3.1 R (1) (a) MCOB 4.1 to MCOB 4.6 and MCOB 4.8 (with the modifications stated in MCOB 8.3.3R and MCOB 8.3.4R) apply to a *firm* where the *regulated mortgage contract home finance transaction* is a *regulated lifetime mortgage contract*.
- (b) MCOB 4.1 to MCOB 4.4 and MCOB 4.8 (with the modifications stated in MCOB 8.3.3R and MCOB 8.3.4R) apply to a *firm* where the *home finance transaction* is a *home reversion plan*, except for those provisions that by their nature are only relevant to *regulated mortgage contracts*.
- (2) ...
- (4) 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*.
- 8.3.1A G The *rules and guidance* that are not relevant to *home reversion plans* are those related, for example, to interest rates, *APR*, *higher lending charge*, *mortgage credit cards*, multi-part mortgages and foreign currency mortgages.
- 8.3.1B G *Firms* should substitute equivalent home reversion terminology for *lifetime mortgage* terminology, where appropriate. Examples of terms and expressions that should be replaced in relation to *home reversion plans* 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*'.

...

8.3.2 R In applying ~~MCOB 4.3~~ initial disclosure requirements to ~~regulated lifetime mortgage contracts~~ equity release transactions, the market for equity release transactions should be treated as one single market with two separate sectors. ~~References to the 'whole market' must be read as references to the whole market for regulated lifetime mortgage contracts equity release transactions.~~ This is unless the firm only gives personalised information or advice to customers on products in one market sector, in which case references to the 'whole market' must be read as references to the whole market for *lifetime mortgages* or *home reversion plans* as the case may be.

8.3.2A G The effect of the rules on independence is that a firm that sells *lifetime mortgages* and *home reversion plans* from the whole market and enables the customer to pay a fee for the provision of the service, can hold itself out as being 'independent' for the equity release market (see MCOB 4.3.7R). If the firm offers a service on this basis for only one of these market sectors, then it can only describe itself as 'independent' for that sector.

8.3.3 R Table of modified cross-references to other rules: This table belongs to MCOB 8.3.1R.

Subject	Rule or guidance	Reference in rule or guidance	To be read as a reference to:
...			
Initial disclosure requirement (for regulated lifetime mortgage contracts <u>equity release transactions</u> only)	MCOB 4.4.1R(1)(c) and (3)	MCOB 4 Ann 1R	MCOB 8 Ann 1R
...			
Initial disclosure requirements where initial contact is by telephone (for regulated lifetime mortgage contracts <u>equity release transactions</u> only)	MCOB 4.4.7R(2)	MCOB 4 Ann 1R	MCOB 8 Ann 1R
...			

...

8.4 Initial disclosure requirements: Home reversion schemes ~~[deleted]~~

8.4.1 R ~~If a firm gives, or anticipates giving, advice or personalised information on home reversion schemes in addition to *regulated lifetime mortgage contracts*, the initial disclosure information in *MCOB 4.4.1R* and *MCOB 4.4.7R* must be provided in respect of the home reversion schemes, as well as the *regulated lifetime mortgage contracts*, using the text set out in *MCOB 8 Annex 1R* and *MCOB 4 Annex 2R*. [deleted]~~

8.5 Advised sales

Suitability: general

8.5.1 G ...

8.5.2 R A firm must take reasonable steps to ensure that it does not make a *personal recommendation* to a customer to enter into an *regulated lifetime mortgage contract equity release transaction*, or to vary an existing *regulated lifetime mortgage contract equity release transaction*, unless ~~the *regulated lifetime mortgage contract* it is, or after the variation will be,~~ suitable for that customer (see *MCOB 4.3.4R(2)*, *MCOB 4.3.5G* and *MCOB 4.3.6G*).

8.5.3 R In ~~*MCOB 8.5*~~ this section, a reference to a recommendation to enter into an *regulated lifetime mortgage contract equity release transaction* is to be read as including a reference to a recommendation to vary an existing *regulated lifetime mortgage contract equity release transaction* if the context so requires.

8.5.4 R ~~For the purposes of *MCOB 8.5.2R*:~~

(1) ~~a *regulated lifetime mortgage contract*~~ An equity release transaction will be suitable if, having regard to the facts disclosed by the customer and other relevant facts about the customer of which the firm is or should reasonably be aware, the firm has reasonable grounds to conclude that:

(a) ...

(b) alternative methods of raising the required funds such as, in particular:

(i) an equity release transaction from the other market sector ~~a home reversion scheme~~; or

(ii) (where relevant) a local authority (or other) grant;

are less suitable;

(c) where the ~~*regulated lifetime mortgage contract equity release transaction*~~ requires that payments are made to the ~~*mortgage lender equity release provider*~~ (for example an *interest-only mortgage*), the customer can afford to enter into the *regulated lifetime mortgage contract transaction*;

- (d) the ~~regulated lifetime mortgage contract equity release transaction~~ is appropriate to the needs, objectives and circumstances of the *customer*; and
 - (e) the ~~regulated lifetime mortgage contract equity release transaction~~ is the most suitable of those that the *firm* has available to it within the scope of the service provided to the *customer*;
- (2) ~~no~~ No recommendation must be made if there is no ~~regulated lifetime mortgage contract equity release transaction~~ from within the scope of the service provided to the *customer* which is appropriate to his needs and circumstances; and
- (3) ~~if~~ If a *firm*...

...

Suitability: means-tested benefits, customer's tax position and alternative methods of finance

8.5.5 R ...

...

8.5.7 R If for any reason a *customer*:

- (1) declines to seek further information ~~in accordance with MCOB 8.5.5R or MCOB 8.5.6E(1)~~ on means-tested benefits, tax allowances or the scope for local authority (or other) grants; or
- (2) rejects the conclusion of a *firm* ~~under MCOB 8.5.4R(1)(b)~~ that alternative methods of raising the required funds are more suitable;

a *firm* can make a *personal recommendation* (in accordance with the remaining requirements of ~~MCOB 8.5~~ this chapter) where there is a ~~regulated lifetime mortgage contract an equity release transaction~~ (or more than one ~~regulated lifetime mortgage contract equity release transaction~~) that is appropriate to the needs and circumstances of the *customer*, but must confirm to the *customer*, in a *durable medium*, the basis on which the *personal recommendation* has been made.

8.5.8 R In determining whether ~~MCOB 8.5.4R(1)(b)(i)~~ applies an equity release transaction from the other market sector is less suitable, and in relation to MCOB 8.5.4R(1)(d) the appropriateness of the transaction to the customer's needs, objectives and circumstances, a *firm* must consider:

- (1) whether the *customer's* requirements meet the eligibility criteria for the ~~regulated lifetime mortgage contract equity release transaction~~ (for example, the amount that the *customer* wishes to borrow or to release, ~~or~~ the loan-to-value ratio, the age of the customer, the value of the property, as appropriate) ~~or a home reversion scheme~~;

(2) ...

...

(6) whether the *customer* has a preference or need for any other features of a ~~regulated lifetime mortgage contract~~ an equity release transaction or a ~~home reversion scheme~~.

8.5.9 G Where a *firm* sells only ~~regulated lifetime mortgages contracts~~, ~~MCOB 8.5.8R~~ does not require the *firm* it is not required to assess the suitability of individual ~~home reversion scheme~~ home reversion plans, and vice-versa. However, where a *firm* sells products from both market sectors, it should assess the suitability of all equity release transactions within its range.

Suitability: affordability

8.5.10 R ...

8.5.11 R In relation to ~~MCOB 8.5.4R(1)(e) and (d)~~ whether the equity release transaction is affordable and appropriate to the *customer's* needs, objectives and circumstances, where a *firm* makes a *personal recommendation* to a *customer* to enter into an ~~regulated lifetime mortgage contract~~ equity release transaction where a main purpose is to consolidate existing debts, it must also take account of the following, where relevant, in assessing whether the ~~regulated lifetime mortgage contract~~ equity release transaction is suitable for the *customer*:

(1) ...

...

(3) where the *customer* is known to have payment difficulties, whether it would be more appropriate for the *customer* to negotiate an arrangement with his creditors than to ~~take out a regulated lifetime mortgage contract~~ enter into an equity release transaction.

8.5.12 E (1) In assessing whether a *customer* can afford to enter into a particular ~~regulated lifetime mortgage contract~~ equity release transaction, a *firm* should give due regard to the following:

...

...

8.5.14 G ~~MCOB 8.5.4R(3) explains that d~~ Different considerations apply when making a *personal recommendation* to a *customer* in arrears. For example, the circumstances of the *customer* may mean that, viewed as a new transaction, a *customer* could not be recommended to enter into an ~~regulated lifetime mortgage contract~~ equity release transaction. In such cases, a *firm* will still be able to make a *personal recommendation* to that *customer* where this recommendation is, in the circumstances, a more suitable one than the *customer's* existing ~~regulated lifetime mortgage contract~~ equity release

transaction.

- 8.5.15 G In complying with *MCOB 8.5.4R* a *firm* is not required to consider whether it would be preferable for the *customer* to:
- (1) trade down (that is release funds by selling his existing property and purchasing a less expensive property) rather than enter into an ~~regulated lifetime mortgage contract~~ equity release transaction;
 - (2) rent a property, rather than purchase one or enter into an ~~regulated lifetime mortgage contract~~ equity release transaction on his existing property; or
 - (3) delay entering into an ~~regulated lifetime mortgage contract~~ equity release transaction until a later date on the grounds that property prices would have changed in the intervening period, or that the interest rate in relation to a ~~the regulated lifetime mortgage contract~~ would be lower, or both.

Suitability: appropriate to the customer's needs, objectives and circumstances

- 8.5.16 G (1) ...
- (2) Where the scope of the *advice* provided is ~~restricted (within the meaning of *MCOB 4.3.1R*(1)(b) or (c)), *MCOB 8.5.4R*(2) means that~~ based on a selection of equity release transactions from a single or limited number of providers, the assessment of suitability should not be limited to the ~~types of *regulated lifetime mortgage contract* equity release transactions~~ which the *firm* offers. ~~*MCOB 8.5.4R*(2) prevents a *firm* recommending~~ A *firm* cannot recommend the 'least worst' ~~regulated lifetime mortgage contract~~ equity release transaction where the *firm* does not have access to products appropriate to the *customer's* needs and circumstances. ~~¶~~ This means, for example, that a *firm* dealing solely in the sub-prime market should not recommend one of these ~~regulated lifetime mortgage contracts~~ equity release transactions if approached for advice by a *customer* with an unblemished credit record.

8.5.16A G In assessing whether a *home reversion plan* is appropriate to the needs, objectives and circumstances of its *customer*, matters that a *firm* should take into account include:

- (1) the duration of the right to occupy the property; and
- (2) where an *unauthorised reversion provider* will provide the plan, the loss of those protections of the *regulatory system* that apply when a *customer* enters into a *home reversion plan* with an authorised *reversion provider*.

Suitability: most suitable

- 8.5.17 E (1) A *firm* should, out of all the ~~*regulated lifetime mortgage contracts*~~

equity release transactions identified as being appropriate for that *customer*, recommend the one that is the least expensive for that *customer* taking into account those pricing elements identified by the *customer* as being most important to him.

(2) ...

8.5.18 G (1) ...

(2) ~~MCOB 8.5.17E(1) does not prevent a firm~~ A firm is not prevented from making a recommendation on grounds other than price. For example, it would be open to a firm to have regard to the speed or quality of service of different ~~mortgage lenders~~ equity release providers, the policies of ~~mortgage lenders~~ equity release providers on further lending or capital repayments, the underwriting stance of ~~mortgage lenders~~ equity release providers or the *customer's* wish for an regulated lifetime mortgage contract equity release transaction that is compliant with Sharia Islamic law. The obligation to satisfy ~~MCOB 8.5.4R(1)(e)~~ have reasonable grounds to conclude that the transaction is the most suitable remains the same in such cases.

8.5.19 G (1) If circumstances arise in which a firm has reasonable grounds to conclude that there are several ~~regulated lifetime mortgage contracts~~ equity release transactions that would satisfy the suitability requirement in ~~MCOB 8.5.4R~~ be suitable, the firm will act in conformity with that rule if it may recommend only one of those ~~regulated lifetime mortgage contracts~~ equity release transactions.

(2) If for any reason a *customer* rejects a recommendation made by a firm (for example, on the grounds that the ~~mortgage lender~~ equity release provider selected is unknown to him), the firm can make a further suitable recommendation (in accordance with the requirements of ~~MCOB 8.5~~) where there remains an regulated lifetime mortgage contract equity release transaction that is appropriate to the needs and circumstances of the *customer*.

