

Yorkshire Building Society Sales Policy Overview

Updated March 2025

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1. Purpose

The Purpose of the Policy

The Sales Policy outlines the Society's approach to the provision of products through the Society's direct distribution channels.

The key objectives of the Policy are:

- Ensure the ongoing regulatory compliance in the provision of products and services to retail customers.
- To enable the safe delivery of products and services facilitating customers to achieve their financial objective and achieve a good outcome.

The objectives are achieved through:

- Clear articulation of the levels of service for the provision of products and services. This is based on both the complexity of the product and relevant regulation.
- Consistent delivery of good customer outcomes, and where applicable, evidence retained of how each customer's needs have been met.
- The provision of products and services where they meet customers' needs and circumstances.
- Ensuring customers are aware of the choice of channels and associated levels of service to satisfy their needs.
- Integration of customer experience and regulatory requirements into the design of customer journeys to eliminate unnecessary or harmful barriers.
- Consistent proactive identification and treatment of vulnerable customers to avoid causing foreseeable harm.

The Policy sets out the objectives and practices which form the basis of the approach to Sales Policy across the direct distribution channels.

Detailed customers journeys and frameworks (including any supporting documentation) support colleagues to deliver good outcomes to customers in line with this Policy.

The Sales Policy relates specifically to the following Level 2 Risk categories:

- Marketing & Sales Suitability
- Customer Support Risk
- Vulnerable Customers Risk

Applicable Regulations and Legislation

YBS is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA).

The Policy considers the relevant rules and guidance set out by the regulator (not limited to FCA sourcebooks) before changes are designed and implemented. For example:

- MCOB - Mortgage Conduct of Business - For the provision of Mortgages.
- BCOBS - Banking Conduct of Business - For the provision of Savings.
- ICOBS - Insurance Conduct of Business - For the provision of Insurance products.

The Policy also gives consideration to the high-level principles set out in Principles for Business Sourcebook (PRIN), notably Principle 12 - Consumer Duty. This ensures that the Society not only complies with the rules, but also the spirit of what the regulator aspires to deliver.

Colleagues are required to carry out customer interactions in line with the Policy and the underlying Customer Journeys and Frameworks.

2. Scope

The Policy applies to the Society's direct distribution channels only across all brands within YBS.

- Branches and Agencies
- Telephony
- Digital

For the provision of products and services, including:

- Residential Mortgages (New Business and Variations)
- Buy to Let Mortgages (Variations)
- Savings Products
- Insurance Products

The levels of service offered by YBS are:

- Advice - Residential Mortgages through the Telephony channel
- Execution Only:
 - Residential Mortgages through the Telephony channel (Variations only) and the Digital channels (New Business and Variations)
 - Buy to Let Mortgages through the Telephony channel (Variations only)
- Informed Choice - Retail Savings through the Branch and Agency Network
- Referral Service - Insurance Products across all channels.

The Policy applies to any colleague who is involved with the sale and distribution of products and services, as outlined above.

A Customer Journey or Framework includes the application of regulatory requirements, the standards required to ensure a customer receives a good outcome along with a joyful experience.

A Customer Journey, sometimes referred to as a 'Sales Journey' is the end-to-end process covering the period from when the customer initiates contact regarding a product or service, to the point of application for a product. The Journey can also commence at the point where the customer is referred into the customers channel of choice e.g. a referral to the Mortgage Advice Team generated by a branch colleague.

The following are deemed out of scope of the Policy:

- Intermediary Distribution Channels - Mortgage Business written by a broker for Accord Mortgages Ltd.
- Meetings conducted by third parties who the Society may choose to introduce its customers to - Home Insurance and Life & Lifestyle Protection Insurance referrals to an approved partner.
- Commercial Lending.
- Service operations, account administration, application processing, underwriting and ongoing servicing activities.
- Accounts processed and managed by Target.

Where appropriate, these activities are covered by other YBS Policies.

3. Definitions

Definitions are covered within the main text.

4. Policy Statements

4.1 Risk Appetite

Risk owners must take steps to satisfy themselves that the risks that they own are controlled within risk appetite. The qualitative risk appetite statements relevant to this policy are:

Tier 2 Compliance and Conduct Risk Appetite

Qualitative High-Level Statement

We will only offer products and services which meet customer needs, and where we can manage any conduct risks which arise including consideration of customer vulnerability and impacts on and of climate change. We act in good faith to prevent foreseeable harm and if failures occur, we proactively identify, establish root cause and remedy via our own actions.

4.2 General Policy Statements

The following statements apply in all cases which are aligned to the above Risk Appetite Lower-Level Statements:

Products and Services

- Product Governance covering the design, delivery and distribution of products and services will be determined through the application of the Product & Distribution Governance Policy.

Price and Value

- The Target Market for a product or service will be determined through the application of the Target Market Framework.
- Assessment of 'Fair Value' will be determined through the application of the Fair Value Framework.

