



Product name: Buy to Let Mortgage

Information sheet produced: 12/04/2023

Our approach to meeting the Products & Services Outcome and Price & Value Outcome – Information for distributors of the Product

While Buy-to-Let lending is outside the scope of Consumer Duty rules, we have taken the voluntary decision to apply the same PRIN principles to our Buy-to Let Lending, and 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.

1. Summary of our assessment

We have assessed that:

- Our Buy to Let Mortgage product 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 received by the customer are reasonable relative to the total costs paid by the customer).

2. Product characteristics & benefits

The products are designed to meet the needs of the target group, most notably the need to secure finance on a rental property. The product features and criteria are designed to support these needs.

The HSBC UK Buy to Let (BTL) mortgage products are designed to serve;

- Consumer Buy to Let – Defined as a property that wasn't or isn't being initially purchased for a specific purpose of renting (e.g previous home, inherited property, accidental landlord)
- Investment Buy to Let – Defined as a property that is being purchased or was originally purchased for the specific purposes of renting.

HSBC UK does not provide BTL mortgage facilities where it has been evidenced that a customer is a Portfolio Landlord (4 or more BTL properties), or where the tenancy is based on multiple occupancy (EG: student lets, holiday lets and sub-letting).

Benefits / features of a HSBC UK Buy to Let Mortgage:

- BTL mortgages are available on 2 year, and 5 year fixed rates, alongside a 2 year tracker option, with set expiry dates.

- Available in both Capital Repayment and Interest Only repayment types, catering for those customers who wish to hold security of knowing their mortgage is paid off in full by the end of the mortgage term and also those who wish to minimise their monthly outgoing to allow them to utilise funds elsewhere. For interest only types, an acceptable repayment strategy will need to be in place to repay the outstanding loan at the end of the mortgage term.
- This gives variety to customers through short and longer term deal options to take either Fixed or Tracker deals depending upon the needs of the customer requiring payment security or flexibility.
- Regardless of repayment type customer deals are based on; LTV (Risk), Term (Deal length), Buyer (Purchase / Remo), and Individual (UK / International) type requirements of customers.
- Customers have the option to take out either Fee Saver or Fee Paying mortgage products to suit their individual needs. Fee Saver deals have no upfront costs in return for a higher repayment rate of interest. Fee Paying options (Standard) are available which have an upfront cost of a product fee (which can be added to mortgage loan, subject to LTV restrictions of 75% LTV) and carry a lower rate of interest in return.
- HSBC UK BTL products are available via execution only through the online system, a non-advised service and 3rd party Broker channels at the choice of customer.
- At the end of the deal term, the mortgage reverts to the HSBC UK Buy to Let Standard Variable Rate (BTL SVR), unless the customer chooses a new (on sale) alternative mortgage product. The customer can choose a new rate up to 180 days before the expiry date of their current deal without incurring an Early Repayment Charge (ERC), which will take effect once the existing deal has expired. An ERC will be charged however, if the customer elects to wishes to complete their rate switch or remortgage to another lender within this window.
- Customers with fixed rate deals can also make overpayments up to a permitted Annual Overpayment Allowance (AOA) of 10% should they wish, without incurring an Early Repayment Charge (ERC). Customers with Tracker mortgages can exit their deal at any time without incurring an ERC, this includes switching to another HSBC UK BTL mortgage deal for existing customers.

Full eligibility criteria can be accessed on our intermediary website via [Criteria | HSBC for Intermediaries](#) 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 to purchase a rental property as an investment	Available through Direct, Intermediary* & Online Channels Applications can be through non-advised sale and execution only	<ul style="list-style-type: none"> • To become the owner of a rental property

Customers looking to refinance existing Buy to Let mortgage from another lender to HSBC UK (remortgage)	Available through Direct, Intermediary* & Online Channels Applications can be through non-advised sale and execution only	<ul style="list-style-type: none"> Customer looking to remortgage from their existing lender, usually to find a better deal for their borrowing circumstances.
Customer looking to take additional borrowing from their existing Buy to Let property (Further Advance/Home Owner Loan)	Available through Direct, Intermediary* & Online Channels Applications can be through non-advised sale and execution only	<ul style="list-style-type: none"> Customer looking to borrow additional monies, secured against their existing Buy to Let property. To have the option to take a longer term than an unsecured personal loan, keeping monthly repayments typically lower. To repay all the capital borrowing by the end of the mortgage term (applicable to both Capital Repayment and Interest Only payment methods)
Existing customer looking to make changes to their mortgage deal	Available through Direct, Intermediary* & Online Channels Applications can be through non-advised sale and execution only	<ul style="list-style-type: none"> Customer looking to change existing Interest only mortgage to capital repayment or vice versa, possibly due to change in personal circumstances (not available through intermediary channel) Customer looking to switch interest rate to new or different deal

The Product is not designed for customers who:

- Are purchasing a residential property to live in.
- Do not meet our lending or property criteria.
- Are purchasing a rental property as part of a large BTL portfolio (4 or more properties).
- Are letting the property to a family member.

4. Customers with characteristics of vulnerability

The Product is for a customer looking to purchase a Buy to Let property, either for the first time, buying an additional buy to let property, moving their mortgage from another lender to HSBC UK (remortgage) or borrow additional money which is secured against the property. These could include some customers with characteristics of vulnerability or who will experience vulnerability over time.

Customer vulnerability is identified and assessed throughout the lifetime of the product when a customer or broker is in discussions with HSBC UK about the customer's mortgage needs (Vulnerable Customer policy within Bank). VC categorisation will then determine the appropriate action available to those customers in need, as per the broader bank policy.

Where a customer is in financial difficulty the Financial Support Team (FST) is there to assist if there is a change to the customers' circumstances. Processes and procedures are in place to ensure that HSBC UK helps and supports the customer as much as is possible through difficult times.

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 and Policy (including circumstances of customer vulnerability), of which details can be found here [Broker support | HSBC for Intermediaries](#)

5. Our assessment of value

We have developed a comprehensive and robust assessment process which evaluates several factors to determine the value of our mortgage product. This analysis is used to ascertain whether the Product delivers fair value for customers.

This includes both new and existing Products, and HSBC UK will continue to regularly carry out Fair Value assessments as per PRIN 2A.4.2 under an on-going basis.

The outcomes of the assessment process are presented to the appropriate governance forums allowing for challenge and further investigation before we sign-off the outcomes and 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, application fees paid to intermediaries and non-financial costs associated with operating the Product. Average broker fees charged to the customer are also considered by HSBC UK and the expected total price payable by the customer.	The cost of funding the Product.	Any limitations on the scope and service we provide or the features of the Product.

Results of our assessment

Our assessment concluded that the total costs paid by the customer are reasonable relevant to the benefits a customer can reasonably expect to receive, therefore the Product continues to deliver fair value for customers in the target market for the Product.

On-going monitoring of the Product will continue to be undertaken to ensure Product characteristics continue to meet all of our customer needs and objectives.