

Metro Bank

RateSetter Personal Loan

Factsheet for distributors

Version 1.0 - Information correct as of 01/04/2023

Introduction

What is this document?

This summary document is being provided to you to fulfil Metro Bank's responsibilities under PRIN 2A.4.15R and PRIN 2A.3.12R (2). It is designed to support you to comply with your responsibilities under PRIN 2A.3.16 R and PRIN 2A.4.16 R. Please note that you are ultimately responsible for meeting your obligations under 'The Consumer Duty'.

This document is about the Unsecured Personal Loan product, manufactured under the RateSetter brand.

This information is intended for intermediary use only and should not be provided to customers.

Product fundamentals

What are the fundamentals of the product?

The RateSetter Unsecured Personal Loan is a retail lending product where Metro Bank (trading as RateSetter) lend a sum of money to a customer in exchange for repayment of the principal amount, plus any associated interest and fees. The customer receives the money in one sum at the beginning of the agreement and is expected to repay a fixed monthly amount. Unless settled early, these payments continue for the length of the agreed term until the total amount payable is repaid.

Loan features:

- Amount: £1,000 – £35,000
- Term: 2 – 5 years

The loan purpose varies; however, common loan uses include:

- To consolidate debts
- To finance home improvements
- To finance a vehicle

Below is a list of benefits/service options:

- Flexibility to use the funds (for any legally admissible purpose) according to the customers' needs.
- Applications may be provided with an instant decision. Alternatively, when the application is referred, we aim to provide a decision within 5 working days.
- Following approval, funds are in the borrower's account the next working day.
- Option for the borrower to select a regular monthly repayment date to suit them (between 1st and 28th of the month).
- Option to pay back the full amount outstanding early without penalties or early repayment charges.
- Multiple servicing options: (1) visit their online account to view their balance and repayment schedule, make a payment, apply for additional lending, and a number of other actions, and (2) call/email/write to a dedicated UK customer service team for help and support.

Target market

Who is our target market and how do we distribute the product to them specifically?

The product is targeted at UK-resident adults who have a planned need for credit, a good credit history, the means to afford such borrowing, and are comfortable obtaining and servicing a loan predominantly through digital channels. The product is for individual applicants only; businesses and joint applicants aren't eligible.

The product is not suitable for customers who need emergency short-term lending or a revolving credit facility.

We support prospective customers in making their own suitability and affordability assessments for the product by providing lending at a fixed rate, with fixed monthly repayment amounts. All associated costs of credit are being clearly communicated to the borrower throughout their customer journey. More specifically, personalised rates (APR, interest rate, and fee) for each customer are returned by our API to the distributor.

Eligibility

What are the applicants' characteristics requirements?

The product has five public eligibility criteria. These criteria are clearly visible to prospective borrowers on the RateSetter website. Customer must:

- Be 21 years of age or over.
- Hold a UK bank or building society account.
- Have been a UK resident for a minimum of 3 years.
- Have a regular source of income paid monthly of over £16,000 a year (before tax).
- Have a good credit history, no County Court Judgements, bankruptcies, or debt relief orders on their credit file.

There are also non-public criteria. They are:

- Borrowers cannot be over 75 at the time of application.
- Borrowers cannot be unemployed.
- Borrowers cannot be students.

In addition to the above criteria, applicants must satisfy our credit, affordability and KYC checks before being approved for the loan.

All applicant decisioning is in-house, called on by distributors via an API connection. Therefore, we have control over who receives a positive quote. Thorough checks are completed throughout the application journey to ensure suitability and affordability is in line with our target market.

Vulnerability

Does our product and distribution strategy potentially lead to worse customer outcomes for vulnerable/potentially vulnerable customers?

The Product is designed for individual borrowers, which is likely to include some customers with characteristics of vulnerability or who will experience vulnerability over time.

A vulnerability impact assessment has been completed. It concluded that we have appropriate product design and distribution. The product is not expected to deliver worse outcomes for vulnerable customers.

At the point of on-boarding, we recognise that our target market is prime, with a good credit history and a stable income (for which we capture evidence during underwriting) – which provides high confidence of consumer's financial resilience.

Appropriate support and alternative format communications are available on request and communications are under continuous review for further enhancements.

In addition to our preventative controls, through our internal back-office system, we have the functionality to flag customers who we understand to be vulnerable. This ensures that we can support the borrower and that we can track vulnerability at a portfolio level.

Appropriate support and alternative format communications are available on request and communications are under continuous review for further enhancements.

Our customer service team are trained to handle vulnerability calls and follow a prescribed call flow process (TEXAS¹) to ensure they capture information and support the borrower appropriately.

As an intermediary, you should continue to comply with your obligations to ensure that you treat customers in vulnerable circumstances fairly.

¹ <https://www.gov.uk/government/publications/debt-management-vulnerability-toolkit/debt-management-vulnerability-toolkit>

Distribution strategy

What is our distribution strategy?

The RateSetter unsecured personal loan is distributed online via three channels: Direct, Aggregator and Motor Brokers. In addition, the product is presented to borrowers within Metro Bank stores and through motor brokers (mostly over the phone).

We regularly conduct Existing Customer Marketing (ECM) campaigns. The ECM campaigns are used to engage/re-engage the customer base. We also use digital marketing channels to drive originations, using Search Engine Optimisation (SEO), Pay Per Click (PPC), and social media to reach a wider audience.

Fair value assessment

Does our product offer fair value with respect to the benefits and the applicable costs?

We have developed a comprehensive and robust assessment process which evaluates several aspects of our business to determine the value of our product. Ahead of concluding our fair value assessment within our product review, we are confident that the product does offer fair value with respect to the benefits and costs to the borrower. The benefits and costs of the product are clear. The product does not have any significant limitations which would impact the assessment.

We complete market analysis and external benchmarking regularly to ensure our rates are fair and comparable to our peers in the market. We charge a non-refundable upfront loan fee, which is calculated within strict parameters to ensure that it is proportionate to the cost of setting up an agreement. There are no early repayment fees. There are no other costs incurred by the customer e.g., no late payment fees.

There are differences in the costs of borrowing for customers - which is deliberate - and is driven by bespoke pricing strategies. These are supported by analysis which ensures the bank is appropriately pricing with respect to the risks associated with providing the product. The differences equally ensure that customers within a channel who have demonstrated a *better* history of credit are not inadvertently penalised with higher rates to offset the risks inherent with those customers who have a *poorer/less evidencable* history of credit.

Pricing of loans is changed periodically, in line with market trends and business objectives. To ensure this doesn't adversely cause unfair value to customers, pricing is set within strict parameters which are approved by the appropriate internal committees.

Customers can cancel the product within the first 14 days by contacting us and repaying the total amount including any interest accrued. The upfront loan fee is not payable inside the cooling off period and will therefore be deducted from the total amount due. Following the first 14 days, a customer can settle their agreement by repaying the total amount including any interest accrued. Here, the upfront loan fee is a required payable and will not be deducted from the total amount due.

Outcome monitoring

Do we have outcome monitoring in place, and to what extent?

Yes, we have detailed reports that track both portfolio performance and customer outcomes. These are then discussed in several forums, with appropriate frequency, to ensure the observations are meeting our expectations. This includes arrears analysis, where we can validate that levels are in line with our expectations given our identified target market. In addition, we pay close attention to complaints data and external indicators such as Trustpilot to ensure the product is meeting the expectations of our customers. Any trends and/or observations outside of our expectations are flagged for discussion and action, as required.