

THE LENDING, CREDIT AND FINANCE (AMENDMENT) RULES, 2025 No.67

Made: 25th June 2025

Coming into Operation: 1st January 2026

The Guernsey Financial Services Commission (the “Commission”), in exercise of the powers conferred on it by section 63 of the Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022 (the “Law”) makes the following Rules.

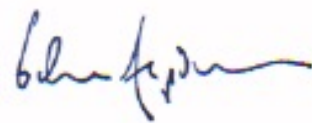
Citation and Commencement

1. These Rules may be cited as the Lending, Credit and Finance (Amendment) Rules, 2025 and amend the Lending, Credit and Finance Rules, 2023¹ (“the Rules”).
2. These Rules shall come into force on the 1st January 2026.

Amendments

3. The Rules are amended in accordance with Annex A.

Dated this 25th day of June, 2025

A handwritten signature in blue ink, appearing to read 'J. R. Aspden', is centered on the page.

J. R. Aspden

Chairman of the Guernsey Financial Services Commission

For and on behalf of the Commission

¹ No.3 of 2023.

Annex A

Amendments to the Lending, Credit and Finance Rules, 2023

- (1) In this section underlining indicates new text, to be added to the Rules, and striking through indicates text to be deleted:

...

PART 2 CORPORATE GOVERNANCE AND EFFECTIVE MANAGEMENT

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2.14 Qualifications

2.14.1 Training

- (1) Any person providing advice, to customers, must be suitably trained.

2.14.2 Home finance

- (1) This rule only applies to Part II licensees.
- (2) Licensees must ensure that any individual providing advice in respect of home finance agreements or approving home finance agreements on behalf of the licensee, holds an Approved Home Finance Qualification.

2.14.3 Equity release finance

- (1) This rule only applies to Part II licensees.
- (2) Licensees must ensure that any individual providing advice in respect of equity release finance, or approving equity release finance on behalf of the licensee, holds both an Approved Home Finance Qualification and an Approved Equity Release Qualification.
- (3) A qualification ceases to be an Approved Equity Release Qualification if, at the time it was obtained, its syllabus did not comprehensively cover both lifetime mortgage and home reversion products.

...

PART 3 CONDUCT OF BUSINESS

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3.2.2 Commissions and disclosure

- (1) This ~~sub~~-rule only applies to Part II licensees.
- ...
- (6) Ancillary service providers must disclose, to customers on request, all fees and commissions received for arranging the regulated agreement on behalf of a lender or reversion provider.
 - (7) Mortgage advisors, mortgage brokers, and ancillary service providers providing services relating to home finance agreements and home reversion finance must disclose all fees and commissions before the customer enters into the agreement.

...

3.2.3 Suitability

(1) This ~~sub~~-rule only applies to Part II licensees.

...

(7) Where a customer is a High Net Worth Individual, (1)-(5) do not apply, unless the provision of services relate to an equity release arrangement.

...

3.2.4 Vulnerable customers

(1) This ~~sub~~-rule only applies to Part II licensees.

(2) Licensees must ensure that this rule is applied to any guarantors as well as ~~borrowers~~ customers.

...

3.2.5 Customers experiencing payment difficulties

(1) This ~~sub~~-rule only applies to Part II licensees.

(2) Where appropriate, licensees must ensure that this rule is applied to guarantors as well as ~~borrowers~~ customers.

...

(5) Where a customer is a High Net Worth Individual, (1)-(4) do not apply, unless the provision of services relate to equity release finance.

3.2.6 Periodic information and closing statements

(1) This ~~sub~~-rule only applies to Part II licensees.

...

PART 4 PRUDENTIAL

4.1 Insurance

4.1.1 Application and general requirements

(1) This rule ~~only~~ applies to =

(a) Brokers and advisers of home finance ~~brokers and home reversion finance~~; and

(b) Providers of home finance and home reversion finance ~~lenders~~.

...

PART 5 COOPERATION WITH THE COMMISSION

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5.2 Notification by a licensee

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(2) Notifications made under ~~sub~~rules 5.2(1)(m), relating directly to the licensee, must be followed by a cessation of business plan setting out arrangements that the licensee proposes to put in place in relation to its customers.

...

PART 7 PART II LICENCES

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7.3 Equivalence

- (1) Any business regulated in another jurisdiction, to undertake activities which would, if they were undertaken in the Bailiwick, require a Part II Licence to be held, will be exempt from the requirement to hold a Part II Licence where the business –

(a) is regulated in a jurisdiction set out in The Lending, Credit and Finance (Designated Jurisdiction and Fees) Regulations, 2023, for those relevant activities (an “equivalent jurisdiction”); and

...