Rejected recommendations

8.5.20 R (1) If a *customer* has:

(a) rejected all of the *personal recommendations* made by a firm and requested information instead on an regulated lifetime mortgage contract equity release transaction that the firm does not consider suitable (and therefore could not recommend to the *customer* in accordance with ~~MCOB 8.5.2R~~); and

(b) been issued with a new ~~initial disclosure document~~ in accordance with ~~MCOB 4.4.1R~~ or ~~MCOB 4.4.7R~~ (as modified by ~~MCOB 8~~) initial disclosure document or combined initial disclosure document;

the firm may be able to provide information on that regulated lifetime mortgage contract equity release transaction in the light of the

information on which the *personal recommendations* in (1) were made.

- (2) If the *firm* needs to ask further questions regarding the needs and circumstances of the *customer* to be able to provide information on that ~~regulated lifetime mortgage contract~~ equity release transaction, the *firm* must obtain that information by asking scripted questions (in accordance with ~~MCOB 4.8.1R~~ and ~~MCOB 8.6~~ the rules on non-advised sales).

8.5.21 G A *firm* may consider it prudent to record any cases where, after all *personal recommendations* it has made to a *customer* have been rejected, it changes the nature of the service it provides (as in ~~MCOB 8.5.20R~~) and provides the *customer* with information about an ~~regulated lifetime mortgage contract~~ equity release transaction.

...

8.6 Non-advised sales

8.6.1 R ~~In relation to MCOB 4.8.1R~~ The questions used to help a *customer* select a ~~regulated lifetime mortgage contract~~ an equity release transaction must cover the following:

- (1) the matters regarding eligibility criteria, customer's preferences for his estate, customer's health and life expectancy, customer's future plans and needs, customer's preference or need for stability in the amount of payments, and whether the customer has a preference or need for any other features, set out in MCOB 8.5.8R;
- (2) whether the *customer* has considered alternative methods of raising the required funds, and in particular:
- (a) an equity release transaction from the other market sector home reversion scheme; and
- (b) ...

...

8.6.2 G ~~In complying with MCOB 8.6.1R(2) and (3)~~ a *firm* should encourage a *customer* to seek advice on an ~~regulated lifetime mortgage contract~~ equity release transaction if the *customer* is unsure about making their own choice. ~~In the case of MCOB 8.6.1R(2)(b) and (3)~~ In relation to grant assistance, means-tested benefits and the customer's tax position, a *firm* should, where relevant, encourage the *customer* to seek further information from an appropriate source such as their local authority or Citizens Advice Bureau (or other similar agency).

8.6.3 G Firms are reminded that ~~FC 2~~ the Training and Competence sourcebook sets out requirements for:

- (1) *employees* designing scripted questions for use in sales to *customers* of ~~regulated lifetime mortgage contracts~~ equity release transactions

which do not involve *personal recommendations*; and

- (2) *employees* overseeing on a day-to-day basis the sales to *customers* of ~~*regulated lifetime mortgage contracts*~~ *equity release transactions* which do not involve *personal recommendations*.

8.7 Initial disclosure information: unauthorised reversion provider

8.7.1 R A firm must ensure that, on first making contact with a customer who is an individual and an unauthorised reversion provider, when it anticipates giving personalised information or advice on a home reversion plan, it must provide the customer with the following warnings in a durable medium:

- (1) that a home reversion plan is a long-term investment; and
- (2) that a home reversion plan is a complex legal arrangement, and that expert independent legal advice should be obtained before entering into any agreement.

8 Annex 1 Initial disclosure document ("IDD")

R This annex belongs to *MCOB 4.4.1R* (as modified by *MCOB 8*) ~~and~~
MCOB 8.4.1R.

Firms must omit the notes and square brackets that appear in the following IDD. The IDD must contain the key facts logo, headings and text in the order shown and in accordance with the Notes [Note 1].



About our ~~lifetime mortgage [and home reversion scheme]~~ equity release services [Note 2] ~~[Note 3]~~



[Note 4] [Note 5]

[Note 6]
123 Any Street
Some Town
ST21 7QR

1. The Financial Services Authority (FSA)

The FSA is the independent watchdog that regulates financial services. It requires us to give you this document. Use this information to decide if our services are right for you.

2. Whose products do we offer? [Note 3] [Note 7] [Note 8]

- We offer [lifetime mortgages] [home reversion plans] [equity release products] from the whole market.
- We [can] [Note 9] only offer [lifetime mortgages] [home reversion plans] [equity release 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~~] [lifetime mortgages] [home reversion plans] [equity release products] [~~a~~] product[s] from [a single company] [name of single company]. **[Note 11]** **[Note 11A]**

[or]

We only offer our own [lifetime mortgages] [home reversion plans] [equity release products]. **[Note 12]**

- We do not offer [lifetime mortgages] [home reversion plans]. **[Note 8A]**
-

3. Which service will we provide you with? **[Note 3] **[Note 7]****

- We will advise and make a recommendation on [lifetime mortgages] [home reversions] [equity release products] for you after we have assessed your needs.
- You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of ~~products~~ [lifetime mortgages] [home reversions] [equity release products] on which we will provide details. You will then need to make your own choice about how to proceed.
-

4. What will you have to pay us for this service? **[Note 3] **[Note 7]****

- No fee [we will be paid by commission from the company that [lends you money] [buys your home]]. **[Note 13]**
- A fee [of £ [] payable at the outset and £[] payable when you apply for [a lifetime mortgage] [a home reversion plan scheme] [an equity release product]]. [We will also be paid commission from the company that [lends you money] [buys your home].] **[Note 13]** **[Note 14]**

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

5. Refund of fees **[Note 15] **[Note 16]****

If we charge you a fee, and your ~~lifetime mortgage~~ [equity release sale] ~~[home reversion scheme]~~ does not go ahead, you will receive: **[Note 3]**

- A full refund [if the company rejects your application]. **[Note 17]**
- A refund of £ [] [if the application falls through]. **[Note 17]** **[Note 18]**
- No refund [if you decide not to proceed]. **[Note 17]**
-

6. Who regulates us? **[Note 19]**

[XYZ Financial Services][123 Any Street, Some Town, ST21 7QB] [Note 20] [Note 20A] is authorised [Note 21] and regulated by the Financial Services Authority. Our FSA Register number is [].

Our permitted business is []. [Note 22]

[or] [Note 20B]

[Name of *appointed representative*] [Notes 4 and 5] is an appointed representative of [name of *firm*] [address of *firm*] [Note 20] [Note 20A] which is authorised and regulated by the Financial Services Authority. [Name of *firm*]'s FSA Register number is [].

[Name of *firm*]'s permitted business is []. [Note 22]

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.

~~[Home reversion schemes are not regulated by the FSA.] [Note 3]~~

7. What to do if you have a complaint

If you wish to register a complaint, please contact us:

...in writing Write to [XYZ Financial Services], [Complaints Department, 123 Any Street, Some Town, ST21 7QB] [Note 23]

...by phone Telephone [0121 100 1234] [Note 23]

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service. ~~[The Financial Ombudsman Service does not consider complaints about home reversion schemes.] [Note 3] [Note 23A]~~

8. Are we covered by the Financial Services Compensation Scheme (FSCS)? [Note 19] [Note 24] [Note 25]

We are covered by the FSCS. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

~~Mortgage~~Equity release advising and arranging is covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation is £48,000. ~~[Home reversion schemes are not covered by the FSCS.] [Note 3]~~

Further information about the compensation scheme arrangements is available from the FSCS.

Message from the Financial Services Authority
Think carefully about this information before deciding whether you want to go ahead.
If you are at all unsure about which ~~lifetime mortgage home reversion scheme~~ equity release transaction is right for you, you should ask your adviser to make a recommendation.
Please remember that home reversion schemes are not regulated by the FSA.

The following notes do not form part of the IDD.

...

Note 2 – the *Financial Services Authority* has developed a common ‘key facts’ logo to be used on significant pieces of information directed to *customers*. The ‘key facts’ logo and the text “about our ~~lifetime mortgage~~ equity release services” must be used and positioned as shown on the IDD. The logo may be re-sized, but it must be reasonably prominent and its proportions must not be distorted. When reproducing the logo, *firms* may use colour providing this does not diminish the prominence of the logo.

Note 3 – *firms* must insert the text in square brackets relating to lifetime mortgages home reversion schemes if they ~~advise or give personalised information on their scope of service includes~~ *lifetime mortgages*; the text in square brackets relating to home reversion plans schemes if their scope of service includes *home reversion plans*; and the text in square brackets relating to equity release products if their scope of service includes products from both market sectors. The texts in square brackets are mutually exclusive. This means that *firms* should use only one of the square bracketed texts and must omit those not used. ~~in addition to advising or giving personalised information on regulated lifetime mortgage contracts.~~

...

Note 7 - *firms* must describe their scope of service by selecting and by ticking, for example, one the box or boxes that describe the products and services that the firm which is (are) appropriate for the service that they expects to provide to the *customer*. This means a *firm* will select either one or both boxes within this section. *Firms* must not delete the boxes not selected (but see Note 8A). In the text associated with boxes that are not ticked, a *firm* must delete references to ‘home reversions’ and ‘lifetime mortgages’ but leave references to ‘equity release products’, omitting the square brackets. This is so that a *customer* can see other possible options, even if not available from the *firm* issuing the IDD.

...

Note 8A – if the *firm's* scope of service does not include both types of equity release transactions, it must use this box to indicate to the *customer* the sector that it does not cover.

Note 9 - insert "can" if the *firm's* range of equity release transactions ~~regulated lifetime mortgage contracts~~ is determined by any contractual obligation.

...

Note 11A - If the *firm* offers home reversion plans from only one *reversion provider*, and lifetime mortgages from only one *lender*, which is different from the *reversion provider*, then the *firm* should identify the *lender* and the *reversion provider* and specify the equity release transaction to which they relate. For example, "We can only offer lifetime mortgages from ABC Mortgages Ltd and home reversion plans from XYZ Reversions Ltd."

...

Note 14 – 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 or reversion 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.~~ it should specify the pricing policy for each product. For example, "A fee of £100 payable at the outset and £120 when you apply for a lifetime mortgage and £80 when you apply for a home reversion plan". If a *firm* does not charge a *fee*, the text for the second box should be abbreviated to 'A fee'.

...

Note 17 – insert a plain language description of the circumstances in which the *fee* is refundable or not refundable as described. If the refund policy is different depending on the equity release transaction in question, the firm should specify the refund policy for each of them. For example, "A refund of £100 if your lifetime mortgage application falls through and a refund of £120 if your home reversion plan application falls through."

...

Note 20B – where the information is provided by an *appointed representative*, the *appointed representative* must use this text instead. The *appointed representative* must give details of the *authorised firm(s)* that is its *principal(s)* for each type of service that it is providing to a particular *customer*.

...

Note 22 - insert a short, plain language description of the business for which the *firm* has *permission* in relation to ~~regulated lifetime mortgage contracts~~ equity release transactions.

...

~~Lifetime mortgages~~ Equity release: product disclosure

9.1 Application

9.1.1 R Who?

This chapter applies to a *firm* in a category listed in column (1) of the table in *MCOB 9.1.2R* in accordance with column (2) of that table, except that those provisions that by their nature are only relevant to *regulated mortgage contracts* do not apply to *home reversion plans*.

9.1.2 R This table belongs to *MCOB 9.1.1R*

(1) Category of firm	(2) Applicable section
<i>mortgage lender</i>	whole chapter <u><i>MCOB 9.1 - 9.4.132R, MCOB 9.5 - 9.8</i></u>
<i>mortgage administrator</i>	<u><i>MCOB 9.1—9.4, MCOB 9.2, MCOB 9.6 and MCOB 9.8</i></u>
<i>mortgage adviser; mortgage arranger</i>	<u><i>MCOB 9.1 - 9.4.132R and MCOB 9.8.5R-MCOB 9.8.10R</i></u>
<i>mortgage arranger</i>	<i>MCOB 9.1—9.4 and MCOB 9.8.5R—MCOB 9.8.10R</i>
<u><i>reversion provider</i></u>	<u><i>MCOB 9.1 – 9.4.17AR, MCOB 9.4.133R -9.6; MCOB 9.9</i></u>

<u>reversion administrator</u>	<u>MCOB 9.1, MCOB 9.6 and MCOB 9.9</u>
<u>reversion adviser; reversion arranger</u>	<u>MCOB 9.1 - 9.4.17AR, MCOB 9.4.133R – 9.4.176G; MCOB 9.9.8R</u>

9.1.2A G The rules and guidance that are not relevant to home reversion plans are those related, for example, to interest rates, APR, higher lending charge, mortgage credit cards, multi-part mortgages and foreign currency mortgages.

