

SCOTTISH WIDOWS BANK



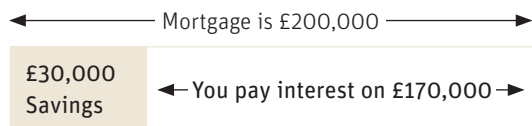
A GUIDE TO OFFSETTING

SCOTTISH WIDOWS

INTRODUCING OFFSET

With Scottish Widows Bank's Flexible and Professional Mortgages, our offset facility is available on all variable and some fixed rate products.

If you decide to offset, we'll set up an Offset Saver Account. Just like any other savings account you can deposit or withdraw funds at any time. While you won't earn any interest on the 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 in effect take the balance of your savings away from the outstanding balance of your mortgage and only charge you interest on the net amount.



So, interest on the mortgage is calculated on:
 $£200,000 - £30,000 = £170,000$

You can then choose to benefit from offset in one of two ways:

- Reduced Term (So you pay off your mortgage quicker)
- Reduced Monthly Payment (Reducing the mortgage interest element of your monthly payment)

OPTION 1 – REDUCED TERM

Decrease the duration and cost of your mortgage

Although your monthly mortgage repayments stay the same each month (subject to changes in mortgage rates), the amount of mortgage interest you need to pay is lower due to your offset savings. More of your monthly mortgage payment is therefore used to repay the balance of your loan. This could allow you to pay off your mortgage quicker.

How much quicker you pay off your mortgage is up to you. The more money you have in your Offset Saver Account the less interest you'll be charged on your mortgage.

Example – Reduced Term

This example illustrates how the Reduced Term offset option works:

- £200,000 mortgage over 25 years on a repayment basis. A product fee of £999 and a CHAPS fee of £25 have also been added to this, giving an overall borrowing amount of £201,024.
- 2 year fixed rate of 3.49% with a product fee of £999, reverting to a standard variable rate of 3.99% after two years.
- The overall cost for comparison is 4.0% APR.
- £25,000 lump sum in the Offset Saver Account from completion. It is assumed these funds remain in the Offset Saver Account for the full term. The completion date in this example is 15 January 2014.
- An additional £100 regular monthly payment to the Offset Saver Account.
- This is an example interest rate and is not necessarily the current rate offered by Scottish Widows Bank.

By offsetting, the term of the mortgage would effectively be reduced by **3 years and 5 months**, and **£46,440** is saved in interest payments.

The reduction of the mortgage term is illustrated in the diagram below.



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

Please read the 'Frequently asked questions' section for detailed information about offsetting with Scottish Widows Bank.

OPTION 2 – REDUCED MONTHLY PAYMENT

Decrease your mortgage payments and save money

With this option, the term of your mortgage remains unchanged, but your monthly mortgage payment is reduced. The offset benefit you earn each month from the savings in your Offset Saver Account is used to reduce the interest element of your mortgage payment for the following month. We collect your mortgage payment one month in arrears, so it's important to remember the savings balance in one month will reduce

the mortgage payment you make two calendar months later. For example, offset benefit earned in April would reduce your May mortgage payment, which would be collected on 1 June.

This means your savings could give you more disposable income each month by reducing your monthly payment.

Example – Reduced Monthly Payment

This example illustrates how the Reduced Monthly Payment offset option works:

- £200,000 mortgage over 25 years on a repayment basis. A product fee of £999 and a CHAPS fee of £25 have also been added to this, giving an overall borrowing amount of £201,024.
- 2 year fixed rate of 3.49% with a product fee of £999, reverting to a standard variable rate of 3.99% after 2 years.
- The overall cost for comparison is 4.0% APR.
- £25,000 lump sum in the Offset Saver Account from completion. It is assumed these funds remain in the Offset Saver Account for the full term. The completion date in this example is 15 January 2014.
- This is an example interest rate and is not necessarily the current rate offered by Scottish Widows Bank.

The column 'Total mortgage payment after offset benefit applied' shows how the Reduced Monthly Payment option reduces the monthly mortgage payments. In total, £23,673 would be saved in interest payments during the mortgage term, and there would also be a sufficient Offset Saver Account balance to repay the mortgage balance 24 months early.

Date from	Date to	Number of days	Mortgage payment date	Offset benefit earned	Offset benefit applied	Total mortgage payment before offset benefit applied*	Total mortgage payment after offset benefit applied**
15/01/2014	28/02/2014	45	01/03/2014	£107.57	£0	£1332.06	£1332.06
01/03/2014	31/03/2014	31	01/04/2014	£74.10	£107.57	£1005.30	£897.73
01/04/2014	30/04/2014	30	01/05/2014	£71.71	£74.10	£1005.30	£931.20
01/05/2014	31/05/2014	31	01/06/2014	£74.10	£71.71	£1005.30	£933.59
01/06/2014	30/06/2014	30	01/07/2014	£71.71	£74.10	£1005.30	£931.20
01/07/2014	31/07/2014	31	01/08/2014	£74.10	£71.71	£1005.30	£933.59

* If your mortgage starts part way through a month your first monthly payment will be higher as this payment will include your first full month plus the part month. For example: Your mortgage starts on 15 June. The first payment will be on 1 August and will include the payment for July and the part month of June. From that point forward your mortgage will revert to normal monthly payments.

