



# Legal & General Home Finance Information sharing document – Lifetime Mortgages





## Product name: Lifetime Mortgage Information sheet – July 2023

### **Our approach to meeting the Products & Services Outcome and Price & Value Outcome – Information for Distributors of the Product**

This summary document is being provided to you to fulfil your responsibilities under PRIN 2A.4.15R and PRIN 2A.3.12 R (2).

It is designed to support you to comply with your responsibilities under PRIN 2A.3.16 R and PRIN 2A.4.16 R. Please note that you are ultimately responsible for meeting your obligations under 'The Consumer Duty'.

This information is intended for intermediary use only and should not be provided to customers.

#### **1. Summary of our assessment**

We have assessed that:

- Our Lifetime Mortgage product range (Interest Roll Up, Lifetime Mortgage, Optional Payment Lifetime Mortgage and Payment Term Lifetime Mortgage) continues to meet the needs, characteristics, and objectives of customers in the identified target market.
- The distribution strategy remains appropriate for the target market.
- The Product provides fair value to customers in the target market (i.e. the total benefits are proportionate to total costs).

#### **2. Product characteristics & benefits**

Our products are designed to meet the needs of the target group, customers aged 55+ (50+ for PTLM) looking to unlock equity from their home without moving. It's a loan secured against a customer's home that will provide a tax-free cash lump sum, or smaller amounts that they can take as and when they need to. If a customer opts for an Interest Roll Up product, they won't have to make any monthly payments, as the interest is added to the amount, they owe each month. They can make Optional Partial Repayments to reduce the roll-up of interest. If a customer opts for our Optional Payment product, it allows them to pay some, or all, of the monthly interest and this could reduce the cost of the overall loan. They can also choose to stop making monthly interest payments. Any unpaid interest is added to the amount they owe each month. If a customer chooses our Payment Term product, they'll make contractual monthly interest only payments for a specified period of time which will mean the loan amount stays the same, after which interest will start to roll-up.

Our Interest Roll Up and Optional Payment product variants currently provide a drawdown facility, meaning the full loan amount does not need to be taken upfront. This facility provides customers with flexibility to borrow what they need in smaller amounts, and only when they need it. No interest is added to the remaining drawdown facility, meaning the customer can reduce the total amount of interest charged over the duration of the lifetime mortgage. Once a customer has taken all the money in their drawdown facility, and held their Lifetime Mortgage for 12 months, they can apply for additional borrowing in the form of a Further Advance. The Payment Term product doesn't offer a drawdown facility but customers can apply for additional borrowing once they've held the mortgage for 12 months.

The customer will benefit from a fixed interest rate for the duration of the mortgage. In addition, customers will also benefit from the following features:

Feature	Description
<b>Downsizing Protection</b>	Allows customers to move house without incurring an Early Repayment Charge when moving to a property outside of our lending criteria.
<b>Inheritance Protection</b>	Allows customers to secure a proportion of the net sale proceeds for the beneficiaries of their estate when they die.
<b>Tenure for Life</b>	The customer will continue to own and live in their home (for PTLM this doesn't apply in the event of missed payments during the payment term)
<b>Compassionate Feature</b>	In the case of joint borrowers, for three years following the first borrower passing away, or moving out of the home into long-term care, the loan can be repaid without an Early Repayment Charge.
<b>No Negative Equity Guarantee</b>	Customers will not have to pay back more than the amount the property is sold for. For PTLM this does not apply to any monthly interest payments customers fail to make in full and on time during the payment term. This includes any interest which has accrued on missed payments.
<b>Porting</b>	Customers can move to another suitable property and take their lifetime mortgage with them.
<b>Optional Partial Repayment Feature</b>	Customers can pay part of the mortgage off early with no Early Repayment Charge, subject to Terms and Conditions. This feature is available on our Interest Roll Up Lifetime Mortgage, on our Optional Payment Lifetime and Payment Term Mortgage products this is available only when the customer stops paying their interest by monthly Direct Debit and their interest is rolling up.