9.1.3 R What?

This chapter applies in the circumstances set out in other ~~rules~~ in MCOB this sourcebook, but in relation to a ~~regulated lifetime mortgage contract~~ an equity release transaction, in accordance with the table in MCOB 9.1.4R.

9.1.4 R This table belongs to MCOB 9.1.3R

Section of MCOB 9	Applies in relation to a regulated lifetime mortgage contract <u>an equity release transaction</u> as set out in the following MCOB rules:
MCOB 9.1, MCOB 9.2	all of the <i>rules</i> listed below <u>in this column</u>
MCOB 9.3, MCOB 9.4	MCOB 5.1.3R
MCOB 9.5	MCOB 6.1.3R
MCOB 9.5 <u>6</u>	MCOB 7.1.3R

9.1.5 R In this chapter, references to a ~~regulated lifetime mortgage contract~~ an equity release transaction include, where the context requires, references to arrangements which are capable of becoming a ~~regulated lifetime mortgage contract~~ an equity release transaction.

9.1.6 R This chapter does not apply in relation to arranging, advising on or administering a home reversion plan for a customer acting in his capacity as an unauthorised reversion provider.

9.2 Purpose

9.2.1 G The purpose of the requirements in this chapter is the same as that in MCOB 5.2, MCOB 6.2 and MCOB 7.2 in respect of ~~regulated lifetime mortgage contracts~~ equity release transactions.

9.3 Pre-application disclosure

9.3.1 R (1) MCOB 5.1 to MCOB 5.5 (with the modifications stated in MCOB 9.3.2R to MCOB 9.3.12R) apply to a firm where the ~~regulated mortgage contract~~ home finance transaction is an ~~regulated lifetime mortgage contract~~ 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 9.1.2AG).

(2) ...

...

(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'.

Table of modified cross-references to other rules

9.3.2 R This table belongs to MCOB 9.3.1R.

Subject	Rule or guidance	Reference in rule or guidance	To be read as a reference to:
...			
Part of loan not a regulated lifetime mortgage contract <u>an equity release transaction</u>	MCOB 5.1.9G	MCOB 5.6.6R(2)	MCOB 9.4.6R(2)
...			
Tied products	MCOB 5.4.24G	MCOB 5.6.74R	MCOB 9.4.73R or MCOB 9.4.160R
...			

...

9.3.5 R An illustration on a particular ~~regulated lifetime mortgage contract~~ equity release transaction issued by, or on behalf of an ~~mortgage lender~~ equity release provider, must be an accurate reflection of the costs of the ~~regulated lifetime mortgage contract~~ equity release transaction.

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).

...

- 9.3.8 G There are no restrictions on figures which are quoted as higher than those actually charged by the ~~mortgage lender~~ equity release provider although this should not be purposely done in order to make one ~~regulated lifetime mortgage contract~~ equity release transaction look more expensive than another.
- 9.3.9 G It is the responsibility of a ~~mortgage~~ an equity release intermediary to ensure ~~compliance with MCOB 9.3.6R~~ 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 ~~mortgage lender~~ equity release provider, ~~that an illustration was within the tolerances described in MCOB 9.3.6R~~, he may be able to rely on that person (see MCOB 2.5.2R), ~~if this turns out not to be the case~~.
- 9.3.10 G An *offer document* may not always exactly match the *illustration* provided before application even when the ~~loan~~ 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 ~~regulated lifetime mortgage contract~~ will start.
- 9.3.11 R Where ~~MCOB 5.4.13R(2)~~ applies a *firm* provides a *customer* with information specific to an equity release transaction on a screen:
- (1) if the *customer* initiates the accessing of quotation information on screen (for example, by using the internet or interactive television), the following warning must be displayed equally prominently on each page on screen: This information does not contain all of the details you need to choose a ~~lifetime mortgage~~ an equity release product. Make sure that you read the separate key facts illustration before you make a decision;
 - (2) ...
- 9.3.12 R In meeting a request ~~under MCOB 5.5.1R(2)(e)~~ for written information specific to the customer's requirements on a particular equity release transaction (see MCOB 5.5.1R(2)(c)), the *firm* must not delay the provision of the *illustration* by requesting information other than:
- (1) the information necessary to personalise the *illustration* ~~in accordance with MCOB 9.4.6R~~, if the *firm* does not already know it;

(2) where the *firm* acts in accordance with ~~MCOB 5.5.11R(2)~~ is uncertain whether the transaction will be an equity release transaction, such information as is necessary to ascertain ~~this whether or not the contract will be a regulated lifetime mortgage contract~~;

(3) ...

...

9.4 Content of illustrations

Purpose

9.4.1 G ~~MCOB 9.4~~ This section sets out the required content of an *illustration* for a ~~regulated lifetime mortgage contract~~ an equity release transaction provided to a *customer* by a *firm*. The template of an illustration for a lifetime mortgage is set out in MCOB 9 Annex 1 and for a home reversion plan, in MCOB 9 Annex 2.

Content, order, format etc

9.4.2 R An *illustration* provided to a *customer* must:

(1) contain the material set out in ~~MCOB 9 Annex 1~~ the relevant annex to this chapter in the order and using the numbered section headings, sub-headings and ~~prescribed text prescribed in MCOB 9 Annex 1~~, except where ~~provided for in MCOB 9.4~~ this section provides otherwise;

(2) follow the format of the template in ~~MCOB 9 Annex 1~~ the relevant annex to this chapter, with:

(a) prominent use of the keyfacts logo followed by the text 'about this lifetime mortgage' or 'about this home reversion plan';

...

...

(6) replace "[name of mortgage lender]" or "[name of reversion provider]" with the name of the ~~mortgage lender~~ equity release provider providing the ~~regulated lifetime mortgage contract~~; a trading name used by the ~~mortgage lender~~ equity release provider may be stated, as long as the name of the ~~mortgage lender~~ is also disclosed in Section 5 of the ~~illustration~~ in accordance with ~~MCOB 9.4.24R(1)~~;

(7) ...

...

- (9) describe any ~~regulated lifetime mortgage contract~~ as a "lifetime mortgage" and any home reversion plan as a "home reversion plan" and not use any other expression to describe such a mortgage or plan or omit that description from the name given to any product that meets the definition.

9.4.3 G (1) ...

...

- (3) The *illustration* can contain the ~~mortgage lender's equity release provider's~~ or ~~mortgage equity release intermediary's~~ logo and other "brand" information, ~~so long as the requirements of MCOB 9.4 are satisfied.~~

(4) ...

...

9.4.4 R A *firm* must include in the *illustration* all prescribed section headings ~~in MCOB 9 Annex 1~~, except that:

- (1) in Section 8 of the lifetime mortgage illustration (What you owe and when):

...

- (2) Section 16 of the lifetime mortgage illustration (Using a mortgage intermediary) or section 12 of the home reversion plan illustration (Using a home reversion intermediary) is required only where the *illustration* is provided to the *customer* by, or on behalf of, an mortgage equity release intermediary; and

- (3) where the *illustration* is issued in connection with a further advance ~~in accordance with MCOB 9.8.5R~~, an additional section "Total borrowing" must be inserted after Section 8 of a lifetime mortgage illustration, and must be numbered "9", with all subsequent sections renumbered accordingly.

...

9.4.6 R As a minimum the *illustration* must be personalised to reflect the following:

- (1) the specific ~~regulated lifetime mortgage contract~~ equity release transaction in which the *customer* is interested;
- (2) the amount of the loan or equity required by the *customer*, or for drawdown mortgages and instalment reversion plans, the amount the *customer* wishes to draw down or to receive on a monthly (or such frequency that amounts are available) basis. Where the amount the *customer* can draw down is variable, the *firm* must agree with the *customer* an expected amount to be drawn down per year (see MCOB 9.4.13R);

- (3) the price or value of the property on which the equity release amount is based~~regulated lifetime mortgage contract~~ would be secured (estimated where necessary);
- (4) such information relating to the *customer*, or the property, or both as is necessary to determine that the *customer* would qualify for the ~~regulated lifetime mortgage contract~~ equity release transaction in question; and
- (5) the term of the instalment reversion plan or, in the case of a lifetime mortgage and an open-ended instalment reversion plan, the estimated term of the ~~regulated lifetime mortgage contract~~, calculated in accordance with ~~MCOB 9.4.10R~~.

- 9.4.7 G A *firm* should not illustrate more than one ~~regulated lifetime mortgage contract~~ equity release transaction in the same *illustration*, for example by using one *illustration* to compare alternative products.
- 9.4.8 G ~~MCOB 9.4.6R sets out~~These are minimum requirements. The *illustration* may be personalised to a greater degree if the ~~mortgage lender~~ equity release provider or ~~mortgage~~ equity release intermediary wishes, subject to the restrictions on the information that can be obtained from the *customer* ~~in MCOB 9.3.12R~~ when the *illustration* is provided in accordance with ~~MCOB 5.5.1R(2)(e)~~when he requests written information on a particular transaction (see ~~MCOB 5.5.1R(2)(c)~~).
- 9.4.9 G In relation to ~~MCOB 9.4.6R(3)~~the price or value of the property, in order for the *firm* to comply with the principle of "that an *illustration* should be clear, fair and not misleading" in ~~MCOB 2.2.6R~~, an estimated valuation, where the estimated valuation is not that provided by the *customer*, must be a reasonable assessment based on all the facts available at the time. For example, an overstated valuation could enable a more attractive ~~regulated lifetime mortgage contract~~ to be illustrated on the basis of a lower ratio of the loan amount to the property value - for example, one with a lower rate of interest.
- 9.4.10 R (1) In estimating ~~at~~ the term ~~under MCOB 9.4.6R(5)~~of a lifetime mortgage or an open-ended instalment reversion plan, a *firm* must:
- ...
- ...
- 9.4.11 R Where the *illustration* is issued to two or more *customers* who intend to borrow jointly, or who own the property jointly, the term estimated ~~in accordance with MCOB 9.4.10R~~ should be based on the longest life expectancy.
- 9.4.12 R If the *customer* requests an *illustration* showing a term of the *customer's* choice, that *illustration* must be issued in addition to the *illustration* showing the term calculated in accordance with ~~MCOB 9.4.10R~~these rules. The term chosen should be stated in Section 4 of the *illustration* "What you

have told us" (~~see MCOB 9.4.21R(2)~~).

- 9.4.13 R The amount to be specified in the illustration and referred to in MCOB 9.4.6R(2) is:
- (1) the amount that the *customer* has asked to borrow, release or draw down; or
 - (2) ...
 - (3) in cases where, on the basis of the information obtained from the *customer* before providing the *illustration*, it is clear that the *customer* would not be eligible to borrow, release or draw down the amount he requested, an estimate of the amount that the *customer* could borrow, release or draw down, based on the information obtained from the *customer*.

- 9.4.14 G *MCOB 9.4.13R(3)* does not require information to be obtained from the *customer* before providing an *illustration* in order to ascertain the amount the *customer* is eligible to borrow or to release from the property. ...

...

Information to be included at the head of the illustration

- 9.4.17 R The following information must be included at the head of the *illustration*:
- (1) the *customer's* name;
 - (2) the date of issue of the *illustration*;
 - (3) details of how long the *illustration* is valid for, and whether there is any date by which the ~~regulated lifetime mortgage contract~~ equity release transaction covered by the *illustration* needs to commence (for example, where a fixed interest rate is only available if the ~~regulated lifetime mortgage contract~~ commences before a certain date); and
 - (4) the prescribed text at the head of the *illustration* ~~in MCOB 9 Annex 1~~.

- 9.4.17A R (1) The requirements for a lifetime mortgage illustration are set out in MCOB 9.4.18R to MCOB 9.4.132R.
- (2) The requirements for a home reversion plan illustration are set out in MCOB 9.4.133R to MCOB 9.4.176G.

Section 1 of a lifetime mortgage illustration: “About this information”

...

Section 2 of a lifetime mortgage illustration: “Which service are we providing you with?”

...

Section 3 of a lifetime mortgage illustration: “What is a lifetime mortgage?”

...

Section 4 of a lifetime mortgage illustration: “What you have told us”

...

Section 5 of a lifetime mortgage illustration: “Description of this mortgage”

...

Section 6 of a lifetime mortgage illustration: “Benefits”

...