** Your offset benefit will accrue from the day you deposit funds into your Offset Saver Account and each month it will be applied to the mortgage payment for the following month (which we'll advise you of in advance). As your offset benefit is always applied to the following month's mortgage payment, the first monthly payment of a new mortgage will always be a full payment with no offset benefit applied.

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

Please read the 'Frequently asked questions' section for detailed information about offsetting with Scottish Widows Bank.

FREQUENTLY ASKED QUESTIONS ABOUT OUR OFFSET FACILITY

Q Which account is used for my offset savings?

A If you've chosen to offset, we'll open an Offset Saver Account for you. You'll be able to transfer money to and from your Offset Saver Account using the nominated account you selected when you applied for your Scottish Widows Bank mortgage.

Q How do I transfer money to and from my Offset Saver Account?

A You can use Internet Banking and telephone banking. If you selected Internet Banking at application stage, you'll receive your Internet Banking login details by post.

You can also see your mortgage balance and your Offset Saver Account balance by logging in to Internet Banking.

Q Will I earn interest on the savings in my Offset Saver Account?

A No, you won't earn any interest on the savings in your Offset Saver Account. Instead, you won't, in effect, be charged any interest on the equivalent amount of money in your mortgage. This also means there is no tax liability. So, by reducing the interest payable on your mortgage your savings are in effect earning mortgage rate interest.

If the balance of your Offset Saver Account is greater than the mortgage portion you have chosen to offset against, you won't receive any credit interest on the difference between the two amounts. If this situation happens, we'll write to you as you may like to open an interest bearing savings account or even pay off some or all of your mortgage balance.

Q How does the Reduced Term offset benefit work?

A Irrespective of your Offset Saver Account balance, each month you'll continue to pay the full monthly mortgage payment. This means your offset benefit is effectively being used to make mortgage overpayments each month. This will gradually reduce the mortgage balance, which helps to pay off your mortgage quicker.

Q How does the Reduced Monthly Payment offset benefit work?

A Your monthly mortgage payment will be reduced each month, based on the offset benefit you accrue from the balance of your Offset Saver Account. Your offset benefit will accrue from the day you deposit funds into your Offset Saver Account and each month it will be applied to the mortgage payment for the **following** month.

So, for example, the offset benefit earned from the savings in your Offset Saver Account for the month of March, will be deducted from your mortgage payment for the month of April (which we'll collect on 1 May). This means your mortgage payment will vary most months.

If you have a repayment mortgage, you will **always** pay the capital amount each month as it is only the mortgage interest element that is reduced each month.

Q How do I find out what my mortgage payment will be each month if I choose Reduced Monthly Payment?

A We'll send you a payment change letter each month your payment changes, which you'll receive at least ten working days before your next mortgage payment.

Q When will my first mortgage payment be after completion?

A We'll collect your first monthly mortgage payment on the first day of the month following the first full month after completion. For example, if your mortgage completes on 15 January your first mortgage payment will be on 1 March. If your mortgage completes on 1 March then your first mortgage payment will be on 1 April. Your offset benefit will not take effect until the month after your first payment so your first payment will always be a full payment.

Q Can funds be released on completion directly to the Offset Saver Account?

A Yes, funds can be released directly to the Offset Saver Account on completion. You need to make the completion or processing team aware of this before your completion date.

Q How do I deposit funds directly to my Offset Saver Account immediately on completion of my mortgage / in the future?

A You can send payment in the following ways:

- Online using Internet Banking from an existing Scottish Widows Bank savings account or your nominated external account.
- Using Telephone Banking from an existing Scottish Widows Bank savings account or your nominated external account.
- Send a cheque (personal bank / building society account) payable to 'Scottish Widows Bank' <applicant's name> Scottish Widows Bank. 67 Morrison Street, Edinburgh, EH3 8YJ.
- From your nominated account using bank details:
 - Sort code 30-18-05
 - Account number 00030372
 - Reference <Offset Saver Acc no ending 30> This can be found on your Annual Statement, on Internet Banking or by calling us.

Q How much will my first mortgage payment be? And, if I've chosen Reduced Monthly Payment as my offset benefit, will this reduce the first payment amount?

A Your first payment will be bigger than your normal monthly mortgage payment because your normal payment just covers the month in which it's due. However, a new mortgage often starts part way through a month. So, for example, if your mortgage completes on 15 January, your first mortgage payment would be on 1 March and would include the interest due from 15 to 31 January, in addition to the normal payment due for February.

In the above example, if you've chosen Reduced Monthly Payment as your offset benefit and you have savings in your Offset Saver Account from 15 January, then the benefit will accrue from that date. However, the first occasion your monthly mortgage payment reduces will be on 1 April.

This means your offset benefit will accrue from the day you deposit funds into your Offset Saver Account.

We collect your mortgage payment one month in arrears. So, it's important to remember that following your first payment, the savings balance in one month will reduce the mortgage payment you make two calendar months later. For example, offset benefit earned in April would reduce your May payment, which would be collected on 1 June.

