



# Property Finance Fair Value Assessment

April 2023

**Product name:** Property Finance

**Value Assessment Date:** April 2023

**Date of next assessment to be completed:** Within 12 months

Our approach to meeting the Products & Services Outcome and Price & Value Outcome – Information for distributors of the Product.



This summary document is being provided to you to fulfil our responsibilities under PRIN 2A.4.15R and PRIN 2A.3.12 R (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 information is intended for intermediary and internal use only and should not be provided to customers.

### 1. Summary of our assessment

We have assessed that:

- Our Residential & Rental (Buy to let) finance products continue to meet the needs, characteristics, outcomes, and objectives of customers in the identified target market.
- The intended distribution strategy remains appropriate for the target market.
- The Product provides fair value to customers in the target market (i.e. the total benefits are proportionate to total costs).
- All evidenced

### 2. Product characteristics & benefits

The product is designed to meet the needs of the target group, most notably to allow customers to take out a UK property finance product. The product features and criteria are designed to support these needs, including:

- Ease of process: Customers may purchase residential properties without the need for a UK residency or a UK credit score.
- Competitive repayment terms provide financial benefit to customers.
- Lower asset values requirements than local lenders makes UK property ownership more affordable to GCC customers
- App-based mortgage journey gives clear indication of application progress – “Happy path” for full mortgage application journey, including the AIP: ~30 minutes.
- Education and advice services to explain the benefits and considerations of buying a property in the UK, for example, locations for higher yields vs capital gains, stamp duty considerations, rental process, and financing.

Full eligibility criteria can be accessed on our website:

[https://assets.ctfassets.net/791d8s7l1itt/3jn12UXt9lGj0jgKMc4Ac/476ca48896714ed0f93f0f94fb3db0be/Eligibility\\_criteria\\_BTL.pdf](https://assets.ctfassets.net/791d8s7l1itt/3jn12UXt9lGj0jgKMc4Ac/476ca48896714ed0f93f0f94fb3db0be/Eligibility_criteria_BTL.pdf)

### 3. Target market assessment and distribution strategy

This target market assessment matrix segments the target customers for the Product, recognising their different needs to enable you to tailor the services you provide when you distribute the Product.



Product description	Who these products are designed for:
<p>A fixed rate sharia compliant property finance product (commodity Murabaha) that offers the security of stable monthly payments for an initial period (2 or 5 Years), regardless of whether profit rates rise or fall.</p> <p>Financing from £100k - £1.5m and up to 75% FTV on properties above £250k.</p> <p>Customers can either apply directly or delegate their property finance to an approved broker, who completes the property finance application on their behalf.</p> <p>The customer can track the progress of their application through their Nomo App.</p>	<ul style="list-style-type: none"> <li>Affluent and mass-affluent customers who are over the age of 18 and reside in the GCC and/or who meets the service availability requirements for the product.</li> <li>Both new borrowers looking to purchase a new property for personal use or renew the existing property finance product with us, and existing customers looking to product transfer or take further lending in the UK. Existing borrowers with relationships with approved UK mortgage brokers Customers looking for sharia compliant lending.</li> <li>Borrowers who are seeking to let their property.</li> </ul>
Distribution strategy	Who these products are not designed for:
<p>This product is intended for distribution via FCA authorised mortgage brokers, submitting and progressing applications via the Nomo web portal or directly by the customer through the Nomo app with some email and phone interaction.</p> <p>Customers can directly track their applications and monitor their accounts through and post completion within their Nomo app.</p>	<ul style="list-style-type: none"> <li>Borrowers who are seeking to purchase/refinance residential property for commercial use.</li> <li>Borrowers who are looking for the flexibility of a variable rate with no early repayment penalties.</li> <li>Credit impaired borrowers Borrowers wishing to use brokers not approved by Nomo e.g non-UK brokers</li> </ul>
Customer Outcomes	Harm or Limitations
<ul style="list-style-type: none"> <li>Customers are able to have access to Sharia-compliant property finance to buy properties without the need for a UK residency or a UK credit score.</li> <li>Educational content and advisor services from Nomo explain the benefits and considerations of buying a property in the UK, (e.g.,</li> </ul>	<p>Customers must understand the UK home buying process, tax, legal and other fees.</p> <p>Customers must understand their property is at risk if they do not keep up payments.</p>