Section 7 of a lifetime mortgage illustration: “Risks - important things you must consider”

...

Section 8 of a lifetime mortgage illustration: “What you will owe and when”
(A) “Details of mortgage payments”

...

Section 8 of a lifetime mortgage illustration: “What you will owe and when”
(B) “Projection of roll-up of interest”

...

Section 9 of a lifetime mortgage illustration: “Will the interest rate change?”

...

Section 10 of a lifetime mortgage illustration: “How the value of your home could change”

...

Section 11 of a lifetime mortgage illustration: “What fees must you pay?”

...

Section 12 of a lifetime mortgage illustration: “Insurance”

...

Section 13 of a lifetime mortgage illustration: “What happens if you do not want this mortgage any more?”

...

...

Section 14 of a lifetime mortgage illustration: “Additional features”

...

Section 15 of a lifetime mortgage illustration: “Overall cost of this

mortgage”

...

Section 16 of a lifetime mortgage illustration: “Using a mortgage intermediary”

...

After *MCOB* 9.4.132R insert the following provisions. This text is new and it is not underlined.

Section 1 of a home reversion plan illustration: “About this information”

9.4.133 R Under the section heading "About this information", the prescribed text under this heading in the *home reversion plan illustration* must be included.

Section 2 of a home reversion plan illustration: “Which service are we providing you with?”

9.4.134 R (1) Unless (2) applies, under the section heading "Which service are we providing you with?" the prescribed text in the *home reversion plan illustration* under this heading must be included with a "check box" for each statement, one of which must be marked prominently to indicate the level of service provided to the *customer*;

(2) If the level of service described in the *illustration* is provided by another *firm*, (1) may be replaced by the following: under the section heading "Which service are we providing you with?" the following text should be presented as two options with a "check box" for each option, one of which must be marked prominently to indicate the level of service provided to the *customer*: "[name of the *firm*] recommends, having assessed your needs, that you take out this home reversion plan." "[name of the *firm*] is not recommending a particular home reversion plan for you. However, based on your answers to some questions, it is giving you information about this home reversion plan so that you can make your own choice, or find out about other ways in which you may be able to release equity from your home."

Section 3 of a home reversion plan illustration: “What is a home reversion plan?”

9.4.135 R Under the section heading “What is a home reversion plan?”, the prescribed text in the *home reversion plan illustration* under this heading must be included.

Section 4 of a home reversion plan illustration: “What you have told us”

9.4.136 R (1) Under the section heading "What you have told us", the *illustration* must state the minimum information a *firm* must obtain from the *customer*

(apart from details of the plan that the *customer* is interested in, which is in Section 5 of the *illustration*), and can include brief details of any other information that has been obtained from the *customer* and used to produce the *illustration*.

- (2) For an *instalment reversion plan*, where the *customer* requests an additional *illustration* showing a term of their choice, the term chosen by the *customer* must be stated in this section, together with a statement to the effect that the term is the *customer's* choice.
- (3) If the amount on which the *illustration* is based includes the amount that the *customer* wants to release less charges and other payments that have been deducted from the amount to be released:
 - (a) except where there are some fees or charges that have not been deducted, this section must include the following text after the amount to be released: " less £ [insert total amount of fees and other charges deducted from the amount to be released] for fees that have been deducted from the amount to be released - see Section 9 for details."; or
 - (b) where there are other fees or charges that the *customer* must pay that have not been deducted this section must include the following text after the amount to be released: "less £ [insert total amount of fees and other charges deducted from the amount to be released] for fees that have been deducted from the amount to be released. These and the additional fees that you need to pay are shown in Section 9."
- (4) If the amount on which the *illustration* is based includes the amount that the *customer* wants to release less insurance premiums or insurance-related charges that have been deducted from the amount to be released:
 - (a) except where there are other insurance premiums or insurance-related charges that have not been deducted, this section must include the following text after the amount to be released (which may be combined with the prescribed text in (3) if applicable): "less £ [insert amount of premium or charges, or both, to be deducted from the amount to be released] for insurance [premiums] [and] [charges] that have been deducted from the amount to be released - see Section 10 for details."; or
 - (b) where there are other insurance premiums or insurance-related charges, or both, this section must include the following text after the amount to be released (which may be combined with the prescribed text in (3) if applicable): "less £ [insert amount of premium or charges, or both, to be deducted from the amount to be released] for insurance [premiums] [and] [charges] that have been deducted from the amount to be released. These and any additional insurance [premiums] [and] [charges] that you need to pay are shown in Section 10."

- (5) If the amount on which the *illustration* is based does not involve any charges or payments being deducted from the amount to be released, but there are charges that must be paid by the *customer*, Section 4 of the *illustration* must include the following text after the amount to be released: "No fees have been deducted from this amount but the fees you need to pay are shown in Section 9. For details of any insurance charges, see Section 10."
- (6) If the *home reversion plan* on which the *illustration* is based has no charges that must be paid by the *customer*, and no insurance premiums are being deducted from the amount to be released, Section 4 of the *illustration* must include the following text after the amount to be released: "We do not charge any fees for this home reversion plan."

9.4.137 R At the end of Section 4 of the *illustration* a statement must be included making clear that changes to any of the information obtained from the *customer*, and where appropriate to the valuation of the property, could alter the details elsewhere in the *illustration* and encouraging the *customer* to ask for a revised *illustration* in this event.

9.4.138 G An example is: "An independent valuation will be carried out and this, or changes to any of the information that you have given us, could alter the information in this illustration. If this is the case please ask for a revised illustration."

Section 5 of a home reversion plan illustration: "Description of this home reversion plan"

9.4.139 R Under the section heading "Description of this home reversion plan" the *illustration* must:

- (1) state the name of the *reversion provider* providing the *home reversion plan* to which the *illustration* relates (a trading name used by the *reversion provider* may also be stated), and the name, if any, used to market the *home reversion plan*;
- (2) include a statement describing the *home reversion plan*;
- (3) if the *home reversion plan* is linked to an *investment*, and payments required from the *customer* on the *home reversion plan* will be deducted from the income from the *investment*, include a statement that this is the case;
- (4) if the *customer* is obliged to buy any *tied products* under the *home reversion plan*, include the following information:
 - (a) details of the *tied products* required;

- (b) the following text: "You are obliged to take out [insert details of the *tied product(s)*] through [insert name of *reversion provider* or *reversion intermediary*] as a condition of this home reversion plan", and if the *tied product* is an insurance policy, "Please refer to Section 10 of this illustration for further details [of the insurance policies].";
 - (5) state the term or estimated term of the *home reversion plan*;
 - (6) state very briefly any restrictions that apply to the availability of the *home reversion plan* (for example, it is only available to certain types of *customer* or cannot be transferred to another property).
- 9.4.140 R Further information about the *home reversion plan* may be included as long as it does not significantly:
- (1) duplicate information contained elsewhere in the *illustration*; and
 - (2) extend the length of this section.
- 9.4.141 G An example of further information that may be included might be that an "approval in principle" has been granted subject to valuation.
- Section 6 of a home reversion plan illustration: "Benefits"
- 9.4.142 R Under the section heading "Benefits", the *illustration* must include:
- (1) a description of the monetary amount(s), and in a box aligned to the right of the document, the monetary amount(s), that the *customer* will receive as a lump sum and/or as a regular payment;
 - (2) if the *home reversion plan* is linked to an *investment* and the payments required from the *customer* on the *home reversion plan* will be deducted from the income from the *investment*, the monetary amount of the net income the *customer* will receive;
 - (3) if applicable, statements of any other benefits, incentives and guarantees that apply to the *home reversion plan*;
 - (4) an explanation of how the monetary amount that the *customer* will receive was calculated; and
 - (5) if the *home reversion plan* is an *instalment reversion plan*:
 - (a) whether the monetary amount that the *customer* will receive is guaranteed or variable (for example, because it is linked to the performance of another *investment*);
 - (b) an explanation of what happens to the monetary amount(s) not yet paid by the *reversion provider* if the *customer* (and, in the case of a joint plan, the surviving spouse or civil partner) dies; and

- (c) if the monetary amount that the *customer* will receive is subject to the *customer* selling further parts of a qualifying interest in land to the *reversion provider*, whether these further sales are optional or compulsory.

9.4.143 G Examples that may be appropriate to describe what the *customer* will receive are:

- (1) "Subject to the independent valuation, this home reversion plan will provide you with a lump sum of £[x] [or [state number of instalments] lump sums of £[x]].";
- (2) "The amount you are releasing will automatically be used to purchase a [name of linked *investment* product] from [name of provider]. The amount is £[x]."; and
- (3) "Subject to the independent valuation, this home reversion plan will provide you with a monthly payment from the start of your plan for [state period]. This will be £[x].".

9.4.144 G An example that may be appropriate to explain how the amount the *customer* will receive was calculated is: "How we calculate this sum: Your property is worth about £[x]. Taking the information in Section 4 above into consideration, this plan will pay you [x] % [the amount, as a percentage, that the *reversion provider* will pay for the property] of the full market value of any portion of the property you decide to sell. For a lump sum of about £ [x] [insert the amount that the *customer* wants to release from the property], you will need to sell [x]% [state the proportion of the property, as a percentage, that the *customer* needs to sell to release the amount required] of your home. This will leave you with [x]% [state the proportion of the property, as a percentage, that will still be owned by the *customer*] of your property. At current values, this would be worth £[x] though the value of property may rise or fall in the future."

Section 7 of a home reversion plan illustration: "Risks - important things you must consider"

9.4.145 R The *illustration* must include under the heading "Risks - important things you must consider" brief statements and warnings on all material risks involving a *home reversion plan*, including:

- (1) prominently at the beginning of the section: "A home reversion is a complex property transaction. You should seek legal advice to ensure that you fully understand all of the implications for you and your home and for anyone who might otherwise inherit the property.";
- (2) the effect of the *customer* wanting or needing to move home (whether into another property, sheltered accommodation, long-term care or residential care), covering the circumstances in which the *home reversion plan* is portable;

- (3) the effect on the *home reversion plan* of another party moving into the property (for example on marriage or the formation of a civil partnership or where a family member acts as a carer);
- (4) the *reversion provider's* requirements for repair and maintenance of the property, including the *reversion provider's* right (if any) to enter the property to effect essential repairs, and the circumstances in which this may occur;
- (5) a warning that taking out the *home reversion plan* may affect the *customer's* tax and welfare benefits position, that tax and welfare benefits can change and that the *customer* should consider seeking further information from HM Revenue and Customs, Benefits Agency or another source of advice such as a Citizens' Advice Bureau;
- (6) a warning that under a *home reversion plan* the *customer* will cease to own any part of the property sold to the *reversion provider*, and so will neither benefit from any increase in the value of that part nor be able to leave his home to his beneficiaries on his death;
- (7) a warning (where appropriate) that the right to occupy the property will depend on the *customer* fulfilling the terms of the *home reversion plan*;
- (8) that the *illustration* contains a statement about the duration of the *home reversion plan*, and that the *customer* should ensure that the duration will be adequate given the *customer's* circumstances;
- (9) whether the *customer* can, in the future, secure borrowing from any other source on the property (and if applicable a warning that an increasing debt may mean that it may not be possible to borrow more in the future); and
- (10) if the provider is an *unauthorised reversion provider*, a warning that:
 - (a) the provider is not authorised or regulated by the *FSA*, and that key protections under the *regulatory system* will not apply; and
 - (b) the provider is not subject to the jurisdiction of the *Financial Ombudsman Service*, and that the *customer* will not be entitled to refer complaints against the provider to the *Financial Ombudsman Service*.

9.4.146 G For guidance on prominence see *MCOB 2.2.9G*.

9.4.147 R Under the heading "Risks - important things you must consider" the *illustration* must also include the following if they apply:

- (1) for an *instalment reversion plan*, a statement that if the customer dies in the early years of the plan, income payments will cease and therefore the full expected benefits of the plan will not be obtained;
- (2) (a) for an *instalment reversion plan* where there is a regular cash sum payable; and

(b) where:

- (i) the *home reversion plan* is linked to an *investment*; and
- (ii) the payments required from the *customer* on the *home reversion plan* will be deducted from the income from the *investment*; and
- (iii) the *customer* will receive a fixed net income;

a statement that inflation can erode the value of the cash sum over time; and

- (3) for all *home reversion plans*, a statement or warning with regard to any material issue not covered elsewhere in this section of the *illustration*.

Section 8 of a home reversion plan illustration: "What you will have to pay and when"

9.4.148 R The heading of the right-hand column of 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 have to pay and when" and the column must be headed "Monthly payments").

