

# Lifetime mortgage (Lifestyle Lump Sum Max/Lifestyle Flexible Option)



Our early repayment charges explained.

**This document explains how early repayment charges work if you applied for your lifetime mortgage after 24 April 2014. If you applied for your lifetime mortgage before this date, please contact your financial adviser.**

## Designed for your lifetime

As the name suggests, your lifetime mortgage is not designed to be repaid in full before you (and your partner if you have a joint mortgage) die or move permanently into long-term care. However, sometimes your circumstances can change and you might want to repay your loan in full before then. If you would like to repay your loan in full before you die or go into long-term care, the charge will never be more than 25% of your initial loan amount, reserve releases (if applicable) and any additional borrowing.

## Why we make an early repayment charge

The reason we make an early repayment charge is that in order to lend you money, we secure funds for the expected lifetime of your loan. This arrangement is a fixed cost for us. If you decide to repay your loan early, we must still pay for the funds we originally secured for your loan.

### 3 important documents you must read to understand the early repayment charge

**Key facts illustration** – shows the early repayment charge at different times during the loan

**Terms and conditions** – shows how the early repayment charge works

**Lifetime mortgage completion letter** – shows the gilt yield when you receive the money

## How we charge for early repayment

Mortgage lenders use different methods to calculate early repayment charges. They are designed to help recover costs and to put the lender back in the position it would have been in, had the lifetime mortgage run to the expected term.

We use a method based on UK government bonds (gilts). There are two advantages of this link with government bonds.

1	Impartial and transparent	We base our early repayment charge on figures from Tradeweb, <b>not</b> on Aviva's figures.
2	You might not have to pay it	You will <b>not</b> pay an early repayment charge if gilt yields work in your favour. See 'How to find out if a charge applies to you' on page two.

## Why we use gilts to calculate any early repayment charge

We use UK government bonds to independently assess what the charge could be. Bonds are issued by governments to raise money for public spending. In the UK, government bonds are known as 'gilts'. The term 'gilt' or 'gilt-edged security' refers to the primary characteristic of gilts as an investment: their security.

Gilts give a good indication of long-term interest rates over the lifetime of your mortgage. Although the interest rate on your lifetime mortgage is fixed at the start, as it's designed to last a long time, we need an independent guide to what is likely to happen to interest rates over the same timescale. That's why we use changes in gilt yields to calculate our early repayment charges.

The specific gilt we choose to link to your contract will be shown in the **lifetime mortgage completion letter** we send you. It will also tell you the gilt yield percentage on the day you receive your money. This figure is crucial for calculating any early repayment charge. Please make a note of this figure.

The yield will rise and fall with market conditions. What happens to the gilt yield determines whether or not there is an early repayment charge.

## How to find out if a charge applies to you

The purpose of this document is to explain how the early repayment charge works. If you want to check if a charge applies to you, you can:

- Register for [MyAviva](#) to see this information clearly displayed for you.
- Contact us on [0800 158 4177](#) and we'll be able to tell you - the quote will be valid for three working days.
- Access gilt information free of charge through the Tradeweb website with a registered account: [reports.tradeweb.com/account/register/](https://reports.tradeweb.com/account/register/).

The Tradeweb website allows you to find the yield percentage on your gilt. The yields that Tradeweb publish each day at 12:00 noon are the yields at close of business the previous day. This is what Aviva uses each day to calculate an early repayment charge e.g. if you call to obtain redemption figures on 05/12/2019, we'll use the yield quoted at close of business date of 04/12/2019. The gilt yield percentage can then be used to determine whether an early repayment charge is applicable, as described in the table below.

Gilt yield % on early repayment day	Result
If it is the same or <b>higher</b> than the yield % shown in your <b>completion letter</b> .	<b>No</b> early repayment charge.
If it is <b>lower</b> than the yield % shown in your <b>completion letter</b> .	Early repayment charge may apply - see "Eight more situations in which early repayment charges won't apply." section below.

## Case study – £50,000 loan

### So how does this work in practice?

Here's a single male borrower, aged 64. The gilt name shown on his lifetime mortgage completion letter was 'UKT 1.5 07/47', with a gilt yield of 1.36%. We take the original gilt yield figure of 1.36% and compare it to the gilt yield for the same named gilt at the date of redemption. We then calculate the percentage it has changed by.

The table below gives examples of different percentage changes in gilt yields and how these affect the early repayment charge.

The fall in the redemption yield will be calculated to the nearest 0.25%. The charge for a fall not shown in this table will be the mid-point between the next highest and the next lowest fall shown. For example, if the borrower repays the loan in year 10 and the gilt yield of 1.36% has stayed the same or rises, then there will be no early repayment charge. But if the gilt yield falls by 0.5% then there will be an early repayment charge of £4,433.95.

**If the gilt yield falls by more than 2%, we will always cap the early repayment charge at 25% of the total borrowing as shown in the final column.**

Loan repaid in year	Yield % stays the same or rises	0.5% fall in the gilt yield	1% fall in the gilt yield	1.5% fall in the gilt yield	More than 2% fall in the gilt yield
1	£ No charge	£4,198.70	£8,397.45	£10,488.70	£12,500
5	£ No charge	£4,369.50	£8,739.05	£10,619.50	£12,500
8	£ No charge	£4,430.15	£8,860.30	£10,680.15	£12,500
10	£ No charge	£4,433.95	£8,867.90	£10,683.95	£12,500
13	£ No charge	£4,381.50	£8,763.00	£10,631.50	£12,500
15	£ No charge	£4,308.15	£8,616.35	£10,558.15	£12,500
18	£ No charge	£4,148.15	£8,296.30	£10,398.15	£12,500
20	£ No charge	£4,017.90	£8,035.85	£10,267.90	£12,500

## Eight more situations in which early repayment charges won't apply

1	You have a <b>joint lifetime mortgage</b> and you repay it within three years of the date that your partner dies or from the date that you notify us that one of you needs long-term care.
2	When you – and all borrowers on the lifetime mortgage – have either died or moved into long-term care.
3	You move property and transfer your lifetime mortgage to the new property. The property that the lifetime mortgage is being transferred to must meet our current lending criteria.
4	You want to move and apply to transfer your lifetime mortgage to a new property that doesn't meet our current lending criteria. If you're eligible for downsizing protection you can repay the lifetime mortgage with no early repayment charge. This feature is available on lifetime mortgages applied for on or after 8 April 2019. Please see your terms and conditions for more information.
5	You want to sell part of your property and we have given you consent to do this.
6	You'd like someone to move into the property with you as a joint borrower and for the lifetime mortgage to be repayable when the last person dies or goes into long-term care (and we have given you our consent).
7	You are making voluntary partial payments. We have a guide to our lifetime mortgages, 'Aviva Equity Release', that can tell you more.
8	The gilt linked to your contract has expired. The expiry date is shown in section 13 of your key facts illustration and offer document.

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