<p>locations for higher yields vs capital gains, stamp duty considerations, rental process, and financing).</p>	<p>Customers may not rent out the property when they are not there.</p>
<p><b>Benchmarking</b></p>	
<p><b>Competitor Analysis</b></p>	<p><b>Pricing Principle</b></p>
<ul style="list-style-type: none"> <li>• Nomo’s Property Finance product offering has been tailored specifically towards the non-UK resident affluent and mass-affluent sector.</li> <li>• Of the competitors analysed, only HSBC Expat and Gatehouse Bank have offerings that are comparable, with Al Rayan Bank and NBK pitching at a higher, “UHNWI” level, closer to BLME’s private banking business.</li> <li>• HSBC has the downside of not being Shariah-compliant for GCC residents, which can be a factor in decision-making.</li> <li>• Nomo’s current financing values and FTV ratio are slightly higher than competitors and are being reviewed in line with credit policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Nomo aims to remain competitive with its Financing Rates as far as practicable, given its smaller balance sheet and relative size.</li> <li>• Pricing aligned to Nomo’s target audience (affluent / mass affluent) and aims to capture some value in its ease of onboarding and fully digital application journey.</li> </ul>

**4. Customers with characteristics of vulnerability**

Based on the current usage patterns indicate that mass affluent/affluent customers use Nomo as secondary/tertiary international account rather than their primary domestic account.

This is in line with product design as Nomo provides a UK regulated bank account for offshore customers travelling or staying (short or longer term) in the UK.

Vulnerability considerations may come through the fact that the account is not used on a day-to-day basis (so communications and useful updates or calls for action could be ignored for weeks / months at a time) and English is not the first language. In addition, given most customers are not UK resident, vulnerabilities should be considered from an understanding and expectations of bank accounts and associated regulations (FOS, complaints, FSCS protection, KYC etc).

Data also shows that overseas students studying in the UK, are regular users of the Nomo account and are using Nomo account as their primary account whilst studying in the UK. Nomo students are not in the same financial position as many UK students as they receive Government study grants and income from partners, however, they are living away from home for the first time in a foreign country and could be more susceptible to vulnerability.

The launch of the Property Finance product brings in different vulnerability considerations as customers will have a fixed amount to repay monthly, so ongoing financial circumstances become more key. On the flip side, we must remember also that customers taking out Property Finance are not purchasing their main residence and, therefore, the implications of defaults and repossession will typically be less severe.



To serve vulnerable customers, Nomo will look to: Identify, support and monitor.

- **Identifying customers that need additional support.**
- **Accessibility review of the digital journeys/capabilities**
- **Empowering staff**  
Giving staff the skills and capability to recognise and respond to the needs of vulnerable customers.
- **Introduce tech-enabled self-identification, trigger points & on-going monitoring**  
Technology can help to proactively identify vulnerable customers, enhance customer experiences, and automate tasks to drive operational efficiencies.

Help and support content for customers to access via digital channel.

### 5. Product Development Process

#### Nomo Product Development Process

When launching new products or making significant changes to existing products, we follow a robust internal governance process that ensures that the following areas are assessed and approved:

- Identification of the target market and non-target market for each product.
- Ensure that the distribution methods align with the needs of the target market.
- Assess the costs and charges are appropriate for the product and these represent fair value for our customers.
- Consider how we are meeting the requirements of customers with vulnerabilities through our product design and distribution methods.
- Ensure that our customer and communications are clear, easy to understand and timely.
- Ensure we meet all legal and regulatory requirements for marketing and offering the product to customers from various jurisdictions.
- Ensure funds being offered go through a sharia compliance screening and approval.

Annually we review the Fair Value Assessment performance of our product, additionally including:

- ✓ Product performance
- ✓ Characteristics of the product that meet the needs of the target market.
- ✓ Service delivery
- ✓ Distribution
- ✓ Assurance Activity
- ✓ How the ongoing Product development process has been working.



**6. Our assessment of value**

We have developed a comprehensive and robust assessment process which evaluates several aspects of our business to determine the value of our product. This analysis is used to ascertain whether the Product delivers fair value for customers.

The outcomes of the assessment process are presented to the Product Committee allowing for challenge and further investigation before we sign-off the outcomes and share the summary of our assessment with you.

