

A guide to offsetting

To offer you even more flexibility in choosing the right mortgage we have an optional offsetting facility on our Flexible and Professional Mortgage products – at no extra cost. And, unlike some other mortgage providers our offsetting is as simple as possible. A savings account is set up alongside the mortgage and any money paid into this account is offset against your mortgage. You will then benefit in one of two ways (the choice is yours):

Reduced term

Your monthly mortgage payments will always stay the same – subject to changes in interest rates. However, because the savings in your Offset Saver Account are offsetting against your mortgage, more of your monthly payment is used to repay the balance of your mortgage – which makes it possible for you to pay off your mortgage sooner. And you could save thousands in interest payments too

Reduced monthly payment

Your monthly mortgage payment could be reduced, giving you more disposable income. This is because the savings in your Offset Saver Account are used to reduce how much you would normally pay each month. The term of your mortgage stays the same. Again, you could save thousands in interest payments too.

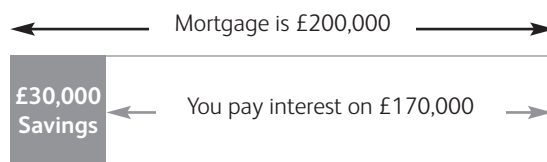
So how does offsetting work

It's really very simple. If you've chosen a Flexible or Professional Mortgage, our offset facility is available on our variable and select fixed rate products. We'll set up a savings account (called an Offset Saver Account) which is operated by internet, post or telephone and just like any other savings account, you can deposit or withdraw cash at any time.

If your mortgage is made up of more than one rate or repayment method, please indicate which one you would like to offset against and we will make this the primary part of your mortgage.

The benefits, in more detail

While you won't earn any interest on your savings in your Offset Saver Account, you won't be charged any interest on the same amount of money in your mortgage. So, by linking your mortgage with your Offset Saver Account, we'll take the amount of your savings away from what you owe on your mortgage so that you only pay interest on the outstanding balance. As interest is calculated at the end of each day, you can actually make savings on a daily basis.



Therefore, interest on the mortgage is calculated on: £200,000 – £30,000 = £170,000.

We'll ask you to choose either reduced term or reduced monthly payment as the offsetting option you'd like to benefit from. And, even after your mortgage and offset facility is up and running you can still switch between each option to suit your circumstances.

Reduced term – decrease the duration and cost of your mortgage

Although your monthly mortgage repayments stay the same (subject to changes in mortgage rates), because the amount of interest you need to pay is lower, more of your monthly payment is used to repay the balance of your loan – so you could effectively pay your mortgage off sooner and save thousands of pounds in interest.

How much sooner you pay off your mortgage is therefore up to you. The more money you have in your savings account, the less interest you'll be charged on your mortgage. Take a look at the table below to see an example of what offsetting your savings against your mortgage could do for you:

Reduced term

	Without offset	With offset
Savings offset against mortgage	n/a	£15,000
Monthly mortgage payment	£824.28	£824.28
Total amount payable	£247,284.27	£208,522.33
Mortgage interest saved over term	n/a	£38,761.94
Mortgage term reduced by	n/a	3 years 11 months

Illustration based on £130,000 repayment mortgage with a variable rate of 5.75% and £15,000 in Offset Saver Account, over a 25 year period. Also includes an additional £999 product fee and £25 CHAPS fee. This illustration is based on an example interest rate and is not necessarily the current rate offered by Scottish Widows Bank. The overall cost for comparison is 5.9% APR.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

Reduced monthly payment – decrease your mortgage payments and save money

With this option, the term of your mortgage remains unchanged, but your monthly payment is reduced. The savings in your Offset Saver Account are used to reduce how much you would normally pay. This means your savings could give you more disposable income each month. And, in addition to reducing your monthly payment, you could also save thousands of pounds in interest payments during the term of your mortgage.

Here's an example displaying how reduced monthly payment works:

Reduced monthly payment

	Without offset	With offset
Savings offset against mortgage	n/a	£20,000
Monthly mortgage payment for initial variable rate period	£607.77	£519.60
Total amount payable	£178,852.15	£155,087.45
Mortgage interest saved over term	n/a	£23,764.70
Mortgage term reduced by	n/a	0 years 0 months

Illustration based on £100,000 repayment mortgage with a variable rate of 5.29% (reverting to 5.00% standard variable rate after 5 years) and £20,000 in Offset Saver Account from month one, over a 25 year period. Also includes an additional £999 product fee and £25 CHAPS fee. This illustration is based on an example interest rate and is not necessarily the current rate offered by Scottish Widows Bank. The overall cost for comparison is 5.4% APR.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

Important information about reduced monthly payment

With reduced monthly payment as your offset benefit, your mortgage payments will be adjusted from your second mortgage payment – your first mortgage payment will always be collected in full. On an ongoing basis, your offset benefit will be calculated for each full calendar month and your mortgage payment will then be adjusted accordingly at the end of the following month. We'll write to you each month to advise you how much your next mortgage payment will be.