7.7 Information to customers

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- (2) Where the regulated agreement concerns home reversion finance, (a) and (c) do not apply.

7.8 Cooling-off period

7.8.1 Application

- (1) This Rule does not apply to customers who are classified as High Net Worth Individuals, except where the provision of services relate to equity release finance.

7.8.2 Regulated agreements, excluding home finance and equity release agreements

- (1) For regulated agreements which are not home finance agreements and are not equity release finance, licensees must allow customers a cooling-off period of no less than two weeks from the date on which the agreement is entered into.
- (2) During the cooling-off period licensees must allow customers to cancel the regulated agreement, subject to the customer returning any credit provided, or, if the customer has already received goods or services as part of the regulated agreement, repaying the outstanding ~~principle~~ principal.
- (3) Licensees must allow customers a reasonable amount of time to return any credit provided or to repay any outstanding ~~principle~~ principal.

...

7.8.3 Home finance and home reversion finance agreements

- (1) For home finance and home reversion finance agreements, licensees must allow customers a period of reflection not less than seven days from the date the licensee makes a final and unconditional offer of credit.

...

7.9 Maximum cost of credit

- (1) For regulated agreements that are not home finance agreements and are not home reversion finance agreements, the total cost of credit must not exceed 100% of the principal value of credit provided.

7.10 Treatment of surplus following default

- (1) When a licensee takes possession of assets provided as security, as a result of a borrower defaulting on their obligations under a regulated agreement, whether via *saisie* proceedings or otherwise, any surplus realised from the sale of those assets must be returned to the ~~borrower~~customer.
- (2) When a licensee sells assets, as a result of a default on a regulated agreement, they must do so on an arms-length basis and take reasonable steps to realise a market value for those assets.
- (3) In this rule, “surplus” refers to the amount left over, from the sale of the assets, following the settlement of the amount outstanding on the regulated agreement, ~~and~~ the licensee’s reasonable expenses generated in the course of realising the security assets and any other amount payable by the licensee to other creditors of the ~~borrower~~customer in accordance with the *saisie* process.

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7.12 Restrictions on further credit

- (1) Licensees must not restrict customers from taking further ~~loans~~credit with other credit providers.

PART 7A PART II LICENCES – EQUITY RELEASE

7.13 Application

- (1) All Rules and Guidance in this Part apply only to licensees providing or advising on equity release regulated agreements, unless otherwise stated.

7.14 Customer age

- (1) A licensee must assess the age of a customer, or customers, to an equity release regulated agreement, when deciding on the suitability of an equity release product to the circumstances of that customer, or customers.

7.15 Excessive charging

- (1) A licensee must ensure that its charges to a customer are not excessive.

7.16 Protection of customers

- (1) This rule only applies to licensees providing equity release finance.
- (2) A licensee must ensure that the interests of its customers are protected to a reasonable standard.
- (3) A licensee must not provide equity release finance, or agree to do so, with a customer, unless the customer has submitted an application for that form of equity release.

7.17 Fair treatment of customers

- (1) This rule only applies to licensees providing equity release finance.
- (2) A licensee must pay due regard to the interests of its customer and treat them fairly when drafting, amending the terms of, or imposing obligations or exercising rights or discretions, in relation to equity release finance.

7.18 Independent legal advice

- (1) This rule only applies to licensees providing home reversion finance.
- (2) A licensee must obtain from its customer's legal adviser, before the customer enters into a home reversion finance agreement, confirmation that –
 - (a) the legal adviser has been instructed to ensure that the customer's legal rights under the agreement are protected to a reasonable standard; and
 - (b) the legal adviser has explained to the customer the customer's legal rights and obligations under the agreement.
- (3) Equity release ancillary service providers must disclose any links they have with specific law firms to the customer.

7.19 Prohibition on cold calls

- (1) A licensee must not make cold calls in connection with equity release products.

7.20 Restriction on use of terms

- (1) Any communication, which includes reference to a lifetime mortgage, as defined under subsection 90(1) of the Law, must refer to any such product as a "lifetime mortgage" and not use any other expression to describe it.
- (2) Any communication, which includes reference to home reversion finance, as defined under subsection 90(1) of the Law, must refer to any such product as "home reversion finance" and not use any other expression to describe it.

7.21 Partial home reversion finance

- (1) This rule only applies to licensees providing home reversion finance.
- (2) A licensee must take reasonable steps to ensure that, when home reversion finance ends and the customer retains a beneficial interest in the property –
 - (a) the property is sold within a reasonable period of time; and
 - (b) the property is sold at the best price that might reasonably be obtained.
- (3) Following the conclusion of home reversion finance, where the customer has retained a beneficial interest in the property, the licensee must return the value of that interest to the customer within a reasonable timeframe following the sale of the property.