Full eligibility criteria can be accessed on our intermediary website via [Does Your Client Need A Lifetime Mortgage? | Legal & General \(legalandgeneral.com\)](#).

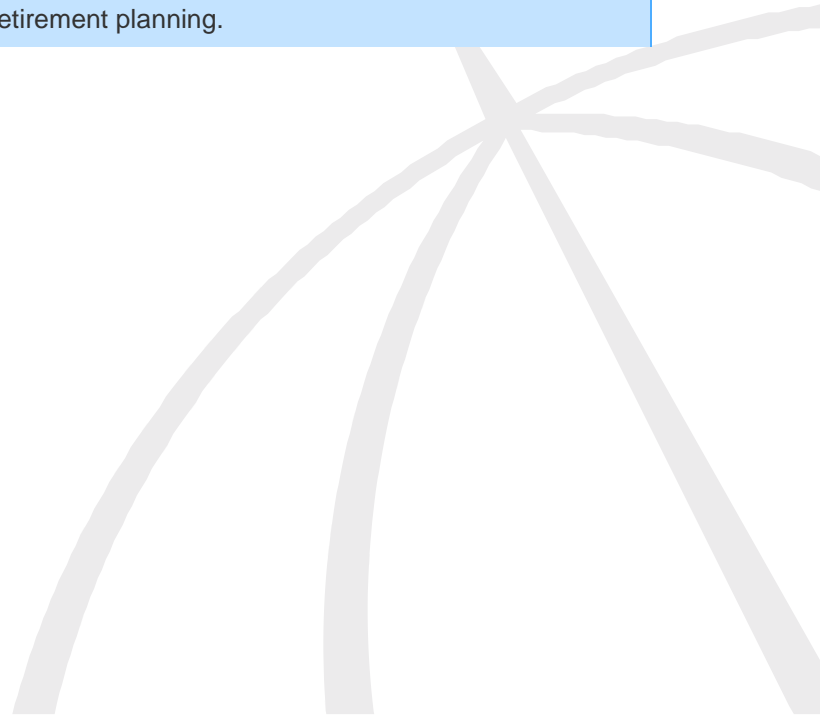
### 3. Target market assessment and distribution strategy

This target market assessment matrix segments the target customers for the product, recognising their different needs to enable you to tailor the services you provide when you distribute the product.

Full details of our target market can be accessed on our intermediary website via [Product governance | Later life mortgages | Adviser | Legal & General \(legalandgeneral.com\)](#). You can find a summary below:

Customer Circumstances	Distribution Strategy	Customer Needs & Objectives
<p>In all circumstances our target market includes customers who:</p> <ul style="list-style-type: none"> <li>• Are single or joint applicants aged 55 and over (50+ for PTLM)</li> <li>• Have a main residence property of standard construction worth at least £70,000 (£100,000 for flats, maisonettes and ex-local authority).</li> <li>• Are working or retired.</li> <li>• Are living in England, Wales, mainland Scotland.</li> <li>• Are of any tax status.</li> <li>• Are of any health status.</li> <li>• Are of all levels of financial understanding.</li> <li>• Are willing to take financial and legal advice and are willing to pay the upfront costs to take out a lifetime mortgage.</li> <li>• Have explored and rejected other forms of borrowing.</li> </ul>	<p>Legal &amp; General Home Finance (LGHF) products are available via intermediary distribution only and require advice.</p> <p>Intermediary distribution through:</p> <ul style="list-style-type: none"> <li>• Networks and their Appointed Representatives.</li> <li>• Mortgage clubs.</li> <li>• Directly authorised mortgage intermediaries.</li> </ul> <p>All intermediaries must be registered with us.</p>	<p><b>Interest Roll Up Lifetime Mortgage:</b></p> <ul style="list-style-type: none"> <li>• Are property asset rich, but cash poor meaning the customer has limited or uncertain income and no ability to commit to regular payments but recognise that they can make Optional Partial Repayments to reduce the roll-up of interest.</li> <li>• Have limited or uncertain income, meaning they are unable to service a more traditional mortgage or service short term lending (unable to pass affordability assessments) and make changes beyond their available means.</li> <li>• Are looking to pay off their outstanding mortgages or debts.</li> <li>• Need support for everyday living costs.</li> <li>• Are looking to make essential lifestyle and home improvements.</li> <li>• Are in need of funds for their domiciliary care needs.</li> <li>• Are using the money for gifting.</li> <li>• Are wanting to make significant purchases such as a new vehicle, holidays, property (taking into consideration the personal circumstances of the customer and the time where interest will roll-up on the loan).</li> <li>• Are wealthy customers considering their holistic retirement planning.</li> </ul> <p><b>Optional Payment Lifetime Mortgage:</b></p> <ul style="list-style-type: none"> <li>• Have some available income and therefore expect to make regular payments to service some or all the monthly interest for at least a proportion of the mortgage.</li> <li>• Are wanting to reduce the effects of interest roll-up by making interest payments.</li> <li>• Are interest-only mortgage customers looking to pay off their interest-only mortgage balance with the funds released from the lifetime mortgage and don't have the income to qualify under a residential mortgage affordability assessment.</li> <li>• Want the certainty of fixed monthly payments and value the guarantee that should they, at any time, not be able to afford the monthly interest payments they can convert to interest roll-up and remain in their home.</li> <li>• Are looking to make essential lifestyle and home improvements.</li> <li>• Are using the money for gifting.</li> <li>• Are wanting to make significant purchases such as a new vehicle, holidays, property (taking into consideration the personal circumstances of the customer and the time interest will roll-up on the loan or the cost of servicing interest payments in the interim).</li> <li>• Are wealthy customers considering their holistic retirement planning</li> </ul>

