

Scottish Building Society

Product name: Retirement Interest Only (RIO)

Information sheet: valid 30/04/2023 to 31/07/2023

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 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

We have assessed that:

- Our RIO product range continues to meet the needs, characteristics, and objectives of customers in the identified target market.
- The distribution strategy remains appropriate for the target market.
- Our RIO product range provides fair value to customers in the target market.

2. Product characteristics & benefits

Our RIO products are available for owner occupied residential properties and are designed to meet the needs of the target audience; borrowers aged 55 or over who are looking to purchase or release some equity from their current main residence for an unspecified term on an interest only basis. A RIO mortgage is normally not repayable until the borrower(s) have died, moved into long term care or moved home.

The product features and criteria are designed to support these needs, including but not limited to:

- Fixed and/or Discount Variable Rate products
- Repayment Options: Interest Only
- Product availability in Scotland & North England
- Free standard valuation for remortgages
- £250 legal fee contribution for remortgages
- Lending up to a maximum of 50% of the property valuation
- Maximum loan size is £500k

- No maximum age limit
- Available on new or existing main residence

RIO product and eligibility criteria can be accessed on our intermediary website [here](#)

3. Target market assessment and distribution strategy

This target market assessment matrix segments the target customers for RIO products, 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 |
|--|---|--|
| Homeowners aged 55 or over, looking to purchase or release some equity from their property by way of remortgage. | Available through Direct and Intermediary channels. All sales are conducted on an advised basis. | <ul style="list-style-type: none"> • Unlock some of the value in their property • Want to release equity or protect remaining equity in their property • Change to lifestyle or retirement planning option • Assist in funding retirement or later life lifestyle choices • Purchase a property better suited to their needs in retirement or later life • To gift money to family to help purchase a property • Enable to remain in current residence when existing interest only mortgage has reached end of term & no means to repay capital |
| <p>*Intermediary distribution through:</p> <ul style="list-style-type: none"> • Networks and their Appointed Representatives. • Mortgage clubs. • Directly authorised mortgage intermediaries. <p>All intermediaries must be registered with SBS.</p> | | |

A RIO product **may not** be designed for customers who:

- Will receive a significantly detrimental impact to welfare benefits, such as pension credit and/or housing benefit
- Will receive a significantly detrimental impact to their tax liabilities from releasing a cash lump sum
- Do not wish to reduce inheritance available through their estate
- Want to repay their mortgage in full over a fixed term
- Do not meet our lending or property criteria
- Are looking to make capital repayments to their mortgage
- Are unwilling to obtain independent legal advice in respect to the product

- Would be better suited to another mortgage product from within our range

4. Customers with characteristics of vulnerability

Our RIO products are designed for borrowers aged 55 or over, which has an increased likelihood of including customers with characteristics of vulnerability or who will experience vulnerability in the short to medium term.

We have dutifully considered the needs, characteristics, and objectives of RIO customers with characteristics of vulnerability at all stages of the design process.

Customers looking for a RIO product are more likely to have had experience of mortgages and the mortgage market however;

- (i) Society policy dictates that all RIO mortgages are conducted on an advised basis.
- (ii) Society policy dictates independent legal advice is required when taking out a RIO mortgage.

This policy is in place to ensure borrowers understand the information being presented to them and the implications of the arrangement they are entering into to reduce the risk of harm occurring.

Our RIO products are frequently assessed to ensure they continue to meet the identified needs, characteristics, and objectives of the target market and are operating in the way the Society intended.

We have in place a framework to achieve good outcomes for vulnerable customers, which includes:

- Education and training 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 communications available via branch, web enquiry or via phone.
- Borrowers are required to take independent legal advice.
- Monitoring to ensure we continue to meet and respond to the needs of customers with characteristics of vulnerability.

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

If you believe an SBS product is causing harm to those with vulnerabilities or otherwise delivering poor customer outcomes, please notify us via BDM@scotbs.co.uk

Please contact us if you need any further information about how we support the needs of all our customers in relation to our Holiday Let product range. Help and support is available via ScottishIntermediaries@ScotBS.co.uk or directly via your BDM, whose contact details can be found [here](#)

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 our RIO products deliver fair value for customers.

The outcomes of the assessment process have been presented to Operational Risk Committee, allowing for challenge and further investigation before the process was officially agreed.

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 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. |

Results of our assessment

Our assessment concluded that our RIO products deliver fair value for customers for the target market.