

Mortgages

The FairLife Pledge

The fair trading mark represents a pledge to price honestly and trade fairly with your customers. Any product or service displaying the FairLife Mark must be fairly traded and honestly priced in a way that is business practical:

- a) The provider must follow the spirit as well as the letter of any agreed regulator's rules and principles with an emphasis on treating customers fairly.
- b) The provider must adhere to agreed sources of profit as detailed in the PANA criteria below. Any extra fees or charges must be designed only to cover additional costs and not to generate additional profits.

In essence you agree to embrace good practice within the constraints of the market and to avoid poor practice which although legal is considered avoidable on a voluntary basis by your peers. Nothing in the FairLife initiative should put you at a commercial disadvantage.

PANA criteria for mortgages to display the FairLife Mark

PANA stands for Peer Agreed and Nationally Approved meaning that the criteria have been agreed by a peer group of providers and approved by the FairLife Charity. The resulting standards combine fairness to the public with business practicality. PANA criteria evidence that FairLife-marked products and services meet the FairLife Pledge.

1. Communications and charging structures must be clear, fair and not misleading. In particular:
 - a. The provider must over time use reasonable endeavours to adopt the Which? / CML standard names for fees and charges attached separately.
2. The product must not discriminate in a negative way against existing customers. If a separate incentive is to be offered to new customers, this must be in addition to the product.
3. The mortgage must have a maximum loan to value (LTV) of 100% or less¹.
4. Fees and charges, other than the interest rate and any upfront admin fee, must be designed only to cover additional costs and not to generate additional profits.
5. Firms must have in place, and operate, a policy for offering their existing customers the ability to switch to a more affordable mortgage product if they are on a Standard Variable Rate (SVR) or equivalent or at the end of any existing deal. In particular:
 - a. Where an existing customer has suffered price depreciation, but no other covenants have been breached, the customer must not be excluded from the provider's highest LTV FairLife mortgage product based solely on the effect of the price depreciation.

¹ Unless the customer has suffered from price depreciation and is not increasing the loan value.

6. Customers must be able to overpay their mortgages without charge by 10% per year and be able to repay their mortgages completely without charges in excess of reasonable costs.
7. The provider must be fair to holders of mortgages in arrears:
 - a. The provider must inform customers that they can get free debt advice.
 - b. The provider must have a policy for the fees and charges applied to customers in arrears, which must aim to minimise these fees and charges.
 - c. The provider must have a policy for how they deal with particularly vulnerable customers in arrears.
 - d. No business area that supports customers in arrears must be a profit centre.
8. The provider must be fair to customers facing repossession and must not repossess a property unless all other reasonable attempts to resolve the position have failed. In particular:
 - a. The provider must have given a grace period of at least 3 months.
 - b. The provider must follow the three criteria below in relation to the recovery any mortgage shortfall:
 - i. Inform the customer that they can get free debt advice.
 - ii. If the debt is sold or fully outsourced to an external debt recovery firm the debt burden must be frozen at this point and not incremented further with interest, fees or costs (with the exception of court fees and costs). The frozen amount can include all interest and costs incurred by the provider up to this point.
 - iii. Include these instructions as part of the transaction if the debt is sold or passed on (unless passed to a FairLife debt recovery firm).
9. In the event of a mortgage sale, the lender must endeavour to transfer any tangible and transferrable benefits the customer has through the FairLife Mark to the new lender.

If peer agreement can be secured in the future the charity will seek to introduce standardised terminology. This will build public trust and help FairLife Schools, colleges and universities to teach financial education.

The FairLife Mark is a mark of integrity that can be awarded based on the provider's own declarations. The licensee may use the mark on any qualifying products and cancel at any time.

The FairLife Mark is on your side