Tax Advantages

Because we don't actually pay interest on offset savings balances, this means there is no tax liability. So, by reducing the interest payable on your mortgage your savings are in effect attracting mortgage rate interest. This is a gross rate and no tax is deducted from this.

Could you earn this rate on your savings elsewhere?

If you chose a variable rate mortgage, with a rate of 4.99%, and you are a lower rate taxpayer you would have to earn 6.2% AER from a savings account to match the benefit you would receive from offsetting. And, for a higher rate taxpayer, the equivalent would be 8.3% AER.

Immediate access should you need it

Your savings are held in a completely separate account – called an Offset Saver Account. This means that although you are using your savings to reduce the balance of your mortgage for interest purposes you can access them at any time should you need the money. We believe this gives you the best of both worlds;

- immediate access to your savings
- and, while you are not using your savings, make them work for you by reducing the amount of interest you are charged on your mortgage.

Internet Banking

Our Internet Banking service offers a convenient way for you to manage your account 24 hours a day, seven days a week. And it's easy to register too – just complete the 'Internet Banking' question in your application form. Please note, Internet Banking cannot be accessed or operated by Guarantors, Power of Attorneys or Third Party Mandate Holders.

Earn interest at the end of your mortgage

When your mortgage balance is no longer outstanding, we'll automatically transfer the balance of your Offset Saver Account to an Instant Saver Account. With this account, as an existing customer you'll benefit from interest rates that rank alongside the very best offered by other high quality banks and institutions. Better still, this account offers instant access so if you need access to some or all of your savings immediately it's very straightforward.

Why choose offsetting with Scottish Widows Bank?

With the option to switch between reduced term and reduced monthly payment our offset facility offers flexible features that you can use as your circumstances change.

Visit www.scottishwidowsbank.co.uk for more details.

Case Study

Cameron and Julie have taken out a mortgage with Scottish Widows Bank to take advantage of offsetting. Cameron is an accountant and Julie is a marketing executive. Their repayment mortgage is for £110,000 with a term of 25 years*.

The first five years of the mortgage

Cameron and Julie currently have some savings, so they decide that, initially, they would like to use £25,000 of their savings to reduce their monthly mortgage payment. This is so they have more disposable income.

Their regular monthly payment is now £566.75. Without offsetting their savings, it would have been £681.12 per month. So, on a monthly basis they're paying **£114.37 less** for their mortgage – over a five year period this will save them **£6747.83**.

After five years

Having both progressed in their careers, Cameron and Julie decide to set up regular savings into their Offset Saver Account. They decide they will pay £300 per month for the remainder of the mortgage, and they're happy to leave their £25,000 in the Offset Saver Account too.

As they now also have more disposable income, they choose to use offsetting to reduce the term of the mortgage rather than the monthly payment.

By changing from reduced monthly payment to reduced term after 5 years, and making the £300 regular savings contribution Cameron and Julie pay off their mortgage **five years and four months early**, and save a further **£42,391.68** in interest payments.

Therefore, by changing their offset benefit to suit their circumstances, they save a total of **£49,139.51** in interest payments and reduce their mortgage term by **five years and four months**.

* Based on an example of a five year variable rate of 5.49%, reverting to a standard variable rate of 5.00% for the remainder of the mortgage, which is used for illustrative purposes only and does not necessarily represent Scottish Widows Bank's current standard variable rate. A product fee of £999 and CHAPS fee of £25 also apply. The overall cost for comparison is 5.3% APR.

Effective funds transfer

Deposits

You may deposit additional funds with us by:

- Cheque drawn on your existing **personal** bank/building society account. No third party cheques are permitted.
- Electronic transfer from your pre-advised account.
- Transferring money from another Scottish Widows Bank account in your name(s).
- Regular or occasional transfers by Direct Debit, from your existing personal bank/building society account.

Completion of the Direct Debit mandate gives you the ability to place additional funds in your account from time to time. Provided cleared funds are available in your existing personal bank or building society account, we can collect these by Direct Debit with no further action required on your part. Regular monthly transfers of additional funds can also be arranged.

Please note that we can only accept funds transferred as above. Inward transfer of credits through the bank's money transmission system, eg. bank giro credit, standing order or dividend mandate, is not possible as there can be identification difficulties and delays outwith our control. Payments made in this way may be returned automatically.

Withdrawals

For your security, payments from your account will be paid by electronic funds transfer direct to your pre-advised bank or building society account. Instructions to pay money to a third party will not be accepted. For ease of reference we have summarised the terms of withdrawal as follows:

- Instructions can be given to us by telephone, internet or post.
- Minimum transfer is £100.
- Transfers from this account will be made free of charge and will reach your nominated account by the end of the following business day.
- Same day transfer by CHAPS on the day of instruction can be arranged if received by 2pm subject to an administration charge to cover our costs.