7.22 Equity Release Code of Practice

- (1) All licensees providing equity release finance, or providing services ancillary to the provision of equity release, must follow the Equity Release Code of Practice, at Schedule 6 to these Rules.

PART 8 PROVISION OF ANCILLARY SERVICES UNDER PART II LICENCES

8.1 General obligations

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- (3) Ancillary service providers must disclose any links they have with specific credit providers ~~lenders~~ to the customer.

...

PART 8A PROVISION OF ANCILLARY SERVICES UNDER PART II LICENCES – EQUITY RELEASE

8.4 Key-facts illustration

- (1) This rule applies to licensees advising on equity release finance.
- (2) An equity release adviser must ensure that a customer is provided with a key-facts illustration relating to the relevant product (and, in addition if the customer would like to compare the relevant product to other products, a key-facts illustration relating to those products), before proceeding with an application.
- (3) An equity release adviser must take reasonable steps to ensure that the customer understands the key-facts illustration.
- (4) The key-facts illustration must be an accurate reflection of the costs and details of the equity release product.
- (5) Key-facts illustrations must comply with the requirements set out in Schedule 5 to these Rules.

8.5 Advised sales

- (1) This rule only applies to licensees advising on equity release finance.
- (2) Where an equity release adviser gives advice to a customer to enter into equity release finance, or to vary existing equity release finance, it must take reasonable steps to ensure that the equity release finance is, or after the variation will be, suitable for that customer.
- (3) When assessing whether entering into, or varying an existing, equity release regulated agreement is suitable for a customer, the equity release adviser must consider-
 - (a) Whether the benefits to the customer outweigh any adverse effect on –
 - (i) the customer's entitlement (if any) to means-tested or other benefits; and
 - (ii) the customer's tax position (for example the loss of an age-related allowance);
 - (b) Any alternative methods of raising the required funds, such as –
 - (i) taking a further advance under an existing home finance agreement (including a lifetime mortgage);
 - (ii) taking out a new home finance agreement (including a lifetime mortgage) to replace an existing one; or
 - (iii) taking out an additional release under existing home reversion finance;
 - (c) Whether the customer's requirements appear to be within the equity release provider's known eligibility criteria for that particular equity release finance product;
 - (d) The customer's preference for their estate, (for example, whether the customer wishes to be certain of leaving a bequest to their family or others);
 - (e) The customer's health and life expectancy;
 - (f) The customer's future plans and needs (for example, whether the customer is likely to need to raise further funds or is likely to move house);

- (g) In the case of a lifetime mortgage, whether the customer has a preference or need for stability in the amount of payments (where payments in instalments are required), especially having regard to the impact on the customer of the possibility of significant interest rate changes in the future;
- (h) Whether the customer has a preference or need for any other features of equity release; and
- (i) In the case of a lifetime mortgage, whether it is more appropriate for the customer to pay any fees or charges upfront, rather than adding them to the sum advanced.

8.6 Joint applications

- (1) This rule only applies to licensees advising on equity release finance.
- (2) In the case of a joint application for equity release finance, an equity release adviser must ensure that both customers are involved in discussions concerning the regulated agreement and that both customers have read and understood all information provided by the ancillary service provider.

8.7 Recommendation for independent legal advice

- (1) This rule only applies to licensees advising on equity release finance.
- (2) An equity release adviser must recommend to a customer that they obtain independent legal advice when obtaining, or seeking to obtain, equity release finance.

...

PART 11 PART IV LICENCES

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11.3 General obligations

- (1) Where a Part IV Licensee enters into a regulated agreement with a customer, via their platform, they must ensure that all the rules pertaining to regulated agreements are followed by the credit provider ~~lender~~.

...

PART 12 GENERAL PROVISION

12.1 Interpretation

- (1) Terms have their ordinary meaning unless specifically defined in the Law, in which case the terms will have the same meaning ~~or in these Rules, or unless specifically defined in these Rules.~~
- (2) In these Rules, ~~The~~ the following definitions should be followed –

“ancillary service providers” ~~refers to~~ means Part II licence holders specifically licensed to provide such services;

“appointed retailer” ~~refers to~~ means a provider of services ancillary to the provision of credit who offers credit for the purchase of goods or services, via a third party licensed credit provider, whilst acting as an agent of that third party under a written agreement;

“appointed motor trader” ~~refers to~~ means a provider of services ancillary to the provision of credit who offers credit for the purchase of motor vehicles, via a third party licensed credit provider, whilst acting as an agent of that third party under a written agreement;

