

Lifetime Mortgage Lump Sum Lifestyle and Lifetime Mortgage Drawdown Lifestyle product profile

Information document

April 2024

For UK financial advisers only

Our approach to meeting the Consumer Duty Products & Services and Price & Value Outcomes

This document is designed to help intermediaries understand the value of our products in accordance with the Financial Conduct Authority's (FCA) Consumer Duty Policy Statement PS22/9 and Finalised Guidance FG22/5.

1. Summary of our assessment

This document is aimed at all intermediaries distributing the LV= Lifestyle range of Lifetime Mortgages. It is designed to provide you with appropriate information to enable you to understand the key features of our products, our target market and distribution strategy. It also includes our approach to vulnerable customers alongside a summary of the key considerations we take into account when assessing fair value.

We have assessed that:

- Our Lifetime Mortgage Lifestyle product range meets the needs, characteristics, and objectives of customers in the identified target market.
- Our distribution strategy remains appropriate for the target market.
- Our products provide fair value to customers in the target market (i.e. the total benefits are proportionate to total costs).

2. Product characteristics & benefits

The products are designed to meet the needs of the target market. The LV= range of lifetime mortgage products are designed for homeowners over the age of 55 who want to release equity from their property. Customers can use our products to access money that is tied up in their property as opposed to having to consider either selling or moving (downsizing) from their home.

We offer two product options:

- A lump sum product that allows customers to release equity in the form of a single advance.
- A drawdown product that allows customers to release equity over time, as they require, from a facility established at the outset of the mortgage.

We recognise that intermediaries undertake an important role in helping clients to fully understand the features of our Lifetime Mortgage products and to consider alternative options that may be available.

Eligibility Criteria

We have included a summary of our Lifetime Mortgage eligibility criteria below, for more information please refer to the equity release product literature available on our website lvadviser.com/document-library.

Our eligibility criteria:

- UK homeowners aged 55 to 90 at the point of completion.
- Primary residence located in mainland England (including the Isle of Wight), Scotland & Wales (including Anglesey). We are unable to accept Scottish Isles and the Isle of Man.
- Property valued between £100,000 and £10 million.
- The property must meet our lending criteria (please refer to our Equity Release lending policy which can be found at lvadviser.com/document-library).
- Minimum initial advance £10,000 on our drawdown product and £30,000 on our lump sum product.
- Maximum loan amount £1,500,000.

Product Features

The money released from the equity in the customer's home is tax-free, however a review of any impacts in relation to your client's State Benefit entitlement and tax position should be undertaken.

Our Lifetime Mortgage Lifestyle products which are open to new business include:

- A "no negative equity guarantee" which guarantees that if the total debt is greater than the amount the customer's property is sold for when the total debt is repaid, the customer (or their estate) will not be asked to make up the difference.
- Fixed early repayment charges (ERC) over a period of eight years.
- Early repayment charges may be waived in certain defined circumstances – details can be found in our terms and conditions at lvadviser.com/document-library.
- The option to repay up to 11% of total loan advances each year (including any drawdowns from the cash facility but excluding additional borrowing), with a minimum repayment amount of £50.
- The option to choose to borrow an initial amount and, at the same time, set up a maximum loan to draw from in the future (Drawdown Lifestyle only).
- Downsize Protection – no early repayment charges where the customer fully repays their lifetime mortgage after five years and moves to a property that does not meet our lending criteria.
- The ability for customers to move home and either transfer their lifetime mortgage or repay the total debt.
- From time to time we may offer cashback to customers. Any cashback that may be available is provided as a separate amount in addition to the lifetime mortgage loan upon completion (i.e. no interest is accumulated on the cashback paid).
- Inheritance Protection - This feature allows the customer to protect a percentage of their property, enabling them to leave some property wealth for beneficiaries when they die.

Key Product Considerations (areas to discuss with your clients)

- In line with the wider lifetime mortgage market, the drawdown cash facility is not guaranteed; scenarios where the facility may be reduced or removed are included within the product terms and conditions at lvadviser.com/document-library.
- We have clearly defined eligibility and lending criteria which means that we will not be able to lend on some property types or to some customers. See our lending criteria for further details.
- The property must be the main residence of the customer. We are not able to lend on second homes or buy to let properties.
- Any additional borrowing (excluding further drawdowns) will be subject to our lending criteria and terms and conditions at the time of applying and is not guaranteed.
- If the customer wants to move home and transfer the lifetime mortgage to a new property, we will need to assess the new property against our lending criteria which applies at the time. The ability to transfer the lifetime mortgage is not guaranteed.
- Our terms and conditions set out what we expect, for example the property should be kept in good repair, all costs are to be paid in relation to the property (for example service charges) and the property is not to be let out or used as a place of business.
- We would normally expect customers applying for a lifetime mortgage to match the parties on the title deeds of the property. This could mean that if the customer is divorced, but the title deeds are still in joint names, the title will need amending before the lifetime mortgage application can proceed. Also, if an existing customer would like a new spouse or partner to be added to the lifetime mortgage, they will also need to be added to the title deeds.
- Partial repayments will proportionately reduce both capital and interest.

We have summarised the key product features alongside some important areas to discuss with your lifetime mortgage clients, however please do refer to the link below where you can find our full mortgage terms and conditions.

lvadviser.com/document-library

3. Target market assessment and distribution strategy

Target market:

The Products are designed for customers who:

- Meet our eligibility and lending criteria.
- Are aged between 55 and 90.
- Want to release some equity from their home now and / or want an option to borrow more from a pre-agreed facility.
- Want the option of being able to manage the roll up of interest on their mortgage.

