



Product name: Residential Interest Only 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

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 Residential Interest Only 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 primary residence. The product features and criteria are designed to support these needs.

The HSBC UK Interest Only mortgage is a product where the monthly mortgage payments only cover repayment of the interest part of the mortgage loan. By paying only the interest, monthly payments are naturally lower than an equivalent capital repayment mortgage enabling customers to invest the surplus money elsewhere in order to pay off the mortgage at the end of the mortgage term, or freeing up cash to spend elsewhere

Customers are wholly responsible for making alternative arrangements to repay the capital borrowing at the end of the mortgage term (Repayment Strategy). Whilst HSBC UK holds a list of acceptable repayment strategies (policy kept under regular review) that it will use for approval purposes, HSBC UK will never provide advice to a customer on the suitability of their repayment strategy.

Benefits / features of a HSBC UK Interest Only Mortgage:

- Interest Only mortgages are available on 2 year, 3 year, 5 year and 10 year fixed rates, alongside a 2 year tracker option, with set expiry dates.

- This gives variety to customers through Short, Medium and Long term options, to take either Fixed or Tracker deals depending upon the needs of customer requiring payment security or flexibility.
- Whilst Interest Only mortgages differ from Capital Repayment mortgages in the way the principle borrowing is repaid, the customer deals available and product charges for both types of mortgages are the same, along with their features. Deals are defined by; 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 (Except for New Business Tracker deals) 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.
- An exclusive range is available for HSBC UK Premier customers;
 - As part of the HSBC UK Premier Banking Proposition a set of selective customer rates are available which require a higher product fee in return for a reduced customer rate. However, Premier customers are not tied to Premier rates only and as such are free to choose a regular fee saver or standard fixed rate if they prefer.
- HSBC UK Interest Only mortgages are available via Execution Only, Mortgage Advice Service through qualified HSBC UK Advisors and 3rd party Broker channels at the choice of customer.
- At the end of the deal term, the mortgage reverts to the HSBC UK Standard Variable Rate (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 mortgage deal for existing customers.

Cashback is also available on selected mortgage deals which will provide a customer with a monetary benefit on completion of the mortgage drawdown (paid within 30 days of completion).

Full eligibility criteria can be accessed on our intermediary website via [Criteria | HSBC for Intermediaries](#)

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
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Customers looking to purchase a property, either for the first time or a subsequent property as a home mover	Available through Direct, Intermediary* & Online Channels Applications can be through advised sale and execution only	<ul style="list-style-type: none"> To become a home owner for the first time or to purchase a subsequent property To repay only the interest part of the mortgage loan, freeing up cash for customers to spend elsewhere.
Customers looking to move existing mortgage from another lender to HSBC UK (remortgage)	Available through Direct, Intermediary* & Online Channels Applications can be through 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 circumstances. To repay only the interest part of the mortgage loan, freeing up cash for customers to spend elsewhere.
Customer looking to take additional borrowing from their existing owned property (Further Advance/Home Owner Loan)	Available through Direct, Intermediary* & Online Channels Applications can be through advised sale and execution only. (Additional LTV restrictions apply)	<ul style="list-style-type: none"> Customer looking to borrow additional monies, secured against their property. To have the option to take a longer term than an unsecured personal loan, keeping monthly repayments typically lower. To repay only the interest part of the mortgage loan
Existing customer looking to make changes to their mortgage deal	Available through Direct, Intermediary* & Online Channels Applications can be through advised sale and execution only	<ul style="list-style-type: none"> Customer looking to change existing Capital Repayment mortgage to Interest Only, possibly due to change in personal circumstances (not available through intermediary channel) Customer looking to switch interest rate to new or different deal
<p>*Intermediary distribution through</p> <ul style="list-style-type: none"> Directly authorised mortgage intermediaries Appointed Representatives of Networks or Direct Authorised firms that are part of HSBC UK's intermediary panel <p>All intermediaries must be registered with HSBC UK and their firm be a member of the HSBC UK intermediary panel to access HSBC UK mortgage products on behalf of their customers.</p>		

The Product is not designed for customers who:

- Are purchasing a property to let
- Do not meet our lending or property criteria
- Require a Capital Repayment mortgage

4. Customers with characteristics of vulnerability

The Product is for customers looking to purchase a property, either for the first time, buying a subsequent property (homemover), move mortgage from another lender to HSBC UK (remortgage) or borrow additional money which is secured against 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 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 becomes financially vulnerable, the Financial Services 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, 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.