Customer Circumstances	Distribution Strategy	Customer Needs & Objectives
		<p><b>Payment Term Lifetime Mortgage:</b></p> <ul style="list-style-type: none"> <li>• Have a good income whilst they are employed and/or semi-retired and can pass affordability assessment but perhaps unable to pass them post full retirement.</li> <li>• Are wanting to reduce the effects of interest roll up by making monthly interest payments whilst they are still in some form of employment.</li> <li>• Are interest-only mortgage customers looking to pay off their IO mortgage balance with the funds released from the lifetime mortgage and don't have the income to qualify under a residential mortgage affordability assessment.</li> <li>• Would like the certainty of fixed monthly payments until they fully retire, and like the reassurance that once they fully retire, they won't have to make any more mortgage payments and can remain in their home.</li> <li>• Are looking to make essential lifestyle and home improvements.</li> <li>• Are using the money for gifting.</li> <li>• Are wanting to make significant purchases such as a new vehicle, holidays, property (taking into consideration the personal circumstances of the customer and the time interest will roll-up on the loan).</li> <li>• Are customers considering their holistic retirement planning.</li> </ul>



Our Lifetime Mortgages may not be suitable for customers:

- Who are able to access alternative borrowing solutions.
- Who are in receipt of means tested benefits that could be affected by taking this product.
- Who are using the product for discretionary spending early in retirement where discretionary spending may have a greater impact on the total loan amount over time (depending on how much interest is paid and for how long).
- Who may want to use their equity for further investment and not for personal use; the return on their investment could be considerably lower than the interest charged on a compounding basis on the lifetime mortgage.

In addition, Interest Roll Up Lifetime Mortgages may not be suitable for customers who do not want to reduce the equity in the property and ultimately the value of their estate to pass on.

#### **4. Customers with characteristics of vulnerability**

The product is designed for the later life lending market, specifically customers who are aged over 55 (50+ for PTLM), which is likely to include some customers with characteristics of vulnerability or who are more likely to experience vulnerability over time. We recognise that all customers are at risk of becoming vulnerable, particularly if they display one or more characteristics of vulnerability. They may become more or less vulnerable, and so have an increased or reduced risk of harm or disadvantage throughout their lives.