To help you understand our target market we have highlighted below some of the reasons your clients could use and benefit from our range of lifetime mortgages to meet their various needs. Please note, this is not a complete list and does not consider your clients individual circumstances alongside key considerations.

Reason for loan	Benefit
Repaying interest only mortgage	By reducing the monthly mortgage repayments the product could provide security of tenure, allowing your client to remain in their current property.
Gifting the money to loved ones / inheritance tax planning	Gifting money could reduce or mitigate against a potential inheritance tax bill in the future whilst also allowing the beneficiaries to enjoy the funds and experience the benefits themselves.
Provide top up or regular income	Using the Drawdown Lifestyle product option could benefit your client by allowing them to release funds as they require, allowing them to enjoy a more comfortable retirement or pay for a particular ongoing need, such as care in the home.
Home improvements / One off purchase	Your client could also benefit from equity release to undertake some improvements / modifications to their home (subject to our lending criteria), to allow them to live more comfortably or to enjoy a special celebration or holiday.

The Products are not designed for customers who:

- Are under the age of 55 or over the age of 90, or couples where the younger person is less than 55 or above 90.
- Do not meet our eligibility criteria or their property does not meet our lending criteria.
- Feel it is important to maximise the inheritance to their beneficiaries or leave their property as inheritance. The accumulation of interest can significantly reduce the remaining equity in the property and the property may have to be sold to repay the total debt.
- Have other means of accessing income or capital and may not need a lifetime mortgage. For example, customers who can sell their property and downsize to a smaller property.
- Want to use the lifetime mortgage funds for reasons we would consider risky, such as investing.
- Want a short-term loan which they intend to repay within a few years.
- Don't intend to use their property as their main residence or would like to let their property out.

In addition;

- Our Lifetime Mortgage Lump Sum Lifestyle product is not designed for customers who may require access to smaller withdrawals in the future; and
- Our Lifetime Mortgage Drawdown Lifestyle product is not designed for customers who wish to maximise the release of equity upfront; however, in some circumstances we understand this could be the correct strategy for your client.
- Our Lifetime Mortgages may not be appropriate for customers who are currently receiving or eligible for means tested State Benefits, as the amount released could impact benefits received now or in the future.

Distribution strategy

These products are intended for distribution on an advised basis via FCA authorised intermediary firms who have the appropriate equity release qualification. We do not accept applications for our Lifetime Mortgage products directly from customers (i.e. on an execution-only basis). Intermediary firms must have a terms of business agreement in place with LV= Equity Release Limited in order to submit lifetime mortgage business to us.

4. Customers with characteristics of vulnerability

Due to the age profile of our target market alongside the nature of the product, customers may have characteristics of vulnerability at the point of advice and / or during the duration of the mortgage.

We recognise the important role that an intermediary undertakes supporting clients with their needs including identifying potential vulnerabilities. A vulnerable person may require bespoke support and if we can assist in providing you with additional guidance or support, we'll be happy to help.

As an example, a customer who is using a lifetime mortgage to provide security of tenure or to provide income during retirement may have a low level of financial resilience. The customer may have experienced a change of circumstance such as a loss of a partner, which may impact their decision-making. It is important that intermediaries consider their client's position carefully during the advice process.

5. Our assessment of value

At LV= we have a fair value framework in place which provides a structure to allow us to assess our products to ensure they provide fair value to our customers and deliver good customer outcomes whilst preventing foreseeable harm. We undertake regular reviews which are overseen by our internal governance process.

In our assessment we've considered the relationship between the overall price customers pay over the expected lifetime of the product and the quality of the product and service we provide, including our distributor costs. We've also considered the characteristics of vulnerability in the target market to ensure we offer fair value to all customer groups.

Our fair value assessment has considered the following:

Dimension	Criteria	Assessment Evaluation
Features	<ul style="list-style-type: none">Target marketProduct competitor comparison / ratingsThe product terms	<ul style="list-style-type: none">The product meets the needs of the target market, this includes any identified groups of customers and any vulnerabilities that customers display and the impact this could have on value.The product features are flexible, clear and competitive (evidenced by 3rd party product ratings) and are being sufficiently utilised by customers. The benefits of the product are clear.
Service	<ul style="list-style-type: none">Customer access to product featuresQuality of service	<ul style="list-style-type: none">Our assessment confirms customers can access the features of the product which are being utilised across all customer groups.The quality of service (including complaints data and feedback from intermediaries and / or customers) is regularly monitored and where required, action taken.
Price and Cost	<ul style="list-style-type: none">Customer rates and chargesExpected profitability & competitor comparison	<ul style="list-style-type: none">Customer rates are in line with our pricing principles and fair value framework, ensuring our product remains fairly priced and that our profits are not excessive.Our tariff of charges are benchmarked against expected internal costs, other provider charges and shown to remain fair.Our early repayment charges are shown to be fair.
Distribution	<ul style="list-style-type: none">Distribution strategy	<ul style="list-style-type: none">Our distribution strategy, controls and processes remain appropriate for our target market.Adviser fee levels and activity are regularly reviewed and are established controls within our processes.

For more information

Please get in touch



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Lines are open 8.30am – 5.30pm Monday to Friday.

Calls will be monitored and/or recorded for training and audit purposes.

If you'd like us to send you this document or any future correspondence in another format, such as Braille or large print, please just let us know.

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