Q How are mortgage interest and my monthly mortgage payment calculated?

A Mortgage interest is calculated daily. To ensure that standard monthly mortgage payments don't fluctuate each month, we divide 365 days by 12.

$$365/12 = 30.42$$

Therefore, every month your mortgage payment is based on 30.42 days.

Q If the amount in my Offset Saver Account is the same as the outstanding balance of my mortgage and my offset benefit is Reduced Monthly Payment, will my monthly mortgage payment be £0?

A If you have an interest only mortgage, your monthly mortgage payments may well be £0 for several months throughout the year. However, each month your accrued offset benefit will be applied to the mortgage payment for the following month. This means that, for a March mortgage payment that is collected on 1 April, the offset benefit applied to it will be from February (28 days). Therefore, if you are 100% offsetting, you'd still have:

$$30.42 \text{ days} - 28 \text{ days} = 2.42 \text{ days of interest to pay on 1 April.}$$

Or, for a September mortgage payment that is collected on 1 October, the offset benefit applied to it will be from August (31 days). This would mean:

$$30.42 \text{ days} - 31 \text{ days} = 0.58 \text{ of accrued offset benefit we will store and add to next month's (September) offset accrued benefit.}$$

If you have a repayment mortgage, you will always pay the capital amount each month as it is only the interest element that you can offset against.

Q Can I earn interest on my Offset Saver Account savings if the balance is greater than my outstanding mortgage balance?

A No. If the savings balance in your Offset Saver Account is greater than the mortgage portion you are offsetting against, you won't earn any additional interest.

In this scenario, you may wish to transfer some of your Offset Saver Account balance to another savings account with us or back into your nominated account so it can be paid into an interest bearing account.

Q Do I need to transfer a lump sum to my Offset Saver Account to benefit from offsetting?

A No, you can also benefit by saving regularly.

Q What happens to my Offset Saver Account savings once my mortgage is paid off?

A When your mortgage balance is no longer outstanding we will automatically transfer the balance of your Offset Saver Account to your nominated account.

Q If my mortgage is made up of more than one rate or repayment method, can I offset against my total mortgage balance?

A No, You can only offset against one rate / repayment method – at application stage you'll need to choose which one.

Q Can I switch between reduced term and reduced payment?

A Yes, you can switch between these options up to four times a year.

Q How many Offset Saver Accounts can I open?

A You can open one Offset Saver Account.

Q How do I open my Offset Saver Account?

A When you apply for your mortgage there's an option to select Offset. You can also apply for Offset at any time while your mortgage application is being processed.

If your mortgage account is already open you can fill in the Offset Saver Account Application Form; available to download from our website <http://reference.scottishwidows.co.uk/literature/doc/48382>, or you can call us and we'll post you a copy.

Q Can I access the savings in my Offset Saver Account?

A 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:

- easy 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.

Q Can I still make mortgage overpayments if I choose offset?

A Yes, choosing offset doesn't affect the flexibility of making mortgage overpayments, subject to the Terms and Conditions of the mortgage you have chosen.

Q What are the tax advantages?

A 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 earning mortgage rate interest.

If your money was earning interest in a savings account, you would have to pay income tax on any interest earned in excess of the personal savings allowance. From 6 April 2016 the personal savings allowance is £1,000 for basic rate taxpayers or £500 for higher rate taxpayers. There is no personal savings allowance for additional rate taxpayers (those earning over £150,000).



INTERNET BANKING

Our Internet Banking service offers a convenient way for you to manage your account online. 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, Powers of Attorney or Third Parties.

DEPOSITS

You may deposit additional funds with us by (always referencing your Scottish Widows Bank Offset Saver Account Number):

- cheque drawn on your existing **personal** bank/building society account – no third party cheques are permitted and we won't accept deposits from a business account
- electronic transfer from your nominated account using the bank details:
 - Sort code 30-18-05
 - Account number 00030372
 - Reference <Offset Saver Acc no ending 30>
This can be found on your Annual Statement, on Internet Banking or by calling us
- 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 (like 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 nominated 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 working day
- same day transfer by CHAPS on the day of instruction can be arranged if received by 3:40pm 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, incoming payments 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 working days to set up a Direct Debit mandate, and we are unable to collect funds on your behalf during this period.

If a Direct Debit is inactive for a period of 13 months or more the mandate will lapse for your security. You can re-activate this by calling us on 0345 845 8555.

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 service team on 0345 845 0829.

Customers with a hearing impairment may choose to make use of Next Generation Text Relay (NGT) (previously known as Text relay, TextDirect and Typetalk) on 0345 732 3436 (lines are open seven days a week, 9am to 5:30pm). For more information visit the NGT Relay website. <http://ngts.org.uk/>

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 (**'us'**).

You explicitly consent to us accessing, processing and retaining any information you provide to us, for the purposes of providing payment services to you. This does not affect any rights or obligations you or we have under data protection legislation. You may withdraw this consent by closing your Offset Saver account.

These accounts are available to people aged 21 and over (professional mortgage) or 18 and over (flexible mortgage).

