

Broker product information sheet

Product governance and Fair Value Assessment

Handelsbanken is committed to conducting its business in a fair, honest and open manner. We ensure that we have appropriate oversight and governance systems and controls in place, to offer products that have been assessed as providing fair value to customers, within the appropriate target market.

This summary document has been created to fulfil our responsibilities under fair value regulations and shouldn't be used as a sales or marketing tool. The client facing broker must act in the best interests of each customer individually, when deciding whether to recommend a particular product or not.

Product information	
Product	Regulated mortgage contracts
Version number	Version 1
Assessment	
Most recent review	March 2023
Product type <i>(All products are regulated mortgage contracts unless otherwise stated)</i>	<ul style="list-style-type: none"> • Standard • Offset • Foreign Currency • Current Account Mortgage • Residential Development Loan • Bridging Loan • Consumer Buy-to-Let Loans
Manufacturer/Co-manufacturer	Handelsbanken plc
Territorial limits	United Kingdom

Assessment

Target market

Product selection:

There are a number of considerations which determine the target markets for the mortgage products in question, including customer need and customer characteristics, product features/benefits and demographics.

One specific product may best suit one borrower's needs, whereas another borrowing scenario may mean that more than one product may be suitable. The product taken may be influenced by borrower preference. When more than one product could meet the borrower's needs, further discussion and documentation will need to be gathered and evidenced to establish the most suitable product.

Target market features and what the product is designed to provide:

The following section of the assessment looks at the broad aims on a product by product basis and why specific product features are suitable for a particular customer cohort. This will facilitate fair value by outlining the suitability of each product for particular customer groups and characteristics. This enables products to be matched to the appropriate typology and ensure customers are not placed into an unsuitable product or paying for superfluous features/benefits.

Our target borrowers will typically be wealthy private individuals or a family unit, business owners or private individuals with a well-paid job.

1. Standard

Purpose: A traditional mortgage, without embellishment of additional features. It allows customers with non-complex needs to borrow money to buy a residential property or to re-mortgage from another lender with or without further borrowing. This will also apply to existing customers seeking additional borrowing. A choice of fixed rate or variable rate borrowing is available, with a repayment method of capital and interest or subject to a suitable repayment strategy, interest only.

Target market/borrower characteristics and circumstances:

- The borrower will typically have no complex mortgage requirements.

2. Offset

Purpose: A mortgage which links the borrower's savings to the loan. Any savings that are offset against the mortgage will reduce the monthly interest that is due, whilst providing reassurance to the customer, that should an unforeseen event happen, they have access to their savings.

Target market/borrower characteristics and circumstances:

- Customers who have lump sum savings for which they have no known short to medium-term spending plans or requirements
- Offsetting is particularly beneficial to higher rate tax payers, who may exceed their tax free savings allowance and be liable to pay higher rate tax on their savings
- Offsetting is particularly beneficial to those who wish to use their savings to reduce the amount of interest they pay on their mortgage.

Note: Offset is more complex than a standard mortgage and so due regard should be given when considering this product.

3. Foreign Currency

Purpose: A mortgage which allows UK resident customers (or those with indefinite leave to remain in the UK) who either are not paid in sterling or have a repayment vehicle not denominated in sterling, to borrow against a property in the UK.

Target market/borrower characteristics and circumstances:

- Customers whose income or repayment vehicle is in specified non-sterling currencies or have assets in foreign currencies, but require a mortgage on a UK property, which will be repaid in sterling. Highly nuanced market driven by specific customer circumstances rather than demographic characteristics.

