



# **YORKSHIRE BUILDING SOCIETY**

## **SALES POLICY OVERVIEW**

Updated April 2023

### **Contents**

<b>1. Purpose .....</b>	<b>2</b>
<b>2. Scope.....</b>	<b>3</b>
<b>3. Policy Statements .....</b>	<b>3</b>
<b>4. Implementation and Monitoring .....</b>	<b>8</b>
<b>5. Approval.....</b>	<b>9</b>

## 1. Purpose

### The Purpose of the Policy

The Yorkshire Building Society (YBS) Sales Policy underpins the Society's approach to the provision of products through the Society's direct distribution channels. The key objectives of this Policy are:

- Ensure the ongoing regulatory compliance in the provision of products and services to retail customers allowing customers to pursue their financial objective.
- The delivery of good customer outcomes.

These are achieved through:

- Clear articulation of the levels of service for the provision of products and services. This is based on both the complexity of the product and relevant regulation.
- Consistent delivery of good customer outcomes, and where applicable, evidence retained of how each customer's needs have been met.
- The provision of products and services only where they meet customers' needs, circumstances and demands.
- Ensuring our customers are aware of the choice of channels and associated levels of service to satisfy their needs.
- Consideration of the customer experience as well as regulatory requirements when designing supporting Customer Journeys avoiding unnecessary or harmful barriers, allowing colleagues to demonstrate adherence.
- Consistent proactive treatment of vulnerable customers to avoid causing foreseeable harm.

This document sets out the objectives and practices which form the basis of the approach to Sales Policy across YBS. These determine the customer outcomes YBS wants to achieve and inform the detailed customer journeys (and supporting documents) that will apply to ensure good customer outcomes are achieved.

This policy relates specifically to the following level 2 risk categories:

- Marketing & Sales Suitability Risk
- Customer Treatment Risk

### Applicable Regulations and Legislation

This Policy considers the relevant rules and guidance set out by the regulator (not limited to FCA sourcebooks) before changes are designed and implemented. For example:

- MCOB - Provision of Mortgage Related Advice
- ICOBS - Provision of Mortgage Related Protection and Home Insurance
- BCOBS - Provision of Savings Accounts

The Policy also gives consideration to the High Level Standards set out in Principles for Business Sourcebook (PRIN). This ensures that YBS not only complies with the rules, but also the spirit of what the regulator aspires to deliver.

### Requirements of the Policy

Colleagues are required to carry out customer interactions in line with the Policy and the underlying customer journeys.

## 2. Scope

This Policy applies to all Branch (including Agency), telephony and digital distribution channels across all brands within YBS,

For the provision of products, including:

- Residential Mortgages (New Business & Variations)
- Home Insurance
- Savings Products

All YBS products are distributed through appropriate levels of service; ensuring customers are able to make an informed decision on how these meet their needs. Processes and procedures supporting this Policy outline how good outcomes are achieved and conduct risks managed.

The levels of service offered by YBS are:

- Advice - Available to all customers taking out Residential Mortgages through our telephony channel.
- Execution Only - Available to:
  - Eligible customers undertaking a standalone Product Transfer
  - Eligible variations to back book CBS and Accord Buy to Let Mortgages
  - Eligible customers applying for a house purchase or remortgage online.
- Informed Choice - Available to all customers taking out Savings accounts, and Home Insurance.

The FCA's high level principles apply to all Customer Journeys within the scope of this Policy. The detail and depth of articulation of the principles during design of Customer Journeys will vary in line with the activities being undertaken, complexity of process and the nature of the required customer outcomes.

The Customer Journeys will include the application of regulatory requirements, evidencing that a customer has received good outcome, along with delivering an exceptional customer experience

The following should be deemed as being outside the scope of the Sales Policy:

- Intermediary distribution channels e.g. Mortgage business written by a broker for Accord.
- Meetings conducted by 3<sup>rd</sup> Parties who the Society may choose to introduce its customers to in order to address wider needs not catered for by the Society where we conduct no identification of need or discuss eligibility criteria e.g. Life & Critical Illness referrals to AIG.
- YBS Service operations, providing account administration, application processing, underwriting and ongoing servicing activities.
- Commercial Lending
- Variations to Accord BTL Mortgage Accounts processed and managed by a 3<sup>rd</sup> Party.

