MORTGAGE RULE REVIEW (EXECUTION-ONLY, AFFORDABILITY AND EXPIRED TERMS) INSTRUMENT 2025

Powers exercised

A. The Financial Conduct Authority ("the FCA") makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 137A (The FCA's general rules);
(2) section 137T (General supplementary powers); and
(3) section 139A (Power of the FCA to give guidance).

B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 22 July 2025.

Amendments to the Handbook

D. The Mortgages and Home Finance: Conduct of Business sourcebook (MCOB) is amended in accordance with the Annex to this instrument.

Citation

E. This instrument may be cited as the Mortgage Rule Review (Execution-Only, Affordability and Expired Terms) Instrument 2025.

By order of the Board
18 July 2025

Annex

Amendments to the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

4 Advising and selling standards

4.1 Application

…

4.1.2D G …

4.1.2E R To the extent that a *rule* in this chapter does not already apply to *Gibraltar-based firms* as a result of *GEN* 2.3.1R, it applies to them so far as the *rule* would have applied were it in effect before *IP completion day*.

…

4.2 Purpose

4.2.1 G …

(2) The purpose of this chapter is to ensure that:

…

(c) ~~the *firm* provides advice whenever it makes a sale during which there is spoken or other interactive dialogue between the *firm* and the *customer* (with exceptions for *high net worth mortgage customers* and *professional customers*, and for loans which are solely for a business purpose);~~ [deleted]

(d) ~~when there is no spoken or other interactive dialogue between the *firm* and the *customer* during the sale,~~ the *firm* is able to provide an execution-only service except for certain vulnerable *customers* (*customers* for *regulated sale and rent back* and *equity release transactions*; *customers* whose main purpose is debt consolidation; and *customers* who are using the transaction in order to exercise a statutory "right to buy") who are given advice in every case;

(e) *execution-only sales* are only provided where the *customer* has been warned about the implications of proceeding without advice, or where the *customer* has rejected advice which has been given, and has specifically instructed the *firm* that ~~he wishes~~ they wish to do so; and

…

…

…

4.4A Initial disclosure requirements

Description of a firm's services

4.4A.1 R Using the methods and at the times specified in this section, a *firm* must provide the *customer* with the following information:

(1) whether there are any limitations in the range of products that it will offer to the *customer*, and if so what those are;

(1A) ~~if there are any limitations in the range of the *firm's* products about which it will provide information during a spoken or other interactive dialogue with the customer, what those limitations are;~~ [deleted]

…

Range of products

…

4.4A.3AA G ~~(1)~~ ~~*MCOB* 4.4A.1R(1A)~~ *MCOB* 4.4A.1R(1) addresses situations in which a *firm* may wish to provide information in relation to a range of products that is narrower than the full range of products offered by it to *customers*. For example, if a *customer* visits a branch of a *mortgage lender* and requests information on the mortgages offered by that lender, the lender may wish to only provide information on the mortgages which can be obtained in branch, even though it offers different mortgage products through other sales channels (such as online). A *firm* must inform a *customer* where it is limiting the provision of information in this way.

~~(2) *MCOB* 4.4A.1R(1A) builds on *MCOB* 4.4A.1R(1) and *MCOB* 4.4A.2R (which, amongst other things, have the effect that, when a *firm* gives advice, any limitations on the mortgages the *firm* will consider from within the relevant market must be disclosed). Its purpose is to make it clear that, in the case of interactions that preserve the possibility of an *execution-only sale*, if a dialogue with the *customer* permitted by *MCOB* 4.8A.7AR will cover only a sub-set of the mortgages offered by the *firm*, this must be disclosed.~~

…

4.4A.6 G The disclosure required by *MCOB* 4.4A.1R(1) ~~and (1A)~~, *MCOB* 4.4A.2R and *MCOB* 4.4A.4R(1) about limitations in product range and information provision, and about *direct deals*, should be expressed in simple,

clear terms. A *firm* may wish to consider using a sentence (or sentences) appropriate to the circumstances, along the following lines:

…

…

4.7A Advised sales

4.7A.1 G …

(3) ~~The *rules* at *MCOB* 4.8A also provide that advice must be given wherever the sales process involves spoken or other interactive dialogue (except for *high net worth mortgage customers*, *professional customers* and loans solely for a business purpose), unless that spoken or other interactive dialogue is of a sort described by *MCOB* 4.8A.7AR. They do not prohibit the giving of pre-contract or preliminary information which does not amount to advice to the particular *customer*, but mean that advice must be given before a *firm* enters into or *arranges* a *regulated mortgage contract*, or variation of such contract, unless (where the dialogue is not of a sort described by *MCOB* 4.8A.7AR) the requirements of the various exceptions in *MCOB* 4.8A are satisfied. *Firms* may wish to refer to *PERG* (particularly *PERG* 4.6) for guidance on the regulatory perimeter in relation to *advising* on *home finance transactions*.~~ [deleted]

…

…

4.8A Execution-only sales

Scope and application of this section

4.8A.1 G This section sets out the conditions which must be satisfied for a *firm* to enter into or vary a *regulated mortgage contract* with a *customer*, or *arrange* such a transaction for a *customer*, without giving advice, or where the advice given by the *firm* has been rejected. ~~As explained in *MCOB* 4.7A.1G, it does not prohibit the giving of pre-contract or preliminary information which does not amount to advice to the particular *customer*.~~ If the interaction with the *customer* constitutes or includes advice or a recommendation (see *PERG* 4.6), then, unless the *customer* has rejected advice, the sale cannot be an *execution-only sale*, and the *firm* would need to comply with *MCOB* 4.7A (Advised sales). If a *firm* intends (where permitted under this section) to operate a business model under which it will not give advice to particular *customers*, it may wish to refer to *PERG* (particularly *PERG* 4.6) for guidance on the regulatory perimeter in relation to the *regulated activities* which constitute advising on home finance transactions.

4.8A.2 G ~~Subject to certain limited exceptions, where the *rules* in *MCOB* 4.8A apply to a *firm* they restrict *execution-only sales* (which term is defined to include variations of existing contracts) to cases where:~~ [deleted]

~~(1) there is no spoken or other interactive dialogue between the *firm* and the *customer* during the sale; or~~

~~(2) if there is spoken or other interactive dialogue between the *firm* and the *customer* during the sale:~~

~~(a) the *customer* is a *high net worth mortgage customer*; or~~

~~(b) the *customer* is a *professional customer*; or~~

~~(c) the loan is solely for a business purpose;~~

~~and in each case the *customer* has positively elected to proceed with an *execution-only sale* and (in the case of a *professional customer*) identified the product he wishes to purchase; or~~

~~(2A) if there is spoken or other interactive dialogue between the *firm* and the *customer* during the sale, the *firm's* contribution to the dialogue is limited to:~~

~~(a) factual information about a *regulated mortgage contract* (provided that it is not personalised to the *customer*), the process of applying for one, or the processing of an application; the making of arrangements related to such matters;~~

~~(b) the provision of an *European Standardised Information Sheet (ESIS)* or an *illustration*; or~~

~~(c) an explanation of the information provided under *MCOB* 4.8A.14R(4) (that the *firm* has not assessed the suitability of the *regulated mortgage contract*); or~~

~~(3) the *customer* has rejected advice, identified the product he wishes to purchase and positively elected to proceed with an *execution-only sale*.~~

~~In each case certain requirements must be satisfied.~~

4.8A.3 G ~~Interactive dialogue includes SMS, mobile instant messaging, email and communication via social media sites; this list is not exhaustive. Where a sale is carried out entirely on the internet, a *firm* merely permitting the *customer* to input details about the matters specified in *MCOB* 4.8A.14R (1), (2) or (3) in order to select from the *firm's* product range the *regulated mortgage contract* they wish to purchase, or the variation they wish to enter into, would not be engaging in interactive dialogue.~~ [deleted]

The customer's best interests

4.8A.4 G …

4.8A.4A R A *firm* must consider what procedures it is appropriate to establish to identify *execution-only customers* for whom advice on suitability, or other customer support, may be necessary to avoid causing foreseeable harm in connection with entering into or varying a *regulated mortgage contract*.

