



**Product name:** Retirement (RIO) Range

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## **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 our 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**

The Society has assessed that:

- The products meet the needs, characteristics & objectives of the identified target market.
- The products provide fair value to consumers in the target market (i.e. the amount paid for it is reasonable relative to the benefits of the product).
- The intended distribution strategy is appropriate.
- The above will continue to be the case for a reasonably foreseeable period.

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

The products are designed to meet the needs of the target group, most notably to allow older borrowers to mortgage their home in later life and release equity using an interest only mortgage with an open-ended term. The product features and criteria are designed to support these needs. We have also identified where characteristics and benefits may have potential downsides for some consumers.

- No application fees.
- Arrangement fees between £499-£999 (adding fees to the loan will increase the cost).
- Choice of variable or fixed rate products all at 60% LTV.
- Interest only, with repayment vehicle being the sale of the property on a set life event of last occupant (i.e. death, move into long-term care, move to another property, sale of property without transfer of loan).
- Low minimum loan amount (£30K), high max (£3million)
- Annual ERC-free overpayment allowance of 20% (once made, overpayments cannot be repaid/'borrowed back'). No ERCs in case of death or move into care of last surviving borrower.

- Portable (if affordability & lending criteria is met at time of port).
- Skilled manual underwriting to consider individual circumstances.
- Further Advances available after 6 months (additional borrowing will increase amount of borrowing on home).
- Free advice with Post Contract Variations (temporary changes not permitted but forbearance considered for those in financial difficulties, which will accrue arrears) and Product Switching (subject to criteria at time of switch).
- Customer support available by phone, email and post with UK-based, personal service
- Membership of Saffron Building Society, including right to vote at AGM and access to member-exclusive products subject to availability.

Full eligibility criteria can be accessed on our intermediary website: [Retirement Interest Only \(RIO\) mortgages | Saffron for Intermediaries](#) & [Saffron for intermediaries lending criteria](#)

### 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.

Customer Circumstances	Distribution Strategy	Customer Needs & Objectives
Borrowers aged 55+ and in retirement without POA in place	Available through Intermediary* channels only for new business  Existing borrowers looking to product transfer with the Society where no suitable retention product is available can choose this product through Direct channels.	<ul style="list-style-type: none"> <li>• Continue to borrow in retirement – e.g. come to end of existing Interest Only mortgage without a repayment vehicle.</li> <li>• Release equity without needing to move property/downsize.</li> <li>• Confident of their ability to afford repayments, including if income goes down (e.g. pension/investment performance) or costs go up (e.g. care costs).</li> <li>• Want to avoid impact of roll-up interest payments.</li> <li>• Option to make limited fee-free overpayments (but not redeem loan) to reduce their loan/term if they can afford to.</li> <li>• Option to move to another property by porting the product if their housing needs change.</li> </ul>
Borrowers aged 55+ and in retirement with Lasting Power of Attorney in place		<ul style="list-style-type: none"> <li>• As above, with Lasting Power of Attorney in place (to aid contact in case of later incapacitation)</li> </ul>
<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>Intermediary firms must be registered with us and agree to our terms of business, which clearly requires them to comply with Consumer Duty</p>		

The Product is not designed for customers who:

- Under 55 years of age or not in retirement.
- Are unwilling or unable to receive independent legal advice prior to taking out the Product.
- Are uncertain about the sustainability of their income in retirement (their home is at risk if they are unable to keep up interest only payments – a Lifetime mortgage may be more suitable). Affordability must be proved against each individual applicant in case of death of a joint applicant.
- Require high LTI (our standard LTI is x4.49, underwriter discretion up to x5 subject to criteria).
- Are purchasing a property to let.
- Are in Retirement Properties (with restricted occupancy clauses).
- Require a Lifetime mortgage.
- Require the flexibility of no early repayment penalties.
- Require a repayment mortgage to pay down capital.
- Require benefits associated with flexible mortgage products, such as payment holidays or offsetting.
- Are severely credit impaired borrowers.
- Do not meet our lending or property criteria.
- Want to view their mortgage account online.

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

The Product has been designed for the older borrower market which is likely to include some customers with characteristics of vulnerability or who will experience vulnerability over time.

Older borrowers may require additional advice and support to ensure they understand the information being presented to them and the implications of the arrangement they are entering into to reduce the risk of harm occurring.

Although experienced owner occupiers, older borrowers may also be less familiar with RIO products and the implications of repayment requirements, tax implications and benefit entitlement. Therefore, we require them to get independent legal advice.

Borrowers must be confident of and resilient in their ability to afford repayments even if their income goes down (e.g. poor pension/investment performance) or costs go up (e.g. care costs).

We considered the needs, characteristics, and objectives of customers with characteristics of vulnerability at all stages of the design process for this Product, and the Society has in place a framework to support vulnerable customers at all stages of the mortgage, including:

- Education, training, and support for our staff to ensure they have the appropriate skills and experience to recognise and respond to the needs of vulnerable customers.
- Suitable customer service provision and communication options in a variety of channels
- Flexible policies, where appropriate, to support vulnerable members.
- Monitoring to ensure we continue to meet and respond to the needs of customers with characteristics of vulnerability.

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

Distributors should take account of individual customer needs and circumstances, as well as the needs of older borrowers generally.

Distributors should inform us if they have identified the client has characteristics of vulnerability so we can make appropriate adjustments.

Distributors should continue to comply with their obligations to ensure that they treat customers in vulnerable circumstances fairly.

## 5. Review of closed book Retirement products

We have completed a full review of all our closed Buy-to-Let products and can confirm that we have concluded that these products provide fair value to our members. The review addresses the benefits, price, cost, and limitations, using similar methodology to the reviews done for open book products.

The nonavoidable fees within this product group are not excessive and within a range comparable with wider market. Previously we charged £33 per month for arrears management fee and £12 for every unpaid Direct Debit payment, but these were removed in early 2020.

The reviews highlight potential improvements in the way we calculate Early Repayment Charges (i.e. better reflect the length of the remaining product term rather than a flat fee). This is also being considered for open book products as part of our product improvement roadmap.

## 6. 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 for customers.

The outcomes of the assessment process are presented to the Executive and Board, 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:

Benefits	Price	Costs	Limitations
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	Any limitations on the scope and service we provide or the features of the Product.

### Results of our assessment

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