For adviser use only, not for use with customers

Lifestyle Flexible Advantage Lifetime Mortgage

Target Market Statement

This document is intended to be used by distributors and not provided to a customer. Aviva Equity Release UK Limited is the product manufacturer for this product. Full details are contained within the policy documentation.

Introduction and context

In July 2022, the FCA strengthened the requirements in relation to product oversight and governance following the introduction of the Consumer Duty regulations (PS22-09). For the product oversight and governance part of these regulations, we would like to share with you an outline of the product approval process we use in Aviva and our product target market statement, which clarifies who the product is intended for (and who it is not).

Aviva's product oversight and governance

Why are you telling me about this?

Under the FCA's rules, we are required to inform you we have governance processes in place to oversee the design, approval and review of our products.

What controls does Aviva have in place?

We have well established governance processes which:

- formalise approval of new product developments and changes to existing products
- identify target markets for each product
- test customer understanding
- consider needs of vulnerable customers
- monitor post-sales performance

After we introduce our products to the market, we regularly review them to check whether we need to make changes to them. This includes an annual assessment of the value received by customers through our products; this is referred to as the 'Value for Money Assessment'. The Value for Money Assessment considers a range of indicators and measures which contribute to the overall value delivered to our customers. The measures include:

- **Target Market and Distribution Strategy** – Ensuring that the target market is defined at a sufficiently granular level and that the distribution approaches are appropriate
- **Costs and Charges** – Review of the costs incurred by retail customers to ensure that these are fair and appropriate taking into account the features and benefits offered through the product
- **Commission Levels** – To ensure these are appropriate for the service received by the customer
- **Complaints** – Analysis of customer complaints to identify and resolve root causes, particularly where the product fails to deliver as expected

- **Service Delivery** – To ensure service levels are in line with those we have led customers to expect
- **Communications** – To ensure customers continue to receive communications which are clear, transparent and timely

We base our level of oversight on the type and complexity of each product, our identified target markets and the level of financial understanding.

What does this mean for me?

As product manufacturer, we'll monitor the performance of our products to make sure they meet the needs of customers in the identified target markets. Should you feel a product doesn't meet these customers' needs or is potentially unclear, you can help us by providing feedback through your usual communication channels.

Target Market Statements

Why are you telling me about this?

The rules require us to consider several points when designing our product range, including:

- specifying an identified target market
- identifying relevant risks to the target market
- making sure that the intended distribution strategy is appropriate for the identified target market
- requiring us to take reasonable steps to make sure our products are distributed in line with the target market for specified distribution channels

What does this mean for me?

We've developed target market statements to give you, our distributor, clarity on who the product is intended for (and who it is not) and how customers can buy the product.
Using these target market statements should help you in your consideration of:

- how the distribution strategy aligns with the target market statement
- the demands and needs of the customer
- whether any of the customers may be outside of the target market due to eligibility or exclusions
- that fees and charges are appropriate to the service being delivered for customers
- vulnerable customers and the target market focusing on whether they may require additional support in their decision-making

Can I sell outside of the target market?

A customer may benefit from buying the product even if they are outside of the Target Market. During the sale, you will be closest to the customer in identifying their demands and needs and your judgement will decide what is right.

Feedback

If you have any feedback on these statements, please contact your usual Aviva representative.

Lifestyle Flexible Advantage - Target Market Statement

What customer need does this product meet?

Equity release allows later life customers to borrow against the value of their home to support their financial needs. At initial borrowing our Lifestyle Flexible Advantage lifetime mortgage is designed to meet customers immediate to short-term needs with an optional reserve facility that enables regular drawdowns for longer-term financial planning. Additional borrowing may also be available. There is no expectation for repayments until the loan becomes repayable (typically on death or long-term care) but the product offers flexibility through voluntary partial repayments for customers with disposable income.

The voluntary partial repayment feature uniquely rewards customers by applying a percentage uplift to each repayment that fully or partially covers the interest due in the current policy year. This uplift, set at the point of completion and detailed in the Key Facts Illustration (KFI) and Offer documents, enhances the value of each qualifying repayment, helping to reduce the overall cost of borrowing and preserve more equity over time.