Where appropriate, these activities are covered by other YBS policies.

## 3. Policy Statements

The following statements apply in all cases:

- The provision of products and services will always be based upon the customers' identified needs, circumstances and priorities, without bias. Whilst limited offers or promotional rates may be available, the customer needs will be established through following the appropriate customer journey.
- A clear rationale, where applicable, will be retained as to why the level of service for each policy / product is appropriate, this will be evaluated regularly and is based upon:
  - Complexity of the product or service offered, including distribution channel
  - Regulatory requirements
  - Customer need.

- Distribution channels for new products will be determined through the Product Governance Framework.
- Consideration will be given to the risks arising from Climate change, in particular matters of financial risks that may arise.
- Consideration will be given to our Vulnerable Customers, in particular ensuring that vulnerabilities are considered when designing and building customer journeys to avoid causing foreseeable harm to customers.
- All customers applying for products will be automatically opted out of receiving marketing communications with the option to opt in should they so wish.

**The following statements are applicable for the provision of individual product types:**

### **3.1 Mortgages - Providing Suitable Advice**

- The sale of mortgages including product maturities within the Direct Mortgage Team are completed on an advised basis as determined by relevant regulatory rules (MCOB for Mortgages Sales Only) with an exception granted to standalone product transfers for eligible customers as detailed in the Execution Only section.
- We will clearly articulate the range of products and services offered by the Society, ensuring the customer understands any fees applicable to that service prior to continuing to provide advice.
- All advice provided is appropriate for the customer's needs & circumstances and this is communicated to the customer before any decision is made.
- Customers who need to discuss or amend any part of their mortgage (e.g. additional borrowing, account amendment), will always be offered an advised level of service.
- Customer Journeys will state clearly the scope of advice that can and cannot be provided (e.g. no advice can be provided on the adequacy and performance of a customer's existing repayment strategy). Customers will be clearly made aware of the scope of the advice being provided and made aware of any elements where advice will not be provided.
- The expected behaviours Mortgage Advisers need to demonstrate in providing personalised recommendations are clearly communicated.
- Where advice is given, recommendations will be communicated verbally with relevant supporting information provided in a durable medium. The customer will be given sufficient time to consider the recommendation before the application process starts.
- Advice can be re-visited based on new information or customer preferences/priorities. Where re-advice occurs, subsequent recommendations made must still be suitable and affordable.
- Advice will not be given on a 'best fit' basis ensuring no recommendations are made for customers to purchase products that do not meet their needs. e.g. encouraging a customer to take a capital and interest mortgage where we identify an interest only strategy does not meet our criteria.
- Where no suitable recommendation can be made the customer will be informed and encouraged to seek independent advice. e.g. through the Money Helper Service.

- Where the customer rejects the advice provided, they will not be prohibited from continuing on an execution only basis through our web channel however this will not be pro-actively encouraged once advice has been provided.
- Where customers re-mortgaging to the Society wish to raise additional funds over and above those needed to move their mortgage, they will be made aware it may be more appropriate to take further borrowing with their existing lender or to consider alternative lending options that may be available to them.
- It will not be deemed appropriate advice to recommend capital raising for the purpose of adding funds to savings unless replenishing existing balances. Mortgage Advisers will be responsible for making sure the capital raising purpose is in line with the Residential Lending Guidance for Additional Lending.

### **3.2 Debt Consolidation**

- YBS will not provide advice on the appropriateness of debt consolidation. Where a customer requests borrowing for this purpose, the requested amount will be removed from the decision to lend on any remortgage or additional loan application.
- Where a customer wishes to pursue consolidation of debt onto their mortgage, they will be encouraged to obtain independent advice.
- Customers purchasing a property and/or porting their mortgage will be permitted to reduce the amount of equity they are transferring to the new property in order to consolidate debts. This will not be treated as debt consolidation for lending purposes and no advice will be provided on the customer taking this course of action.
- Requests to raise additional funds within a transfer of equity variation will continue to be permitted for all reasons other than debt consolidation.
- Where it is identified at any stage of an online re-mortgage application that the customer is consolidating debt onto the mortgage, the application will not proceed, with the customer encouraged to obtain independent advice.