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“approved bank” means a person who is licensed under The Banking Supervision (Bailiwick of Guernsey) Law, 2020, or is registered under The Banking Business (Jersey) Law, 1991, or authorised under the Isle of Man Financial Services Act 2008, or is authorised to carry on a banking or deposit-taking business under the law of the UK, of any EU member state, or under the law of any country or territory which may be listed in notices issued by the Commission;

“Approved Equity Release Qualifications” means those qualifications recognised by the Commission and listed on the Commission’s website;

“Approved Home Finance Qualifications” means those qualifications recognised by the Commission and listed on the Commission’s website;

“Approved Qualifications”, means both Approved Equity Release Qualifications and Approved Home Finance Qualifications; ~~in relation to those providing advice to customers relating to home finance and lending against an individual’s home, are those agreed by the Commission and listed, as Approved Qualifications, on the Commission’s website;~~

“attorney” has the meaning given to it in the Capacity (Bailiwick of Guernsey) Law, 2020;

...

“consumer credit” ~~refers to~~ means regulated agreements that meet the definition of subsection 6(1)(a) of the Law;

“credit provider” means a provider of credit as defined in section 4 of the Law;

“customer money” ~~is~~ means money, in any currency, which a licensee holds for, receives from, or owes to a customer, in the course of carrying out regulated activities;

“equity release finance” means funding provided via regulated agreements that meet the definition in subsection 90(1) of the Law;

“equity release adviser” means an individual who provides equity release advice to customers on behalf of a licensed equity release ancillary service provider;

“equity release ancillary service provider” means a Part II licence holder specifically licensed to provide services ancillary to the provision of equity release finance;

“equity release drawdown product” means a pre-agreed facility to release additional funds without additional underwriting, up to a limit specified at the outset of the agreement;

“equity release provider” means a Part II licence holder specifically licensed to provide equity release finance;

“equivalent jurisdiction” means a jurisdiction designated in the Lending, Credit and Finance (Designated Jurisdiction and Fees) Regulations, 2023 as having legislation for the protection of customers, clients and consumers at least equivalent to that provided by the provisions of the Law;

...

“home finance agreement” refers to means a regulated agreements that meets the definition of subsection 6(1)(b) of the Law;

“home reversion finance” means regulated agreements that meet the definition of subsection 90(1) of the Law;

“interest rate” refers to means an interest rate expressed as a fixed or variable percentage applied on an annual basis to the amount of credit which has been drawn down;

“the Law” means the Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022;

“legal adviser” means the individual, or law firm, qualified to provide the customer with legal advice, in relation to equity release finance, and may include an advocate, solicitor, barrister or anyone else qualified to provide legal advice, or any individual working under the supervision of the above;

“lifetime mortgage” means a regulated agreement that meets the definition in subsection 90(1) of the Law;

“mandatory payment lifetime mortgage” means a lifetime mortgage under which the customer is required to make payments for a specific period of time;

“open-ended credit agreement” is means a credit agreement of no fixed duration and includes credits which must be repaid in full within or after a period but, once repaid, become available to be drawn down again;

“principal” the principal value of credit, advanced to a customer, is the amount loaned excluding any interest, fees or other charges;

“regulated activities” are means those activities, requiring a licence, as set out in sections 2, 16, 17 and 26 of the Law;

“roll-up interest” means the interest accrued under the terms of a lifetime mortgage, repayment of which is not required or anticipated until the agreement comes to an end, whether on expiry of the term (if any), discharge of the lifetime mortgage or the occurrence of a specified life event;

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SCHEDULE 2

Calculation of the Annual Percentage Rates (“APR”)

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Calculation of Home Finance APR

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7. Where information cannot be ascertained by a home finance lender, or broker, at the time of making an agreement then the following assumptions must be used in calculating the total cost of credit and the APR for that credit, in the following order (i.e. assumptions on the amount of credit must be applied before other assumptions and calculations are made)

–

...

- b. assumptions as to the period for which the credit is provided –
 - i. in relation to a lifetime mortgage home finance agreement, where the APR is calculated for the purpose of a financial promotion, it must be assumed

that the credit is being provided for a period of 15 years beginning with the relevant date;

- ii. in relation to a lifetime ~~mortgage home finance agreement~~, where the APR is calculated for the purpose of an illustration, the period for which the credit is to be provided must be calculated in accordance with the appropriate rules and guidance;
- iii. in relation to a retirement interest-only ~~mortgage home finance agreement~~, where the APR is calculated for the purposes of an illustration, the period for which the credit is to be provided must be determined in accordance with the appropriate rules and guidance;

...