Telephone Banking Security

On opening an account with us, you will be allocated an account number. Its purpose is to assist us in locating your account details in order to deal efficiently with your requirements. It is not a personal security code but should be quoted in all correspondence and in telephone enquiries. The security details you provide on your main mortgage application form will be held on file for your protection.

Direct Debits

The simplest way to place additional funds with us on an occasional or regular basis is to complete the Direct Debit mandate. If you do complete the mandate, we will only ever request Direct Debit payments on your instruction.

Please note that it takes three business days to set up a Direct Debit mandate, and we are unable to collect funds on your behalf during this period.

Our Promise to You

We are committed to working in partnership with our customers and make the following promise to you:

- To keep the terms and conditions of our products clear and simple with no hidden charges or misrepresentation of facts.
- To maintain a plain English policy in all correspondence with you.
- To deal with your requirements politely and effectively. Correspondence received will be acted on or discussed with you by telephone without delay.
- To provide clarification or additional details on any operational aspects of our products.
- To promptly advise you if your account is ever superseded by a more attractive alternative on offer from us.

Customers With a Disability

Scottish Widows Bank is committed to making its products and services available to everyone. Copies of our literature can be provided in large print or in Braille and additional assistance is available to any customer upon request. If you have any special requirements please contact our Customer Services staff in the first instance on **0845 845 0829**.

Offset Saver Account Terms and Conditions

Our agreement with you is made up of these terms and conditions that apply to the Offset Saver Account ('the account') which the account holder(s) ('you') holds with Scottish Widows Bank plc ('us').

These accounts are available to people aged 21 and over.

You can ask us for a copy of this agreement at any time. Scottish Widows Bank Plc's registered office is PO Box 12757, 67 Morrison Street, Edinburgh, EH3 8YJ. We are registered in Scotland and our company registration number is No.154554. We are authorised and regulated by the Financial Services Authority. Our Financial Services Authority register number is 201601. The main business of Scottish Widows Bank is arranging, entering into and administering mortgages and accepting deposits.

Our contact details

Our staff are available to deal with your requirements between 8am and 6pm weekdays (from 10am Wednesdays). You can contact us by calling 0845 845 0829 (Calls at local rates). If calling from overseas telephone 0044 131 655 2000. Our website is www.scottishwidowsbank.co.uk. You can write to us at PO Box 12757, 67 Morrison Street, Edinburgh, EH3 8YJ. You can contact us using any of these contact details unless we specify otherwise.

Defined Terms

In these conditions, the following terms have the meanings shown beside them: '**business day**' means Monday to Friday excluding bank holidays in England;

'**CHAPS transfer**' means a transfer of money using the Clearing House Automated Payment System. If you request this service we will charge you a £25 administration fee to cover the cost of making this transfer.

'**cut-off time**' means the time on each business day such that instructions received after that time will not be treated as received until the next business day. The cut-off time is usually not before 6:00pm, although the cut-off time for CHAPS transfers is 2.00pm. Please ask if you would like to know the cut-off time for a particular transaction.

'**internet banking**' means the service we provide enabling you to obtain information from us and give instructions to us by a computer, digital television, mobile phone or other means that we make available in future as described in the internet banking terms and conditions on our website;

'**electronic transfer**' means a payment to or from the account made by any means other than cash or cheque. Examples include a direct debit; a CHAPS transfer;

a transfer using the Faster Payments Scheme; a transfer to or from another Scottish Widows Bank account and a transfer arranged by telephone.

'**Lloyds Banking Group**' means the group of companies which includes us and a number of other companies using brands including Lloyds TSB, Halifax and Bank of Scotland, and their associated companies. More information on the Lloyds Banking Group can be found at www.lloydsbankinggroup.com

'**pre-advised account**' means the account in your name(s) with another United Kingdom bank (or building society) which you nominate as the account from which or to which electronic transfers may be made. To enable us to make the transfer by Faster Payments, this account must be able to accept payments using the Faster Payments Scheme – please check with your bank that this is possible.

'**Security Details**' can be processes or security procedures we ask you to follow or use, for example, a password or other information, security numbers or codes to make an instruction or confirm your identity.

1. Payment Services

- 1.1 Your payment instructions can be given to us (including withdrawal of consent) by:
 - (a) Internet Banking – you will need to register and provide security passwords for Internet Banking in order to carry out transactions online. You must sign up to the separate Internet Banking Terms and Conditions. This facility is not available for business savings accounts.
 - (b) Telephone – we will require your security passwords to be confirmed prior to any transactions being carried out.
 - (c) Via post – we will accept instructions by letter or postal instruction forms (these are available via our website or on request to the customer services line). Your instruction must be signed and will be checked against our records upon receipt of your request.
- 1.2 With regard to your payment instructions:
 - (a) Your instructions will not be effective until we receive them.
 - (b) If you ask us to make a payment, we cannot change or cancel the payment instructions because we start processing it when we receive it, (unless it is an instruction for a future date, in which case it can be stopped or recalled up to 6pm on the business day before the instruction is to be carried out.) For notice accounts please refer to condition 5 as applicable.