### **3.3 Interest Only Lending**

- All customers with an element of Interest Only (IO) borrowing will continue to receive advice on any variation to their mortgage.
- A specialist ring fenced Mortgage Adviser will provide advice to customers where they have no credible repayment strategy, ensuring they are identified and receive tailored ongoing communication on the risks of having no means to repay the capital at the end of the mortgage term.
- Interest Only lending is permitted on new business and variations for YBS customers and orphaned Accord customers only. It is also permitted for variation for CBS customers.

### **3.4 Government Home Ownership Schemes**

- The Society has a small number of Open Market Home Buy loans, where we are able to offer advice on mortgage variations as prescribed under the product rules. Execution Only is not permitted on Open Market Home Buy loans.

- YBS has a small number of Help to Buy loans, where we are able to offer advice on mortgage variations as prescribed under the product rules. Variations will be completed via our Direct Mortgage Team and advice will be provided. Execution Only is not permitted on Help to Buy loans.

### 3.5 Execution Only

YBS defines execution only (EO) as:

A regulated mortgage sale executed upon direct instruction of the customer, where no assessment of the suitability of the mortgage is made by YBS, and the customer has elected to waive their right to advice.

- All online product sales are performed via an execution only level of service. The implications of applying for a mortgage online without advice are clearly communicated to customers prior to any purchasing decisions.
- The ability to receive mortgage advice, alongside the benefits of advice are clearly communicated to customers within the online sales journey.
- The execution only level of service is also available to mortgage customers through the telephony channel, where they are deemed eligible (e.g. product transfers only) waiving their right to advice.
- Standalone Product Transfers can be completed via an execution only level of service for eligible customers subject to the following:
  - The maturing part of the mortgage is not on Interest Only with the exception of customers living in the EEA. See section 3.6 for more detail.
  - Customers are able to confirm the exact product they want having seen all products they are eligible for in a durable medium prior to the interaction with an Adviser
  - Customers are happy to proceed and waive their right to advice, understanding the loss of regulatory protection
  - Customers are making no further contractual changes to their mortgage. (e.g. Term Extension)

Where customers' requirements do not fit any of these four statements, advice will always be provided through the Direct Mortgage Team with the customer unable to proceed via an EO level of service.

- Acknowledgement from the customer waiving their right to advice must be received before an execution only transaction can be concluded, clearly outlining that no assessment of suitability is being made.
- Sufficient regulatory information will be provided in a durable medium prior to making a decision and before the application process starts.

### 3.6 EEA (European Economic Area) Customers

YBS has a number of customers who are living within the EEA.

- Mortgage customers who reside in an EEA country will only be permitted to complete the following transactions
  - Standalone Product Transfer
  - Term Extension - where the term is not into retirement.
- The above transactions will only be completed on an Execution Only basis. No advice will be provided to these customers. This includes any mortgages where there is an element of Interest Only lending.

- Customers who have any element on Offset, will be eligible to retain the linked Offset Savings Account, but will not be eligible to open any new Offset Accounts.

New Mortgage Lending will only be offered to customers who reside in the UK at the time of application.

### **3.7 Savings and Insurance**

- The sale of savings products and Home Insurance are completed through the informed choice level of service. YBS will not provide advice on the suitability of these products and customers are made aware of the service level they will receive. This reflects the simpler nature of these products and any regulatory requirements
- Colleagues will establish the reason for the customer request and present appropriate options to the customer enabling them to make informed decisions on which is right for them. Sufficient time will be given for the customer to consider their options before making an informed decision.
- Information about the product (including its key features, benefits and exclusions) is clearly provided to the customer.
- Sufficient regulatory information will be provided in a durable medium prior to making a decision and before the application process starts.

