

## Frequently Asked Questions

If you cannot find the answer to your question here or you would like to discuss this further, please give us a call on 01752 236550. Our lines are open from 9am to 5pm Monday to Friday.

### What is a reference rate?

A reference rate is the rate, as set out in your mortgage terms and conditions, which we use to calculate the overall interest rate that will be applied to your mortgage balance. LIBOR is currently the reference rate in relation to your mortgage. Term SONIA is also a reference rate.

### What is LIBOR?

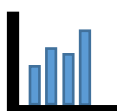
LIBOR stands for London Interbank Offered Rate. It is the rate at which major banks will lend to one another in the interbank market and is currently used as a key interest rate benchmark across a wide range of financial products, including mortgages.

It is produced for various interest rate periods up to 12 months, including the 3-month interest rate period applying to your mortgage, and acts as a forward-looking rate whereby the interest due at the end of the interest period is known at the beginning of that interest period. For example, the LIBOR rate as of 1 January would apply to your mortgage until 1 April.

### How is LIBOR produced?



Each day ICE (Intercontinental Exchange) asks a panel of major global banks how much they would charge other banks for short term loans.



The highest and lowest figures are removed and an average figure is calculated from the remaining numbers.



The rates are published each day by the IBA (ICE Benchmark Administration).

### How is LIBOR used to calculate my interest rate?

We review your interest rate every 3 months. We currently use LIBOR as the reference rate at the start of each quarterly period plus an additional interest rate, known as a product margin, in accordance with your mortgage terms and conditions. These determine what your overall interest rate will be. An illustrative example of this can be found in the “What is a credit adjustment spread?” section.

## Why is LIBOR ceasing?

In July 2017, the Financial Conduct Authority (FCA) confirmed that, by the end of 2021, it would stop compelling major banks to produce the LIBOR rate and made it clear that financial institutions must change, where they are able to do so, impacted customers to an alternative reference rate before that date, which will apply when their interest is next recalculated after that date. All mortgage lenders are proceeding on the basis that LIBOR will not be available as a reference rate after end-2021.

## What is Term SONIA?

Term SONIA (Sterling Overnight Index Average) is, like LIBOR, an interest rate benchmark.

The Bank of England is the administrator for SONIA. That means they take responsibility for its governance and publication every London business day. However, Term SONIA itself is calculated and published by the specific Term SONIA benchmark provider and administrator.

## How is Term SONIA Produced?



By 7AM, the Bank of England gathers data of all the transactions completed by banks from the previous day.



They check the data is correct and run plausibility checks to make sure the data they have been sent makes sense.



Bank of England calculates and publishes SONIA.



Following the actual fixing of SONIA by the Bank of England, Term SONIA is calculated and published by each Term SONIA provider and administrator.

**When will my mortgage(s) move to an alternative reference rate?**

The change is due to take place on your next rate review date after 31<sup>st</sup> December, in line with your terms and conditions. However, we will be communicating with you regularly to keep you updated on the progression of the change.

**Will my rate change?**

Currently your mortgage interest rate is variable. This means that the rate can increase or decrease in the future. We will write to you prior to making any change to your payments to ensure you are informed of the impact of this on you. Your mortgage will continue to be variable and we will continue to inform you of any change to your interest rate or mortgage payments.

**Will my mortgage documentation need to change?**

Unless your mortgage will be fully repaid by the end of December 2021, your mortgage terms and conditions, as well as any other documents e.g. rate change letters, will need to be amended to remove references to LIBOR as the reference rate and to reflect the new replacement reference rate that will apply to your mortgage. We will make these amendments at the point your reference rate is replaced.