- (c) Although some payments can be made on non-business days, the processing of these payments is not completed on our systems until the next business day.
- 1.3** When you request a direct debit transfer to your account or an electronic transfer to another account, you must give us the other account name, sort code, account number and any other details we ask you for such as the name of the person you are sending the payment to, so we can arrange or make the electronic payment. You are responsible for checking that the details are correct. We will not be liable if an electronic transfer goes to the wrong person because you gave us the wrong details. If it does go to the wrong person because you gave us the wrong details, we will use reasonable efforts to recover the money and, if we manage to do so, we may charge you our reasonable costs.
- 1.4** When we contact you or you contact us we need to check your identity before you can give us instructions or we can disclose or discuss confidential information about your accounts. For this reason:
- (a) you must sign instructions given on paper; and
 - (b) if you are contacting us or giving us instructions by any other method (for example by telephone or internet) you must do so using the Security Details we have given to you or agreed with you personally.
- 1.5** As long as we have checked your identity in one of the ways set out above, we will assume that we are dealing with you.
- 1.6** You will not be able to give a payment instruction using your Security Details if we have stopped, or suspended, your ability to use them. We can do this if we reasonably consider it necessary for reasons relating to:
- (a) the security of your Security Details; or
 - (b) suspected unauthorised or fraudulent use of your Security Details. Unless the law prevents us from doing so or we believe it would undermine our security measures, we will try to contact you by telephone or in writing in advance to tell you that we have done this and our reason for doing so. If we are unable to tell you in advance, we will tell you as soon as possible afterwards.
- 1.7** We may refuse to carry out a payment instruction if:
- (a) you do not have available funds to make the payment or you have exceeded a limit we have applied to your account (for example in accordance with condition 3.2);
 - (b) the payment instruction is not clear or you have not provided us with the correct details in accordance with condition 1.3;
 - (c) there is a legal requirement or a court or other authority tells us to act in that way;
 - (d) the payment seems unusual compared with the way you normally use your account;
 - (e) we reasonably believe you or someone else has used or is using or obtaining, or may use or obtain a service or money illegally or fraudulently;
 - (f) we reasonably believe that someone else may have rights over money in your account (in this case we can also ask (or require you to ask) a court what to do, or do anything else we reasonably need to do to protect us); or
 - (g) the organisation you are sending the payment to is not a member of the Faster Payments Scheme;
 - (h) the amount of the payment instruction exceeds limits for transactions we put in place. Withdrawals exceeding these limits can be arranged by contacting our Customer Services Team on **0845 845 0829**;
 - (i) any other reason set out separately in this agreement applies.
- 1.8** We will try to contact you by telephone or in writing to tell you that we are refusing a transaction. We will do this at the earliest opportunity.
- 1.9** We may decline to give our reasons for refusing to carry out a transaction if we reasonably believe that to do so would be in breach of the law, for example if it would involve:
- (a) the unauthorised disclosure of information which we hold about another person (being information which would enable that person to be identified); or
 - (b) (where the account is in joint names) the unauthorised disclosure to one of you of personal information which we hold about the other.
- 1.10** Please note that transactions can only be carried out when we are fully satisfied that identification requirements are met.
- 1.11** We may refuse to accept a payment into an account or an instruction for a payment from it if we reasonably believe that doing so might cause us (or another company in the Lloyds Banking Group) to breach a legal requirement or might expose us (or another company in the Lloyds Banking Group) to action from any government or regulator.

2. Payments into your Account (Deposits)

2.1 Opening Balance

Your Offset Saver Account balance will begin offsetting against your mortgage immediately after we have received your first monthly mortgage payment.

2.2 You can only make payments into your account in the following ways:

- (a) by direct debit from your pre-advised account;
- (b) by electronic transfer from your preadvised account;
- (c) by cheque; or
- (d) by transferring money from another Scottish Widows Bank account in your name(s) (see condition 4).

2.3 We will only accept a payment into your account in Sterling. The initial deposit and ongoing balance must be at least £100. For at least one month after the mortgage completes the minimum net balance of your mortgage account, after offsetting any savings, must be £50,000. The maximum balance accepted by us is £1,000,000. Balances of more than £1,000,000 can be held by special arrangement only. Additional deposits must be either for a minimum of £100 or a regular payment via Direct Debit of £25 or more.

