

# Horizon Interest Reward FAQs

To support you in answering any questions you or your clients may have, we have created a list of the most frequently asked questions.

## Cost of borrowing

**When creating KFIs, will the cost of borrowing reflect the contractual payments across the whole term?**

Yes, the total cost of borrowing will display the outstanding balance taking into account the committed contractual payment term, plus any roll-up interest thereafter. E.g. if the total cost of borrowing term is 20 years and the customer commits to a 5-year contractual payment term, this will reflect 5 years of payments and 15 years of roll-up interest.

**Between death or entry into long-term care of applicant(s) and sale of property we know interest accrues until the lifetime mortgage is repaid, would this be at the discounted or non-discounted rate?**

Discounted rate – we will only revert to the non-discounted rate if/when a customer breaches the missed payments allowance. See more under 'missed payments' below.

**At the annual anniversary of the loan do you recalculate the interest payment amount if the baseline loan has reduced due to partial over-payments?**

No, the committed monthly interest payment will remain the same regardless of any partial over-payments. However due to the reduction in loan; in scenario a) where the customer is servicing 100% of the interest, the difference between the monthly committed payment and that of interest due will be deducted from the loan to reduce the cost of borrowing further. In scenario b) where the customer is servicing 25%, 50% or 75% of the interest, the over-payment will be used to offset any unpaid interest.

**If the discount is removed, is the cost of borrowing recalculated and backdated to the start of the loan?**

No, if the discounted rate is removed, the new rate will only apply and contribute to the cost of borrowing from then on.

## Making repayments

### Does the 10% voluntary over-payment run in addition to the contractual payments the customer is committing to?

Yes, in addition to customers making contractual interest payments, they also have the option to repay up to 10% of the initial loan amount ERC free in a 12-month period, if they wish.

### Can the customer change the percentage of interest repayments and/or the term or is it set at outset?

The percentage of interest served and the payment term is set at outset and will remain in place for the duration of the term.

### Why are payments made by standing order, can this not be done via a direct debit?

We will be launching with standing order only and would like to move to direct debit in the future, however we do not have a date as yet for this.

### After completion, when will the first payment be taken?

Standing order needs to be set up in time for the completion date plus 1 month. This is confirmed in the welcome letter which the customer will receive at completion.

### Is there a minimum amount re: interest payment or is it a percentage of the interest?

The minimum amount would be 25% of the interest being served. There is no minimum monetary amount.

## Missed payments

### If a customer breaches the missed payments allowance and the discounted rate is removed, will they move onto the prevailing rate or that at the time of completion?

The interest rate at completion minus the discount will be applied, not the prevailing rate.

### What if a customer continually misses 2 or 3 months, and pays it back every time? Is there a limit to how many times they can make up these payments throughout the term?

As long as the shortfall doesn't go over the value of 3 months payments, they can fluctuate below this without penalty. In the following example whilst they have missed 6 payments, the value of the missed payment only went over 3 months in month 8. At which point, the discount would be removed.

Month	Expected payment	Payment received	Payment shortfall
1	£200	£0	£200
2	£200	£0	£400
3	£200	£0	£600
4	£200	£800	£0
5	£200	£0	£200
6	£200	£0	£400
7	£200	£0	£600
8	£200	£199	£601

### Will missed payments go against the customer's credit score?

No, missed payments do not contribute to a customer's credit score.

### If the customer also chooses to make partial over-payments, can these be put towards the contractual interest payments if they then can't afford to make payments and still retain the discount?

No, any over-payments made in the form of partial over-payments will not contribute to the contractual interest payments needed to maintain the discounted interest rate.

### When would the non-discounted rate be applied?

The interest rate would only revert back to the non-discounted rate in the event of the customer missing payments greater than the value of 3 months' payments.

## Change of circumstances

**Given this is for the full age range – if an 84 year old opted for a 15 year term and sadly passes away before the term ends, is the reduced interest rate intact?**

Yes, in the event that the last remaining customer passes away or goes into long-term care before the payment term comes to an end, the discounted interest rate will still apply until the loan is repaid.

**In joint applications, if one applicant was to sadly pass away or move into long-term care, will the remaining applicant still be required to make the contractual payments?**

Yes, the remaining applicant will still be required to make the contractual payments to retain the discounted interest rate.

## Product availability

**Why is Horizon Interest Reward only available on Standard Life Home Finance's fee free range?**

The time at which we brought this enhancement to market was a key consideration so we wanted to keep the delivery as swift as possible. We may broaden in the future, but this is not currently in the plan.

**Why is this only available on lump sum plans and not drawdown?**

To avoid delays in bringing this to market, we decided to prioritise lump sum plans. If it was available on drawdown plans, there would be a requirement at each drawdown request for the adviser to review the applicant(s) ability to make new payments, adding further steps to the process.

## Unlock the power of commitment with Horizon Interest Reward

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