SCHEDULE 3

Calculation of maximum early repayment fees in relation to Regulated Agreements

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2. Regulated agreements that are home finance agreements

In the case of home finance agreements where the interest rate payable is fixed or discounted for a set period of time, in the first year of that set period, licensees must not charge early repayment fees in excess of 1% (one percent) of the outstanding ~~principle~~ principal of the loan, for each remaining year or part thereof, that the interest rate is fixed, or discounted, under the agreement. In the final year of the set period licensees must not charge early repayment fees in excess of 1.5% (one and a half percent) of the outstanding ~~principle~~ principal of the loan.

...

SCHEDULE 5

Key-facts illustrations for equity release

All key-fact illustrations must contain the date it was produced, the customer's name, and at a minimum, the matters set out below:

1. The transaction

- a. The specific equity release finance that the customer is interested in;
- b. The amount of the loan or equity required by the customer. Where the amount the customer can draw down is variable, the licensee must agree with the customer an expected amount to be drawn down per year;
- c. For lifetime mortgages, the rate of interest to be charged. This must be the rate of interest available at the date the illustration is issued;
- d. The price or value of the property on which the equity release amount is based;
- e. Details of any insurance the customer is required to take out as a condition of the equity release finance, including the value and frequency of premium payments;
- f. Such information relating to the customer, or the property, or both, as to determine that the customer would qualify for the equity release finance; and
- g. The estimated term.

2. Service

- a. Confirmation (where applicable) that the product within the key-facts illustration is assessed to be suitable to the customer's needs and is being recommended to the customer; or, if not applicable,
- b. Confirmation that the product within the key-facts illustration is not being recommended to the customer, but is being provided to the customer on an informative basis.

3. Description of this product

- a. A description of the product that includes the definition of a lifetime mortgage or home reversion finance (as applicable), as defined under subsection 90(1) of the Law.

4. Fees paid by the customer

- a. Information about any fees that may be charged; including, but not limited to –
 - i. Fees relating to the provision of legal advice to the customer; and
 - ii. Fees relating to the provision of advice to the customer by an equity release adviser.

For a lifetime mortgage only, the key-fact illustration must also contain:

5. What the customer will owe and when

- a. This section must include details of payments and a projection of rolled-up interest, as appropriate.
- b. Details of payments are required where –
 - i. The terms of the lifetime mortgage would require the customer to make regular payments to the mortgage lender, in respect of all or part of the interest or part of the capital due under those terms, either over the duration of the lifetime mortgage or until a specified date; or
 - ii. The terms of the lifetime mortgage would reasonably expect that the customer will make such payments until he or she chooses to stop doing so.
- c. Details of payments must include the value and frequency of the regular payments and, where the interest rate charged will change in the future, the value of the regular payments once the change occurs.
- d. A projection of rolled-up interest is required where all or part of the interest due over the life of the lifetime mortgage is or may be added to the loan.

- e. A projection of rolled-up interest must include a table that sets out, for each year of the estimated term, the balance outstanding at the start of the year, the amount of interest charged during the year, the total value of all fees to be added to the loan that year, and the total amount owed at the end of the year. Where the product is an equity release drawdown product, the estimated amounts to be drawn down each year must be included in the table.

6. Early repayment and early repayment charges

- a. If the terms of the lifetime mortgage permit repayment of the loan, or the interest on the loan, in part or in full, the details of this permission. This includes but is not necessarily limited to –
 - i. If early repayment charges exist, the amount of these charges, and how this relates to the amount that can be repaid by the customer; and
 - ii. If penalty-free payments exist, the amount of penalty-free payment that can be made by the customer, and the permitted frequency of these penalty-free payments.

7. Risks

- a. This section must include information about the risks to the lifetime mortgage customer. This includes, but is not necessarily limited to –
 - i. A statement of the specific circumstances in which the equity release provider is able to repossess the property;
 - ii. A statement of how the equity release provider will treat any negative equity arising during the term of the lifetime mortgage and at the time the amount borrowed under the lifetime mortgage is due to be repaid in full;
 - iii. A statement covering the event of the customer wanting or needing to move home, dealing with the circumstances in which the lifetime mortgage is portable;
 - iv. A statement of the effect on the lifetime mortgage of another party moving into the property (for example, on marriage or the formation of a civil partnership, or where a family member acts as a carer); and

- v. A warning that taking out this lifetime mortgage may affect the customer's tax and welfare benefits position.

For home reversion finance only, the key-facts illustration must also contain:

8. Risks

- a. A statement acknowledging the risk to the customer that the property may increase in value, subsequent to the customer selling to the equity release provider all or part of the property.

9. Requirements for repair and maintenance of the property

- a. A statement setting out the equity release provider's requirements for repair and maintenance of the property. This may include, if applicable, the equity release provider's right to enter the property to effect essential repairs, and the circumstances in which this may occur.