Direct Debit

2.4 To collect regular or occasional transfers by direct debit, from your pre-advised account, we will require a completed mandate. Please note it takes three business days to set up a direct debit mandate and we are unable to collect funds on your behalf during that period. Completion of the direct debit mandate gives you the ability to place additional funds in your account from time to time. Provided cleared funds are available in your pre-advised account, we can collect these by direct debit with no further action required on your part. Regular monthly transfers of additional funds can also be arranged.

2.5 We will arrange for the payment to be sent to us on the day specified in your direct debit mandate, provided this is at least three business days from when we process your payment instruction. We will process your instruction the business day we receive it or, if we receive it after the cut-off time or on a non-business day, the next business day.

2.6 If no day is specified, we will request the payment on the day we process your instruction. We will usually receive the payment three business days after you ask us to collect it. (For example, if you ask us to collect the payment on Monday, it will usually reach your account by Thursday.)

2.7 We will credit your account as soon as we receive the payment. However, as the bank that sent the money may require us to return it as unpaid up to three business days after we receive it, we will refuse any request for a withdrawal from your account that would use that money for as long as it can be recalled. (For example, if we receive a payment by direct debit on Monday, you will not be able to withdraw the money until Thursday.)

Electronic Transfer

2.8 If you ask the bank holding your pre-advised account to make a transfer to your account by means of a CHAPS transfer it will reach your account the same day. Your bank may charge you for this service. Please contact us for exact requirements before sending funds by CHAPS transfer.

2.9 We will credit CHAPS transfer payments to your account when we receive them and the money will then be available to you to withdraw.

Cheques

2.10 Cheques must be drawn from an account you are named on. For your protection we recommend that personal cheques issued by you are made payable to: Scottish Widows Bank <Account Holder's Name>.

2.11 Third party cheques are not permitted. Building society cheques must be verified to confirm they are from an account held in your name. (Please arrange for the issuing branch to stamp and sign the reverse of the cheque and add your name, sort code, account number and roll number if applicable).

2.12 Money paid into your account by cheque will not be available to you to withdraw for at least six business days after it is paid into your account.

2.13 We do not accept inward transfers of credit through the bank's money transmission system, eg. bank giro credit, standing order or dividend mandate is not possible as there can be identification difficulties and delays outwith our control. Payments made in this way may be returned automatically and may incur a charge, currently £10.

3. Payments out of your account (Withdrawals)

3.1 You may only withdraw money from your account by electronic transfer to:

- (a) your pre-advised account; or
- (b) another Scottish Widows Bank deposit account in your name(s) (see condition 4).

3.2 The minimum withdrawal which you can make is £100. From time to time we may introduce or change the limits on the amount and frequency of any withdrawals. If we do so we will tell you about the changes under condition 11.

3.3 If you ask us to make a payment to your pre-advised account it will reach the bank holding your pre-advised account no later than close of business on the day following the receipt of your request.

(a) For example, if we process your request on Monday the funds will reach the other bank by Tuesday.

(b) We will process your instruction the business day we receive it or, if we receive it after the cut-off time or on a non-business day, the following business day.

3.4 Alternatively, you can request us to make a CHAPS transfer (please contact us for exact requirements on how to do so). There is a charge for this service.

(a) We will then take the money from your account on the business day we process your request, and the other bank will receive the money on the same business day.

(b) We will process your request the business day we receive it or, if we receive it after the cut-off time or on a non-business day, the next business day.

3.5 The other bank is required by law to pay the money into your pre-advised account when it receives it from us.

4. Payments to and from another Scottish Widows Bank account

4.1 You can instruct us to make a transfer between your account and any other Scottish Widows Bank account you have under the same name(s) with us.

4.2 We will process your instruction the business day we receive it or, if we receive it after the cut-off time or on a non-business day, the next business day.

4.3 When we process your instructions, we will debit the money from one account and it will be credited to the other account and available to withdraw.

5. Charges and Interest

Charges

5.1 If you request us to make a withdrawal by CHAPS transfer, a charge (presently £25) will be applied to cover our transfer costs. Withdrawals by other forms of electronic transfer will be made free of charge. No other charges will apply to the account for standard services.

Exceptional Service

5.2 We may charge for providing you with any non-standard service which you request in connection with your account. We will inform you of the charge before we provide the service.

Interest

5.3 Offsetting Facility

(a) The offset facility will only be available where the primary portion of your mortgage is either a variable, or select fixed rate product.

(b) The cleared balance of your account at close of business each day will then be offset against the primary portion of your Scottish Widows Bank mortgage.

(c) Interest on the mortgage will be calculated on the net balance each day. No credit interest is payable on this account.

(d) If the balance of this account at any time exceeds the balance of your mortgage, no credit interest will be payable on the surplus funds. We will contact you to discuss an alternative account which may be more suitable for your surplus funds.