…

4.8A.6 G ~~*Firms* are not prohibited from entering into or *arranging execution-only sales* for *regulated mortgage contracts* for *customers* to whom they have provided product information (where otherwise permitted under this section), but~~ *MCOB* 2.5A.1R and *MCOB* 4.8A.5R (The customer's best interests) mean ~~the information they provide~~ that a *firm* should not steer the *customer* to elect to enter into an *execution-only sale.*

…

Cases where execution-only sales are not permitted

4.8A.7 R A *firm* must not enter into or *arrange* an *execution-only sale* for a *regulated mortgage contract* if:

…

(3) ~~there is spoken or other interactive dialogue between the *firm* and the *customer* at any point during the sale, except as described by *MCOB* 4.8A.7AR; or~~ [deleted]

…

4.8A.7A R ~~The *firm* may carry on a spoken or other interactive dialogue with the *customer*, provided that the content of the *firm's* contribution to the dialogue is limited to:~~ [deleted]

~~(1) the provision of factual information to the *customer* about:~~

~~(a) a *regulated mortgage contract*, provided that the information about the contract is not personalised to the *customer*; or~~

~~(b) the process of applying for a *regulated mortgage contract*; or~~

~~(c) the processing of an application for a *regulated mortgage contract*; or~~

~~(2) the making of practical arrangements related to such matters; or~~

~~(3) the provision of an *illustration* or an *European Standardised Information Sheet (ESIS)*; or~~

(4) an explanation of the information which the *firm* gives to the *customer* in accordance with *MCOB* 4.8A.14R(4).

4.8A.7B G (1) If the interaction with the *customer* constitutes or includes advice or a recommendation (see *PERG* 4.6), the sale cannot be an *execution-only sale* and the *firm* would need to comply with *MCOB* 4.7A (Advised sales). [deleted]

(2) *MCOB* 4.8A.7AR allows some interaction with a *customer* without the dialogue triggering the need for the *firm* to give advice in compliance with *MCOB* 4.7A.

(3) *MCOB* 4.8A.7AR would, for example, permit a *firm* to provide generic information to a *customer* in response to a telephone query about the *firm's* products, fees and charges, about processes and timescales, about how to complete an application, or about the progress of the application. But information about a *regulated mortgage contract* which is personalised to the *customer* is not permitted, for example giving an estimate of the monthly payment due in respect of the amount that the *customer* wishes to borrow under the product they wish to take: giving such information would mean the *firm* would need to comply with *MCOB* 4.7A.
The *firm* may, however, issue an *illustration* or an *European Standardised Information Sheet (ESIS)* which contains information personalised to the *customer* without that action triggering the need for advice. The *firm* may also explain to the *customer* the information which the *firm* provides in accordance with *MCOB* 4.8A.14R(4) (in relation to the *firm* not assessing the suitability of the *regulated mortgage contract*).

(4) Examples of spoken or other interactive dialogue which are or are not permitted under *MCOB* 4.8A.7AR include:

Providing the *customer* with copies of product literature, or weblinks to such literature	This would be permitted, if the provision is in response to a request from a *customer* who has identified the main features of the mortgage they want and is accompanied by an indication that the products described in the literature all have those features (see *PERG* 4.6.15G(6)).
Listing the current fixed and variable rates on offer	This would be permitted.
Explaining the advantages and disadvantages of fixed rate and variable rate mortgages	This would be permitted if done in purely generic terms, provided that the explanation does not itself