SCHEDULE 6

Equity release Code of Practice

1 OVERARCHING PRINCIPLES

Overarching principles

- (1) Licensees should ensure that all their actions promote public confidence in equity release.
- (2) Licensees should act at all times to deliver good outcomes for retail customers.
- (3) Licensees should ensure that conflicts of interest are identified swiftly and managed fairly.
- (4) Licensees should seek to deliver suitable outcomes for customers from initial sale through every point of contact during the life of the product.

2 REQUIRED CUSTOMER OUTCOMES

Required customer outcomes

- (1) Licensees must offer customers the products and services that suit their needs best and which offer fair value.
- (2) The amount charged by a licensee for a product/service must reflect the benefits customers expect and be communicated in a manner customers can understand.
- (3) Licensees must seek to identify and provide appropriate support to customers who may be exposed to physical, mental and financial vulnerability at any point of contact.
- (4) Licensees must take reasonable steps to make sure that customers understand their rights and responsibilities at every point of contact.
- (5) Licensees must ensure that customers will be able to live in their own property for as long as they wish, or move to a suitable alternative property, as long as they abide by the terms and conditions of their contract.

3 REQUIREMENTS

1. Adviser rules

1.1. Application

- 1) This rule applies to all licensees providing equity release advice.

1.2. Family involvement

- 1) A licensee must undertake a full discussion with a customer, to ensure that they are made fully aware of any implications of the equity release finance for them and their family.
- 2) A licensee must facilitate the opportunity for a customer to include their family within the discussion required by paragraph (1).
- 3) Where, at the customer's request, the customer's family is not included in such discussions, the reason for not consulting with their family must be clearly documented.

1.3. Risks, features and benefits

- 1) Licensees must ensure that a customer is advised, in writing, of the risks, features and benefits of the relevant product before proceeding with an application.

1.4. Wills and Lasting Power of Attorneys ("LPAs")

- 1) A licensee must advise a customer to seek advice about reviewing and updating their existing will or putting in place a will if they do not have one.
- 2) A licensee must recommend that a customer seeks advice about updating any existing power of attorney ("POA") or LPA. If no POA or LPA is in place, the customer must be advised to seek assistance in arranging an LPA.
- 3) Where a customer takes out a drawdown product, the licensee must strongly advise the customer that they put a POA in place.

1.5. Suitability

- 1) A licensee must provide a customer with a written record of their advice and recommendation (“the suitability report”).
- 2) Licensees must have and evidence specific conversations around the options available for interest served or capital repayment lifetime mortgage solutions to mitigate the impact of roll-up interest over a longer period of time.

1.6. Checklist for advisers

- 1) Where a plan has been recommended to a customer (even if the case does not proceed), a licensee must complete the Checklist for Advisers. The licensee must ensure that each of the points in the checklist have been fully covered and completed in detail.

1.7. Drawdown

- 1) This rule only applies to licensees providing advice regarding lifetime mortgage products that are equity release drawdown products.
- 2) Licensees must ensure that applicants for drawdown products are made aware that –
 - (a) A drawdown facility is not guaranteed and, if agreed, will be charged at the prevailing rate of interest at the time of drawdown; and
 - (b) Lenders may ask further questions about the purpose of any future drawdown monies at the time requested.
- 3) Licensees must act responsibly in recommending drawdown monies to customers.

1.8. Quality assurance

- 1) Licensees must implement robust quality assurance programmes that aim to improve customer experience and outcomes.
- 2) Licensees must routinely test these quality assurance programmes to ensure that customers are treated fairly, with empathy and with sensitivity to their individual circumstances.

1.9. Additional security charges

- 1) Where a licensed adviser proposes that a customer with an existing home finance agreement should effect an additional security charge, the licensee must check that a referral to any existing chargeholders has first been considered.
- 2) A licensee must retain written evidence of this referral on the customer file.

1.10. Legal marketing costs

- 1) Licensees must not accept any payment, or any other consideration, from a legal adviser on a case-by-case basis.
- 2) Where legal advisers pay periodic contributions towards a licensee's marketing costs in return for non-specified numbers of referrals, such payments must not be calculated or aggregated on the basis of the number of cases referred.

1.11. Explanation of Product standards

- 1) Licensees must clearly explain to a customer whether a product they are recommending meets all of the product standards.
- 2) Where a product that is being recommended does not meet all of the product standards, a licensee must explicitly disclose to the customer which product standards are not met and give an illustration of the types of risks this poses to a customer and how this could affect the customer.

2. Provider rules

2.1. Application

- 1) This rule applies to all licensees that are equity release providers.