9.4.149 R All the payments in Section 8 must be calculated based on the frequency used for the purposes of the heading in the right-hand column of the section and must be shown in that column.

9.4.150 R Section 8 of the *illustration* must contain the following information:

- (1) a statement at the beginning of the section regarding rent and charges using the following text: "A home reversion plan is not a loan. Once you have paid the fees shown in section 9, you will only have to pay the charges shown below.";
- (2) the amount and frequency of annual rent, if any, to be paid by the *customer*; and
- (3) a description and the amount of other periodic charges to be paid by the *customer*.

9.4.151 R Where the payment due to the *reversion provider* is to be deducted from the income provided by a linked *investment* product (such as an annuity) such that the *customer* receives the net income, the *firm* must make a clear statement to this effect.

Section 9 of a home reversion plan illustration: "What fees must you pay?"

9.4.152 R Under the section heading "What fees must you pay?" the *illustration* must:

- (1) itemise all the fees that the *customer* must pay, excluding any charges for insurance set out in Section 10 of the *illustration*; and

- (2) include a statement regarding taxes and costs using the following text:
"You may have to pay other taxes or costs in addition to any fees shown here."
- 9.4.153 G An example of a fee that would not be included would be a fee payable by the *customer* to insure their property elsewhere (however this would need to be stated in the separate "Insurance" section).
- 9.4.154 R The fees included in this section must be itemised under the relevant sub-headings as follows:
- (1) the fees that are payable by the *customer* to the *reversion provider* must be itemised under the sub-heading "Fees payable to [name of *reversion provider*]";
- (2) the remaining fees must be itemised under the sub-heading: "Other fees"; and
- (3)
- (a) if there are no fees to be itemised in accordance with (1), the sub-heading must be retained and a statement must be included that no fees apply;
- (b) if there are no fees to be itemised in accordance with (2), the sub-heading must be retained and only the text in *MCOB* 9.4.152R(2) applies.
- 9.4.155 R The following information must be provided for each fee included in this section of the *illustration*:
- (1) a description of the fee;
- (2) the amount payable by the *customer* specified in the column on the right-hand side of the section;
- (3) for fees included under the sub-heading "Other fees", to whom the fee is payable;
- (4) when the fee is payable;
- (5) whether or not the fee is refundable, and if so, the extent to which it is refundable;
- (6) which fees (if any) are estimated and based on representative information; and
- (7) if any fee is payable after the start of the *home reversion plan* and subject to change in the future, the amount of that fee, along with a statement that this is the 'current fee'.
- 9.4.156 R (1) If any fees are to be deducted from the amount to be released, this must be stated alongside each fee.

- (2) If the *customer* has the option of deducting from the amount to be released any of the fees included in this section, the following text must be included: "If you wish you can deduct [this/these/the {type of fee}] fee(s) from the amount to be released under this home reversion plan. This will reduce the amount you get to £ [insert amount of the amount to be released minus the fee(s)]. If you want to do this, you should ask for another illustration that shows the effect of this on the amount you will get."

9.4.157 G "Other fees" will include any fee charged by a *reversion intermediary*, or another third party, for advising on or *arranging a home reversion plan*, but not commission or *procurator fees* (which are dealt with in Section 12 of the *illustration*).

9.4.158 R A *reversion provider* must provide a *tariff of charges* to the *customer*, if the *customer* so requests.

Section 10 of a home reversion plan illustration: "Insurance"

9.4.159 R (1) Under the section heading "Insurance" the *illustration* must include details of:

(a) insurance which is a *tied product*; and

(b) insurance which is required as a condition of the *home reversion plan* which is not a *tied product*.

(2) Under this section heading a *firm* may also provide details of insurance which is optional for the *customer* to take out.

(3) It must be clear to the *customer* which products he is required to purchase under which circumstances (for example, where both a *tied product* and a *reversion intermediary* are involved, whether the policy must be purchased from the *reversion provider* or the *reversion intermediary*).

9.4.160 R The following information must be included if the *home reversion plan* requires the *customer* to take out insurance that is a *tied product* either through the *reversion provider* or the *reversion intermediary*:

(1) details of which insurance is a *tied product*;

(2) the name of the *firm* imposing the requirement for the insurance;

(3) for how long the *customer* is obliged to purchase the insurance;

(4) an accurate quotation or a reasonable estimate of any payments the *customer* needs to make for the insurance;

(5) where a quotation is provided for insurance on the basis of an estimated sum insured, because the actual required sum insured is unknown, the fact that it is estimated should be stated along with the level of cover that has been assumed;

- (6) details of when the *customer's* payments for such insurance change, for example, if premiums are reviewed annually; and
 - (7) where a quotation is not provided, a statement of when and how a quotation will be provided (for example, separately and as soon as possible).
- 9.4.161 G A *firm* must provide a *customer* with an accurate quotation for any *tied products* (see MCOB 5.4.23R). Where the level of cover the *firm* requires the *customer* to take up is known at the outset, then the quotation should reflect that level of cover.
- 9.4.162 R If the *home reversion plan* does not require the *customer* to take out insurance as a *tied product*, a statement must be provided under this section that the *customer* is not obliged to take out insurance through the *reversion provider* or the *reversion intermediary*.
- 9.4.163 R The following information must be included if the insurance required, as a condition of the *home reversion plan*, is not a *tied product*:
- (1) a brief statement of the type of insurance the *firm* requires; a quotation for such insurance may be included in the *illustration*, estimated where necessary; and
 - (2) if a charge is made if the *customer* does not arrange insurance through the *reversion provider* or the *reversion intermediary*, this must be stated, together with the amount of the charge and the frequency with which this charge is payable.
- 9.4.164 R A *firm* may include in the *illustration*, quotations (estimated where necessary) for any insurance products (other than the insurance products covered elsewhere in the *illustration*) that the *firm* issuing the *illustration* wishes to sell to the *customer*.
- 9.4.165 R
- (1) If any quotations for insurance are included in the *illustration* it:
 - (a) must include a brief description of the type of insurance;
 - (b) must include the total price to be paid by the *customer* in a column on the right hand side of the *illustration* under the heading "[insert frequency of payments quoted] payments"; and
 - (c) may refer the *customer* to the relevant insurance product disclosure documentation.
 - (2) If the *customer* has asked to deduct any insurance premiums or insurance-related charges from the amount released, the *illustration* must state that this is the case.
- 9.4.166 G The terms on which an insurance premium has been calculated should be presented to the *customer* in the format determined by the relevant regulatory requirements.

Section 11 of a home reversion plan illustration: “What happens if you do not want this home reversion plan any more?”

- 9.4.167 R Under the heading "What happens if you do not want this home reversion plan any more?", the *illustration* must set out whether the *customer* can cancel the *home reversion plan* and if so, explain any relevant conditions attached and costs.
- Section 12 of a home reversion plan illustration: “Using a home reversion intermediary”
- 9.4.168 R Where the *illustration* is issued to a *customer* by, or on behalf of, a *reversion intermediary* Section 12 "Using a home reversion intermediary" must be included in the *illustration* and must include the following:
- (1) a clear statement of the amount payable (either directly or indirectly) by the *reversion provider* to the *reversion intermediary*, or to any third parties; and
 - (2) the name of the *reversion provider* who will make the payment, the name of the *reversion intermediary* and the names of any third parties who will be paid.
- 9.4.169 R If the amount payable by the *reversion provider* to the *reversion intermediary* and to third parties is £250 or less, the *reversion intermediary* need only state that the amount of the payment is "no more than £250", unless the *customer* requests the actual amount.
- 9.4.170 R If the *reversion intermediary* will pass to the *customer* all or part of the amount payable to the *reversion intermediary* by the *reversion provider*, that fact may be stated in this section, along with the amount payable to the *customer*.
- 9.4.171 R If the *reversion provider* will make no payment to the *reversion intermediary* or any third party, this section may state that the *reversion intermediary* will receive no payment.
- 9.4.172 R The amount disclosed as payable to the *reversion intermediary* or third parties must include, but is not limited to:
- (1) any *procurator fee*; and
 - (2) a cash value for any material non-cash inducements that the *reversion provider* provides, whether payable directly or indirectly.
- 9.4.173 G Any material inducements provided by a *reversion provider*, whether directly or indirectly, to a *reversion intermediary* or third party (unless the payment only reflects the cost of outsourcing work relating to the processing of home reversion applications by a *firm* unconnected to the *reversion intermediary*) must be quantified in cash terms (see *MCOB 2.3.7R*). This enables the cash values to be included in the *illustration*.
- 9.4.174 G An example of a statement which would comply with *MCOB 9.4.168R* would

be: "[name of *reversion provider*] will pay [name of *reversion intermediary*] £[x] in cash and benefits, if you proceed with this home reversion plan."

Contact details

- 9.4.175 R This section must:
- (1) follow Section 11 "What happens if you do not want this home reversion plan any more?", unless the *illustration* is issued by a *reversion intermediary*, in which case it must follow Section 12 "Using a home reversion intermediary"; and
 - (2) include the name, address and contact point of the *firm* providing the *illustration*.
- 9.4.176 G An example would be: "If you wish to discuss this home reversion plan illustration, please contact [name of individual] at [address] or call [him/her] on [telephone number]."

The following text is amended as indicated.

9.5 Disclosure at the offer stage for ~~lifetime mortgages~~ equity release transactions

- 9.5.1 R (1) *MCOB* 6.1 to *MCOB* 6.6 (with the modifications stated in *MCOB* 9.5.2R to *MCOB* 9.5.4R) apply to an *mortgage lender equity release provider* where the ~~regulated mortgage contract home finance transaction~~ is an ~~regulated lifetime mortgage contract 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* 9.1.2AG).
- (2) The table in *MCOB* 9.5.2R shows how the relevant *rules* and *guidance* in *MCOB* 6 must be modified by replacing the cross-references with the relevant cross-references to *rules* and *guidance* in *MCOB* 9.4, and *MCOB* 9.5.
- (3) The table in *MCOB* 9.5.3R replaces certain *rules* and *guidance* in *MCOB* 6 with *rules* and *guidance* from this section.
- (4) The terms and expressions in the *rules* and *guidance* in *MCOB* 6 that by their nature are only connected to ~~regulated mortgage contracts~~ must be replaced with the appropriate equivalent terms and expressions for ~~home reversion plans~~ (see *MCOB* 9.3.1AG).

...

- 9.5.4 R The *illustration* provided as part of the *offer document* must meet the requirements of *MCOB* 9.4, with the following modifications:
- (1) the *illustration* must be suitably adapted and revised to reflect the fact

that the *firm* is making an offer to a *customer* and updated to reflect changes to, for example, for a lifetime mortgage the interest rate, charges, the exchange rate or the APR at the date the *illustration* is issued;

...

- (5) ~~MCOB 9.4.18R~~ (Section 1: 'About this information') is replaced by the following: "Section 1: 'About this offer document'. Under the section heading 'About this offer document', the following text must be included:
- (a) "You are not bound by the terms of this offer document until [insert relevant circumstances, including the names of any documents that must be signed. For example "you have signed the legal charge and the funds are released for your lifetime mortgage" or "you have signed the agreement to sell your property to the reversion provider".]. We are required by the Financial Services Authority (FSA) - the independent watchdog that regulates financial services - to provide you with this offer document.";
 - (b) (unless ~~MCOB 6.6.1R~~ applies the offer document is being provided in place of an illustration) "You should compare this offer document with the key facts illustration given to you before you applied for this [lifetime mortgage] [home reversion plan], to see how the details may have changed.";
- (6) Unless (b) applies, ~~MCOB 9.4.19R~~ (Section 2: 'Which service are we providing you with') is replaced with the following: "Section 2: 'Which service did we provide you with?' either:
- (a) ~~under the section heading 'Which service did we provide you with?'~~ The heading for Section 2 is replaced with 'Which service did we provide you with?' and the following text should be presented as two options each with a 'check box', one of which must be marked prominently to indicate the level of service provided to the *customer*: "We have recommended, having assessed your needs, that you take out this [lifetime mortgage] [home reversion plan]." "We have not recommended a particular [lifetime mortgage] [home reversion plan] for you. You must make your own choice whether to accept this [lifetime-mortgage] [home reversion] offer."; or
 - (b) if the service described in ~~MCOB 9.4.19R~~ (Section 2: 'Which service are we providing you with?') of the earlier *illustration* was provided by another *firm*, ~~MCOB 9.4.19R~~ the heading for Section 2 is replaced by the following: "Section 2: 'Which service were you provided with?' Under the section heading 'Which service were you provided with?' and the following text should be presented as two options each with a 'check box' one of which must be marked prominently to indicate the level of

service provided to the *customer*: "[name of firm] recommended that you take out this [lifetime mortgage] [home reversion plan]." "[name of firm] did not recommend a particular [lifetime mortgage] [home reversion plan], for you. You must make your own choice whether to accept this [mortgage] [home reversion] offer.";

(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 paid or payable by the *customer*;

(8) ~~MCOB 9.4.68R(5) is replaced by the following:~~ "(where the fee is payable or has been paid to the *mortgage lender*), whether or not the fee is refundable, and if so, the extent to which it is refundable" any requirements to disclose whether a fee is refundable must be read as including fees that have already been paid;

...

