

# Target Market and Fair Value Assessment Summary

## Sovereign Lifetime Mortgages



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 Sovereign 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 are proportionate to total costs).

### 2. Target market summary

#### 2.1 Customer profile

The products are designed to meet the needs of customers who have the following profile:

- Either individuals or joint borrowers
- Age: 55-85
- Region: England, Scotland and Wales
- Property ownership: Owner occupier with a mortgage or unencumbered.
- Employment status: Typically retired or approaching retirement. In some circumstances may still be in employment or self-employed.
- Knowledge level: Mixed knowledge and financial competence. Some borrowers will be financially sophisticated others may have limited knowledge. Most are likely to have had a standard residential mortgage in the past.
- Credit history: CCJs and IVAs acceptable subject to being repaid on completion (no maximum).
- Any previous bankruptcy must have been discharged.
- Vulnerability level: High potential for customer vulnerability, with the likelihood of vulnerability increasing as the length of the loan increases.

## 2.2 Customer need

Customers who fit the profile above will have the following needs:

Looking to borrow a cash lump sum, without the requirement to make a monthly repayment, for one or more of the following purposes:

- Repay an existing mortgage
- Make home improvements (structural or cosmetic)
- Make a lifestyle purchase (e.g. car/holiday)
- Income
- Purchase a new house
- Part of a divorce settlement
- Contingency funds
- Gifts to family/friends for reasons such as house deposit
- Repay other debts
- Cover in home care costs

## 2.3 Key product features

The product features and criteria are designed to support these needs. The key features/criteria of the Sovereign range are:

- Customers age: 55 – 85
- No contractual repayments
- ERC-free repayments permitted up to 10% of advances per year. Maximum 12 payments with a minimum value of £50. Repayments can be made via direct debit, standing order or debit card
- Fixed rate of interest
- Loan sizes available between £10,000 to £2million
- Property value between £70,000 and £6,000,000
- Available maximum LTVs ranging between 13.50% and 38.50% depending on age (on sale LTVs may be less than the maximum at any time)
- £895 or £0 depending on product
- Cashback on selected products up to 4%
- Fixed ERCs starting at 8% falling to 0% by year 8
- 10% cashback products falling to 0% by year 10
- Drawdown facility – amount can be defined by customer up to maximum LTV
- Portable to a new home with downsizing protection allowing no ERCs after 5 years
- Joint life 3-year ERC exemption upon death / long term care
- No negative equity guarantee
- Full eligibility criteria can be accessed on our intermediary website

## 2.4 Ineligible customers

The product is not designed for anyone who do not meet the profile outlined above or customers looking to borrow for the following purposes:

- To invest
- To replenish savings
- For gambling purposes
- To purchase crypto currency

It would also not be suitable for customers:

- That have not considered other methods of borrowing
- Who could meet affordability and criteria for a standard or RIO residential mortgage as these are likely to be of a lower cost
- Under aged 55
- Who do not meet Pure’s lending criteria

### 3. 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.

Distribution strategy	Appropriateness for target audience
<p>Customers must receive advice from a qualified intermediary in for all new applications.</p> <p>The products are available whole of market e.g., via</p> <ul style="list-style-type: none"> <li>• Networks and their Appointed Representatives.</li> <li>• Mortgage clubs</li> <li>• Directly authorised mortgage intermediaries</li> <li>• All intermediaries must be registered with Pure Retirement</li> </ul> <p>All advisers must have appropriate equity release qualifications and FCA permissions.</p> <p>Advice firms should undertake their own fair value assessment.</p>	<p>Most customers only access 1 equity release mortgage in their lifetime and given that there will be customers with a mix of financial competence, a fully advised sale is appropriate.</p> <p>Given the high probability of vulnerability in the target market, direct to Pure sales would not be appropriate. A qualified broker provides a layer of protection as advisers will be able to consider/sign post customers to alternatives.</p>

### 4. Customers with characteristics of vulnerability

The Product is designed for customers aged over 55, and is designed to be a product that customers have until death or entry into long term care, therefore there is a high likelihood that customers will experience vulnerability over time.

Pure Retirement has a comprehensive vulnerability policy and customer facing colleagues are trained to spot and handle vulnerabilities. Pure 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.

Pure will use management information to monitor customer behaviour through the lifecycle of the loan to identify any early signs of vulnerability or where the products are not working as well as expected.

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## 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 product. 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 and Customer Conduct Committee, 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

- Access to a cash lump sum
- No contractual repayments
- Free initial property valuation
- Clear and compliant literature
- Fixed ERCs and fixed interest rate
- Product flexibility at key life events (downsizing/ERC waive on 1st death)
- Online application - allows for quick submission of case and fewer submission errors
- Online Portal - provides case updates to brokers
- Quick application to completion times
- Tenure for Life
- No Negative Equity Guarantee
- Compliance with the Equity Release Council Product Standards
- Clear and transparent communication with borrower at all life stages
- Fast resolution on death or entry into long term care
- FCA Regulated Lender
- Advice from a qualified intermediary

### Price

- Interest rates and fees and charges that the customers pay Pure for the product
- Comparable market rates
- Price of alternative financial products
- Broker remuneration - advice fees and procurement fees
- Administration fees that may be charged throughout the lifetime of the loan

The full tariff of charges can be found here:

<https://pureretirement.co.uk/img/products/documents/Sovereign/Sovereign-tariff-of-charges.pdf>

## Costs

- Valuation fees
- Lender legal expenses
- Operational costs
- Training and competency
- Broker premium
- Capital costs
- Dilapidation/negative equity risk
- Non-financial costs associated with operating the product.

## Limitations

Pure does not have access to an exhaustive fee structure for all intermediary firms. Pure will monitor broker remuneration but firms should ensure they have assessed their own fair value.

## Results of our assessment

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

☎ **0113 366 0599**

✉ **info@pureretirement.co.uk**

🌐 **pureretirement.co.uk**

Company registered in England and Wales No. 7240896.

Pure Retirement Limited, 2200 Century Way,  
Thorpe Park, Leeds, LS15 8ZB.

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