2.2. Accepting business

- 1) Licensees must issue a customer with a Key Facts Illustration (“KFI”), which includes all features, risks and benefits associated with a product, prior to accepting their application.
- 2) Licensees must only accept applications for equity release products from licensed equity release advisers, who –
 - (a) Hold an Approved Equity Release Qualification; and
 - (b) Have recommended the product being applied for.
- 3) Licensees must only accept applications for equity release products which are supported by a declaration signed by the adviser that confirms that the adviser holds the appropriate Approved Equity Release Qualification.
- 4) Sales must always be made on an advised basis with a personal recommendation being given to the customer.
- 5) A licensee must not accept business unless it has taken reasonable steps to satisfy itself that the adviser has followed these rules and taken account of this guidance.

2.3. Communication

- 1) A licensee must ensure that appropriate ongoing communication with customers is in place throughout the life of the product.

2.4. Core product standards

- 1) A licensee must, wherever reasonably possible, ensure that any equity release products it offers (excluding mandatory payment lifetime mortgages) meet all of the core product standards described in paragraphs (2) to (6) below.
- 2) **Right to remain:** Provided that the property remains the customer’s main residence, and that they adhere to the terms and conditions of the contract, licensees must give customers the right to remain in their property for life, or until they move into long-term care.

- 3) **Right to move:** Provided that the customer abides by the terms and conditions of their contract, licensees must allow customers to live in their own property for as long as they wish and allow them to move to a suitable alternative property (subject to lending criteria at the time of move). This means that –
 - (a) For home reversion finance, licensees must offer a customer a new plan in respect of a suitable alternative property, on terms no less favourable than those offered to new customers at that time.
 - (b) For new lifetime mortgages, additional borrowing and access to cash reserves, each interest rate must remain fixed from the completion date of the application until the loan is repaid, or, if they are variable, there must be a “cap” (upper limit), which is fixed from the completion date of the application until the loan is repaid.
 - (c) Where the new property is of insufficient value to secure the amount owed to the provider, any partial repayment must be limited so that the net amount remaining shall not be less than the percentage of the property value that the provider would advance to a new customer in comparable circumstances.
 - (d) A licensee must not charge any early repayment charge, or similar charge, when transferring an existing plan to an alternative property.
- 4) **Right to make penalty-free payments:** For lifetime mortgages, all products should include a facility for customers to make voluntary repayments, subject to lender criteria.
- 5) **Interest rates:** For lifetime mortgages, interest rates must be either fixed or, if variable, have a cap fixed for the life of the loan.
- 6) **No Negative Equity Guarantee (“NNEG”):** For lifetime mortgages, a licensee must only offer products that have a NNEG. The NNEG must specify that –
 - (a) Whenever the amount owing to the licensee is to be repaid from the proceeds of sale of the secured property, the amount owing will not exceed the net proceeds of sale (after deduction of selling agents’ fees, legal fees, disbursements and reasonable costs).
 - (b) Provided that the property is sold for the best price reasonably obtainable, a licensee must accept the net proceeds of sale in full and final settlement of the amount owing.
 - (c) Where a customer has more than one lifetime mortgage contract outstanding with a licensee, the NNEG applies to each property individually, so that the licensee may not seek to recover any shortfall in repayment from the sale of one property by claiming from the customer, the customer’s estate, or the sale proceeds of any other property.

- 7) Licensees must explain clearly when the NNEG does and does not apply. This explanation should be included in the KFI and in the offer document and may also form part of their terms and conditions. The explanation must clarify when the NNEG does and does not apply.
- 8) Licensees must only indicate that a product meets the core product standards (as described in paragraphs (2) to (6)) if that product meets all the standards.
- 9) Where a licensee offers an equity release product (other than a mandatory payment lifetime mortgage) that does not meet all of the core product standards (as described in paragraphs (2) to (6)), the product provider must state this prominently in adviser and consumer-facing literature. The literature must explicitly state which core product standards are not met and give an illustration of the types of risks this poses to a customer.
- 10) A licensee must give prior written notice to the Commission of any proposal to introduce a new product or materially vary an existing product. Any such notification must either confirm that (following the amendments, where applicable) the product will (continue) to meet the core product standards, or, if not, setting out the exceptions.

