



Modification By Consent for a Hybrid Lifetime Mortgage

To: [] (the "firm")

Ref: []

Of: []

Date: []

Handbook Version as in force at the date of this Direction

Power

1. This direction is given by the FCA under section 138A of the Act.

Duration

2. (1) This direction takes effect on [].
(2) This direction ends on 07 April 2017 or earlier if any of the affected rules are amended or revoked.

Rule modified

3. The FCA directs that the rules listed below apply to the firm (and to any mortgage arranger or mortgage adviser in the course of arranging or advising on that firm's lifetime mortgages) with the modifications shown.
4. In the table below, underlining indicates the insertion of new text and striking through indicates deleted text.

Rule	Modification
MCOB 9.4.132 R	<p>The following is inserted after MCOB 9.4.132R</p> <p><u>Hybrid Lifetime Mortgages</u></p> <p><u>MCOB 9.4.132A R</u></p> <p><u>MCOB 9.4.132BR applies if under the terms of a lifetime mortgage contract:</u></p> <p><u>(1) the customer is required or anticipated to make payments to the mortgage lender in respect of all or part of the interest, or part of the capital, charged on the lifetime mortgage, either for the entire life of the lifetime mortgage, or until a specified date;</u></p> <p><u>(2) the customer may at a time of his choosing (which may be a time before the specified date, if there is</u></p>

	<p><u>one) stop making the payments referred to in (1); and</u></p> <p><u>(3) from that time until the <i>lifetime mortgage</i> is repaid, the loan converts to an <i>interest roll-up mortgage</i>.</u></p> <p><u>Such a contract is referred to as a “hybrid lifetime mortgage”.</u></p> <p><u>MCOB 9.4.132B R MCOB 9.4 applies to the illustration with the following modifications:</u></p> <p><u>(1) Section 7 of the <i>illustration</i> (“Risks – important things you must consider”) must also include information about any fees that may be charged, and other adverse consequences (such as a change in interest rate) that may occur, as a result of the <i>customer</i> choosing to convert the mortgage to interest roll-up.</u></p> <p><u>(2) In Section 8 of the <i>illustration</i> (“What you will owe and when”), the section headed (A) ‘Details of mortgage payments’ should be completed on the assumption that the required or anticipated payments are made until the date on which the <i>lifetime mortgage</i> converts automatically to an <i>interest roll-up mortgage</i> or, if there is no such date, throughout the life of the <i>lifetime mortgage</i> as calculated according to MCOB 9.4.10R. The text accompanying the <i>illustration</i> in Section 8(A) must explain the basis on which it was prepared.</u></p> <p><u>(3) The following text must be shown in a box immediately under the heading to the table in Section 8(A) of the <i>lifetime mortgage illustration</i> (“What you will owe and when: Details of mortgage payments”): “This shows the amounts you will pay if you keep up mortgage payments [throughout the estimated life of the <i>lifetime mortgage</i>][until [the specified date], when the mortgage will convert to an <i>interest roll-up mortgage</i>.] Under the terms of this mortgage, you can choose at any time to stop making payments and instead have future interest payments rolled up into the balance of the loan. The illustration in Section 8(B) shows an example of how choosing to stop making payments could affect the amount required to repay in full the <i>lifetime mortgage</i> at the end of its term.”</u></p> <p><u>(4) The illustration in Section 8(B) of the <i>lifetime mortgage illustration</i> (“What you will owe and when” (B) “Projection of roll-up of interest”) must be based</u></p>
--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<p><u>on the assumption that the <i>customer</i> makes the agreed payments from the start of the term of the mortgage until the appropriate date as determined according to MCOB 9.4.132BR(5), and that from that date onwards the interest due is added the loan.</u></p> <p>(5) <u>For the purpose of MCOB 9.4.132BR(4), the appropriate date is;</u></p> <p style="padding-left: 40px;">(a) <u>If the <i>customer</i> has estimated the date at which they will decide to convert the <i>lifetime mortgage</i> to an interest roll-up basis, that date; or</u></p> <p style="padding-left: 40px;">(b) <u>In the absence of an estimate, the earlier of;</u></p> <p style="padding-left: 80px;">(i) <u>the date (if any) on which the <i>lifetime mortgage</i> converts automatically to an <i>interest roll-up mortgage</i>, or</u></p> <p style="padding-left: 80px;">(ii) <u>the date at which one-third of the assumed term for the <i>lifetime mortgage</i> (calculated as set out in MCOB 9.4.10R) has passed.</u></p> <p>(6) <u>If the <i>customer</i> must pay an additional fee for converting the loan to an interest roll-up basis at a time of their choosing, that fee must be included in the column headed "Fees charged during the year" for the year of conversion assumed for the purposes of Section 8(B) of the <i>illustration</i>.</u></p> <p>(7) <u>Immediately under the heading of the table required by MCOB 9.4.51R, instead of the text set out in MCOB 9.4.50R, the following text must appear:</u></p> <p style="padding-left: 40px;"><u>"This shows how the amount(s) paid to you and the interest and any fees that we charge mount up over [insert number of years estimated in accordance with MCOB 9.4.10 R or MCOB 9.4.12 R] years. It has been calculated based on the assumption that you choose to convert the mortgage to an interest roll-up basis after [insert number of years used for purposes of the illustration, according to MCOB 9.4.132BR(3)]. This is [when you told us you estimate you will convert to interest roll-up/when the mortgage converts automatically to interest roll-up/when one-third of the estimated total term will have passed.] The amounts are calculated using the current interest rate(s) of [insert interest rate(s)]. After the point of conversion, interest is added to the amount you owe [insert frequency of roll-up of interest - e.g. monthly]. Remember that you may choose to convert to interest</u></p>
--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