6. Identification Requirements

- 6.1** To comply with Money Laundering Regulations, Scottish Widows Bank need to verify your identity when opening the account.

Please read our Privacy Notice for further information on what we do. This can be found on our website www.scottishwidowsbank.co.uk or you can request a copy by calling us on 0845 845 0829.

- 6.2** You will not be allowed to operate the account until the Money Laundering checks are complete.
- 6.3** The Money Advice Service Factsheet 'Proving your Identity' will help explain why we need to verify your identity. You can get a free copy from www.moneyadvice.org.uk or by calling them on 0300 500 5000.

7. Communication

- 7.1** On opening an account with us, you will be allocated an account number. Its purpose is to assist us in locating your account details in order to deal efficiently with your requirements. It is not a security code but should be quoted in all correspondence and in telephone enquiries.
- 7.2** When you contact us by telephone we retain the right to request additional account information as is reasonable to satisfy ourselves that the telephone caller is in fact the account holder.
- 7.3** Sending your personal data by E-mail is not secure. Only include your E-mail address if you agree to Scottish Widows Bank sending you E-mails.

Statements

- 7.4** A written statement of the account will normally be provided quarterly with your mortgage statement.
- 7.5** You can ask us to send you a copy of a paper statement we have already provided or made available but we will charge you for this.
- 7.6** Information relating to the account will be available via our Internet Banking system. You can also call us at any time for written details of transactions, charges and interest on your account.
- 7.7** Where we say we will write to you, we will as appropriate do so by letter, email, text, statement messages or inserts or in any other way which is sent to you individually.
- 7.8** You are responsible for checking statements and other account information we give you. You must tell us as soon as you reasonably can (by telephoning our customer service staff on 0845 845 0829) if you notice any errors on your account. If you do, or if we notice any errors, we will correct them as soon as reasonably possible.

- 7.9** We will communicate with you in English.

Security

- 8.1** You must:
- (a) follow instructions we give you, which we reasonably consider are needed to protect you and us from unauthorised access to your accounts;
 - (b) not let anyone else use your Security Details. For personal accounts this also applies to someone sharing a joint account with you as he or she will have his or her own;
 - (c) keep your Security Details secure and protected from damage;
 - (d) do all you reasonably can to make sure no one finds out your Security Details, for example by not:
 - (i) choosing obvious passwords or codes (such as your date of birth) as part of your Security Details;
 - (ii) writing your Security Details on, or keeping them with your banking documentation;
 - (iii) writing down your Security Details in a way that is recognisable;
 - (iv) letting anyone listen in to your calls with us, or watch you entering or making use of your Security Details;
 - (v) not let anyone else give instructions, or have access to information, on your accounts unless he or she has a separate arrangement with us to do so, or you have authorised him or her to do so.
- 8.2** The Security Details you provide on your application form will be held securely on file for your protection. Security Details can be changed at your request providing notification is given in writing (evidenced as required) and signed in accordance with the application form.
- 8.3** If you think someone else may be able to use, or has used, your Security Details (because, for example, they have found out your password), you must tell us as soon as you reasonably can by telephoning our customer service staff on 0845 845 0829. If we ask, you must give us any information you know about the misuse of the Security Details. We will pass this to the police if we reasonably think that will be useful.
- 8.4** If you register for Internet Banking, please familiarise yourself with the security information outlined in the Internet Banking Terms and Conditions.

9. Direct Debits

9.1 Where you can make payments by direct debits mandate there is a guarantee in place (which is unlimited in time). This guarantee is offered by all banks and building societies that take part in the Direct Debit Scheme. If an error is made by Scottish Widows Bank plc or your bank or building society, you are guaranteed a full and immediate refund from the bank holding your account which has been debited.

9.2 If the amounts to be paid or the payment dates under a direct debit change Scottish Widows Bank plc will notify you 10 business days in advance of your account being debited or as otherwise agreed.

9.3 If you wish to change the amount to be paid or the payment dates, we usually require only three business days notice which would supersede the standard 10 business day notice period. Telephone instructions will normally be recorded for your security.

9.4 You can cancel a direct debit at any time by writing to your bank or building society. Please also send a copy of your letter to us.

9.5 The efficiency and security of the Direct Debit Scheme is monitored and protected by your own bank or building society.

10. Refunds

10.1 We will refund the amount of a withdrawal and any charges or interest you paid as a result of it, and pay you any interest we would have paid you on that amount, if:

- (a) you asked us to make the payment to an account at another bank and the payment was not made properly or never arrived, unless there was a mistake in any of the details contained in the payment instruction you gave us or we can show that the payment was received by the other bank (in this case, that bank is required by law to make the payment immediately); or
- (b) you tell us that a payment out of your account was unauthorised and, having investigated it, we are reasonably satisfied that the payment was not authorised and that you are not liable (condition 12 has more information on liability). We will not refund the payment if you tell us more than 13 months after the payment was made.