2.5. Product standards for mandatory payment lifetime mortgages

- 1) This rule only applies to licensees when providing equity release products that are mandatory payment lifetime mortgages.
- 2) A licensee must, wherever reasonably possible, ensure that any mandatory payment lifetime mortgage products it offers meet all of the core product standards described in paragraphs (3) to (7) below.
- 3) **Right to remain:** Licensees must give customers the right to remain in their property for life, or until they move permanently into long-term care, provided that the property remains their main residence and they adhere to the terms and conditions of the contract (including making mandatory payments, as agreed).
- 4) **Right to move:** Provided that the customer abides by the terms and conditions of their contract, licensees must allow customers to live in their own property for as long as they wish and allow them to move to a suitable alternative property (subject to lending criteria at the time of the move). This means that –
 - (a) For new lifetime mortgages, additional borrowing and access to cash reserves, each interest rate must remain fixed from the completion date of the application until the loan is repaid or, if they are variable, there must be a “cap” (upper limit) which is fixed from the completion date of the application until the loan is repaid;

- (b) Where the new property is of insufficient value to secure the amount owed to the provider, any partial repayment must be limited so that the net amount remaining shall not be less than the percentage of the property value that the provider would advance to a new customer in comparable circumstances; and
 - (c) A licensee must not charge any early repayment, or similar charge, when transferring an existing plan to an alternative property.
- 5) **Right to make penalty-free payments:** For mandatory payment lifetime mortgages, all products should include a facility for customers to make voluntary repayments, subject to lender criteria, once the mandatory payment period has ended.
 - 6) **Interest rates:** For mandatory payment lifetime mortgages, interest rates must be either fixed or, if variable, have a cap fixed for the life of the loan.
 - 7) **No Negative Equity Guarantee (“NNEG”):** For mandatory payment lifetime mortgages, a licensee must only offer products that have a NNEG. The NNEG must specify that –
 - (a) Whenever the amount owing to the licensee is to be repaid from the proceeds of sale of the secured property, the amount owing will not exceed the net proceeds of sale (after deduction of selling agents’ fees, legal fees, disbursements and reasonable costs), with the exception of arrears plus arrears interest, which must be paid by the estate.
 - (b) Provided that the property is sold for the best price reasonably obtainable, a licensee must accept the net proceeds of sale in full and final settlement of the amount owing.
 - (c) Where a customer has more than one lifetime mortgage contract outstanding with a licensee, the NNEG applies to each property individually, so that licensee may not seek to recover any shortfall in repayment from the sale of one property, by claiming from the customer, the customer’s estate, or the sale, proceeds of any other property.
 - 8) Licensees must explain clearly when the NNEG does and does not apply. This explanation should be included in the KFI and in the offer document and may also form part of their terms and conditions. The explanation must clarify when the NNEG does and does not apply.
 - 9) Licensees must only indicate that a product meets the product standards for mandatory payment lifetime mortgages (as described in paragraphs (3) to (7)) if that product meets all the standards.

- 10) Where a licensee offers a mandatory payment lifetime mortgage product that does not meet all of the standards (as described in paragraphs (3) to (7)), the product provider must state this prominently in adviser and consumer-facing literature. The literature must explicitly state which product standards for mandatory payment lifetime mortgages are not met and give an illustration of the types of risks this poses to a customer.
- 11) A licensee must give prior written notice to the Commission of any proposal to introduce a new product or materially vary an existing product. Any such notification must either confirm that (following the amendments, where applicable) the product will (continue) to meet the product standards for mandatory payment lifetime mortgages, or, if not, set out the exceptions.

2.6. Changes to loan terms

- 1) Where a licensee significantly changes the terms of the original loan when arranging a further advance, it must, at the beginning of the further advance process –
 - (a) Inform the adviser that this will happen; and
 - (b) Ensure that the customer is fully informed that this will happen.

2.7. Qualified independent valuer

- 1) A licensee must ensure that an up-to-date valuation is carried out by a Royal Institution of Chartered Surveyors (“RICS”) qualified, independent valuer who –
 - (a) Is a current member of the RICS and registered under the RICS Valuer Registration Scheme (“RICS VRS”).
 - (b) Works in a practice which carries professional indemnity insurance in compliance with the RICS’s requirements
- 2) A licensee must ensure that a copy of the valuer’s report is given to the adviser and to the customer.

2.8. Drawdown

- 1) This rule only applies to licensees providing lifetime mortgage products that are equity release drawdown products.
- 2) Licensees must act responsibly in releasing drawdown monies to customers by ensuring that customers –
 - (a) Meet the benchmarks outlined in an appropriate set of the licensee's internal vulnerability, data and capacity policies;
 - (b) Are offered a route to support when required; and
 - (c) Have fully understood the effect of accessing monies from a drawdown facility and the costs involved.
- 3) Licensees must have in place frameworks to identify, capture and respond to a range of factors that influence the decision to access or apply for a drawdown facility, both at the point of sale and when additional borrowing decisions are being made.
- 4) Licensees must proactively and regularly review the effectiveness of these frameworks.
- 5) Licensees must proactively look at practical ways to validate that drawdowns are for a legal and legitimate purposes.