You can ask us for a copy of this agreement by calling our customer service team on **0345 845 0829**. Scottish Widows Bank is a trading name of Lloyds Bank plc. Registered office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales, no. 2065. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under number 119278.

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 **0345 845 0829**. 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.

We may contact you by post, telephone and electronically using the contact details you give us, including any address you have agreed we should use for electronic communications. We will use these same contact details and appropriate secure procedures to make contact if we suspect fraud or a security threat. We never ask for details about your account, devices, security details or any confidential information by email, so please do not reply to an email asking for this information.

Defined terms

In these conditions, the following terms have the meanings shown beside them: 'working 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 working day such that instructions received after that time will not be treated as received until the next working day. The cut-off time is usually not before 6:00pm, although the cut-off time for CHAPS transfers is 3:40pm. 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, Halifax and Bank of Scotland, and their associated companies. More information on the Lloyds Banking Group can be found at **www.lloydsbankinggroup.com**

'nominated 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.

'third party provider' means a service provider authorised by law to access information or make payments for you from your payment accounts.

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 password / information to be confirmed prior to any transactions being carried out.
 - c) Post – we will accept instructions by letter or postal instruction forms (these are available via our website or on request from our customer service team). Your instruction must be signed and will be checked against our records upon receipt of your request.
- 1.2** We explain how you can ask us to make payments from your account. You can also use a third party provider to make payments from your online Offset Saver account. (You can find out more about third party providers at condition 5) If you do use such a provider, those payments will be made in the same way we have set out in this condition.
- 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 working day before the instruction is to be carried out.)
 - c) Although some payments can be made on non-working days, the processing of these payments is not completed on our systems until the next working day.
- 1.3** When you request a Direct Debit transfer to your nominated account, you must give us the other account name, sort code, account number and any other details we ask you for, 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. Direct debits cannot be requested by a third party provider.

- 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 service team on **0345 845 8555**.
 - 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.

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

- a) by direct debit from your nominated account;
- b) by electronic transfer from your nominated 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. 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.

2.4 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.

Direct Debit

2.5 To collect regular or occasional transfers by Direct Debit, from your nominated account, we will require a completed mandate. Please note it takes three working 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 nominated 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.

- 2.6 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 working days from when we process your payment instruction. We will process your instruction the working day we receive it or, if we receive it after the cut-off time or on a non-working day, the next working day.
- 2.7 If no day is specified, we will request the payment on the day we process your instruction. We will usually receive the payment three working 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).
- 2.8 We will credit your account when we receive the payment. It will reduce the interest payable on your mortgage from that day with your benefit applied (see condition 25). We will allow you access to your funds straightaway.

Electronic transfer

- 2.9 If you ask the bank holding your nominated 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. CHAPS transfers must come from your nominated account and quote your Offset Saver Account number as a reference as follows:
- Sort code 30-18-05
 - Account number 00030372
 - Reference <Offset Saver Acc no ending 30>
This can be found on your Annual Statement, on Internet Banking or by calling us.
- 2.10 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

- 2.11 For your protection we recommend that personal cheques issued by you are made payable to: Scottish Widows Bank <Account Holder's Name> and include your Offset Saver Account number as a reference.
- 2.12 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).

- 2.13 We use one of the two clearing cycles:

- The 'six day' clearing process
- The 'Cheque Imaging' process (being introduced during 2018)

The 'Cheque Imaging' process will be introduced gradually, and if we are using the new process we will display a notice when you pay in a cheque.

Money paid into your account by cheque using the six day clearing process will not be available to you to withdraw for at least six working days after it is paid into your account.

Money paid into your account by cheque using the Cheque Imaging process will be available for you to withdraw from 23.59 on the working day after we receive it at the latest.

3. Payments out of your account (withdrawals)

- 3.1 You may only withdraw money from your account by electronic transfer to:
- a) your nominated 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 13.
- 3.3 If you ask us to make a payment to your nominated account it will reach the bank holding your nominated 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 working day we receive it or, if we receive it after the cut-off time or on a non-working day, the following working 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 (currently £25).
- a) We will then take the money from your account on the working day we process your request, and the other bank will receive the money on the same working day.

- b) We will process your request the working day we receive it or, if we receive it after the cut-off time or on a non-working day, the next working day.
- 3.5 The other bank is required by law to pay the money into your nominated 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 working day we receive it or, if we receive it after the cut-off time or on a non-working day, the next working 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. Third party providers**
- 5.1 You can instruct a third party provider to access information on your Offset Saver account or make payments from your Offset Saver account online, as long as it is open and transparent about its identity and acts in accordance with the relevant regulatory requirements. We will treat any instruction from a third party provider as if it were from you.
- 5.2 We may refuse to allow a third party provider to access your account if we are concerned about unauthorised or fraudulent access by that third party provider. Before we do this we will tell you and explain our reasons for doing so, unless it is not reasonably practicable, in which case we will tell you immediately afterwards. In either case, we will tell you in the way which we consider most appropriate in the circumstances. But we will not tell you where doing so will compromise our reasonable security measures or otherwise be unlawful.
- We may make available to a third party provider a specific means of accessing your account. If we do and it tries to access your account by a different way, we may refuse to allow that access.
- 5.3 If you think a payment may have been made incorrectly or is unauthorised, you must tell us as soon as possible even where you use a third party provider.

