



# Mortgage Guarantee Scheme

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:

- The **Mortgage Guarantee Scheme** product range 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 a residential property for their main residence, and wish to repay both interest and capital throughout the term of their mortgage. The product features and criteria are designed to support these needs.

- Allows customers with limited capital to achieve home ownership
- Gives customers the certainty of knowing their repayments over a fixed period of time
- Customers benefit from paying the capital and interest on a monthly basis, which means the loan will be fully paid off at the end of the mortgage term
- A mortgage term up to 40 years
- Available on residential purchases only
- Available to first-time buyers and existing home-owners
- Customers can borrow up to £570,000 for a house or £275,000 for a flat
- Flexible options are available that allow customers to overpay their mortgage balance or change the term of the mortgage. Subject to individual mortgage product and lending policy
- 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.

The target market of this product is those looking to purchase or move up the housing ladder but have limited capital to put down as a deposit.

Customers that fall into the target market for this product include those getting started as homeowners, including: first-time buyers and young families. Customer must have a minimum five per cent deposit available against their property.

Customer circumstances	Distribution strategy	Customer needs and objectives
Customers with limited funds available for a deposit	Available through Direct & Intermediary channels*	<ul style="list-style-type: none"> <li>• First-time buyers or existing homeowners looking to purchase or move up the housing ladder</li> <li>• Customers requiring a mortgage product with an LTV between 90.01% and 95% to purchase a property</li> <li>• Customers who want certainty over their monthly repayments and that their mortgage will be repaid in full at the end of the term</li> </ul>
First-time buyers	Available through advised sale only	
Home-movers		

\*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:

- Do not meet our lending, credit or property criteria
- Do not meet the eligibility criteria or pass our affordability assessment at the point of application
- Do not have a permanent right to reside in the UK
- Are purchasing a second property
- Are purchasing a buy to let property
- Are purchasing a new build property
- Require an Interest Only or Part & Part mortgage (for Interest Only and Part and Part mortgage products, please refer to the Barclays Residential Mortgage – Interest Only Product Information Sheet)
- Want a tracker product, with interest rates that follow the movements of the Bank of England Base Rate (BEBR)

## 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 Mortgage Guarantee Scheme (MGS) to assess whether it provides fair value to customers.

Our fair value assessment has considered the following:

Benefits	Price	Costs	Limitations
See Section 2 for product characteristics and benefits	The interest rate, fees and charges that customers pay for the product; and non-financial costs associated with operating the product	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	MGS customers have fewer fee options than standard purchase customers do

The product pricing, which is in line with other Barclays mortgage products but carries a small interest rate premium because as the loan-to-value (LTV) increases so does the level of capital consumed and impairment

Where there will usually be multiple different initial product terms to choose from, these products will have differing interest rates

Price, determined based on a minimum level of profitability as set out in the pricing standard

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 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

The cost of customers exiting the product earlier in the term than expected

The additional Commercial Fee to be paid by Barclays to the Treasury

Any additional variable funding costs (swaps) arising from external factors

Additional costs such as CHAPs fee and Final Repayment Charges are assessed regularly and passed onto customers at cost

The level of capital consumed, and impairment increases as the LTV increases

Our internal fair pricing principles

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