10.2 If a withdrawal was not made properly or never arrived, we will (if you ask us to) make immediate efforts to trace the payment and notify you in writing or by telephone of the outcome.

10.3 If you ask us to transfer money to your account by direct debit and the payment is not made correctly or never arrived we will:

- (a) (unless we can show it was the fault of the paying bank, or you gave us the wrong payment details – see condition 1.3) immediately ask the paying bank to make the payment to us again;
- (b) if you ask us to, make immediate efforts to trace the payment and notify you in writing or by telephone of the outcome; and
- (c) refund you any charges you paid as a result.

10.4 If we can show that it was the paying bank's fault they will be responsible for:

- (a) putting the amount of the payment back into your pre-advised account;
- (b) paying you any interest you would have earned on the amount had it not been taken from your pre-advised account; and
- (c) refunding you any charges you paid as a result of the payment not being made correctly or at all.

10.5 Conditions 10.3 and 10.4 do not affect your rights under condition 9.

11. Variation

Changes with advance notice

11.1 By writing to you at least two months in advance we can change:

- (a) the terms that apply to a particular account or service (such as the margin on a tracker account, the benefits included with an account, or, if we haven't changed it under one of the conditions above, a managed rate); or
- (b) any of the other terms of this agreement.

11.2 We will only make a change under condition 11.1 if you can end this agreement (or close the affected account or service) before the change takes effect if you do not want to accept the change:

- (a) without charge; or
- (b) we say we will not make a charge which would otherwise apply. Unless you close your account or end this agreement prior to the proposed change date, you will be deemed to have accepted the changes to your terms and conditions.

11.3 Some of these conditions are based on expected regulatory requirements that will not be made until after this document is prepared for printing. If any condition turns out to be inconsistent with a regulatory requirement, we will not rely on it but will treat it as if it did reflect the relevant regulatory requirement and we will make any changes to these conditions that are required to reflect that requirement when they are next reprinted.

12. Liability

12.1 If we break this agreement:

- (a) we will not be liable for losses or costs caused by abnormal and unforeseeable circumstances outside our reasonable control, which would have been unavoidable despite all efforts to the contrary, for example delays or failures caused by industrial action, problems with another system or network, mechanical breakdown or data-processing failures;
- (b) we will not be liable for any indirect loss resulting from our breach.

12.2 You will not be liable for any payment instructions you did not give yourself, even if they were given using your Security Details, unless we can prove either:

- (a) that you have acted fraudulently in which case you will be liable for all payments from the account that we have been unable to stop; or
- (b) that you have been very careless with your Security Details (for example if you do not tell us as soon as you think someone has discovered your Security Details or is accessing your accounts without your authority or you broke your obligations in condition 8) in which case (depending on the facts of the case and any legal requirements that apply) you may be liable for payments from your account but only until you have told us that your Security Details have been lost, stolen or could be misused. If you are not liable for a payment we will refund the amount of the payment and any charges or interest you paid as a result of it, and pay you any interest we would have paid you on that amount, and will not have any further liability to you.

12.3 Nothing in this agreement limits our liability for acting fraudulently or very carelessly or otherwise excludes or limits our liability to the extent we are unable to exclude or limit it by law.

13. Law

13.1 Subject to conditions 13.2 and 13.3, the law of Scotland:

- (a) governs the contract between you and us; and
- (b) forms the basis on which relations are established between you and us before the contract is made.

13.2 If you are resident in Northern Ireland when the conditions in this agreement first apply to you the law of Northern Ireland will apply for the purposes of condition 13.1.

13.3 If you are resident in England or Wales when the conditions in this agreement first apply to you the law of England and Wales will apply for the purposes of condition 13.1.

14. Complaints

14.1 Scottish Widows Bank has in place an internal complaints procedure, details of which can be obtained by telephone from our customer service staff on 0845 845 0829.

14.2 Alternatively you can write to us at: Customer Services Department Scottish Widows Bank plc PO Box 12757 67 Morrison Street Edinburgh EH3 8YJ If we are still unable to reach an agreement with you to settle your complaint, we'll write to you with a "final response". If you are not happy with our final response, or if you do not receive it within 8 weeks, you can (unless you are a larger business customer) refer your complaint to the Financial Ombudsman Service by writing to them at South Quay Plaza, 183 Marsh Wall, London E14 9SR; by telephoning 0845 080 1800 or by e-mailing complaint.info@financial-ombudsman.org.uk The decision of the Financial Ombudsman Service will be binding upon us.

14.3 We are covered by the Financial Services Compensation Scheme (FSCS). The FSCS can pay compensation to depositors if a bank is unable to meet its financial obligations. Most depositors – including most individuals and small businesses – are covered by the scheme.