6. Charges and interest

Charges

- 6.1 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

- 6.2 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

6.3 Offsetting facility

- a) The offset facility will only be available where a portion of your mortgage is either a variable or a selected fixed rate product.
- b) The cleared balance of your account at the close of business each day will then be offset against the portion of your Scottish Widows Bank mortgage linked to this account.
- c) Interest on the linked portion of your 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 the portion of your mortgage to which it is linked, no credit 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.

7. Identification requirements

- 7.1 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 **0345 845 0829**.

- 7.2 You will not be allowed to operate the account until the Money Laundering checks are complete.

- 7.3 For more details about identity checks, please refer to www.moneyadviceservice.org.uk

8. Communication

- 8.1 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, incoming payments and in telephone enquiries.
- 8.2 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.
- 8.3 Sending your personal data by email is not secure. Only include your email address if you agree to Scottish Widows Bank sending you emails.

Statements

- 8.4 If there are payments out of your Offset Saver account, we will either provide information on those payments by letter or send a statement within one month. You can ask us to provide this information less often than monthly by calling us. We will always provide a statement at least once a year. You may receive a more regular statement more often than once a year if we have agreed this with you. Statements will set out all the payments into and out of your account and give other information about them. We will also send you confirmation of all transactions of £10,000 or over.
- 8.5 Your annual statement will normally be provided with your mortgage statement.
- 8.6 You can ask us to send you a copy of a paper statement we have already provided or made available but we may charge you for this (currently £5).
- 8.7 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.
- 8.8 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.

- 8.9 If you have a joint Offset Saver account and are receiving statements at only one address, you can ask us to send you separate statements if the account holders live at different addresses.
- 8.10 When we send you statements, we may put messages on or with your statements to tell you about changes to this agreement or to other agreements or services you have with us.
- 8.11 You are responsible for checking statements and other account information we give you. You must tell us as soon as you reasonably can (by calling our customer service team on **0345 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.
- 8.12 We will communicate with you in English.

9. Who is responsible for any loss?

It is important for you to understand what you and we take responsibility for and when you may be liable under this agreement. Conditions 9, 10, 12 and 14 also apply to any payments you make through a third party provider.

Security

- 9.1 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;
 - e) 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.
- 9.2** 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.
- 9.3** 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 calling our customer service team on **0345 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.
- 9.4** If you register for Internet Banking, please familiarise yourself with the security information outlined in the Internet Banking Terms and Conditions.
- 10. Direct Debits**
- 10.1** Where you can make payments by Direct Debit 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 or your bank or building society, you are guaranteed a full and immediate refund from the bank holding your account which has been debited.
- 10.2** If the amounts to be paid or the payment dates under a Direct Debit change Scottish Widows Bank will notify you 10 working days in advance of your account being debited or as otherwise agreed.
- 10.3** If you wish to change the amount to be paid or the payment dates, we usually require only three working days notice which would supersede the standard 10 working day notice period. Telephone instructions will normally be recorded for your security.
- 10.4** 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.
- 10.5** The efficiency and security of the Direct Debit scheme is monitored and protected by your own bank or building society.
- 11. General terms about payments**
- If we are told, for example by another bank, that money has been paid into your Offset Saver account by mistake, we can take an amount up to the mistaken payment amount from your account. We do not have to ask you to agree to this, but will let you know if it happens. We will act reasonably and try to minimise any inconvenience to you.
- 11.1** If we become aware that a payment into your Offset Saver account was made by mistake or fraud within two months of receipt of the payment, we will:
- a) make sure the amount of the payment is not available to you to use (we might do this by taking the amount out of your account or by limiting access to the amount on your account); and
 - b) tell you that we will return the payment to the paying bank unless you tell us within 15 working days that the payment was not made by mistake or fraud; and
 - c) if you do not respond within 15 working days, return the amount to the paying bank.
- 11.2** If we become aware that a payment into your account was made by mistake or fraud more than two months after receipt of the payment, we will normally contact you before restricting your use of the amount on the account.
- 11.3** If we cannot return the funds to the payer we can give information about you and your account to the payer's bank so that they can recover the money.

12. Refunds

- 12.1** 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. We will provide the refund without undue delay; or
 - b) you tell us that a payment out of your account was not authorised and that you are not liable (condition 14 has more information on liability). We will provide the payment as soon as we can and in any event by the end of the next working day. Except for direct debits, we will not refund the payment if you tell us more than 13 months after the payment was made.
- 12.2** 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.
- 12.3** 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.
- 12.4** 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 nominated account;
 - b) paying you any interest you would have earned on the amount had it not been taken from your nominated account; and
 - c) refunding you any charges you paid as a result of the payment not being made correctly or at all.
- 12.5** Conditions 12.3 and 12.4 do not affect your rights under condition 10.

