

Personalised advice with Horizon Interest Reward

Our award-winning Horizon lifetime mortgages were designed with flexibility in mind, offering fixed ERCs of just eight-years and other market leading features, supporting your clients amid the inevitable changes of later life.

With a Horizon Interest Reward lifetime mortgage, your clients can benefit from all that Horizon is known for, while being rewarded with an interest rate discount when they commit to a period of set monthly interest payments.

To ensure your client secures the best customer outcome, their payment amount, and payment term, must be suitable for their circumstances. We offer the option to pay either 25%, 50%, 75% or 100% of the interest over an agreed term of five, 10 or 15 years.

Delivering the best customer outcome

When deciding which payment term and percentage of interest served best suits your client, it is important to discuss their current level of affordability and consider if this will support their interest payments both now and throughout the duration of their chosen payment term.

Whilst agreeing to the longest payment term can help your client significantly reduce their total cost of borrowing, if the payment term ends early due to your client failing to keep up with interest payments, it doesn't necessarily provide the lowest total cost of borrowing when compared with other scenarios, as demonstrated overleaf.

	Scenario A	Scenario B	Scenario C
Term	15 years	5 years	15 years
Loan amount	£100,000	£100,000	£100,000
Interest rate @ origination	5.88%	6.18%	5.88%
Interest rate after discount removal	—	—	6.33%*
Monthly payment	£490	£515	£490
Payment term (months)	180	60	60
Total value of payments made	£88,200	£30,900	£29,400
Total cost of borrowing	£214,769	£268,046	£271,550
Total cost of borrowing vs Scenario A	—	£53,277	£56,781

*Interest rate discount removed after ending payments early. Rate discounts based on a Horizon Interest Reward 530 plan

In the example above, if your client can make payments for 15 years (Scenario A), they will benefit from the lowest total cost of borrowing (£214,769).

However if your client's circumstances change and they are only able to make payments for five years (Scenario C), they will revert back to the non-discounted rate from year five due to their decision to commit to the longest payment period but stopping payments early.

As the example above shows, this doesn't give your client the best customer outcome, even though they initially benefit from a lower interest rate.

However, if this client had chosen to commit to a five-year payment term instead (Scenario B), they will have accessed a smaller discount, but due to completing their five-year payment term, the discounted rate would have applied for the lifetime of their loan.

This leads to Scenario B having a lower total cost of borrowing than Scenario C, therefore delivering a better customer outcome for this case.

Offer a rate discount on a 5-star Defaqto rated product, only with Horizon Interest Reward

This is intended for intermediaries only and has not been approved for customer use.

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