	~~constitute advice (see *PERG* 4.6.15G(2) and 4.6.16G) which would prevent the sale from proceeding as an *execution-only sale*.~~ ~~Where the explanation is couched in the terms of the *customer's* circumstances, it is personalised to the *customer*. As such, the interaction is not of a sort permitted by *MCOB* 4.8A.7AR, the sale cannot be an *execution-only sale* and the *firm* would need to comply with *MCOB* 4.7A.~~
~~Giving the *customer* an indication of the monthly cost of a *regulated mortgage contract*~~	~~This would be permitted, if it were in the form of a generic example, including by way of comparison of two mortgages.~~ ~~But this would not be permitted if it were an indication personalised to the *customer*, for example where the indication is of the monthly cost in respect of the amount which the *customer* wishes to borrow over the term for which the *customer* wishes to borrow it; such an interaction will trigger the need for advice and the *firm* would need to comply with *MCOB* 4.7A.~~
~~Talking the *customer* through a decision tree~~	~~This would not be permitted. Although the question of whether decision trees constitute advice is discussed at *PERG* 4.6.15G, the act of talking the *customer* through such a decision-making process is likely to involve doing more than merely providing the *customer* with factual information; as that interaction is not of a sort permitted by *MCOB* 4.8A.7AR, the sale cannot be an *execution-only sale* and the firm would need to comply with *MCOB* 4.7A.~~
~~Responding to a query about how to fill out an application form (for example: telling~~	~~This would be permitted, as it is information about the process of applying for a mortgage and the~~

a *customer* what supporting documents are acceptable as proof of address or identity and how to supply them, or how to calculate and report their income or expenditure)	making of arrangements (how to supply supporting evidence) related to that process.
Discussing the use of panel solicitors	This would be permitted, provided such discussions are limited to factual information about, for example, whether or not a particular firm of solicitors is on the lender's panel and what legal fees are or are not included in the mortgage offer.
Taking credit card details by phone to cover payment of a required valuation	This would be permitted, as it is about the making of practical arrangements related to the processing of an application for a *regulated mortgage contract*.
Rescheduling a property valuation	This would be permitted because the interaction is about the making of arrangements related to the processing of the application.
Calling the *customer* to tell them that an application for a *regulated mortgage contract* needs to be submitted in the next two *days* if a new (higher) interest rate is not to apply	This would be permitted, if it were in the form of a generic communication about the *firm* planning to change its product offering or interest rates in the near future, and indicating the deadline for applying for the current product. However, a communication about a particular *regulated mortgage contract* that the *firm* knows or reasonably suspects the *customer* may wish to apply for, and the product it will be replaced with or the rate that will apply if an application for such a product is received after a particular date, would not be permitted as this is information which is personalised to the *customer*.

…

~~Exceptions~~ Exception: high net worth mortgage customers~~, professional customers and loans solely for a business purpose~~

4.8A.9 R ~~(1)~~ …

~~(2) *MCOB* 4.8A.7R(3) does not apply where the *customer* is a *professional customer* or the loan is solely for a business purpose.~~

Exception: rate switches and other variations

4.8A.10 R (1) *MCOB* 4.8A.7R does not apply in the case of a variation of a *regulated mortgage contract*, provided that:

…

(b) where the variation will (in whole or part) change from one interest rate to another, the *firm* has presented to the *customer*~~, using only a non-interactive channel,~~ all products offered by it for which the *customer* is eligible~~, whether or not the *customer* then selects from those products using an interactive channel~~; and

…

(3) ~~Where a *customer* informs their existing *mortgage lender* that they are considering redeeming their *regulated mortgage contract* by refinancing it with a *regulated mortgage contract* through another *mortgage lender*, *MCOB* 4.8A.7R(3) does not apply to the existing *mortgage lender* provided that:~~ [deleted]

~~(a) the *customer* specifies to the existing *mortgage lender* at least the following information in relation to the replacement *regulated mortgage contract*:~~