Our fair value assessment is based on our fair value equation and does consider the following reflectively:

Customer Benefits	Financial	<ul style="list-style-type: none"> <li>• Allows customers to take out a UK property finance.</li> <li>• BTL customers can generate a return on property assets through renting property secured by a Nomo BTL financing.</li> <li>• Brings financial predictability to individuals wanting to use UK property as second / holiday homes.</li> <li>• Competitive repayment terms provide financial benefit to customers.</li> <li>• Lower asset values requirements than local lenders make UK property ownership more affordable to Nomo target customers</li> </ul>
	Non-Financial	<ul style="list-style-type: none"> <li>• UK property address required for enrolment into other UK-based institutions E.g., UK schools, passports etc.</li> <li>• Flexibility of having a broker and in-house journey appeals to buyers with existing relationships as well as first time buyers</li> <li>• App-based mortgage journey gives clear indication of application progress.</li> <li>• Customers can apply for funding before making a mortgage application, expediting the process.</li> <li>• Sharia compliant financing.</li> </ul>
Customer Efforts	Time Required	<ul style="list-style-type: none"> <li>• Happy path for full mortgage application journey, including the AIP: ~30 minutes<sup>1</sup>.</li> <li>• Significant additional time required when dealing with third parties as part of the mortgage process.</li> <li>• Full UK home buying process takes on average 6 months<sup>2</sup>.</li> </ul> <p><sup>1</sup>Assumes all required documents outlined at the start of the mortgage application journey are valid and to hand.</p> <p><sup>2</sup>Based on report commissioned by the Post Office.</p>



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	Other Efforts	<ul style="list-style-type: none"> <li>• Customer must ensure that all required documents are to hand and valid.</li> <li>• Customers with existing broker relationships will need to contact their broker and get agreement before starting the process.</li> <li>• Customer is required to have found a property and be engaged in the purchase process with property agents.</li> <li>• Customers understanding of home buying process and interaction with other third parties</li> </ul>
<b>Customer Costs</b>	<p>All fees and pricing associated with residential &amp; rental property finance are listed here:</p> <p><a href="https://assets.ctfassets.net/791d8s7l1itt/2D9xl8MBjYyREbHa1pS5O1/769fc4001f93c1f5a9afe30f389b625a/Tariff_of_Charges.pdf">https://assets.ctfassets.net/791d8s7l1itt/2D9xl8MBjYyREbHa1pS5O1/769fc4001f93c1f5a9afe30f389b625a/Tariff_of_Charges.pdf</a></p>	
<b>Limitations</b>	<p>Financing £100k - £1.5m</p> <p>Min property value £250k outside of London, £350k Inside London</p> <p>Up to 75% FTV (70% for Buy to let (rental))</p> <p>Only 2 or 5 years fixed. No variable options.</p>	
<b>Bank Benefits</b>	Non-Financial	<ul style="list-style-type: none"> <li>• Increased propensity to use other Nomo products (e.g., a customer with a UK property is more likely to travel there and leverage a GBP account / debit card)</li> <li>• Improved competitive positioning against other GCC banks operating in the UK.</li> <li>• Complimentary strategy to BLME Real Estate business</li> <li>• In-app application journey key USP for Nomo</li> </ul>
	Time Required (Attributable fixed costs)	<ul style="list-style-type: none"> <li>• Home Finance application management</li> <li>• Legal reviews and advice on Home Finance applications</li> <li>• Funding and payment management</li> <li>• Treasury and funding management (incl. pricing management)</li> <li>• Default and arrears management</li> <li>• Ad hoc query response</li> <li>• App maintenance and ongoing product development</li> </ul>



<b>Bank Efforts</b>	Technology cost per customer	<ul style="list-style-type: none"><li>• <b>Mambu – core banking services</b></li></ul>
<b>Bank Costs</b>	Recurring costs incurred (Directly attributable)	<ul style="list-style-type: none"><li>• <b>None</b></li></ul>
<b>Price</b>		Application Fee: None Product Fee: 1% + £1,640 fixed legal fees <b>Note:</b> Fixed legal fees reflect our solicitor costs

**Results of our assessment**

Our assessment concluded that the Product continues to deliver fair value for customers in the target market for the Product.