



Your guide to

Fixed Early Repayment Charges

Keep this document in a safe place as it forms part of your mortgage with us.



What is a Fixed Early Repayment Charge?

An Early Repayment Charge (ERC) is a fee that's charged when you repay your lifetime mortgage earlier than the agreed term.

We apply an ERC to recover any costs from setting up your lifetime mortgage, changes to interest rates or when reinvesting the money.

Fixed ERCs are calculated as a 'fixed' percentage of your loan amount, based on how long you've had your lifetime mortgage.

Usually a lifetime mortgage is repaid when you or the last surviving borrower dies or moves into long term care. However, you may need to repay your lifetime mortgage early if your circumstances change.

Think carefully before you decide to repay your lifetime mortgage early as there could be a substantial ERC (as explained in your Offer of Loan).

Each year we'll send you a lifetime mortgage statement which will tell you how much your ERC would be at that time. It includes your initial loan and any additional borrowing that you have taken.

The amount of time Fixed ERC's apply are set and won't change. You'll find more information about this in your Offer of Loan.



Will a Fixed Early Repayment Charge always apply?

A Fixed ERC is **not** payable if any of the following apply.

When choosing to make a repayment:

- If it has been over 15 years since your lifetime mortgage or any additional borrowing completed.
- You're making an Optional Partial Repayment within the limits detailed in your Offer of Loan.

When moving home:

- If you transfer your lifetime mortgage to a new property that's acceptable to us but need to repay part of your lifetime mortgage.
- It's five years since you took out your lifetime mortgage and we aren't able to transfer it to your new property.
- It's five years since you took out your lifetime mortgage and you're selling your home to move into sheltered accommodation.

Bereavement or Long Term Care:

- If you, or both of you (for joint accounts) have died or moved into long term care.
- Where there's a joint account and one of you has died or moved into long term care and the other repays the lifetime mortgage within three years.

Speak to your financial adviser to understand when a Variable ERC applies and how much it will be.



Is there a maximum Early Repayment Charge?

Each amount we lend to you has a maximum ERC that's calculated as a percentage of your loan amount.

Example 1, on page 3, shows how this works.

Your Offer of Loan also provides details of this along with the Closing Administration Fee. You'll never have to pay more than the maximum amount shown in your Offer of Loan.

How do Fixed Early Repayment Charges apply to additional borrowing?

Any additional borrowing has its own Fixed ERC. This could be either a Drawdown or a Further Advance on top of your initial loan.

The Fixed ERC for additional borrowing is based on current market conditions. This means the calculated percentages, how long they apply and the maximum ERC could be different to your initial advance. This is detailed in your additional borrowing Offer of Loan.

Example 2, on page 3, provides further details of how this is calculated.

How do Fixed Early Repayment Charges apply to partial repayments on your lifetime mortgage?

Our Optional Partial Repayment feature allows you each year to:

- Repay up to 10% of the total amount borrowed (including additional borrowing)
- Make up to 12 repayments

However, an ERC will apply when making repayments above these limits.

Remember, any Optional Partial Repayments you make won't reduce any ERCs that you may pay if you repay your lifetime mortgage early.



Where you've taken additional borrowing and are paying a different interest rate for each loan, any Optional Partial Repayments up to the 10% limit will be allocated to the borrowing with the highest interest rate first.

If your Optional Partial Repayment limit is reached, any additional repayments you make will also be allocated to the borrowing with the highest interest rate.

Example 3, on page 3, provides further details of this.

Additional information on Optional Partial Repayments can be found in your Offer of Loan and All You Need to Know documents.



How is a Fixed Early Repayment Charge calculated?

Fixed ERCs are calculated as a percentage of your initial loan amount. The percentages that will apply to your initial loan each year are as follows:

Number of years you have had a lifetime mortgage	1-5	6-8	9	10	11	12	13	14	15	16
Percentage of initial loan to pay as an ERC	9%	8%	7%	6%	5%	4%	3%	2%	1%	0%

Example 1

Shows how a Fixed ERC is calculated using the percentages in the table above. A personalised illustration of this can also be found in your Offer of Loan.

Alan and Emily take out a lifetime mortgage with an initial loan of **£100,000**.

After **7 years**, they decide to repay their lifetime mortgage in full.

The Fixed ERC is **8%** of their initial loan.



$$£100,000 \times 8\% = £8,000$$

The Early Repayment Charge is **£8,000** plus the Closing Administration Fee.

Example 2

Shows how a Fixed ERC is calculated on a lifetime mortgage where additional borrowing has been taken. This example assumes that the Fixed ERC for this additional borrowing is the same as the initial loan.

Bill took an initial loan of **£100,000**. After 5 years he takes additional borrowing of **£50,000**.

5 years later, Bill decides to repay his lifetime mortgage in full.

The Fixed ERC is calculated based on Bill having the initial loan amount of **£100,000** for **10 years** and additional borrowing of **£50,000** for **5 years**.

Using the percentages in this document, the Fixed ERC is calculated as follows:



Initial loan of **£100,000** would be repaid at Year 10 at **6%** of loan amount:

$$£100,000 \times 6\% = £6,000$$

Additional borrowing of **£50,000** would be repaid at Year 5 at **9%** of loan amount:

$$£50,000 \times 9\% = £4,500$$

Bill's total Early Repayment Charge would be **£10,500** plus the Closing Administration Fee.

Example 3.1

Shows how a Fixed ERC is calculated on partial repayments above the 10% limit.

Lesley and Joan take out a lifetime mortgage for **£100,000** and after **3 years** decide they want to reduce their balance by **£15,000**.

The first **£10,000** is within the 10% limit so a Fixed ERC doesn't apply.

The remaining **£5,000** is above the **10%** limit meaning a Fixed ERC will apply.

The partial repayment has occurred within year 3 of the lifetime mortgage, so based on the percentages in this document, the Fixed ERC is calculated at:



9% of loan amount:

$$£5,000 \times 9\% = £450 \text{ Early Repayment Charge}$$

Lesley and Joan's ERC would be **£450**.

Example 3.2

After paying **£15,000**, 3 years later, Lesley and Joan decide that they want to repay their lifetime mortgage. This is 6 years after they took their initial loan.

The **£5,000** overpayment that they already made in **Example 3.1** will be deducted from the amount used to calculate their Fixed ERC:



£100,000 initial loan – **£5,000** overpayment = **£95,000** subject to an Early Repayment Charge.

Lesley and Joan's Early Repayment Charge would now be calculated on a loan amount of **£95,000**

$$£95,000 \text{ loan} \times 8\% = £7,600$$

A Closing Administration Fee is charged when repaying your lifetime mortgage in full. The cost of this is detailed in your Tariff of Charges.



We're here to help

If you have a lifetime mortgage and are considering repaying it, please contact us to find out the exact amount of your Early Repayment Charge and how to make this repayment.

Write to us at:

Customer Services, Legal & General Home Finance, PO Box 17225, Solihull, B91 9US

Call our Customer Services team on:

03330 048 444

Lines are open 8.30am to 5.30pm, Monday to Friday.
Call charges will vary. Calls may be monitored and recorded.

Email us at:

customerservices@landghomefinance.com

If you're contacting us by email please remember not to send any personal, financial or banking information because email is not a secure method of communication.

For further information visit:

legalandgeneral.com/lifetimemortgages

Easier to read information

Please call us on **03330 048 444** if you are visually impaired and would like this document in Braille, large print, audio tape or CD.

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