~~(i) the rate of interest;~~

~~(ii) the interest rate type (that is, whether fixed, variable or some other type);~~

~~(iii) the length of the term required by the *customer*;~~

~~(iv) the sum the *customer* wishes to borrow; and~~

~~(v) whether the customer wants an *interest-only mortgage* or a *repayment mortgage*; and~~

~~(b) the existing *mortgage lender* presents to the *customer*, in a *durable medium*, those of its products for which the *customer* is eligible and which match the features the *customer* specifies.~~

…

Requirements for execution-only sales

4.8A.14 R A *firm* must not enter into or *arrange* an *execution-only sale* for a *regulated mortgage contract* unless, except as provided in *MCOB* 4.8A.15R:

(1) for a new *regulated mortgage contract* not falling within *MCOB* 4.8A.10R, the *customer* has identified the *regulated mortgage contract* ~~he wishes~~ they wish to purchase, specifying to the *firm* at least the following information:

…

(2) for a contract variation not falling within *MCOB* 4.8A.10R (but permitted by *MCOB* 4.8A.7R), the *customer* has specified at least the following information, where applicable to the variation ~~he wishes~~ they wish to enter into:

…

(3) for a contract variation falling within *MCOB* 4.8A.10R, the *customer* has specified the variation ~~he wishes~~ they wish to enter into;

(4) the *customer* has been informed, either clearly and prominently and in a *durable medium* or in an oral statement that is audio or video recorded (after providing the information in (1), (2), or (3), where that is required), and with the information required by this paragraph being separate from any other information or contractual documentation):

(a) in any case falling within *MCOB* 4.7A.24R (Rejected advice) where the *firm* has advised the *customer* that the *regulated mortgage contract* (or variation) is unsuitable for the *customer*, that that is the case; or

(b) in any other case, that in the provision of its services for the *execution-only sale* the *firm* is not required to assess the suitability of that *regulated mortgage contract* (or variation);

and in either case that the *customer* will not benefit from the protection of the rules (in *MCOB* 4.7A) on assessing suitability. In any case where there is spoken dialogue between the *firm* and the *customer* at any point during the sale, ~~other than dialogue of a sort permitted by *MCOB* 4.8A.7AR,~~ the *firm* must provide this information orally (even if it also provides it in a *durable medium*); and

(5) once the *customer* has been provided with the information in (4), in any case where there is spoken or other interactive dialogue between the *firm* and the *customer* at any point during the sale, the *customer* has confirmed in writing to the *firm*, or has confirmed orally to the *firm* (and that confirmation is audio or video recorded), that they are aware of the consequences of losing the protections of the *rules* on assessing

suitability and are making a positive election to proceed with an *execution-only sale*.

…

4.8A.16A G …

4.8A.16B G Interactive dialogue includes SMS, mobile instant messaging, email and communication via social media sites; this list is not exhaustive. Where a sale is carried out entirely on the internet, a *firm* merely permitting the *customer* to input details about the matters specified in *MCOB* 4.8A.14R(1), (2) or (3) in order to select from the *firm's* product range the *regulated mortgage contract* they wish to purchase, or the variation they wish to enter into, would not be engaging in interactive dialogue.

…

8 Equity release: advising and selling standard

…

8.6A Execution-only sales

…

The conditions for execution-only sales

8.6A.4 R A *firm* must not enter into or *arrange* an *execution-only sale* for an *equity release transaction* unless:

…

(2) the *customer* has identified which particular *equity release transaction* ~~he wishes~~ they wish to purchase, and specified to the *firm* at least the required additional information (where applicable);

(3) after providing the required information in (2), the *customer* has been informed, clearly and prominently and in a *durable medium*, and that the *customer* will not benefit from the protection of the rules (in *MCOB* 8.5A) on assessing suitability~~.~~:

(a) in any case where the *firm* has advised the *customer* that the *equity release transaction* is unsuitable for the *customer*, that that is the case; and