The nature of a Lifetime Mortgage does pose additional risks around vulnerability, including:

- **Understanding compound interest:** Lifetime Mortgage products are deemed more complex than a standard residential mortgage due to the impact of compound interest and the risk of equity erosion. Therefore, it is important the advice they receive ensures they understand the information being presented to them before they enter the arrangement and reduce the risk of harm occurring.
- **Average age of 70:** Lifetime Mortgage customers are generally older than those taking out a residential mortgage which can pose additional risks around age and health associated vulnerabilities. These customers may require additional support when taking out a Lifetime Mortgage and throughout the lifecycle of their mortgage in communicating with us or managing their account.
- **Financial vulnerability:** Some Lifetime Mortgage customers may be taking this product to repay both secured and unsecured debts or to top up their everyday income to afford their day to day living expenses, which could pose a greater risk around financial vulnerability.

We provide appropriate support to customers in vulnerable circumstances throughout the life of the product, from sale and servicing through to end of contract and use learnings to support and inform future initiatives. We consider vulnerability in all product design and process improvements and think about the communication channels available to customers, ensuring we use clear/jargon free language across our business.

- We have robust oversight and controls in relation to the treatment of customers in vulnerable circumstances.
- Vulnerabilities are recorded on our system and the information is easily accessible so that we can appropriately signpost support.
- Our vulnerable customer training programme ensures new and existing staff have the skills and capabilities to deal with customers in vulnerable circumstances.
- Our communication testing programme ensures our customers fully understand our literature and the product features available to them.

You should continue to comply with your obligations to ensure that you treat customers in vulnerable circumstances fairly.

Please contact us if you need any further information about how we support the needs of all our customers in relation to the product.

## **5. Our assessment of value**

We have developed a comprehensive and robust assessment process which evaluates several aspects of our business to determine the value of our mortgage product. This analysis is used to ascertain whether the product delivers fair value to customers. We present the outcomes of the assessment to Senior Management, allowing for challenge and further investigation before we sign-off the outcomes and share the summary of our assessment with you.

Our fair value assessment has considered the following:

- The range of features that the product provides, the quality of the product, the level of customer service that is provided and any other features that the product may offer.
- The interest rates, fees and charges customers pay for the product, comparable market rates, advice fees paid to intermediaries and non- financial costs associated with operating the product.
- The cost of funding the product and any other reductions in costs to the customer made possible by economies of scale.
- Any limitations on the scope and service we provide or the features of the product.



You can find a summary of our assessment below:

<b>Value Category</b>	<b>Value Outcome</b>
<b>Product Features and Benefits</b>	Our product features are regularly reviewed against the market, our own internal flexibility reviews and any associated intermediary and customer feedback.
<b>Interest Rates and Price</b>	Our Lifetime Mortgage has a fixed interest rate for life, which means this does not change for the duration of the loan. Our interest rates are regularly reviewed against the market and our own internal pricing models. Where a price change is made, a fair value assessment is conducted to ensure the new interest rates still provide fair value.
<b>Loan to Value</b>	Our loan to value range is determined by a customer's age, and we currently offer a wide LTV scale across our Lifetime Mortgage Products which is comparable to the rest of the market. Where changes are made to our loan to values, a fair value assessment is conducted to ensure the new loan to values still provide fair value to our customers.
<b>Costs and Charges</b>	Our fees and charges are currently set at a rate that is deemed fair value when compared to the rest of the market and our own internal costs. A tariff of charges is available on our website and provided to customers alongside their annual statement. In addition, our Exit Fee is reviewed against the market and our own internal models to ensure the charge is reflective of the cost.
<b>Quality of Service</b>	Our service standards are regularly monitored and are currently being met across the end-to-end customer journey. We actively request feedback from our customers and intermediaries, and any feedback received is acted upon in a timely manner. Where we receive complaints, these are dealt with in accordance with DISP rules. We have a robust framework for identifying and fairly treating vulnerable customers.
<b>Distribution</b>	Our products are distributed through intermediaries in accordance with our distribution strategy. Commission levels are in line with the market and regularly reviewed internally, considering several factors to ensure fair value. We consider the impact of intermediary advice fees in our assessment, and we closely monitor any outliers through our distribution oversight framework.

Our assessment concluded that the Product continues to deliver fair value for customers in the target market for the product.