

# RESIDENTIAL FIXED FOR INITIAL PERIOD – RIGHT TO BUY

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## 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.4.15 R 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 Residential Fixed for Initial Period - Right to Buy (RTB) 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

The Product is designed to meet the needs of the target group, most notably the need of single or joint borrowers to secure finance to own a home. The Product features and criteria are designed to support these needs.

- Fixed for initial period of time, reverting to Kensington Standard Rate plus a margin.
- Mortgage Term up to 40 years.
- The Product is targeted at applicants with complex characteristics (e.g., self-employed, multiple income sources, contractors or employed applicants with additional complexities such as complex credit). This means that the automated underwriting systems, typically used by High Street lenders, are inappropriate and our target market would most likely struggle to secure a mortgage with one of these lenders.
- Underwriter capacity is closely monitored to deliver a timely service to applicants. We aim to deliver a market leading level of service which forms one of the key planks of our proposition.
- Brokers can speak with knowledgeable and experienced staff within the Business Development Unit and underwriting teams. Additional support is given to brokers to ensure they understand our products and approach via our intermediary website, broker webinars and face to face meetings with our sales team to share insights and explain our products.

- Customers can also connect with us via multiple communication channels. Call handling and wait times are monitored closely with resource redeployment to respond to peak demands. We recognise the time cost that customers experience when dealing with financial institutions, our approach limits this.
- Where eligible, customers will be able to complete a product switch with Kensington at the end of their initial fixed rate term. Kensington will contact the originating Broker in a timely manner.

Full eligibility criteria can be accessed on our intermediary website via [Lending Policy Search Tool](#) 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 & Objectives
Customers looking for a residential mortgage to fund the purchase of 100% of a property purchased under the Right to Buy scheme. The mortgage has a fixed interest rate for an initial period followed by a variable rate that is linked to a specified reference rate.	Available across our Intermediary channels.  Applications can be through advised sale only.	<ul style="list-style-type: none"> <li>• Applicants looking to purchase outright under the Right to Buy scheme the property that they currently occupy on a rental basis.</li> <li>• Applicants who value the advice of a regulated mortgage broker.</li> <li>• Minimum age at submission 18 years.</li> <li>• Maximum age is 75 years at the end of the term.</li> <li>• Single or joint applicants (maximum of 2 applicants).</li> <li>• Applicant with complex characteristics (e.g., self-employed, multiple income sources, contractors) meaning automated underwriting systems are unable to support these applications.</li> <li>• Applicants who wish to continue to live in the security address.</li> <li>• Applicants who want a fixed payment for a fixed period, with stability of payments during this initial fixed rate.</li> </ul>

\*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:

- Where more than 2 applicants wish to be party to the mortgage.
- Requiring a BTL mortgage.
- In need of later life products.
- In need of a standard residential, shared ownership or Help to Buy mortgage.
- With no income complexity (likely to find a cheaper product with a high street lender).
- In need of certainty of payment at all times.
- In need of flexibility and not prepared to be locked into a fixed rate due to the risk of an ERC being payable if they want to redeem during the fixed rate period.
- Who do not meet our lending or property criteria.

## 4. Customers with characteristics of vulnerability

The Product is designed for access across the residential RTB market, and to be inclusive of the needs of customers in the target market with characteristics of vulnerability (other than financial vulnerabilities that are inconsistent with customers demonstrating the product is affordable at the point of application).

Given the long-term nature of the product, it is expected that a proportion of applicants may experience one or more periods of vulnerability during the life of the product. Policy and procedures are in place to provide support.

This Product has been designed to be inclusive of all applicants that meet our credit criteria regardless of any vulnerabilities.

Processes are in place for distributors to notify us of any characteristics of vulnerability at the point of application. This includes communication needs which may require documents to be provided to applicants in large print or braille. Procedures are also in place to manage any vulnerabilities identified throughout the lifetime of the mortgage.

We considered the needs, characteristics, and objectives of customers with characteristics of vulnerability at all stages of the design process for this Product to ensure the Product meets their needs.

We have also tested the Product to assess whether it will meet the identified needs, characteristics, and objectives of the target market, including customers in the target market who have characteristics of vulnerability.

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.
- Staff are required to complete annual vulnerability training.
- Suitable customer service provision and communications.
- Flexible policies, where appropriate, to support vulnerable customers.
- Monitoring to ensure we continue to meet and respond to the needs of customers with characteristics of vulnerability.

As an intermediary 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.

## 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 products. This analysis is used to ascertain whether the Product delivers fair value for customers.

The outcomes of the assessment process are presented to the Product Approval Group, allowing for challenge and further investigation before we share the summary of our assessment with you.

### 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 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. The operational costs of delivering the product including the cost of manually underwriting each case, and the cost of delivering market leading service levels.	Limitations of the product are that there are currently no Further Advances or Porting options. The Right to Buy scheme has strong disincentives for customers moving home in the first 5 years. Other options exist should a customer desire a further advance or to port. This could include a remortgage with Kensington. Should a customer take a new mortgage with Kensington for a new purchase within the ERC period, some or all of the charge would be repaid, where the mortgage is completed within 3 months of the previous loan being repaid.

## Results of our assessment

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