(b) in any other case, that in the provision of its services for the *execution-only sale* the *firm* is not required to assess the suitability of that *equity release transaction*;

and in either case that the *customer* will not benefit from the protection of the rules (in *MCOB* 8.5A) on assessing suitability. In any case where

there is spoken dialogue between the *firm* and the *customer* at any point, the *firm* must also provide this information orally; and

(4) after the *customer* has been provided with the information in (3), in any case where there is spoken or other interactive dialogue between the *firm* and the *customer* at any point, the *customer* has confirmed in writing to the *firm* that ~~he is~~ they are aware of the consequences of losing the protections of the rules on assessing suitability and ~~is~~ are making a positive election to proceed with an *execution-only sale*. The written confirmation must be in the same document as the information in *durable medium* in (3), which must be separate from any other information and contractual documentation.

Exception: rate switches and other variations to lifetime mortgages

8.6A.5 R (1) The condition in *MCOB* 8.6A.4R(1) does not apply in the case of a variation of a *lifetime mortgage*, provided that:

…

(b) where the variation will (in whole or part) change from one interest rate to another, the *firm* has presented to the *customer*~~, using a non-interactive channel,~~ all products offered by it for which the *customer* is eligible~~, whether or not the *customer* then selects from those products using an interactive channel~~.

…

…

11 Responsible lending, and responsible financing of home purchase plans

…

11.6 Responsible lending and financing

…

The assessment of affordability

…

11.6.3 R …

(3) *MCOB* 11.6.2R does not apply to a variation to the terms of a *regulated mortgage contract* or *home purchase plan* which:

…

(b) reverses (in full or in part) a term extension within six *months* of it taking effect; or

…

…

(5) Paragraph (3)(b) only applies where the contract:

(a) has not previously been varied in reliance on that paragraph; and

(b) is not a *bridging loan* or a *second charge regulated mortgage contract*.

(6) *MCOB* 11.6.2R does not apply to a variation to the terms of a *regulated mortgage contract* or *home purchase plan* which reduces its term. A *firm* must consider affordability in line with *Principle* 12 (Consumer Duty) and *PRIN* 2A and its responsible lending policy.

…

11.9 Remortgaging with the same or a different lender with no additional borrowing

Application and purpose

11.9.1 R (1) Subject to (2), this section applies to a *firm* in relation to a *customer* who:

(a) is a borrower under a *regulated mortgage contract* ("the existing *regulated mortgage contract*"), whether with that *firm* or a different *firm*; and

(b) wishes to enter into a new *regulated mortgage contract* ("the proposed *regulated mortgage contract*") with that *firm* to replace the existing *regulated mortgage contract*.

…

…

11.9.3 G (1) The purpose of this section is to facilitate borrowers switching mortgages, provided that they are not taking out additional borrowing. But the mortgage does not have to be exactly like-for-like and the borrower can, for example:

…

(2) This section permits *firms* to choose to modify certain provisions when assessing a *customer's* ability to afford a mortgage. The provisions capable of modification are grouped (such as the provisions linked to the assessment of income and expenditure). *Firms* can choose whether to adopt all, some, or none of the modifications in this section, on a case-by-case basis (though they cannot modify some provisions in a group and not others). ~~However, we would~~ We expect *firms* to have regard to

~~*Principle* 6 ("A *firm* must pay due regard to the interests of its *customers* and treat them fairly")~~ *Principle* 12 and *PRIN* 2A (The Consumer Duty) and not unfairly apply *rules* in one case but not another where the *customers'* circumstances are otherwise the same.

…

The assessment of affordability

…

11.9.5 R (1) The *firm* must not enter into the proposed *regulated mortgage contract* unless that contract is more affordable for the *customer* (and any guarantor) than:

(a) the existing *regulated mortgage contract*; or

(b) where the lender of the existing *regulated mortgage contract* has indicated to the *customer* a new deal, that new deal.