(10) for a lifetime mortgage:

(a) ...

~~(11)~~ (b) ...

~~(12)~~ (c) ...

9.5.5 R For home reversion plans, the firm must provide the customer with copies of the valuation report for the property and the terms of the home reversion plan including the terms on which he will occupy the property, together with the offer document.

9.6 Disclosure at the start of the contract and after sale for ~~lifetime mortgages~~ equity release transactions

9.6.1 R (1) (a) ~~MCOB 7.1 to MCOB 7.3, MCOB 7.5 and MCOB 7.6 (with the modifications stated in MCOB 9.6.2R to MCOB 9.6.4R as modified by this section)~~ apply to a firm where the ~~regulated mortgage contract~~ home finance transaction is a regulated lifetime mortgage. contract.

(b) MCOB 7.1 to MCOB 7.3 (as modified by this section) apply to a firm where the home finance transaction is a home reversion plan, except that those provisions that by their nature are only relevant to regulated mortgage contracts do not apply to home reversion plans (see MCOB 9.1.2AG).

(3) ...

...

(5) The terms and expressions in MCOB 7 that by their nature are only connected to regulated mortgage contracts must be replaced with the

appropriate equivalent terms and expressions for *home reversion plans* (see MCOB 9.3.1AG).

...

Table of rules in *MCOB 7* which do not apply in relation to ~~*regulated lifetime mortgage contracts*~~:

...

9.7 Disclosure at the start of the contract: lifetime mortgages

...

9.8 Disclosure after sale: lifetime mortgages

...

After *MCOB 9.8* insert the following provisions. This text is new and it is not underlined.

9.9 Disclosure after sale: instalment reversion plans

Provision of statements

- 9.9.1 R (1) In relation to an *instalment reversion plan*, a *firm* must provide the *customer* with a statement at least once a year (or, in relation to the first statement, within the first 13 months of the plan term):
- (a) covering the *instalment reversion plan* and any *tied product* purchased through the *firm*; and
 - (b) giving information of any other product purchased through the *firm* where the payments for those products are combined with amounts released under the *instalment reversion plan*.
- (2) A *firm* need not provide a statement if it has provided an *offer document* to the *customer* in respect of the *instalment reversion plan* within the previous year.
- 9.9.2 R Where a *tied product* is operated separately from the *instalment reversion plan*, for example where the premiums on a tied insurance product are not combined with amounts released under the *instalment reversion plan*, the statement relating to the *tied product* may be provided in a separate communication.
- Annual statement: content
- 9.9.3 R The statement must contain:
- (1) details of the following transactions during the period since the last statement (or, where it is the first statement, since the *customer*

entered into the *instalment reversion plan*):

- (a) the date and amount of each payment made by the *reversion provider*; and
 - (b) any amounts charged under the *instalment reversion plan* during the statement period, including fees and any amounts due in relation to *tied products*;
- (2) information at the date the statement is issued on:
- (a) the amount owed by the *reversion provider* to the *customer* under the *instalment reversion plan*;
 - (b) if the amount to be received by the *customer* under the *instalment reversion plan* is linked to the performance of another investment, the amount to be received (or estimated amount likely to be received) by the *customer*;
 - (c) the actual remaining term of the *instalment reversion plan* (but if the term of the *instalment reversion plan* is open-ended this should be clearly stated);
 - (d) where applicable, the date on which the requirement for the *customer* to purchase any *tied products* from the *firm* ends; and
 - (e) the proportion of the property that is owned by the *reversion provider* and *reversion occupier* respectively.

Annual statement: additional content if tariff of charges has changed

- 9.9.4 R If the *tariff of charges* has changed since the last annual statement was sent to the *customer* (or, where it is the first statement, since the *customer* entered into the *instalment reversion plan*) and a *firm* has not already sent a revised *tariff of charges*, it must include one with the annual statement.

Event-driven information: material changes

- 9.9.5 R A *firm* must give the customer reasonable notice of any material change by the *firm* to the terms of the *instalment reversion plan*, where the change is permitted without the *customer's* prior consent.

Responsibilities of reversion providers and administrators

- 9.9.6 R The *reversion administrator* and *reversion provider* may agree who will be responsible for producing and providing to the *customer* the statement and information required by this section.
- 9.9.7 R The *reversion administrator* is solely responsible for producing and providing to the *customer* the information required by this section if the provider is an *unauthorised reversion provider*.

Further releases



- 9.9.8 R If the *customer* wants to release further equity from the property through a *home reversion plan*, the *firm* must treat this transaction as a new *home reversion plan*, even if the parties to the arrangement are the same.

After *MCOB* Annex 1R insert the following provisions. This text is new and it is not underlined.

MCOB 9 Annex 2R

The illustration: table of contents, prescribed text and prescribed section headings and sub-headings.

1. This annex forms part of *MCOB* 9.4.2R.
2. Text in square brackets indicates instructions that must not be included in the *illustrations* provided to *customers*.

	<p style="font-size: 1.2em;">about this home reversion plan</p>
<p>Personalised information on a home reversion plan for [insert <i>customer's</i> name (see <i>MCOB</i> 9.4.17R(1))]</p> <p>Date produced: [insert date (see <i>MCOB</i> 9.4.17R(2))]</p> <p>[Insert details of how long the <i>illustration</i> is valid for, and, if appropriate, when the plan needs to commence by (see <i>MCOB</i> 9.4.17R(3))]</p>	 Alpha Beta Properties

This is not a legally binding offer of a home reversion plan and it does not oblige [insert name of the *reversion provider*] to provide you with the home reversion plan described in this illustration.

1. About this information
<p>We are required by the Financial Services Authority (FSA) - the independent watchdog that regulates financial services - to provide you with this illustration.</p> <p>All firms selling home reversion plans are required to give you illustrations like this one, containing similar information presented in the same way.</p> <p>Ask for other illustrations if you want to compare this home reversion plan with other products designed to release equity from your home.</p> <p>The FSA provides useful information on ways of releasing equity from your home in a</p>

booklet called 'Raising money from your home'. You can get this free through the FSA website www.fsa.gov.uk/consumer or by calling 0845 456 1555.

2. Which service are we providing you with?

We recommend, having assessed your needs, that you take out this home reversion plan.

We are not recommending a particular home reversion plan for you. However, based on your answers to some questions, we are giving you information about this home reversion plan so that you can make your own choice or find out about other ways in which you may be able to release equity from your home.

3. What is a home reversion plan?

How home reversions work

- A home reversion is an arrangement designed to run for the rest of your life or until the occurrence of certain events. You sell all or part of your home to give you a lump sum and/or an income. **You no longer own your home** (or the part of it that you have sold) but you have the right to live there, for the rest of your life or until the occurrence of certain events, [insert capacity in which the *customer* will occupy the premises, e.g. “as the tenant of the firm or person who bought it”]. We call this person or firm “the reversion provider”. At the end of the plan (this is explained below), the property is put up for sale by the provider. If you sold only part of your home, the value of the part you did not sell is paid to you or your estate.
- The amount you receive for your property, or the portion of it that you sell, will normally be less than its market value. This will reflect factors such as your age, the value of your property and how much property prices are expected to change in the future.
- You may be required to pay rent. This is usually a token sum but it may be more.

Income Plans

- Some home reversions give you an income instead of, or as well as, a lump sum. If an income option is available, your adviser will tell you how it would work and how much you would receive and for how long.

When does a home reversion plan end?

- This depends on the terms of the plan but will usually include death or where you (or, in the case of a joint plan, the surviving spouse) move out permanently, for example into

long-term residential care. The property will be put up for sale by the provider and the value of any part you do not sell to the provider will be paid to you or your estate. See also "Cancelling a home reversion", below.

Moving home

- Not all home reversion plans can be transferred to a new property, if you should want to move home in the future. Section 5 will tell you if this plan can be transferred. You may incur costs with such a transfer, such as fees for a solicitor or surveyor. If you think you may want to move home in the future, check to see if the plan can be transferred before taking out the plan.

Cancelling a home reversion plan

- A home reversion plan is designed to run for the rest of your life or until the occurrence of certain events. However, if you decide that you no longer want the plan, it may be possible to buy back the property but this is likely to be at the full market rate at the time and may cost you more than you received for it under the reversion plan. Section 11 will tell you if you can buy back your property.

4. What you have told us

See MCOB 9.4.136R – MCOB 9.4.138G

5. Description of this home reversion plan

See MCOB 9.4.139R – MCOB 9.4.141G

6. Benefits

See MCOB 9.4.142R – MCOB 9.4.144G

£X

7. Risks -important things that you must consider

See MCOB 9.4.145R – MCOB 9.4.147R

8. What you will have to pay and when	[insert frequency of payments – see <i>MCOB 9.4.148R</i>]
See <i>MCOB 9.4.148R – MCOB 9.4.151R</i>	£X

9. What fees must you pay?	Fee amount
See <i>MCOB 9.4.152R – MCOB 9.4.158R</i>	[insert amount of each fee]

10. Insurance	[insert frequency of payments for premium quoted payments]
See <i>MCOB 9.4.159R– MCOB 9.4.166G</i>	£X

11. What happens if you do not want this home reversion plan any more?
See <i>MCOB 9.4.167R</i>

12. Using a home reversion intermediary
<u>This section is required only when the <i>illustration</i> is provided to a <i>customer</i> by a <i>reversion intermediary</i>. If the <i>illustration</i> is provided by a <i>reversion provider</i>, this section must be removed.</u>
See <i>MCOB 9.4.168R – MCOB 9.4.174G</i>

Contact details

See *MCOB 9.4.175R* and *MCOB 9.4.176G*

Annual percentage rate

10.1 Application

10.1.1 R This chapter applies to a *firm* which, under *rules* elsewhere in *MCOB*, is required to calculate an *annual percentage rate of charge (APR)* or is required to use an approach equivalent to that set out in this chapter in calculating a comparative cost measure equivalent to an APR.

...

Responsible lending, and responsible financing of home purchase plans

11.1 Application

Who?

11.1.1 R This chapter applies to a *firm* in a category listed in column (1) of the table in *MCOB* 11.1.2 in accordance with column (2) of that table.

11.1.2 R Table

This table belongs to *MCOB* 11.1.1R

(1) Category of firm	(2) Applicable section
...	...
<u>home purchase provider</u>	<u>MCOB 11.1, MCOB 11.2, MCOB 11.3.1R(1) and MCOB 11.3.2R</u>

What?

11.1.3 R This chapter applies if a *firm*:

(1) *enters into a regulated mortgage contract or home purchase plan* with a *customer*; or

(2) makes a further advance or varies an existing *regulated mortgage contract or home purchase plan* to make a further advance to a *customer*.

11.2 Purpose

11.2.1 G ~~Principle 6~~ requires a *firm* to pay due regard to the interests of its *customers* and treat them fairly. This chapter reinforces *Principle 6* by requiring a *firm* in the circumstances described in *MCOB 11.1.3R* to take account of a *customer's* ability to repay before deciding to enter into a ~~regulated mortgage contract~~, or make a further advance on, a *regulated mortgage contract* or *home purchase plan*. ...

11.3 Responsible lending, and responsible financing of home purchase plans

Customer's ability to pay

11.3.1 R (1) A *firm* must be able to show that before deciding to enter into a ~~regulated mortgage contract with a customer~~, or making a further advance on, a *regulated mortgage contract* or *home purchase plan*, account was taken of the *customer's* ability to repay.

(2) A ~~firm~~ *mortgage lender* must make an adequate record to demonstrate that it has taken account of the *customer's* ability to repay ...

Self-certification of income

11.3.2 R In taking account of a *customer's* ability to repay a loan for the purposes of ~~MCOB 11.3.1R(1)~~, a *firm* may rely upon self-certification of income ...

...

Responsible lending policy

11.3.4 R (1) A ~~firm~~ *mortgage lender* must put in place, and operate in accordance with, a written policy setting out the factors it will take into account in assessing a *customer's* ability to repay.