	<p>roll-up before [insert number of years used for the illustration] have passed, and that the mortgage could run for a longer time than [insert number of years estimated in accordance with MCOB 9.4.10 R or MCOB 9.4.12 R] years. In either case the amount you owe at the end of the term will be more."</p> <p>(8) In Section 15 of the <i>illustration</i> ("Overall cost of this mortgage"), the calculation of the total amount paid and the <i>APR</i> must be based on the assumption that the anticipated payments are made until the date on which the <i>lifetime mortgage</i> converts automatically to an <i>interest roll-up mortgage</i> or, if there is no such date, throughout the life of the <i>lifetime mortgage</i> as calculated according to MCOB 9.4.10R. An explanation of the assumption used should be included with the illustration, in addition to the text prescribed by MCOB 9.4.111R.</p>										
<p>MCOB 9 Annex 1</p>	<table border="1"> <tr> <td data-bbox="357 909 1066 943">8. What will you owe and when</td> <td data-bbox="1066 909 1412 943">[insert frequency of</td> </tr> <tr> <td data-bbox="357 943 1066 1106">(A) details of mortgage payments—this section is only required where the <i>customer</i> is required <u>or anticipated</u> to make payments to the <i>mortgage lender</i> in respect of all or part of the interest payable See MCOB 9.4.36G.</td> <td data-bbox="1066 943 1412 1106">payments - see MCOB 9.4.37R]</td> </tr> <tr> <td data-bbox="357 1106 1066 1140">See MCOB 9.4.37R - MCOB 9.4.46R</td> <td data-bbox="1066 1106 1412 1140">£</td> </tr> </table> <p>...</p> <table border="1"> <tr> <td data-bbox="357 1240 1412 1274">9. What will you owe and when</td> </tr> <tr> <td data-bbox="357 1274 1412 1368">(B) projection of roll-up of interest—this section is only required where the <i>customer</i> is not required to make payments to the <i>mortgage lender</i> in respect of all or part of the interest payable - see MCOB 9.4.49G</td> </tr> <tr> <td data-bbox="357 1368 1412 1435">See MCOB 6.4.50R Insert the prescribed text from MCOB 9.4.50R or MCOB 132BR(7) as applicable.</td> </tr> <tr> <td data-bbox="357 1435 1412 1677">"This shows how the amount(s) paid to you and the interest and any fees that we charge mount up over [insert number of years] years. It has been calculated using the current interest rate of [insert interest rate]. Interest is added to the amount you owe [insert frequency of roll-up of interest—e.g. monthly] Remember that the mortgage could run for a longer or shorter time than [insert number of years] years, and if it runs for longer the amount you owe will carry on increasing."</td> </tr> </table>	8. What will you owe and when	[insert frequency of	(A) details of mortgage payments—this section is only required where the <i>customer</i> is required <u>or anticipated</u> to make payments to the <i>mortgage lender</i> in respect of all or part of the interest payable See MCOB 9.4.36G.	payments - see MCOB 9.4.37R]	See MCOB 9.4.37R - MCOB 9.4.46R	£	9. What will you owe and when	(B) projection of roll-up of interest—this section is only required where the <i>customer</i> is not required to make payments to the <i>mortgage lender</i> in respect of all or part of the interest payable - see MCOB 9.4.49G	See MCOB 6.4.50R Insert the prescribed text from MCOB 9.4.50R or MCOB 132BR(7) as applicable.	"This shows how the amount(s) paid to you and the interest and any fees that we charge mount up over [insert number of years] years. It has been calculated using the current interest rate of [insert interest rate]. Interest is added to the amount you owe [insert frequency of roll-up of interest—e.g. monthly] Remember that the mortgage could run for a longer or shorter time than [insert number of years] years, and if it runs for longer the amount you owe will carry on increasing."
8. What will you owe and when	[insert frequency of										
(A) details of mortgage payments—this section is only required where the <i>customer</i> is required <u>or anticipated</u> to make payments to the <i>mortgage lender</i> in respect of all or part of the interest payable See MCOB 9.4.36G.	payments - see MCOB 9.4.37R]										
See MCOB 9.4.37R - MCOB 9.4.46R	£										
9. What will you owe and when											
(B) projection of roll-up of interest—this section is only required where the <i>customer</i> is not required to make payments to the <i>mortgage lender</i> in respect of all or part of the interest payable - see MCOB 9.4.49G											
See MCOB 6.4.50R Insert the prescribed text from MCOB 9.4.50R or MCOB 132BR(7) as applicable.											
"This shows how the amount(s) paid to you and the interest and any fees that we charge mount up over [insert number of years] years. It has been calculated using the current interest rate of [insert interest rate]. Interest is added to the amount you owe [insert frequency of roll-up of interest—e.g. monthly] Remember that the mortgage could run for a longer or shorter time than [insert number of years] years, and if it runs for longer the amount you owe will carry on increasing."											
<p>MCOB 11.6.57 R</p>	<p>Interest roll-up mortgages</p> <p>The requirements in MCOB 11.6.2R (and any <i>Handbook</i> provisions applicable only to that <i>rule</i>) do not apply in relation to an <i>interest roll-up mortgage</i> or a <i>hybrid lifetime mortgage</i>.</p>										



Interpretation

5. Interpretative provisions (including definitions) of the *Handbook* apply to this direction in the same way they apply to the *Handbook*.

Marium Mahmood Gul
Waivers Team
Supervision – Retail & Authorisations Division
Financial Conduct Authority