13. How and when we can make changes to this agreement

As the Offset Saver Account could last a long time, we will need to change its terms occasionally. We can foresee some of the reasons why it would be fair for us to do this, and have listed them below, but we may in the future also want to make changes for other reasons. We will tell you about all these changes and how they will affect you, in advance. You can close your Offset Saver Account if you do not want to accept any change we tell you about. If you do, you will not be able to use your Scottish Widows Bank savings to offset.

13.1 What can we change?

We can change the conditions that apply to your Offset Saver Account or service but we cannot change terms that we tell you are fixed.

13.2 Why can we make a change?

A regulatory requirement is any law, regulation, code or industry guidance that applies to us including a requirement of a court, ombudsman or similar body or an undertaking given to a regulator.

- a) we can make a change for any reason set out below. If we do, the change will be a reasonable and proportionate response to a change that is affecting us or that we reasonably think will affect us.

Reason	For Example
A change in regulatory requirements.	We may have to update our security terms because new legislation introduces tighter standards.
To do something positive for you.	Our conditions may have to change because new technology enables you to make payments more quickly.
A change in the cost of running our accounts, including changes in our running costs.	We may have to adjust our charges if our running costs change.
Any other change that affects us, if it is fair to pass the impact of the change on to you.	We may introduce new measures to combat fraud.

- b) we may make changes for any other reason we cannot foresee.

13.3 How and when we will tell you about changes and what are your rights

“Personal notice” means a notice we give you individually, for example by letter, electronically or in statement messages or inserts.

When we make any change to the Offset Saver Account conditions, we will send you personal notice at least two months before the change takes place and you are free to close or switch your Offset Saver Account at any time before the change comes into force.

13.4 What are your rights if you want to close or switch your Offset Saver Account in response to notice of a change?

If we make a change to your Offset Saver Account conditions, you can tell us you do not want to accept the change using the contact details at the back of this booklet. We will take this as notice that you wish to end the agreement and close or switch your Offset Saver Account immediately. If there is normally a charge for closing or switching your account, it will not apply. If we do not hear from you, we will regard you as accepting the change on the date it comes into force.

14. Liability

14.1 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.

14.2 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.

14.3 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.

15. Law

15.1 Subject to conditions 15.2 and 15.3, 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.

15.2 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 15.1.

15.3 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 15.1.

16. Complaints

16.1 Scottish Widows Bank has an internal complaints procedure, details of which can be obtained by calling our customer service team on 0345 845 0829.

We will try to resolve your complaint by the end of the third working day after you contact us. If we cannot do this, we will write to you within five working days to tell you what we have done to resolve the problem, or acknowledge your complaint and let you know when to expect our full response.

16.2 Alternatively you can write to us at: Customer Services Department, Scottish Widows Bank, 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 dissatisfied with our response, you can ask the Financial Ombudsman Service for an independent review free of charge.

The Financial Ombudsman Service will only consider your complaint once you have tried to resolve it with us, so please take up your concerns with us first and we will do all we can to help.

You can refer your complaint to the Financial Ombudsman Service by writing to them at Financial Ombudsman Service, Exchange Tower, London, E14 9SR.

Tel: **0800 023 4567** or **0300 123 9123**

Website: www.financial-ombudsman.org.uk

You may be able to submit a claim through the European Online Dispute Resolution Platform (available at ec.europa.eu/consumers/odr) if you live outside the United Kingdom or if you prefer not to deal directly with the Financial Ombudsman Service.

17. Joint accounts

17.1 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.

17.2 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.
- 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. In the case of a joint Mortgage Account, the linked Offset Saver Account cannot be held in sole name and must remain in both names for as long as the mortgage is jointly held.
- 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

17.3 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.

18. 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 to download from our website, or by calling our customer service team. Notice of any change of name or bank details must be accompanied by appropriate evidence.

19. Death of account holder

19.1 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 Offset Saver Account. If applicable, if a joint account holder dies the account may continue in the name of the surviving account holder(s).

19.2 Alternatively, the survivor(s) may elect to close the account by withdrawing the balance of the account.

20. Notice to close account

20.1 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.

- 20.2 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.
- 20.3 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.

21. Right to cancel

If you are not happy about your choice of Offset Saver Account, please write to us within 14 days of opening your account at:
 Scottish Widows Bank PO Box 12757,
 67 Morrison Street, Edinburgh EH3 8YJ. We will help you switch accounts or we will give you all your money back.

22. Contracts (Rights of Third Parties) Act 1999

This contract is between the account holder(s) and Lloyds Bank plc, trading as Scottish Widows Bank. 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.

23. Offset benefits

- 23.1 If you choose reduced monthly payment as your offset benefit, the benefit you receive will be used to reduce the monthly mortgage payment.
- 23.2 If you choose reduced term as your offset benefit, the benefit you receive will be used to reduce your outstanding mortgage balance which will help pay off the mortgage quicker.

24. Switching your offset benefit

You can switch between effectively reducing the term and reducing the monthly payment up to four times. Any switches made will be effective from the 1st of the month following the month in which the change is made.

25. 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 your nominated account.

