



Barclays Residential Mortgage (BRM) – Interest Only (including Part Interest Only & Part Capital and Interest)

April 2023

Our approach to meeting the Products & Services Outcome and Price & Value Outcome – information for distributors of the product

This summary document is 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.

You are ultimately responsible for meeting your obligations under The Consumer Duty.

This is a confidential business-to-business document and should not be provided to customers.

1. Summary of our assessment

We have assessed that:

- Our **Barclays Residential Mortgage – Interest Only** product continues to meet the needs, characteristics, and objectives of customers in the identified target market
- The intended 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 and benefits

The products are designed to meet the needs of the target group who are purchasing, remortgaging, or rate switching on a residential property for their main residence and wish to pay the interest of their mortgage balance on a monthly basis while the capital balance does not reduce and is due for payment at the end of the mortgage term. The product features and criteria are designed to support these needs.

- Interest Only Mortgages differ significantly from Barclays Residential Mortgage – Capital and Interest products due to the repayment structure
- Interest Only Mortgages allow customers to pay the interest of their mortgage balance on a monthly basis while the capital balance does not reduce and is due for payment at the end of the mortgage term
- Available to customers who can evidence an acceptable repayment vehicle at the end of the mortgage term at the point of application as an alternative means to repayment capital
- Available on residential purchases, including new builds
- Available to first-time buyers, home-movers, remortgagers and existing customers looking to rate switch
- A range of interest options are available including fixed rates that give customers certainty of repayments over a fixed period and tracker rates that follow movements in Bank of England Base Rate (BEBR)
- Flexible options that allow customers to overpay their mortgage balance, apply for additional borrowing via Further Advance, change the term of the mortgage, and port their rate to a new property. Subject to individual mortgage product policy
- The maximum term for an interest only mortgage is 25 years and cannot extend into retirement

- The maximum loan to value allowed on an interest-only basis is 50% where the repayment strategy is the sale of the mortgaged property, or 75% where the repayment strategy is another allowable source
- There is a minimum income criteria required to be eligible for interest-only borrowing (including part and part borrowing)
- A minimum loan size of £5,000

Full eligibility criteria can be accessed on our intermediary website via [this link](#).

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 and objectives
<p>First-time buyers</p> <p>Home-movers</p> <p>Remortgagers</p> <p>Rate switch (Product Transfer)*</p> <p>At least one applicant must earn an annual gross income of £75,000 or more, or have a combined total of £100,000 for joint applications</p> <p>Customer must be able to pay a deposit of at least 25% of the property purchase price</p> <p>Potentially large cash reserves and/or repayment vehicle demonstratable at the point of application</p> <p>This includes:</p> <ul style="list-style-type: none"> - Existing endowment policy - Existing Stocks and Shares ISA; existing share, unit or investment trust (professionally managed) - Sale of mortgaged property (where the repayment strategy is the sale of the mortgaged property, at the outset there must be a minimum of £300k equity (this includes any capital and interest borrowing) after accounting for any interest only lending amount.) 	<p>Available through Direct and Intermediary channels**</p> <p>Applications through an advised-sale process only*</p>	<ul style="list-style-type: none"> • Customer requiring borrowing to purchase their first property • Customers requiring borrowing to purchase a new property • Customers remortgaging from another lender • Existing customers looking for a new rate. Early Repayment Charges (ERCs) may be applicable • Part & Part allows customer to reduce the amount of capital outstanding

***Rate Switch is available on a non-advised basis however, Barclays does not accept non-advised Rate Switch applications through intermediaries**

****Intermediary distribution through:**

- **Networks and their Appointed Representatives**
- **Mortgage clubs**
- **Directly authorised mortgage intermediaries**

All intermediaries must be registered with us.

The product is not designed for customers who:

- **Are purchasing a buy to let property**
- **Are purchasing a shared equity or shared ownership property**
- **Want to make payments to the loan to cover the capital and interest with monthly payments**
- **Do not meet our credit, lending or property criteria**
- **Do not meet the eligibility criteria or pass affordability assessment at the point of application**

4. Customers with characteristics of vulnerability

Barclays recognises that all customers and clients could, at any time, face personal circumstances which may result in them being susceptible to detriment.

Our definition of a customer in a vulnerable circumstance is any existing or potential customers who, due to their personal circumstances e.g. financial difficulty, long term medical conditions, or other personal circumstances, are especially susceptible to detriment. The overall treatment of these customers is guided by relevant sections within the Barclays Customer Engagement Standard.

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

- All colleagues in Barclays UK are required to complete annually refreshed mandatory vulnerability training as part of an annual training programme
- Barclays UK has a common framework of vulnerability indicators to enable customers to disclose vulnerabilities and notify us of their support needs, enabling colleagues to support customers in circumstances of vulnerability and make appropriate adjustments
- Suitable customer service provision and communications
- Flexible policies, where appropriate, to support vulnerable customers
- If clients experience short or long term financial difficulty they can access support and advice through our dedicated and specialist teams.
- Performance monitoring to ensure we are meeting the needs of customers with characteristics of vulnerability

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 or need further support regarding an individual customer circumstance.

5. Our assessment of value

We have completed a comprehensive and robust assessment of BRM – Interest Only to assess whether it provides fair value to customers.

Our fair value assessment has considered the following:

Benefits	Price	Costs	Limitations
<p>See Section 2 for product characteristics and benefits</p>	<p>The interest rate, fees and charges that customers pay for the product; and non-financial costs associated with operating the product</p> <p>The range of rate/fee/loan-to-value (LTV)/cashback options for BRM customers which will determine the interest rate of the product</p> <p>The variety of initial product terms, that depend on the LTV of the mortgage which may be available, usually from 2 year to 10 year, these products will have differing interest rates</p> <p>Price, determined based on a minimum level of profitability as set out in the Barclays internal pricing standard</p> <p>In assessing the fair value of this product Barclays has considered procurement fees paid by Barclays to mortgage intermediaries, and an average of the fees that customers are charged by mortgage intermediaries for advising and arranging the mortgage, based on</p>	<p>The fixed costs of providing mortgages, including the cost of providing an in-house advised service to customers, and the administrative costs of underwriting and administering the product including broker procurement fees</p> <p>The cost of customers exiting the product earlier in the term than expected</p> <p>Any additional variable funding costs (swaps) arising from external factors</p> <p>Additional costs such as CHAPs fee and Final Repayment Charges are assessed regularly and passed onto customers at cost</p> <p>The level of capital consumed and impairment increases as the LTV increases</p> <p>Our internal fair pricing principles</p>	<p>BRM – Interest Only provides a range of interest rate options for homebuyers but the range is not totally exhaustive e.g. there may not be a product available for a customers specific LTV</p>

information passed to Barclays by intermediaries in the last 12 months. Intermediaries that do charge such fees will need to separately assess whether these represent fair value, including whether they could affect the overall fair value of the product to the customer, and continue to comply with Barclays Terms and Conditions for Mortgage Intermediaries in relation to intermediary fees

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