Financial considerations

The following financial considerations must be carefully thought through before recommending the Lifestyle Flexible Advantage lifetime mortgage:

- **Financial resilience –** Where customers have limited assets or are using their last available asset to secure this loan, consideration should be given to their financial resilience and the impacts of future financial strain later in life. Customers who are not financially resilient in later life may have limited options when it comes to moving property, change of circumstances, obtaining additional borrowing and maintaining their property in accordance with terms and conditions. Failure to maintain the property could result in the risk of repossession
- **Cost of Borrowing –** Interest is calculated on a compound basis which quickly increases the amount that is owed reducing the available equity in the property for future additional borrowing. The cost of borrowing on a lifetime mortgage may not be a good customer outcome where alternative borrowing solutions are more suitable and more cost effective
- **Negative Equity:** The No Negative Equity Guarantee ensures that when the lifetime mortgage is repaid the customer, or their estate will never be asked to pay back more than the amount received from the sale of the property, even if the amount owed is higher. This is providing that it is sold for the best price reasonably obtainable. Consideration must be given to the customers' future financial needs and the impact negative equity might have on their financial options and ability to maintain or raise income in later life. Customers who are not financially resilient in later life may have limited options when it comes to moving property, change of circumstances, obtaining additional borrowing and maintaining their property in accordance with terms and conditions. Failure to maintain the property could result in the risk of repossession
- **Voluntary Repayments:** The maximum amount a customer can repay each policy year is 10% of the initial loan including any additional borrowing, excluding any accrued interest. Making voluntary repayments helps to reduce the growth of the outstanding balance over time. When recommending voluntary repayments to the customer, consideration must be given to the longer-term impacts of negative equity

Who is the Lifestyle Flexible Advantage designed for?

The product is designed for customers aged 55 and over who own their own home and need additional funds to support and maintain their standard of living in later life or for estate planning purposes. It's suitable for customers both with and without disposable income, offering flexible repayment options to meet a range of financial needs and circumstances.
For those with disposable income and the intention to make regular repayments, we will ask you in the online application to attest that you have:

- Evidenced affordability as part of your recommendation
- Explained to your client that the repayments are voluntary
- Explained the risks in accordance with Section 7 of the KFI (illustration)
- Discussed how your client sets up the Direct Debit as outlined in the Voluntary Partial Repayment guide

The following list describes the reasons for borrowing which we consider suitable and are within our Target Market:

- Home improvements including white goods and home furnishings
- Holiday
- Car purchase
- Second home for applicants personal use

- Lifestyle/Income [£35,000 trigger]*
- Emergency Funds/Savings [£35,000 trigger]*
- Care in the home [£50,000 trigger]*
- Inheritance Tax Planning [advice received through a qualified wealth adviser]*
- Gifting to family and/or friends (including intergenerational lending)*
- Repay a residential mortgage*
- Debt consolidation – repaying secured & unsecured debt (where other more suitable debt management/consolidation can't be arranged)*
- Repay an existing lifetime mortgage*

The reasons for loan marked with an * although remain suitable, could pose a higher risk of a poor customer outcome. Some would only pose a higher risk if the loan amount required is higher than the trigger amount that is shown. In some circumstances, your recommendation may require an amount higher than the trigger in which case it will fall outside of our Target Market. For all of the reasons for loan, we ask that during the online application you attest that considerations have formed your advice recommendation, as outlined in the table below under 'Attestation' column:

Reason for loan	**Attestation**
Debt consolidation - repaying secured & unsecured debt	• You have agreed the amount requested meets the customer needs • The customer understands the impact of interest roll-up on money taken upfront and the risks associated with negative equity • You have conducted income and expenditure checks and reviewed appropriate evidence to establish that the existing debt is no longer affordable • Other forms of debt consolidation or repayment have been considered • If a debt management plan is required, an appropriately qualified adviser has provided advice • The customer's future financial needs and their financial resilience in later life has been considered in accordance with Section 7 of the KFI (Illustration)
Repay a residential mortgage	• You have agreed the amount requested meets the customer needs • The customer understands the impact of interest roll-up on money taken upfront and the risks associated with negative equity • You have conducted income and expenditure checks and reviewed appropriate evidence to establish that the existing debt is no longer affordable • Other forms of debt consolidation or repayment have been considered • If a debt management plan is required, an appropriately qualified adviser has provided advice • The customer has explored all options with their current mortgage lender to restructure their existing residential mortgage • Other ways of repaying the mortgage including conventional mortgage lenders, have been considered • The customer's future financial needs and their financial resilience in later life has been considered in accordance with Section 7 of the KFI (Illustration)

