



PRODUCT NAME:
FLEXIBLE MORTGAGE RANGE –
OFFSET SELECT ACCOUNT &
MORTGAGE RESERVE
ACCOUNT (MRA)

Information sheet updated: 31st July 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. It is one of three information sheets covering our residential mortgage range. Other information sheets cover our other mortgage propositions and short term secured borrowing propositions.

1. Summary of our assessment

We have assessed that:

- Our Flexible Mortgage 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 & benefits

Coutts Mortgage products are split between multiple propositions to meet the bespoke lending needs of Coutts clients. Each proposition has different features and benefits that cover a range of borrowing characteristics.

Each proposition is designed to support differing client needs, with the ability to recommend multiple propositions per application. This includes multiple elements with differing terms, products, and repayment methods. This allows for bespoke tailoring to meet the clients individual borrowing needs. It is recommended that you view this information sheet in conjunction with the information sheets for our other Coutts Mortgage Propositions.

Our Flexible propositions cover **Offset Select Mortgage**, and the **Mortgage Reserve Account**. These products can be secured against a residential property for clients who are:

- First time, next time or additional property buyers
- Re-Mortgaging from another lender.
- Releasing equity from an unencumbered property or as part of a remortgage from another lender.

The Flexible Propositions have the below shared features and characteristics

- There is a requirement that clients meet Coutts eligibility criteria
- Coutts eligibility must be met and that includes potentially paying a relationship tariff, income and asset thresholds being met and opening a current account to fully benefit from the features of these products.
- A range of Loan to Value options available
- Mortgage term between 2 and 35 years
- Guarantor and Multiple Party options
- Lending into retirement
- High Net Worth Exemption
- Green mortgage option depending on EPC rating
- Fee Free Valuation (for properties valued up to £3,000,000)
- Ability to port the product when moving home
- Optional Remortgage Package covering standard conveyancing costs
- Available to Individuals, Trusts and non-trading SPVs

Unique Features of our Flexible Propositions include

Offset Select:

- Enables Clients to use monies held in Offset Deposit Accounts to reduce the interest on their mortgage
- Clients can choose to either:
 - a) Reduce their monthly payments, or
 - b) Reduce their mortgage liability
- Offset deposits from sole, joint or 3rd parties in GBP, USD or EUR
- Offset mortgage product tracks the Coutts Base Rate for 2 years
- At the end of the tracker rate, the mortgage will revert to the Offset House Mortgage Rate
- Ability to Product Switch at the end of the rate term
- Minimum borrowing amount £750,000 (no maximum)
- Monthly repayments
- Capital & Interest, Interest Only and mixed repayment options
- Unlimited over payment options
- Up to 10 offset deposit accounts can be linked to the mortgage to reduce interest
- Direct/3rd Party and Cross Collateralisation Security options

Mortgage Reserve Account:

- Flexible mortgage product which supports clients drawing and repaying funds as often as they wish within a pre-agreed limit
- Managed rate and/or fixed rate options
- Minimum borrowing limit of £250,000 (£25,000 minimum limit on the managed variable rate)
- Flexible drawdown of funds
- Interest Only repayment option
- Interest is calculated daily and charged quarterly
- Clients can repay variable managed rate element without penalty, for fixed rate element, see Early Repayment Charge for Fixed Rate
- Second charges in favour of other lenders not allowed
- All MRA's must have a formal annual review (Annual fee £250)
- Independent Legal Advice Required

- Security: Can be secured against principal residence only. No BTL or second property
3. **Target market assessment and distribution strategy**

The below Target Market Assessment Matrix links the proposition to the needs and objectives of the target market. Recognising the differing client needs enables you to tailor the services you provide when you distribute the product.

Wealth clients may display needs for multiple propositions, therefore it is important to fully understand the needs and circumstances of the client in order to ensure the correct mix of product propositions is considered.

Offset Select:

Customer Circumstances	Distribution Strategy	Customer Needs & Objectives
New and existing homeowners who are moving home (which can include First Time Buyers)	Available through Direct and Intermediary* channels Only available through advised sale channel	<ul style="list-style-type: none"> • To use monies held in Offset Deposit Accounts to reduce the interest on their mortgage • Or to reduce their monthly payments or reduce their mortgage liability • To want to overpay to the mortgage without restriction. • To make use of savings but not commit them to the mortgage. • Comfortable with interest rate changes • To repay the capital by the end of the mortgage term or take the mortgage on interest only (subject to having a suitable repayment vehicle) • To continue to be a homeowner
Existing homeowners porting their mortgage to a new property	Available through Direct and Intermediary* channels Only available through advised sale channel	<ul style="list-style-type: none"> • To retain their existing product when moving home • To continue to be a homeowner
Existing homeowners who are buying a second home	Available through Direct and Intermediary* channels Only available through advised sale channel	<ul style="list-style-type: none"> • To use monies held in Offset Deposit Accounts to reduce the interest on their mortgage • Or to reduce their monthly payments or reduce their mortgage liability • To want to overpay to the mortgage without restriction. • To make use of savings but not commit them to the mortgage. • Comfortable with interest rate changes • To repay the capital by the end of the mortgage term or take the mortgage on interest only (subject to having a suitable repayment vehicle) • To continue to be a homeowner
Existing homeowners who have an unencumbered property looking to release equity from their home	Available through Direct and Intermediary* channels Only available through advised sale channel	<ul style="list-style-type: none"> • To use monies held in Offset Deposit Accounts to reduce the interest on their mortgage • Or to reduce their monthly payments or reduce their mortgage liability • To want to overpay to the mortgage without restriction. • To make use of savings but not commit them to the mortgage. • Comfortable with interest rate changes • To repay the capital by the end of the mortgage term or take the mortgage on interest only (subject to having a suitable repayment vehicle) • To continue to be a homeowner

Mortgage Reserve Account (MRA):

Customer Circumstances	Distribution Strategy	Customer Needs & Objectives
New and existing homeowners who are moving home (which can include First Time Buyers)	Available through Direct and Intermediary* channels Only available through advised sale channel	<ul style="list-style-type: none"> To have a flexible facility that could be drawn/ repaid as needed within an agreed limit May have desire for some fixed rate borrowing for budgeting or protection from rate rises May have need for future borrowing and wants pre agreed facility. Comfortable with variable interest rates, quarterly repayments and annual review fees
Existing homeowners porting their mortgage to a new property	Available through Direct and Intermediary* channels Only available through advised sale channel	<ul style="list-style-type: none"> To retain their existing product when moving home To continue to be a homeowner
Existing homeowners who have an unencumbered property looking to release equity from their home	Available through Direct and Intermediary* channels Only available through advised sale channel	<ul style="list-style-type: none"> To have a flexible facility that could be drawn/ repaid as needed within an agreed limit May have desire for some fixed rate borrowing for budgeting or protection from rate rises May have need for future borrowing and wants pre agreed facility. Comfortable with variable interest rates, quarterly repayments and annual review fees

These Products are not designed for customers who:

Do not meet our Lending and Affordability Criteria, which includes but is not limited to customers who:

- Are under 18
- Are severely credit impaired borrowers
- Want to purchase a property outside of the UK
- Purchasing a property to let
- Clients who have, or are being recommended a Development Finance Product
- Clients who do not meet Coutts eligibility criteria

4. Customers with characteristics of vulnerability

Our propositions are designed for clients looking to purchase a new or second home, release equity from an unencumbered property they already own. This will include some clients with characteristics of vulnerability, or who will experience vulnerability over time.

It is possible that the income and assets associated with wealth clients can mitigate some forms of vulnerability, and some clients who have experience with mortgage products may have a good understanding of the benefits and risks.

However, there is still likely to be customers who may require greater levels of support to ensure they are aware of the product benefits and risks and have a good understanding of the information provided to them.

We have considered the needs and objectives of customers with characteristics of vulnerability in the design process for this product.

We have vulnerability frameworks in place to achieve good outcomes for vulnerable customers, which include:

- Recognising that all customers may experience periods of temporary or persistent vulnerability
- Ensuring our staff are suitably trained to identify, engage with, and support the needs of our vulnerable customers
- Providing flexibility within our approach to policy, service provision and communications, making reasonable adjustments, where appropriate, to support good outcomes for our vulnerable customers
- Ongoing monitoring to identify and respond to the needs of vulnerable customers
- We recognise that there is further work being undertaken in Wealth and Group wide to meet the changing standards

Intermediaries 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.

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 the Product delivers fair value for customers.

The outcomes of the assessment process are presented to a formal Bank Governance Forum, allowing for challenge and further investigation before we sign-off the outcomes and share the summary of our assessment with you.

It is the responsibility for all Distributors to ensure their own charges for distributing the product or service represents fair value for the customer.

Our fair value assessment has considered the following:

Benefits

- The range of features provided
- The level of customer support provided
- The level of customer service provided

Price

- The interest rate charged, including the arrangement fee
- The fees and charges the customer pays for the product
- Comparable products and price in the marketplace
- Procuration fees paid to intermediaries
- Consideration of fees intermediaries charge a customer for advice (market average used)

Costs

- The cost of creating the product (i.e. costs that contribute to running the bank)
- The cost of funding the product
- The cost of processing the application
- The cost of administering the product
- The cost of closing the product

Limitations

- Any limitations on the features of the product
- Any limitations on the service of the product
- Any limitations on the support provided for the product
- Any limitations with the approach of agreeing and applying exceptions on consistent basis

Results of our assessment

Based on the above factors the product currently delivers fair value for its intended target market.