26. Tax reporting and withholding for customers who are subject to the tax regime of certain other countries (including the US)

- 26.1 We (or other companies in the Lloyds Banking Group) may be required by legislation or by agreement with tax authorities to report certain information about you and your relationship with us, including information about your accounts:
- a) to the tax authorities in the UK, which may then pass that information to the tax authorities in another country where you may be subject to tax; or
 - b) directly to the tax authorities in other countries (such as the US) where we reasonably think or are required to presume you are subject to tax.

26.2 Where we are required to report information about you and/or your relationship with us, including information about your accounts, this information includes (but is not limited to) the account number, the amount of interest paid or credited to the account, the account balance or value, your name, address, country of residence and social security number or taxpayer identification number. In addition, we may need you to provide us with further information, documents or certifications about your identity, tax residence, nationality and status.

- 26.3 If we are required to report information about your accounts, you agree that:
- a) you will provide additional information or documents we need from you and that confidentiality rights under applicable data protection, bank secrecy or similar laws will not apply to information we report or obtain from you to comply with our obligations;
 - b) if you do not provide us with information or documents we need, we may i) apply a withholding tax to amounts, including interest, we pay to you; or (ii) close your account; or (iii) transfer the account to an affiliate in another jurisdiction; and
 - c) we will not be liable to you for any loss you may suffer as a result of our complying with legislation or agreements with tax authorities in accordance with this condition, unless that loss is caused by our gross negligence, wilful default or fraud.

27. How your offset benefit works

27.1 Reduced Term

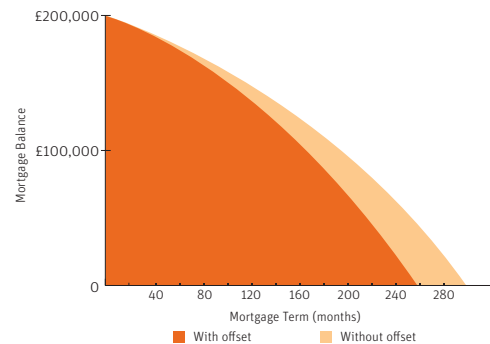
- a) Although your monthly mortgage repayments stay the same each month (subject to change in mortgage rates), the amount of mortgage interest you need to pay is lower due to your offset savings. More of your monthly mortgage payment is therefore used to repay the balance of your mortgage which could effectively allow you pay off your mortgage quicker.
- b) The actual contract term of your mortgage will never change. Your offset benefit will be used to effectively pay off your balance quicker but the original contract term of the mortgage will remain the same and will be displayed as such on your annual statement.

Example – Reduced Term

This example illustrates how the Reduced Term offset option works:

- £200,000 mortgage over 25 years on a repayment basis. A product fee of £999 and a CHAPS fee of £25 have also been added to this, giving an overall borrowing amount of £201,024.
- 2 year fixed rate of 3.49% with a product fee of £999, reverting to a standard variable rate of 3.99% after two years.
- The overall cost for comparison is 4.0% APR.
- £25,000 lump sum in the Offset Saver Account from completion. It is assumed these funds remain in the Offset Saver Account for the full term. The Completion date in this example is 15 January 2014.
- An additional £100 regular monthly payment to the Offset Saver Account.
- This is an example interest rate and is not necessarily the current rate offered by Scottish Widows Bank.

By offsetting, the term of the mortgage would effectively be reduced by **3 years and 5 months**, and **£46,440** is saved in interest payments. The reduction of the mortgage term is illustrated in the diagram below.



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

Please read the 'Frequently asked questions' section for detailed information about offsetting with Scottish Widows Bank.

27.2 Reduced Monthly Payment

- a) With this option, the term of your mortgage remains unchanged, but your monthly mortgage payment is reduced. The offset benefit you earn each month from the savings in your Offset Saver Account is used to reduce the interest element of your mortgage payment for the following month.
- b) We collect your mortgage payment one month in arrears so the savings balance in one month will reduce the mortgage payment you make two calendar months later. For example, offset benefit earned in April would reduce your May mortgage payment, which would be collected on 1 June.

Example – Reduced Monthly Payment

This example illustrates how the Reduced Monthly Payment offset option works:

- £200,000 mortgage over 25 years on a repayment basis. A product fee of £999 and a CHAPS fee of £25 have also been added to this, giving an overall borrowing amount of £201,024.
- 2 year fixed rate of 3.49% with a product fee of £999, reverting to a standard variable rate of 3.99% after 2 years.
- The overall cost for comparison is 4.0% APR.
- £25,000 lump sum in the Offset Saver Account from completion. It is assumed these funds remain in the Offset Saver Account for the full term. The Completion date in this example is 15 January 2014.
- This is an example interest rate and is not necessarily the current rate offered by Scottish Widows Bank.

The column 'Total mortgage payment after offset benefit applied' shows how the Reduced Monthly Payment option reduces the monthly mortgage payments. In total, £23,673 would be saved in interest payments during the mortgage term, and there would also be a sufficient Offset Saver Account balance to repay the mortgage balance 24 months early.