(2) …

(3) The proposed *regulated mortgage contract* is more affordable than the new deal indicated to the *customer* by the lender of the existing *regulated mortgage contract* if:

(a) the aggregate amount of:

(i) the monthly payments which would be due from the *customer* under the proposed *regulated mortgage contract* in respect of any discounted or introductory period, or (where there is no discounted or introductory period) in respect of the term of the proposed *regulated mortgage contract*; and

(ii) any product fee or arrangement fee which would be due from the *customer* in relation to the proposed *regulated mortgage contract*, and any fee charged by a *mortgage intermediary* for *arranging* or *advising on regulated mortgage contracts* in relation to the proposed *regulated mortgage contract*, which the *customer* intends to pay without including it in the amount being lent under the proposed *regulated mortgage contract*,

is less than the aggregate amount of:

(iii) the monthly payments which would be due from the *customer* under the indicated new deal in respect of the proposed *regulated mortgage contract's* discounted or introductory period, or (where there is no discounted or

introductory period) in respect of the term of the indicated new deal; and

(iv) any product fee or arrangement fee which would be due from the *customer* in relation to the indicated new deal, and any fee charged by a *mortgage intermediary* for *arranging* or *advising on regulated mortgage contracts* in relation to the indicated new deal, which the *customer* intends to pay without including it in the amount being lent under the indicated new deal; and

(b) the interest rate applicable under the proposed *regulated mortgage contract*:

(i) in respect of any discounted or introductory period; or

(ii) (where there is no discounted or introductory period) that which is expected to apply during the term of the contract,

is lower than the interest rate which would be applicable under the indicated new deal:

(iii) in respect of any discounted or introductory period; or

(iv) (where there is no discounted or introductory period) that which is expected to apply during the term of the contract.

11.9.6 G …

(2) *MCOB* 11.9.5R(2) ~~determines~~ and (3) determine whether one *regulated mortgage contract* is more affordable than another. The references in that *rule*:

(a) to a discounted or introductory period include, for example, any fixed rate period after which a different interest rate applies, and any period in respect of which interest is deferred. Where interest is due in respect of a discounted or introductory period but is deferred, it is the gross rate payable that should be considered for the purposes of the conditions in *MCOB* 11.9.5R(2) and (3), as if interest were not deferred;

…

(c) to aggregate amounts due under the existing *regulated mortgage contract*, or under the indicated new deal, should be taken to be on the assumption that that contract would not be redeemed early and would not incur an *early repayment charge*; and

(d) to future payments or interest rates should be taken to be on the assumption that there is no variation to the reference rate in

question, unless the *regulated mortgage contract*, or the indicated new deal, expressly provides for a variation (for example, when considering a lifetime Bank of England base rate tracker, it should be assumed that the Bank of England base rate will remain unchanged).

Assessment of income and expenditure

11.9.7 R (1) A *firm* may elect that the modifications to the *rules* in *MCOB* specified in (2) are to apply in relation to the proposed *regulated mortgage contract*. The *firm* may not elect that only some of those modifications apply in relation to the proposed *regulated mortgage contract* but not others.

…

11.9.8 G (1) *MCOB* 11.9.7R modifies the affordability assessment required by *MCOB* 11.6, in line with the modification to *MCOB* 11.6.2R made by *MCOB* 11.9.4R. ~~This is on the basis that a *customer* who has evidenced an ability to afford a mortgage at a higher monthly payment than that which would be charged under the proposed *regulated mortgage contract* may be treated as likely to be able to afford the proposed *regulated mortgage contract*.~~

…

(4) This section does not prevent a *firm* from undertaking an investigation of the *customer's* financial circumstances before offering to enter into a *regulated mortgage contract* with the *customer*. Where a *firm* does so, it may take into account that the *customer* is not in *payment shortfall* and that the proposed *regulated mortgage contract* is more affordable than the existing *regulated mortgage contract*, or the indicated new deal, when determining the nature and degree of that investigation. In particular, the *firm* may also wish to consider whether it is necessary to require the same information from the *customer* as it would from a customer who does not currently have a *regulated mortgage contract*.