Repay an existing lifetime mortgage	• You have carried out an assessment to ensure that this is in the customer's best interests • The customer understands the impact of interest roll-up on money taken upfront and the risks associated with negative equity • As part of the advice process you have conducted income and expenditure checks and reviewed appropriate evidence • The customer's future financial needs and their financial resilience in later life has been considered in accordance with Section 7 of the KFI (Illustration)
Gifting to family and/or friends (including intergenerational lending)	• You have agreed the amount requested meets the customer's immediate needs • The customer understands the impact of interest roll-up on money taken upfront and the risks associated with negative equity • You have verified and can evidence that the reason for the gift is legitimate, with no signs of coercion, fraud or any type of financial crime • As part of the advice process you have conducted income and expenditure checks and reviewed appropriate evidence • The customer's future financial needs and their financial resilience in later life has been considered in accordance with Section 7 of the KFI (Illustration)
Lifestyle/Income [£35,000 trigger]	• You have agreed the amount requested meets the customer's immediate needs • The customer understands the impact of interest roll-up on money taken upfront and the risks associated with negative equity • Setting up a cash reserve facility has been considered • As part of the advice process you have conducted income and expenditure checks and reviewed appropriate evidence • The customer's future financial needs and their financial resilience in later life has been considered in accordance with Section 7 of the KFI (Illustration)
Emergency Funds/Savings [£35,000 trigger]	• You have agreed the amount requested meets the customer's immediate needs • The customer understands the impact of interest roll-up on money taken upfront and the risks associated with negative equity • Setting up a cash reserve facility has been considered • As part of the advice process you have conducted income and expenditure checks and reviewed appropriate evidence • The customer's future financial needs and their financial resilience in later life has been considered in accordance with Section 7 of the KFI (Illustration)
Care in the home [£50,000 trigger]	• You have agreed the amount requested meets the customer's immediate needs • The customer understands the impact of interest roll-up on money taken upfront and the risks associated with negative equity • Setting up a cash reserve facility has been considered • As part of the advice process you have conducted income and expenditure checks and reviewed appropriate evidence

	• The customer's future financial needs and their financial resilience in later life has been considered in accordance with Section 7 of the KFI (Illustration)
Inheritance Tax Planning	• You have agreed the amount requested meets the customer's immediate needs • The customer understands the impact of interest roll-up on money taken upfront and the risks associated with negative equity • Setting up a cash reserve facility has been considered • You have ensured that the customer has received advice from a qualified wealth adviser • As part of the advice process you have conducted income and expenditure checks and reviewed appropriate evidence • The customer's future financial needs and their financial resilience in later life has been considered in accordance with Section 7 of the KFI (Illustration)

Who is the Lifestyle Flexible Advantage not designed to support?

A lifetime mortgage is designed to last until the plan holder either passes away or permanently leaves the property due to the need for long-term care. It is not designed:

- For customers who have no prospects of income recovery and no financial plan to either meet their financial needs in later life or to maintain their standard of living and their property, in accordance with the terms and conditions
- To be used for short term lending and could incur an early repayment charge if repaid voluntarily
- To support customers who have other more suitable means of meeting their financial objectives or customers who wish to leave the full value of their property as inheritance
- For released funds to be invested to generate wealth or income with the exception being investment for the purpose of Inheritance Tax Planning

The following list describes the reasons for borrowing which we consider unsuitable and fall outside of our Target Market:

- Money to be held in deposit with no foreseeable or planned immediate need
- Investments (except for Inheritance Tax Planning). Examples include:
  - Business investment/business venture where the applicant holds an interest in the business (direct or otherwise)
  - Investment to generate wealth or income
  - Investment Properties including Buy to Let Properties and Property Investment Club (PIC)
- Timeshare purchases
- Currency speculation
- Illegal, speculative, or gambling purposes
- Providing a 'repayable' loan to an unrelated 3rd party
- Where the use of the money will result in the property not meeting our property lending criteria e.g. spray foam insulation
- Customer(s) student loans
- The loan is expected to be repaid early and will incur an Early Repayment Charge

Can I sell the Lifestyle Flexible Advantage without advice?

A lifetime mortgage can only be sold by an equity release adviser who is qualified to offer advice on Equity Release.

How can I sell the Lifestyle Flexible Advantage?

To offer advice on Equity Release you will need the following qualifications obtainable through either the Chartered Insurance Institute (CII) or London Institute for banking and Finance (LIBF).

Awarding Body	Required Module Blocks	Qualifications
Chartered Insurance Institute (CII)	RO1 Regulation and Ethics OR CF1 UK Financial Services Regulation and Ethics PLUS CF6 Mortgage Advice AND ER1 Equity Release	Certificate in Equity Release
London Institute of Banking and Finance (LIBF)	Certificate in Mortgage Advice and Practice PLUS Certificate in Regulated Equity Release Units 1 and 2	Certificate in Regulated Equity Release (CeRER)

As well as the above formal qualifications, you should also find out about any restrictions of licensing requirements insisted on by your own firm or network.

Need this in a different format?

Please get in touch with your usual Aviva contact if you'd prefer this document **(PF012013)** in large print, a different colour, braille or audio.