N.B. Customers living within the EEA will not be eligible to open any new Savings Accounts, including Offset Savings Accounts, or take out Home Insurance through YBS.

### **3.8 Referrals for Insurance**

- Colleagues who are not authorised to sell Home Insurance are able to fulfil a customer's need by referring them directly to our approved partner.
- Life & Critical Illness Insurance is sold through a referral model directly to our approved partner. This is for residential mortgages only.
- Advice will not be provided for Insurance Referrals.

### **3.9 Digital Channels**

- Sales through Digital Channels must be executed in line with the appropriate regulations. (see Section 1 - Applicable Regulations and Legislation). The service level for sales through the Digital Channel are as follows:
  - Mortgages - Execution Only (See section 3.5)
  - Savings & Insurance - Informed Choice (See section 3.7)
- Online sales processes must be designed in a customer centric way, using plain English with sufficient information available to support the customer's understanding and effective decision making.
- Products or services will not be sold online where it is felt there is the potential for a poor customer outcome through lack of advice or where selling a product online presents any commercial risk outside of the Society's stated risk appetite.

- Appropriate measures should be implemented to ensure customers understand the features, benefits and limitations of the product they are taking out with YBS through a digital channel.
- Online mortgage customers can move their application to another available channel if they choose i.e. where they feel they would benefit from advice, ensuring adherence to relevant regulatory rules.
- Appropriate technologies and controls will be used across the Society's websites and online services that protect customers from fraud and ensure delivery of good outcomes.
- All websites and online services will be developed in a way that makes them accessible to as many users as reasonably possible and subject to the following considerations:
  - Ensuring that customer vulnerabilities are considered when designing and building online sales processes and that appropriate alternatives are available to avoid causing foreseeable harm to customers.
  - Ensuring that YBS services can be accessed on a range of devices, operating systems and browsers, maximising the availability of our services.

### **3.10 Record Keeping**

- Records kept must evidence any information which has contributed to recommendations made and will be retained in line with the YBS data retention standards.
- Audio recordings of telephony mortgage meetings must provide robust evidence of the customer outcome as well as the suitability of advice/information provided.
- Any notes captured must be relevant to the discussion and confirm how good outcomes were delivered including why these were acceptable to the customer, making no assumptions on behalf of the future reader/reviewer.
- Where a recording of the meeting exists, notes must continue to be captured on the point of sale system, providing a brief synopsis of the recommendation in the event the meeting recording cannot be found, ensuring we maintain robust evidence in accordance with our regulatory requirements.
- Where the meeting is not recorded, sufficient notes must be recorded as per the requirements set out within Evidencing Customer Outcomes.
- There is no requirement to retain records of Savings Meetings and Home Insurance Meetings. This is due to the low risk nature of the product and there not being any regulatory requirement to do so.
- Customer information will be kept appropriately secure, with guidance taken from the Information Security Policy in place to ensure information captured during a customer sales enquiry is not stored or distributed outside of the purpose for which it has been collected.

## **4. Implementation and Monitoring**

### **Implementation**

When changes are made to this Policy, the relevant Directors will be notified. All changes will be clearly documented under the version history.

All colleagues accountable for adherence to the Policy will be required to understand any new requirements since the last annual review.



## Monitoring

The Society operates a Three Lines of Defence (LoD) approach towards risk management. Each LoD has different responsibilities for managing the risk and therefore carries different actions.

The first LoD is directly responsible for the day to day management and control of risk throughout the business, generally within business functions. They monitor the implementation of this policy through:

- Reporting of the following activities to the relevant Risk Committee via the Marketing & Sales Suitability Risk Category MI and Conduct Risk Appetite
- Training and Competency (T&C) checks carried out by line management
- QA carried out by 1<sup>st</sup> Line of Defence

The second LoD is accountable for competent risk management across the society and overseeing the effectiveness and integrity of the Enterprise Risk Management Framework.

The third LoD is providing independent assurance across the first and second LoD through our internal Audit function.

## 5. Approval

The YBS Sales Policy is approved at Board annually.