Assessment	
Target market (continued)	<p>4. Current Account Mortgage</p> <p>Purpose: A mortgage which allows customers to offset their credit current account balances against their mortgage balance, to achieve a reduction in monthly mortgage payments. Effectively, similar to an overdraft with ability to pay and redraw.</p> <p>Target market/borrower characteristics and circumstances:</p> <ul style="list-style-type: none"> • Customers who have a large proportion of days each year when they have “large” current account credit balances. Customers choosing a current account mortgage rather than a savings based offset mortgage are those more likely to have more pronounced and fluctuating financial incomings and outgoings. • A current account mortgage offering a form of offsetting is particularly beneficial to those customers who have a need to draw, repay and redraw their mortgage. <p>Note: Current Account Mortgage is more complex than a standard mortgage and hence due regard should be given, when considering this product.</p> <p>5. Residential Development Loan</p> <p>Purpose: A mortgage proposition to facilitate self-building renovations that require planning permission that sits outside permitted development rights. The loan is generally released in staggered tranches in accordance with funding requirements to support the building work.</p> <p>Target market/borrower characteristics and circumstances:</p> <ul style="list-style-type: none"> • Target market is determined by the purpose the loan is being used for, rather than customer characteristics. <p>Note: This is a complex mortgage with funds released in stages, so more explanation/customer support likely to be required.</p> <p>6. Bridging Loans</p> <p>Purpose: Allows customer to secure their desired new property before selling existing property.</p> <p>Target market/borrower characteristics and circumstances:</p> <ul style="list-style-type: none"> • This is a higher risk short-term product and borrowers must evidence sufficient assets and income to meet the increased financial commitments. Income must be adequate to meet interest on the loan during the term of the facility. It is suitable for borrowers who own owner-occupied residential properties, one of which they intend to sell. <p>7. Consumer Buy-to-Let Loans</p> <p>Purpose: Consumer Buy-to-Let Loans apply to situations whereby the customer has become an accidental landlord, such as through inheritance or unexpectedly having to temporarily relocate for work.</p> <p>Target market/borrower characteristics and circumstances:</p> <ul style="list-style-type: none"> • Demand for the product is circumstance and eligibility driven, rather than arising from demographics/borrower characteristics. Borrower must be an accidental, not a deliberate investment landlord to qualify • Although an accidental landlord, borrower is likely to be dependent on rental income to fund mortgage payments, and is vulnerable to yields and occupancy rates, similarly to deliberate landlords

Assessment	
Falls outside of target market and key restrictions	<p>On a product by product basis, the factors to be considered when assessing whether the prospective borrower falls outside of target market:</p> <p>Offset</p> <ul style="list-style-type: none"> • Not appropriate if a customer is likely to need access to (all or majority) of savings in short/medium term. • May not be appropriate if the customer has other more expensive debts elsewhere, which could be more financially advantageous to use savings to pay off/reduce rather than offsetting • Consider whether more advantageous to use savings to contribute to larger deposit and possibly benefit from a lower LTV rate <p>Foreign Currency</p> <ul style="list-style-type: none"> • Duration that the customer will be paid in foreign currency income or holding assets domiciled in a foreign currency for, is a key consideration when assessing whether the customers falls in or out of target market. If this is only a temporary or short-term arrangement, then a foreign currency mortgage may not be suitable. <p>Current Account Mortgage</p> <ul style="list-style-type: none"> • Not appropriate if likely to need access to savings in short/medium term. • May not be appropriate if have other more expensive debts elsewhere which could use savings to pay off/reduce • Consider using savings to contribute to larger deposit and possibly benefit from a lower LTV rate rather than offsetting • Stabilisation of current account credits whereby a conventional savings based offset product may be more suitable <p>Residential Development Loan</p> <ul style="list-style-type: none"> • If the customer intent is to purchase land rather than self-build, or renovate, then this mortgage is not suitable • Probably not appropriate if the customer is unsure about scope and timings of building work or lacks a clear plan <p>Consumer Buy-to-Let Loans</p> <ul style="list-style-type: none"> • Deliberate/investment landlords do not qualify • A customer looking for a mortgage term of greater than 10 years <p>Key restrictions (across all products)</p> <ul style="list-style-type: none"> • All mortgage products must be repaid by Age 75 • Minimum mortgage terms of one year and maximum mortgage term of 35 years • Maximum number of applicants is four • Unable to lend on later life borrowing products and shared ownership propositions
Distribution Strategy	<p>These products are distributed via FCA authorised brokers. Brokers must be approved by Handelsbanken plc and must have signed an Introducers Agreement with the Bank.</p>
Commission	<p>A procurement fee will be agreed with the brokers. All brokers should be able to demonstrate that commission received bears a reasonable relationship to the actual costs of their contribution/level of involvement or benefit added by them to the borrowing arrangement. We may request you to explain any additional commission you charge directly to the borrower.</p>

Assessment	
Fair value review	<p>Our product governance process requires a full review of all products at least annually to determine if the product offers fair value to the end customer. These reviews consider the target market, distribution strategy, remuneration, product information, existing pricing, product performance, product design and feedback from distributors and customers.</p> <p>The Bank is required to provide information to brokers regarding the Bank's target market for each of its products, as appropriate. The Bank has undertaken work in line with its governance procedures and is comfortable that the above products meet the needs of the intended target market and provides fair value.</p> <p>Over the medium term, the Bank is undertaking a strategic and systematic pricing review and brokers will be updated accordingly.</p>
Customers for whom the product is not expected to provide fair value	The products may not provide fair value to any customers who fall outside of the specified target market for each product.
Relevant documents available via our website	Broker Product information sheet

Providing feedback

We welcome any feedback from our distributors on the performance of our products. All feedback will be considered in our next product review.

If you believe that your staff would benefit from additional training on this product, please let us know by contacting drew.shovelton@handelsbanken.co.uk