

Value Assessment

Name of product / service:	Sub-Prime Mortgage Advice
Assessment reason:	Review
Reviewer name:	Steve Burch - Group Head of Compliance

Service description

- An initial meeting / discussion.
- Fact-finding and information gathering.
- Research using a sourcing system and / or market knowledge.
- Affordability assessment.
- Full advice and recommendation.
- Application / documentation support.
- Post offer support – liaising with the lender and solicitor.
- Signposting or provision of ancillary products or services connected to the primary borrowing requirement to prevent foreseeable harm.
- Post completion support including contact prior to the expiry of a fixed rate term.

Target market

New or existing customers looking to purchase or re-mortgage their residential property who have a history of default or bad credit, low credit score, unusual income types, or non-standard property types that rule them out from access to mainstream lenders.

Limitations

- Clients who have no adverse credit history.
- Clients with adverse credit history which is outside the levels required to be treated as sub-prime.
- No access to direct to customer rates
- Bad credit may still prevent a recommendation even in the sub-prime market.
- Clients that fall below the expected minimum equity amount, e.g., with an LTV of 90% or higher may be excluded from most lenders.
- Clients who do not meet the lending criteria of any of our panel of lenders.
- Clients who are unable to demonstrate they have the means to comfortably repay any proposed loan.
- Clients who have been convicted or suspected of fraud or fail AML verification checks.
- Clients who are foreign nationals domiciled outside of the UK and are not a Director of a UK Ltd Company.

Remuneration

- Application Fee – non-refundable.
- Advice fee – due on offer, payable upon completion or following cancellation post offer.
- Procuration fee – commission received from lender.

Our assessment of our service charges within the distribution chain are deemed to offer fair value for the service and benefits we can provide.

Market research when designing service

Our service is not significantly higher or lower in price than other services offered in our market. However, we are highly experienced in the provision of this service and, on some occasions, are able to attract exclusive and semi-exclusive products, and access to lenders and products unavailable if attempted to access them directly.

Value/benefits

- Independence
- Access to sourcing systems allowing comparison of wide number of deals.
- Research into the cheapest suitable mortgage and explanation given when not recommended.
- Knowledge and experience of the mortgage market
- High quality customer service – rated excellent on Trustpilot.
- Access to Mortgage Clubs – assistance with criteria and research, access to training and events to enhance and keep up knowledge on market developments.
- Access to lender support.
- Ensuring quality applications, and therefore avoiding issues with fraud checks and other delays.
- Access to advice and support around ancillary services, GI, protection to support mortgage obligation (signposting).
- Explaining the effect and impact of adding mortgage fees to the loan.
- Explaining the effect and impact of when is best or not to pay a product fee.
- For re-mortgages, we will consider whether a product transfer is right for a customer or not.
- Access to third party professional support, e.g., surveyors, solicitors, conveyancers, independent legal advisers.
- Ability to assess and apply lender target market considerations.
- Relationships with lenders underwriters so that applications may be considered on a merit basis.

Behavioural biases present

A client may assume only a sub-prime lender would be appropriate upon recognition of a default where a mainstream lender may still accept the application.

Where a customer asks to add our fee to their mortgage, we will check first that this is in their best interests and explain the disadvantages including additional costs associated.

If debt consolidation is required, we will check first that this is in their best interests and explain the disadvantages, including erosion of property equity by securing additional debts to their home.

If Interest Only or Part and Part is required, we will check first that this is in their best interests and explain the disadvantages of not reducing the mortgage balance.

Characteristics of vulnerability

We will adapt our service according to the needs of our customers. Situations where a vulnerability may compromise the value of the service we offer may be:

language barriers, first time buyer with less financial experience and resilience when compared to other mortgage borrowers; low level of financial sophistication or mental capacity issues.

We will give 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. We will also offer additional communication channels to meet the needs of the individual and signpost for additional assistance from external sources if deemed to be necessary.

In the sub-prime sector, clients may also display the following behaviours:

- Lack of knowledge and experience (low level of financial sophistication).
- Clients may have defaulted in the past and/or still have evidence of credit issues.
- As the customers will have historic adverse credit, they may potentially have low financial resilience, even though they may have improved their position since the historic adverse.
- The historical adverse could also indicate lower capability.
- There is a risk the introducing adviser automatically matches the client to a sub-prime lender rather than still searching whether a mainstream lender would accept the case.

The ways the firm mitigates against this risk:

- Application of cheapest suitable mortgage rule (via sourcing systems).
- Consider underwriting criteria of all lenders.
- Credit file to be obtained as part of their advice process before sourcing the mortgage.
- File reviews / systems and controls / KPIs.
- Advice will be given to the client if we believe alternative mainstream options should also be considered.
- We would seek permission to share vulnerability issues with proposed lenders if deemed appropriate.

Conclusion:	Our service does provide fair value
Actions required:	None
Next review date:	04/07/2025 or earlier if external factors dictate this