(5) If the *firm* is considering the effect of future interest rate rises on the prospect of the *customer* meeting their obligations under the proposed *regulated mortgage contract*, the *firm* may wish to have regard to the extent to which the interest rate applicable to the existing *regulated mortgage contract* , or to the indicated new deal is, or would be, higher than that applicable to the proposed *regulated mortgage contract*. The *firm* may also wish to have regard to the fact that the *customer* is not in *payment shortfall* in relation to the existing *regulated mortgage contract*.

…

Explanation of affordability assessment, and accompanying warning

11.9.11 R (1) This *rule* applies if a *firm* makes an election under any of the following *rules*:

(a) *MCOB* 11.9.4R (assessment of affordability);

(b) *MCOB* 11.9.7R (assessment of income and expenditure);

(c) *MCOB* 11.9.9R (interest-only mortgages).

(2) The *firm* must provide the *customer* with an explanation which indicates:

(a) what steps the *firm* has taken to ascertain that the proposed *regulated mortgage contract* is more affordable than the existing *regulated mortgage contract* or the indicated new deal; and

(b) how the steps it has taken differ from the steps it would have taken under *MCOB* 11.6 if the *firm* had not applied *rules* in this section.

(3) The *firm* must accompany the explanation with a warning (as relevant to the individual case) that:

(a) interest rates may increase and the *customer* could end up paying a higher interest rate than they are currently paying under the existing *regulated mortgage contract*, or could have paid under the indicated new deal, even though the *firm* has assessed that the proposed *regulated mortgage contract* is currently more affordable;

…

(c) where the term of the proposed *regulated mortgage contract* is to end later than the term of the existing *regulated mortgage contract*, or the indicated new deal, the *customer* may end up paying more in interest overall as a result of entering into the proposed *regulated mortgage contract*.

…

Internal switching policy

11.9.12 R (1) An internal switching policy is a policy which:

(a) is made or approved by the *governing body* of the *firm*; and

(b) commits or obliges the *firm*:

(i) to permit an eligible *customer* to enter into a more affordable *regulated mortgage contract* (see *MCOB* 11.9.5R(2) and (3)); and

…

(2) For the purposes of an internal switching policy, a *customer* must be eligible if:

…

(c) the *customer* wishes to enter into a more affordable *regulated mortgage contract* with the *firm* (see *MCOB* 11.9.5R(2) and (3)); and

…

11.9.13 E If a *firm* has an internal switching policy but does not, without good reason:

(1) permit an eligible *customer* to enter into a more affordable *regulated mortgage contract*; or

(2) apply *MCOB* 11.6.3R or *MCOB* 11.7 (if relevant) or such of the *rules* in this section as may be necessary to enable that *customer* to enter into the more affordable *regulated mortgage contract*;

this may be relied on as tending to show contravention of ~~*Principle 6*~~ *Principle* 12 and *PRIN* 2A (the Consumer Duty).

…

13 Payment difficulties and repossessions: regulated mortgage contracts and home purchase plans

…

13.2 Purpose

…

13.2.1 G …

13.2.1A G This chapter also requires *firms* to treat expired term *customers* fairly.

…

13.3 Dealing fairly with customers: policies and procedures

…

Customers in payment difficulties: procedures

…

13.3.8 G …

Expired term customers

13.3.8A R When dealing with *customers* whose mortgage terms have expired with a balance outstanding, *firms* must deal with *customers* fairly and not take repossession action unless all other reasonable attempts to resolve the position have failed.

13.3.8B G In complying with *MCOB* 13.3.8AR, a *firm* should consider, given the individual circumstances of a *customer*, what actions, if any, it is appropriate to take in respect of the *customer* and the *regulated mortgage contract*. This includes having regard to its obligations under *Principle 12* and *PRIN* 2A (the Consumer Duty).

…