(2) A ~~firm~~ *mortgage lender* must make and keep up-to-date an adequate record of the policy in (1). When the policy is changed, a record of the previous policy must be retained for a year from the date of change.

...

Charges

12.1 Application

12.1.1 R Who?

This chapter applies to a *firm* in a category listed in column (1) of the table in *MCOB 12.1.2R* in accordance with column (2) of that table.

12.1.2 R This table belongs to *MCOB 12.1.1R*

(1) Category of firm	(2) Applicable section
<i>mortgage lender</i>	whole chapter except <i>MCOB 12.1.6R</i> and <i>MCOB 12.7</i>
<i>mortgage adviser</i> <i>mortgage arranger</i>	<i>MCOB 12.1</i> (except <i>MCOB 12.1.6R</i>), <i>MCOB 12.2</i> and <i>MCOB 12.5.2R</i>
<i>mortgage administrator</i> a firm that was a <i>mortgage lender</i> or <i>mortgage administrator</i> before the sale of the <i>repossessed</i> property	<i>MCOB 12.1</i> (except <i>MCOB 12.1.6R</i>), <i>MCOB 12.2</i> , <i>MCOB 12.4</i> and <i>MCOB 12.5.2R</i>
<i>home purchase provider</i> <i>home purchase adviser</i> <i>home purchase arranger</i> <i>home purchase administrator</i> a firm that was a <i>home purchase provider</i> or <i>home purchase administrator</i> before the sale of a <i>repossessed</i> property	<i>MCOB 12.1.1R</i> to <i>MCOB 12.1.3R</i> and <i>MCOB 12.7</i>
<i>reversion provider</i>	<i>MCOB 12.1</i> , <i>MCOB 12.2</i> and <i>MCOB 12.5.1R</i> to <i>MCOB 12.5.3G</i>
<i>reversion adviser</i> <i>reversion arranger</i> <i>reversion administrator</i> a firm that was a <i>reversion provider</i> or <i>reversion administrator</i> before the termination of a <i>home reversion plan</i>	<i>MCOB 12.1</i> , <i>MCOB 12.2</i> , <i>MCOB 12.5.2R</i> and <i>MCOB 12.5.3G</i>

What?

12.1.3 R This chapter applies where a *firm*:

- (1) *enters into*, or makes a further advance on, a ~~*regulated mortgage contract*~~*home finance transaction*; or
- (2) *administers a regulated mortgage contract*~~*home finance transaction*~~; or
- (3) *arranges or advises on a regulated mortgage contract*~~*home finance*~~

transaction or a variation to the terms of a *regulated mortgage contract* or *home finance transaction*.

12.1.4 R The arrears charges and excessive charges requirements in ~~MCOB 12.4 (Arrears charges) and MCOB 12.5 (Excessive charges)~~ this chapter will continue to apply to a *firm* after a *regulated mortgage contract* has come to an end following the sale of a *repossessed* property. The excessive charges requirements will continue to apply to a firm after a home reversion plan has ended. ...

12.1.5 G The FSA will expect a *firm* to ensure that charges made to a *customer* arising from the sale of a *repossessed* property and charges arising in relation to a *mortgage sale shortfall debt* are not excessive and are subject to the same considerations as apply with respect to *arrears* charges under this chapter.

12.1.6 R This chapter does not apply to a firm carrying on reversion activities in respect of a customer acting in his capacity as an unauthorised reversion provider.

12.2 Purpose

12.2.1 G (1) ... A *firm* is also under an obligation, as a consequence of ~~MCOB 5 (Pre application disclosure), MCOB 6 (Disclosure at the offer stage), MCOB 7 (Disclosure at start of contract and after sale) and MCOB 9 (Lifetime mortgages: product disclosure)~~ this sourcebook's disclosure requirements, to make charges transparent to *customers*.
...

(2) The level of charges under a *regulated mortgage contract* or *home reversion plan* is not typically a matter for regulation. However, ... This chapter considers four specific circumstances, where:

...

(c) the charges (including rates of interest) imposed on a *customer* under a *regulated mortgage contract* or *home reversion plan* are excessive and contrary to the *customer's* interests; and

(d) the charges made to a *customer* in connection with a *firm* ~~entering into or making a further advance on a regulated mortgage contract or administering a regulated mortgage contract, or arranging or advising on a regulated mortgage contract, or a variation to the terms of a regulated mortgage contract,~~ making a further advance on, administering, arranging or advising on a regulated mortgage contract or home reversion plan, or arranging or advising on a variation to the terms of a regulated mortgage contract or home reversion plan are excessive.

...

12.3 Early repayment charges: regulated mortgage contracts

...

12.4 Arrears charges: regulated mortgage contracts

...

12.5 Excessive charges: regulated mortgage contracts and home reversion plans

12.5.1 R A *firm* must ensure that any *regulated mortgage contract* or *home reversion plan* that it *enters into* does not impose, and cannot be used to impose, excessive charges upon a *customer*.

12.5.2 R A *firm* must ensure that its charges to a *customer* in connection with the *firm entering into* ~~or making a further advance on a regulated mortgage contract or administering a regulated mortgage contract or arranging or advising on a regulated mortgage contract~~ or a variation to the terms of a *regulated mortgage contract*, making a further advance or further release on, *administering, arranging or advising on a regulated mortgage contract or home reversion plan, or arranging or advising on a variation to the terms of a regulated mortgage contract or home reversion plan* are not excessive.

...

12.5.4 G ~~*Firms*~~ *Mortgage lenders* are also subject to requirements relating to responsible lending (see *MCOB 11*).

...

After MCOB 12.6 insert the following new section. The inserted text is not underlined.

12.7 Home purchase plans

Charges

12.7.1 G The *FSA* believes that *Principle 7* requires charges imposed by a *firm* on *customers* to be transparent and that imposing unfair or excessive charges is inconsistent with *Principle 6*.

Note: A *firm* should also have regard to its obligations under the *Unfair Terms Regulations* and may find material on the *FSA* website concerning the *FSA's* consumer protection powers useful.

...

Arrears and repossessions: regulated mortgage contracts and home purchase plans

13.1 Application

Who?

13.1.1 R This chapter applies to a *firm* in a category listed in column (1) of the table in *MCOB 13.1.2R* in accordance with column (2) of that table.

13.1.2 R Table: This table belongs to *MCOB 13.1.1R*

(1) Category of firm	(2) Applicable section
<i>mortgage lender</i> , and a <i>firm</i> that was a <i>mortgage lender</i> before the sale of a <i>repossessed</i> property	<i>MCOB 13.1 – MCOB 13.3</i> , except for <i>MCOB 13.3.9R</i> and <i>MCOB 13.3.114G</i>
<i>mortgage administrator</i> , and a <i>firm</i> that was a <i>mortgage administrator</i> before the sale of a <i>repossessed</i> property	whole chapter <u>except for</u> <i>MCOB 13.8</i>
<u><i>home purchase provider</i>, and a <i>firm</i> that was a <i>home purchase provider</i> before the sale of a <i>repossessed</i> property</u>	As for a <i>mortgage lender</i>
<u><i>home purchase administrator</i>, and a <i>firm</i> that was a <i>home purchase administrator</i> before the sale of a <i>repossessed</i> property</u>	As for a <i>mortgage lender</i> , plus: <i>MCOB 13.6</i> and <i>MCOB 13.8</i> ; and <i>MCOB 13.4</i> and <i>MCOB 13.5</i> in accordance with <i>MCOB 13.8</i>

What?

13.1.3 R This chapter applies with respect to *administering a regulated mortgage contract*, *administering a home purchase plan* and administering a *mortgagesale shortfall-debt*.

13.1.4 R The requirements in ~~*MCOB 13*~~ this chapter will continue to apply to a *firm* after a *regulated mortgage contract* or *home purchase plan* has come to an end following the sale of a *repossessed* property. References in this chapter to "*customer*" will include references to a former *customer* as appropriate.

13.1.5 G The *FSA* expects a *firm* to treat a ~~*mortgagesale shortfall-debt*~~ in the same way that it treats a payment shortfall.

...

13.1.7 G If a *firm* has entered into more than one *regulated mortgage contract* or *home purchase plan* with the same *customer* ~~secured on~~ relating to the same property, the *firm* may treat them all of the ~~*regulated mortgage contracts*~~ as

one for the purposes of ~~MCOB 13~~this chapter.

13.2 Purpose

13.2.1 G ~~Principle 6 requires a firm to pay due regard to the interests of customers and treat them fairly.~~ This chapter amplifies ~~this principle~~Principle 6 in respect of the information and service provided to *customers* who have payment difficulties or face a ~~mortgage sale shortfall debt~~.

13.2.2 G There may be occasions where a *customer* enters into a *regulated mortgage contract* or home purchase plan with no intention of meeting his payment obligations. Where the intention is to defraud, this chapter does not prevent early action to recover ~~the debt~~sums due.

13.3 Dealing fairly with customers in arrears: policy and procedures

13.3.1 R (1) A *firm* must deal fairly with any *customer* who:

(a) is in *arrears* on a *regulated mortgage contract* or home purchase plan; ~~or~~

(b) has a ~~mortgage sale shortfall debt~~; or

(c) is otherwise in breach of a home purchase plan.

(2) ...

Policy and procedures: content

13.3.2 E (1) A *firm* should ensure that its written policy and procedures include:

(a) using reasonable efforts to reach an agreement with a *customer* over the method of repaying any payment shortfall or ~~mortgage sale shortfall debt~~, in the case of the former having regard to the desirability of agreeing with the *customer* an alternative to taking possession of the property;

(b) liaising, if the *customer* makes arrangements for this, with a third party source of advice regarding the payment shortfall or ~~mortgage sale shortfall debt~~;

(c) adopting a reasonable approach to the time over which the payment shortfall or ~~mortgage sale shortfall debt~~ should be repaid, having particular regard to the need to establish, where feasible, a payment plan which is practical in terms of the circumstances of the *customer*;

...

- (2) Contravention of ~~MCOB 13.3.2E(1)~~ may be relied on as tending to show contravention of *MCOB 13.3.1R(2)*.

...

- 13.3.4 G In relation to using reasonable efforts to reach an agreement with a customer over the method of repaying any payment shortfall or sale shortfall~~MCOB 13.3.2E(1)(a)~~, *customers*:
- (1) should be given a reasonable period of time to consider any proposals for payment that are put to them; in addition, and depending on the individual circumstances, a *firm* may wish to do one or more of the following in relation to the regulated mortgage contract or home purchase plan with the agreement of the *customer*:
- (a) extend ~~the~~its term of the ~~regulated mortgage contract~~; or
- (b) change ~~the~~its type of the ~~regulated mortgage contract~~; or
- (c) defer payment of interest due on the *regulated mortgage contract* or ~~mortgage shortfall debt~~ of sums due under the home purchase plan (including, in either case, on any sale shortfall); or
- (d) treat the payment shortfall as if it was part of the original amount provided~~borrowed~~;
- (2) should be given adequate information to understand the implications of any proposed arrangement; one approach may be to provide information on the new terms in line with the ~~requirements for annual statements (see MCOB 7.5.3R)~~annual statement provisions.
- 13.3.5 G ~~MCOB 13.3.2E(1)(a) means that a firm~~In relation to using reasonable efforts to reach an agreement with a customer over the method of repaying any payment shortfall or sale shortfall, a mortgage lender should not automatically capitalise *arrears*.
- 13.3.6 G In relation to ~~MCOB 13.3.2E(1)(e)~~adopting a reasonable approach to the time over which the payment shortfall or sale shortfall should be repaid, the *FSA* takes the view that the determination of a reasonable repayment period will depend upon the individual circumstances. In appropriate cases this will mean that repayments are arranged over the remaining term ~~of the regulated mortgage contract~~.
- 13.3.7 G In relation to ~~MCOB 13.3.2E(1)(d)~~granting a customer's request for a change to the payment date, a term ~~in a regulated mortgage contract~~ that purported to allow a *firm* to change the payment date unilaterally might in any event contravene the *Unfair Terms Regulations*.

13.3.8 G *Firms* that propose to outsource aspects of *customer* relationships (including ~~debt collection of debts or any other sums due~~) should note that, ~~as set out in SYSC 3.2.4G(1),~~ a *firm* cannot contract out its regulatory obligations and the FSA will continue to hold them responsible for the way in which this work is carried on.