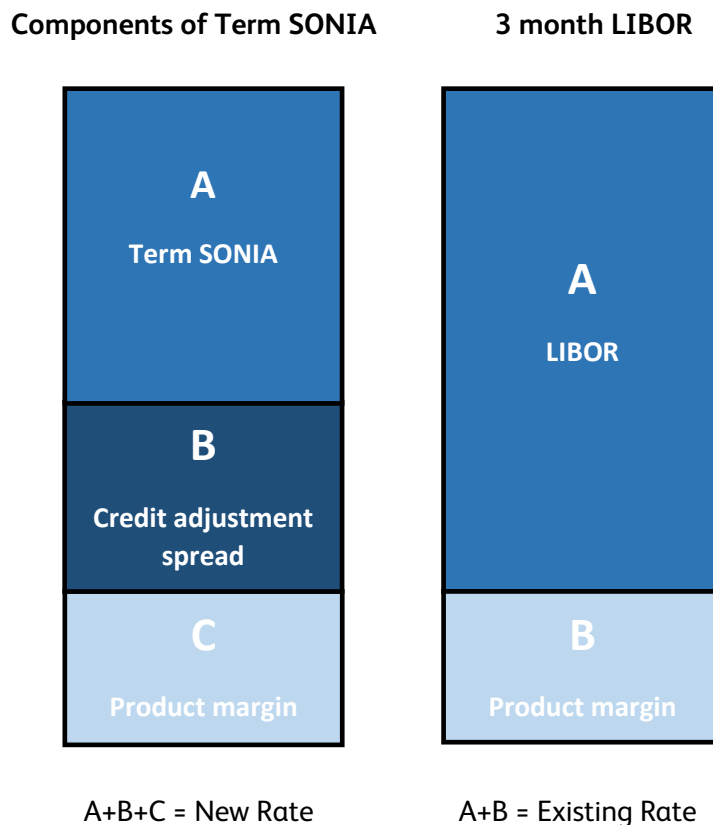
### What is a credit adjustment spread?

In line with your terms and conditions your interest rate is reviewed every 3 months. A credit adjustment spread will be applied to your new reference rate, this is to ensure the new rate more closely reflects the equivalent rate you would have been charged on LIBOR.

In order to ensure that all lenders apply a fair credit adjustment spread, an independent way of calculating the adjustment has been developed by Bloomberg Index Services Limited. This methodology looks back over a five-year period and then applies the median (middle number) difference between LIBOR and SONIA. This is known as the ISDA (International Swaps and Derivatives Association) historical median approach.

The credit adjustment spread rate is to be fixed at 0.1193% on an ongoing basis. This will form part of your overall interest rate and we will write to you to notify you of this rate.

See below as to how the credit adjustment spread is designed to work [FOR ILLUSTRATIVE PURPOSES ONLY].



### Can I repay my mortgage without incurring early repayment charge?

You can repay your mortgage without incurring early repayment charges (ERCs) at any point. You can call us on 01752 236550 to discuss your mortgage terms.

### Can I change to a different mortgage product?

You may be able to apply to switch to an alternative product subject to eligibility criteria. To discuss this, please call us on 01752 236550 to discuss your mortgage terms.

### How do I make a complaint?

If you are unhappy about the changes to your mortgage and wish to make a complaint, you are able to do so:

- By telephone on 01752 236530. Our lines are open from 9am to 5pm Monday to Friday;
- by post at 01752 236550;
- **Or by email at [complaints@co-operativebank.co.uk](mailto:complaints@co-operativebank.co.uk)**. If you do email us, please provide your name and day time contact number where we can contact you between the hours of 9am - 5pm Monday to Friday. For security reasons, please **do not include any account details** in your email.

### What if I am experiencing financial difficulties?

If you are experiencing financial difficulties and you wish to speak to someone, please contact us on 01752 236550. Our lines are open from 9am to 5pm Monday to Friday.

If you are currently in arrears on your mortgage but have already spoken with us and have a plan in place there is no need to contact us.

**YOUR PROPERTY MAY BE REPOSESSED IF YOU DO NOT KEEP UP WITH REPAYMENTS ON YOUR MORTGAGE.**

The Co-operative Bank p.l.c, is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (No.121885). The Co-operative Bank, Platform, smile and Britannia are trading names of The Co-operative Bank p.l.c., P.O. Box 101, 1 Balloon Street, Manchester M60 4EP. Registered in England and Wales No. 990937. Credit facilities are provided by The Co-operative Bank p.l.c. and are subject to status and our lending policy. The Bank reserves the right to decline any application for an account or credit facility. The Co-operative Bank p.l.c. subscribes to the Standards of Lending Practice which are monitored by the Lending Standards Board. Calls to 0800 and 0808 numbers are free from landlines and mobiles. Calls to 03 numbers cost the same as calls to numbers starting with 01 and 02. Calls may be recorded for record keeping and monitoring purposes.

Information correct as at 31/05/2020.