

# Fair Value Assessment

Information for Distributors

**Holiday Let**



# Introduction

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

It is designed to support your compliance with your responsibilities under PRIN 2A.3.16 R and PRIN 2A.4.16 R. 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

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We have assessed that:

- Our Holiday Let 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. Product characteristics and benefits

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The Hodge Holiday Let mortgage is for individual or joint borrowers who are at least 21 years old at the point of application, who are either a current Holiday Let property owner or are preparing to purchase a property to let out for short term rentals. The product features and criteria are designed to support these needs.

For Holiday Let products, value is derived from product attributes, such as:

- The product being portable
- Allowing the property to be let for short-term rentals
- Offering legal fee assistance for re-mortgaging
- The Hodge Early Repayment Promise (ERP) that allows ERC free redemption in full at any point when the customer sells their property
- The annual Flexible Repayment Option (FRO) allowance
- The ability to apply for contract (mid-term) variations.

Full eligibility criteria can be accessed on our intermediary website via [this link](#).

## 3. Target market assessment and distribution strategy

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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.

### 3. Target market assessment and distribution strategy (continued)

The Product is not designed for customers who:

- Are under the age of 21 at the point of application
- Are purchasing a property to live in
- Are credit impaired borrowers
- Require a part and part mortgage
- Do not meet our lending or property criteria

Customer Circumstances	Distribution Strategy	Customer Needs and Objectives
<p>Individual or joint borrowers who are at least 21 years old at the point of application, who are either a current Holiday Let property owner or are preparing to purchase a property to let out for short term rentals.</p> <p>Customers wishing to either purchase a property to let to holiday makers or remortgage their existing holiday let property and have a minimum of 25% deposit available for purchases or 25% equity for remortgage (maximum LTV is 75%).</p> <p>Borrowers requiring an Interest Only or Repayment mortgage with the flexibility of being able to make up to 10% capital overpayments annually.</p>	<p>Available through Intermediary* channels only.</p> <p>Available through advised sale only (Although Holiday Let is a non-regulated product we only accept advised business).</p>	<p>Customers who wish to raise a mortgage based on predicted rental yields</p> <p>Customers considering raising additional funds on a Holiday Let property for purposes such as improving their home or gifting to family members.</p> <p>Experienced BTL landlords that would like to explore the holiday let market.</p> <p>Borrowers looking to buy a property to rent out on short-term rentals and then use the property for their own personal use for up to 90 days per year.</p>
<p>*Intermediary distribution through:</p> <ul style="list-style-type: none"> <li>• Networks and their Appointed Representatives</li> <li>• Mortgage clubs</li> <li>• Directly authorised mortgage intermediaries.</li> </ul> <p>All intermediaries must be registered to place business with us and have the appropriate regulatory permissions.</p>		

### 4. Customers with characteristics of vulnerability

Holiday Let customers need to be aware that this is a seasonal business where the income may well be irregular and limited to peak times of the year, and will need to have sufficient income or funds available to support rental voids and associated fees and costs. It is still likely to include some customers with characteristics of vulnerability or who will experience vulnerability over time, however.

We 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.

## 4. Customers with characteristics of vulnerability (continued)

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We have also tested the Product, at outset and throughout the lifecycle of the Product to assess whether it will meet the identified needs, characteristics, and objectives of the target market, including customers in the target market who have characteristics of vulnerability. We have in place a framework to achieve good outcomes for vulnerable customers, which includes:

- Education and training for our staff to ensure they have the appropriate skills and experience to recognise and respond to the needs of vulnerable customers
- Suitable customer service provision and communications including regular review of customer feedback and testing of communications to ensure they are clear and not misleading
- Flexible policies, where appropriate, to support vulnerable borrowers
- Monitoring to ensure we continue to meet and respond to the needs of customers with characteristics of vulnerability.

Intermediaries should continue to comply with your obligations to ensure that you treat customers in vulnerable circumstances fairly.

Please get in touch if you need any further information about how we support the needs of all our customers in relation to the Product.

## 5. Our assessment of value

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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 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	Price	Costs	Limitations
The range of features that the Product provides, monitoring of how customers utilise the features, 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, advice fees paid to intermediaries and non-financial costs associated with operating the Product.	The cost of funding and servicing the Product.	Any limitations on the scope and service we provide or the features of the Product.

## Results of our assessment

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Based on the information detailed above and full review of all key considerations it is our conclusion that, at this time the Holiday Let mortgage continues to deliver fair value for customers in the defined target market for the Product.

We will continue to monitor in line with our obligations and commitment to supporting you to deliver good customer outcomes and should our conclusion change we will inform you accordingly.

**We appreciate every case is as unique as the mortgages we provide so if you've got a case with a story, get in touch today, we'll work with you and be your voice at Hodge to help you get the most for your customer.**

**Contact our BDM's today: 0800 138 9109**



**Registered Office**

One Central Square  
Cardiff  
CF10 1FS

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