Record keeping: arrears and repossessions

13.3.9 R (1) A ~~firm~~ *mortgage lender or administrator* must make and retain an adequate record of its dealings with a *customer* whose account is in *arrears* or who has a ~~mortgage sale shortfall debt~~, which will enable the *firm* to show its compliance with ~~MCOB 13.4 (Arrears: provision of information to the customer), MCOB 13.5 (Dealing with a customer in arrears or with a mortgage shortfall) and MCOB 13.6 (Repossessions)~~ this chapter.

(2) A ~~firm~~ *mortgage lender or administrator* must retain the record required by (1) for a year from the date on which the relevant payment shortfall or ~~mortgage sale shortfall debt~~ was cleared.

...

13.4 Arrears: provision of information to the customer of a regulated mortgage contract

...

13.5 Dealing with a customer in arrears or with a ~~mortgage sale shortfall debt~~ on a regulated mortgage contract

Statements of charges

13.5.1 R Where an account is in *arrears*, and the payment shortfall or ~~mortgage sale shortfall debt~~ is attracting charges, a *firm* must ...

13.5.2 G ...

(3) ... the *firm* will still need to send the *customer* a written statement ~~in accordance with MCOB 13.5.1R~~ if the payment shortfall or ~~mortgage sale shortfall debt~~ is attracting charges.

(4) ...

...

13.6 Repossessions

13.6.1 R A *firm* must ensure that, whenever a property is *repossessed* (whether voluntarily or through legal action) and it administers the *regulated mortgage contract* or home purchase plan in respect of that property, steps are taken to:

- (1) ...
- (2) obtain the best price that might reasonably be paid, taking account of factors such as market conditions as well as the continuing increase in the amount owed by the *customer* ~~under the regulated mortgage contract~~.

...

If the proceeds of sale are less than the ~~debt~~amount due

13.6.3 R A *firm* must ensure that, as soon as possible after the sale of a *repossessed* property, if the proceeds of sale are less than the amount ~~of the customer's debt~~due under the regulated mortgage contract or home purchase plan, the *customer* is informed in a *durable medium* of:

- (1) the mortgagesale shortfall-debt; and
- (2) where relevant, the fact that the mortgagesale shortfall-debt may be pursued by another company (for example, a mortgage indemnity insurer).

13.6.4 R (1) If the decision is made to recover the mortgagesale shortfall-debt, the *firm* must ensure that the *customer* is notified of this intention.

(2) The notification referred to in (1) must take place within five years of the date of the sale (if the regulated mortgage contract or home purchase plan is subject to Scottish law) or within six years (in all other cases).

13.6.5 G ~~MCOB 13.6.4R does not require a firm~~A firm is not required to recover a mortgagesale shortfall-debt. A *firm* may not wish to recover the mortgagesale shortfall-debt in some situations, for example where the sums involved make action for recovery unviable.

If the proceeds of sale are more than the ~~debt~~amount due

13.6.6 R A *firm* must ensure that, on the sale of a *repossessed* property, if the proceeds of sale are more than the amount ~~of the customer's debt~~due under the regulated mortgage contract or home purchase plan, reasonable steps are taken, as soon as possible after the sale, to inform the *customer* in a *durable medium* of the surplus and, subject to the rights of any subsequent mortgage or charge holders, to pay it to him.

...

After MCOB 13.7 insert the following new section. The inserted text is not underlined.

13.8 Home purchase plans

Dealing fairly with customers in arrears: policy and procedures

Note: The rules on establishing and applying a policy and procedures for dealing fairly with *customers in arrears* apply (see *MCOB 13.3*).

Arrears: provision of information to the customer

13.8.1 R If a *customer* falls into *arrears*, a *firm* must provide the *customer* with adequate information about the *arrears* in a *durable medium*:

- (1) as soon as practicable after becoming aware of that fact;
- (2) at quarterly intervals; and
- (3) before commencing action for *repossession*.

13.8.2 G A *firm* may want to refer to the provisions on the information to be provided to a mortgage customer in relation to *arrears* for guidance (see *MCOB 13.4* and *MCOB 13.5*).

Repossessions

Note: The rules regarding repossessions apply (see *MCOB 13.6*).

MCOB Transitional Provisions

MCOB TP 1.1

Rows 1 – 8 are deleted. Insert the following text.

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1	[deleted]		[deleted]	Expired	[deleted]
2	[deleted]		[deleted]	Expired	[deleted]

3	[deleted]		[deleted]	Expired	[deleted]
4	[deleted]		[deleted]	Expired	[deleted]
5	[deleted]		[deleted]	Expired	[deleted]
6	[deleted]		[deleted]	Expired	[deleted]
7	[deleted]		[deleted]	Expired	[deleted]
8	[deleted]		[deleted]	Expired	[deleted]
9	...	...	...	...	...
10	...	...	...	...	...

MCOB TP 2

Transitional Provisions for home purchase plans and home reversion plans

<u>(1)</u>	<u>(2) Material to which the transitional provision applies</u>	<u>(3)</u>	<u>(4) Transitional provision</u>	<u>(5) Transitional provision: dates in force</u>	<u>(6) Handbook provision: coming into force</u>
<u>1</u>	<u>Every rule in MCOB unless the context otherwise requires and subject to any more specific transitional provision relating to the matter.</u>	<u>R</u>	<u>(1) If, in relation to home purchase activities, reversion activities, or the communication of a financial promotion of a home purchase plan or home reversion plan, the application of any provision in MCOB is dependent on the occurrence of a series of events, the provision applies with respect to the events that occur on or after 6 April 2007.</u>	<u>From 6 April 2007 for six months.</u>	<u>6 April 2007</u>
<u>2</u>		<u>G</u>	<u>(1) For example, if a customer submits an application for a home</u>		

			<p><u>purchase plan or a home reversion plan before 6 April 2007, a firm responding to that application on or after 6 April 2007 will not be required to comply with the relevant disclosure requirements in 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 6 April 2007.</u></p> <p><u>(2) In relation to a home reversion plan, 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 6 April 2007). In such cases, the suitably adapted illustration required as part of an offer document would need to omit:</u></p> <p><u>(a) the required text regarding comparing the offer document with the illustration previously given to the customer (see MCOB 6.4.4R(4)(b)); and</u></p> <p><u>(b) Section 2 of the illustration entirely.</u></p>		
<u>3</u>		<u>G</u>	<p><u>MCOB applies to home purchase plans and home reversion plans entered into on or after 6 April 2007. PERG 14 contains guidance on the variation of plans entered into before 6 April 2007.</u></p>		

4	<u>MCOB 3.8A.3R(1)</u>	R	(1) <u>A non-real time financial promotion of a home reversion plan communicated:</u> (a) <u>in a directory (or similar publication) that is updated annually;</u> (b) <u>otherwise than in (a); on or after 6 April 2007 where the deadline for submission for communication was before that date does not need to describe a home reversion plan as a 'home reversion plan'.</u>	(1)(a) <u>from the later of 6 April 2007 or the date of first communication, for one year;</u> (1)(b) <u>from 6 April 2007 for three months.</u>	<u>6 April 2007</u>
---	------------------------	---	--	---	---------------------

...

MCOB Schedule 1

Record keeping requirements

...

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...
<i>MCOB 8.5.22R(1)(a)</i>	Suitability	Details of the customer information obtained, including the <i>customer's</i> needs and circumstances, for the purpose of assessing the suitability of a <i>regulated lifetime mortgage contract equity release transaction</i>	When the <i>personal recommendation</i> is made	Three years
...

<p><i>MCOB 9.3.1R</i></p>	<p>Each <i>illustration</i> a <i>firm</i> issues to a <i>customer</i> where the <i>customer</i> applies for that particular <i>regulated lifetime mortgage contract equity release transaction</i></p>	<p>The Key-keyfacts illustrations (KFI) issued</p>	<p>The date the <i>customer</i> applies for the particular <i>regulated lifetime mortgage contract equity release transaction</i></p>	<p>One year</p>
<p><i>MCOB 9.3.1R</i></p>	<p>Each KFI retained</p>	<p>Detail of: the date the KFI was issued; the date on which the <i>customer</i> applied for the <i>regulated lifetime mortgage contract equity release transaction</i>; and the medium through which the KFI was issued</p>	<p>The date the <i>customer</i> applies for the particular <i>regulated lifetime mortgage contract equity release transaction</i></p>	<p>One year</p>
<p>...</p>	<p>...</p>	<p>...</p>	<p>...</p>	<p>...</p>

Annex B

Amendments to the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)

All references in the provisions of MCOB in column (1) of the following table to the expression (or a related expression) in column (2) are changed to the expression (or the equivalent related expression) in column (3).

(1)	(2)	(3)
1.2.11G	<i>qualifying credit promotions</i>	<i>financial promotion of qualifying credit or of a home reversion plan</i>
3.1.8G	<i>qualifying credit promotion</i>	<i>financial promotion of qualifying credit</i>
3.1.9R	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.1.12G	<i>qualifying credit promotion</i>	<i>financial promotion of qualifying credit</i>
3.2.1G	<i>qualifying credit promotion</i>	<i>financial promotion of qualifying credit</i>
3.2.2G	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.2.5R	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.2.7R	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.2.8G	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.3.5R	<i>qualifying credit promotion</i>	<i>financial promotion of qualifying credit</i>
3.3.6R	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.3.7R	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.5.3G	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.5.4G	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.5.5R	<i>real time qualifying credit promotion</i>	<i>real time financial promotion</i>
	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.5.6R	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.6.1R	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion</i>

3.6.3R	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion</i>
3.6.4E	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion</i>
	<i>qualifying credit promotion</i>	<i>financial promotion of qualifying credit</i>
3.6.5G	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion</i>
	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.6.8R	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.6.9R	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion</i>
3.6.10G	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion</i>
3.6.11R	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion</i>
3.6.15R	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion</i>
3.6.17R	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion</i>
3.6.18G	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion</i>
3.6.21G	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.6.22R	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion</i>
3.6.24G	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.6.25R	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion of qualifying credit</i>
3.6.26R	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion of qualifying credit</i>
3.6.27R	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion of qualifying credit</i>
3.7.1R	<i>unsolicited real time qualifying credit promotion</i>	<i>unsolicited real time financial promotion</i>

	<i>real time qualifying credit promotion</i>	<i>real time financial promotion</i>
	<i>solicited real time qualifying credit promotion</i>	<i>solicited real time financial promotion</i>
	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.7.2G	<i>real time qualifying credit promotion</i>	<i>real time financial promotion</i>
3.7.4G	<i>unsolicited real time qualifying credit promotion</i>	<i>unsolicited real time financial promotion</i>
	<i>qualifying credit promotion</i>	<i>financial promotion</i>
	<i>solicited real time qualifying credit promotion</i>	<i>solicited real time financial promotion</i>
3.8.1G	<i>unsolicited real time qualifying credit promotion</i>	<i>unsolicited real time financial promotion of qualifying credit</i>
	<i>solicited real time qualifying credit promotion</i>	<i>solicited real time financial promotion</i>
	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.8.2R	<i>real time qualifying credit promotion</i>	<i>real time financial promotion of qualifying credit</i>
	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.8.4G	<i>real time qualifying credit promotion</i>	<i>real time financial promotion of qualifying credit</i>
	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.9.1R	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion of qualifying credit or of a home reversion plan</i>
	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.9.3R	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.9.4G	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.9.5R	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion</i>
	<i>qualifying credit promotion</i>	<i>financial promotion</i>

3.10.1R	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion of qualifying credit or of a home reversion plan</i>
	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.10.2G	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.10.3G	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.11.2R	<i>real time qualifying credit promotion</i>	<i>real time financial promotion of qualifying credit</i>
3.11.3R	<i>qualifying credit promotion</i>	<i>financial promotion of qualifying credit</i>
3.11.4G	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.11.5R	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion</i>
3.12.1G	<i>qualifying credit promotion</i>	<i>financial promotion</i>
3.12.3G	<i>qualifying credit promotion rules</i>	<i>financial promotion rules</i>
	<i>qualifying credit promotion</i>	<i>financial promotion</i>
	<i>real time qualifying credit promotion</i>	<i>real time financial promotion</i>
	<i>non-real time qualifying credit promotion</i>	<i>non-real time financial promotion</i>
3.12.5G	<i>qualifying credit promotion rules</i>	<i>financial promotion rules</i>
5.4.16G	<i>qualifying credit promotion</i>	<i>financial promotion</i>
10.3.8R	<i>qualifying credit promotion</i>	<i>financial promotion</i>
Sch 1.3G	<i>qualifying credit promotion</i>	<i>financial promotion</i>