Date from	Date to	Number of days	Mortgage payment date	Offset benefit earned	Offset benefit applied	Total mortgage payment before offset benefit applied*	Total mortgage payment after offset benefit applied**
15/01/2014	28/02/2014	45	01/03/2014	£107.57	£0	£1332.06	£1332.06
01/03/2014	31/03/2014	31	01/04/2014	£74.10	£107.57	£1005.30	£897.73
01/04/2014	30/04/2014	30	01/05/2014	£71.71	£74.10	£1005.30	£931.20
01/05/2014	31/05/2014	31	01/06/2014	£74.10	£71.71	£1005.30	£933.59
01/06/2014	30/06/2014	30	01/07/2014	£71.71	£74.10	£1005.30	£931.20
01/07/2014	31/07/2014	31	01/08/2014	£74.10	£71.71	£1005.30	£933.59

* If your mortgage starts part way through a month your first monthly payment will be higher as this payment will include your first full month plus the part month. For example: Your mortgage starts on 15 June. The first payment will be on 1 August and will include the payment for July and the part month of June. From that point forward your mortgage will revert to normal monthly payments.

** Your offset benefit will accrue from the day you deposit funds into your Offset Saver Account and each month it will be applied to the mortgage payment for the **following** month (which we'll advise you of in advance). As your offset benefit is always applied to the **following** month's mortgage payment, the first monthly payment of a new mortgage will always be a full payment with no offset benefit applied.

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

Please read the 'Frequently asked questions' section for detailed information about offsetting with Scottish Widows Bank.

27.3 100% offsetting and how your benefit is applied

If you have an interest only mortgage, your monthly mortgage payments may well be £0 for several months throughout the year. However, each month your accrued offset benefit will be applied to the mortgage payment for the following month. This means that, for a March mortgage payment that is collected on 1 April, the offset benefit applied to it will be from February (28 days). Therefore, if you are 100% offsetting, you'd still have:

30.42 days – 28 days = 2.42 days of interest to pay on 1 April.

Or, for a September mortgage payment that is collected on 1 October, the offset benefit applied to it will be from August (31 days). This would mean:

30.42 days – 31 days = 0.58 of accrued offset benefit we will store and add to next month's (September) offset accrued benefit.

If you have a repayment mortgage, you will always pay the capital amount each month as it is only the interest element that you can offset against.

How your offset benefit is applied is demonstrated in the table below:

HOW YOUR OFFSET BENEFIT OPERATES				
January	February	March	April	May
January offset saver balance benefit accrues daily throughout the month	February mortgage payment is calculated and payable on 1 March, including offset benefit accrued from January	Monthly payment for February is paid on 1 March with the accrued offset benefit from January applied		
Offset benefit calculated at month end				
	February offset saver balance benefit accrues daily throughout the month	March mortgage payment is calculated and payable on 1 April, including offset benefit accrued from February	Monthly payment for March is paid on 1 April with the accrued offset benefit from February applied	
	Offset benefit calculated at month end			
		March offset saver balance benefit accrues daily throughout the month	April mortgage payment is calculated and payable on 1 May, including offset benefit accrued from March	Monthly payment for April is paid on 1 May with the accrued offset benefit from March applied
		Offset benefit calculated at month end		

27.4 Regardless of when your new mortgage completes, the offsetting benefit will not be applied to your first payment.

27.5 Your first payment may be bigger than your normal monthly mortgage payment because your normal payment just covers the month in which it's due. However, a new mortgage often starts part way through a month. So, for example, if your mortgage completes on 15 January, your first mortgage payment would be on 1 March and would include the payment due from 15 to 31 January, in addition to the normal payment due for February.

In the above example, if you've chosen Reduced Monthly Payment as your offset benefit and you have savings in your Offset Saver Account from 15 January, then the benefit will accrue from that date. However, the first occasion your monthly mortgage payment reduces will be on 1 April.

This means your offset benefit will accrue from the day you deposit funds into your Offset Saver Account and each month it will be applied to your mortgage payment for the following month.

We collect your mortgage payment one month in arrears. So, it's important to remember that following your first payment, the savings balance in one month will reduce the mortgage payment you make two calendar months later. For example, offset benefit earned in April would reduce your May payment, which would be collected on 1 June.

27.6 Increases to your interest rate can result in an increased monthly payment; even if your Offset Saver Account balance matches that of your outstanding mortgage.

For instance if you are moving from a rate of 2.99% to 3.99%, the accrued offset benefit from the month prior to the change would not cover the first monthly interest payment on 3.99%. This would result in a payment being due for the first month on 3.99%.

For example: If your rate changes to 3.99% on 1 May, this will result in an increased payment on 1 June as the offset benefit accrued during April would have been based on an interest rate of 2.99%.

In contrast, moving from 3.99% to 2.99% would result in a surplus benefit on the first month of 2.99% which would be carried over into following months.

SCOTTISH WIDOWS BANK

For further information on the products and services provided by Scottish Widows Bank,
please call our customer service team on:



0345 845 0829



Or visit our website: www.scottishwidowsbank.co.uk

Lines are open 8am to 6pm Monday to Friday (Wednesday from 10am).

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 service team on **0345 845 0829**.

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