In respect of deposits, an eligible depositor is entitled to claim up to £85,000. For joint accounts each account holder is treated as having a claim in respect of their share so, for a joint account held by two eligible depositors, the maximum amount that could be claimed would be £85,000 each (making a total of £170,000). The £85,000 limit relates to the combined amount in all the eligible depositor's accounts with the bank including their share of any joint account, and not to each separate account.

For further information about the scheme (including the amounts covered and eligibility to claim) please call us on 0845 845 0829 refer to the FSCS website www.FSCS.org.uk or call 020 7741 4100 or 0800 678 1100.

15. Joint Accounts

15.1 This section applies to personal account holders if more than one customer is named in the application form for your account. We will open all the accounts you have requested on this application as joint accounts. The instructions in this form will apply to all future accounts you open in both of your names unless you specifically tell us otherwise.

15.2 A joint account means:

- (a) Both of you are separately responsible for keeping to its terms. If either of you does not keep to them, we can take action against either or both of you singly or together.
- (b) We may give any information about the account to either of you (even if you request that both of you must sign instructions to us).
- (c) Either of you will be able to withdraw any money in the account (which may be without the other's knowledge). We will not be obliged to make any enquiries about the purpose of any transactions.
- (d) The account cannot later be put into just one of your names, unless you both agree.
- (e) If there is a dispute between you about your account, we may require you both to authorise transactions until you both agree how the account is to be run.
- (f) If either of you dies, we will pay any balance on your account to the other.
- (g) If a joint account is opened we will need to verify the identity of all account holders.

Instructions from either or both of you

15.3 The option of both of you to authorise all instructions on your account is not available. This is because it is not possible for more than one customer to give an instruction at the same time by telephone or Internet Banking.

16. Amendments

Requests to amend account details should be made in writing and be signed by you in accordance with the prevailing instructions. For your convenience standard amendment forms are available on telephone request to the customer services line. Notice of any change of name or bank details must be accompanied by appropriate evidence.

17. Death of Account Holder

17.1 If a sole account holder dies, the personal representatives may close the account (upon presentation of such evidence of their authority as we may require) by withdrawing the balance of the account together with any interest accrued without notice or penalty. If applicable, if a joint account holder dies the account may continue in the name of the surviving account holder(s).

17.2 Alternatively, the survivor(s) may elect to close the account by withdrawing the balance of the account together with any interest accrued.

18. Notice to close account

18.1 This agreement will continue until you or we cancel or end it. If you are paying any monthly or other regular fees for an account or service, the amount you pay will be limited to the period we provide for that service.

18.2 You may end this agreement, or an account or other service under it, without charge at any time by writing to us or phoning us. Where you have not told us in writing, we may require confirmation in writing.

18.3 We may close your account at any time. We will give you not less than two months' written notice of our intention to close your account unless:

- (a) you are, or we reasonably consider you may be:
 - (i) using or obtaining, or allowing someone else to use or obtain, a service or money illegally;
 - (ii) acting fraudulently;
 - (iii) behaving improperly (for example, in a threatening or abusive manner);
- (b) we reasonably consider that by continuing to allow you to run your account:
 - (i) we may break a legal requirement or a court order or other authority;
 - (ii) we (or another company in the Lloyds Banking Group) may be exposed to action from any government or regulator; or
- (c) you have seriously or persistently breached these conditions in any other way.

If we close your account without giving you the notice beforehand, we will do so as soon as possible afterwards.

19. Right to Cancel

If you are not happy about your choice of savings or investment account(s), please write to us within 14 days of opening your account at: Scottish Widows Bank plc, PO Box 12757, 67 Morrison Street, Edinburgh EH3 8YJ. We will help you switch accounts or we will give you all your money back with interest. We will ignore any notice period.

20. Contracts (Rights of Third Parties) Act 1999

This contract is between the Account Holder(s) and Scottish Widows Bank plc. The terms of the Contracts (Rights of Third Parties) Act 1999 and any other legal third party rights are specifically excluded except to the extent that rights are expressly conferred on other Lloyds Banking Group companies. This means that only the parties to the contract (or their legal successor(s), assignee(s) or other security holders) and other Lloyds Banking Group companies may have contractual rights.

21. Mortgage overpayments and offsetting

21.1 If you choose reduced monthly payment as your offset benefit, any mortgage overpayments you make will reduce the monthly mortgage payment.

21.2 If you choose reduced term as your offset benefit, any mortgage overpayments you make will reduce the term of your mortgage.

22. Offset Benefits

You can switch between reduced term and reduced monthly payment up to four times per year.

23. At the end of your mortgage

When your mortgage balance is no longer outstanding we will automatically transfer the balance of your Offset Saver Account to an Instant Saver Account. This account offers instant access to your savings.

For further information on the products and services provided by Scottish Widows Bank, please call our Customer Service Staff on:

0845 845 0829

Or visit our website:

www.scottishwidowsbank.co.uk