Consumer Understanding

- Sales journeys must:
 - Be designed in a customer centric way ensuring sufficient information relating to the features, benefits and limitations of a product or service, is available to support customer understanding and effective decision making.
 - Be designed in a way that consider customer needs, circumstances, and priorities (where relevant), without bias.
 - Be designed in a way that meets all regulatory requirements to ensure YBS complies with the rules and the spirit of what the regulator aspires to deliver.
 - Be designed in a way that enables YBS to accommodate a wide range of accessibility needs and preferences without unnecessary barriers.
 - Consider customers who present vulnerable characteristics to avoid causing foreseeable harm.
- A clear rationale must be retained as to why the level of service for each product or service is appropriate. This must be evaluated regularly and is based upon:
 - Complexity of the product or service offered, including distribution channel.
 - Regulatory requirements
 - Customer needs
 - Ensuring customers receive good outcomes.
- Communications required as part of a sales process must follow the requirements of:
 - Communication Framework (Written Communications)
 - Customer Journey Framework (Verbal Communications)

- Any customer applying for a product or service must automatically be opted out of receiving marketing communications, with the option to 'opt in' should they wish to do so.

Consumer Support

- All customer-facing colleagues undertaking sales processes must be appropriately trained to ensure they have the correct knowledge and skills to support our members, including those who display vulnerable characteristics.
- All customer-facing colleagues must be appropriately trained to identify complaints received during a sales process.
- Ongoing monitoring of the suitability of direct sales must be effective and delivered through the application of:
 - Training and Competency Frameworks
 - Quality Assurance Frameworks

Other

- Sales processes must consider the risks associated with Financial Crime to protect customers' interests and the YBS.
- Incentivisation Schemes that could encourage poor selling practices are prohibited.

4.3 Product & Service Level Specific Statements

This section covers the provision of individual products coupled with the applicable service level.

4.3.1 Mortgages - Telephony - Advice

- All customers will be offered an advice level of service. Where this is declined, the customer will be permitted to proceed on an Execution Only basis via the digital channel, albeit this will not be proactively encouraged once advice has been provided.
- The range of products and services offered by YBS, and the fees associated with the service are clearly communicated.
- Any element of the sales process where advice cannot be offered (e.g. the suitability of Interest Only repayment strategies) will be clearly communicated and where requested, the customer will be directed to see independent advice through Money Helper Service.
- Advice will not be given on a 'best fit' basis where a recommendation cannot be made that meets the customer needs. (e.g. where a 5-year product is most suitable, but the Society does not have any 5-year products within the range).
- Advice can be revisited based on new information or customer priorities. Where re-advice occurs, the subsequent recommendation must remain suitable.
- Regulatory documentation (e.g. ESIS, where required) must be provided in a durable medium at an appropriate time during the sale.
- Sufficient time must be given to the customer to consider the any recommendation. The time required must be customer driven.
- Where a customer is capital raising over and above their existing loan amount (either Additional Lending or Remortgaging), the customer will be made aware that it may be more appropriate to consider alternative lending options that may be available to them.
- All customers with an element of Interest Only borrowing must receive advice.
- Customers where all or part of their mortgage is on Interest Only and they have less than 5 years remaining will receive advice from a Mortgage Adviser who specialises in tailored advice to help ensure successful repayment at term end.

- Government Home Ownership Schemes (Open Market Home Buyer and Help to Buy Loans) must receive advice on any permitted variations as prescribed under the scheme rules.
- Capital raising for the purpose of adding to savings is not deemed appropriate advice, unless capital raising to replenish savings balances already used for an allowable lending purpose.
- UK regulatory permissions state that we cannot offer Regulated Advice to customers who live outside the United Kingdom.
 - Mortgage Customers must proceed on an Execution Only basis and will only be permitted to complete a Product Transfer or a Term Extension where the term is not into retirement.
 - Mortgage Customers who have an element of Interest Only will also not receive advice. This is the only exception where advice is not provided for a customer with Interest Only lending.
- Lending for the purpose of Debt Consolidation is not permitted. However, customers purchasing a property and/or porting their mortgage will be permitted to reduce the amount of equity they are transferring to the new property in order to consolidate debts. This will not be treated as debt consolidation for lending purposes and no advice will be provided on the customer taking this course of action.

4.3.2 Mortgages - Telephony - Execution Only

- The implications of applying for a mortgage without receiving advice are clearly communicated. This includes that the Society is not required to assess the suitability of the mortgage; and the customer will not benefit from any regulatory protection.
- Acknowledgement from the customer waiving their right to advice must be received before conclusion of the transaction.
- Regulatory documentation (e.g. ESIS, where required) must be provided in a durable medium at an appropriate time during the sale.

The following lending types / transactions are out of scope of '*Mortgages - Telephony - Execution Only*':

- Interest Only Lending
- Shared Equity / Joint Borrower Sole Proprietor - Adding or removing a borrower.
- Transfer of Equity 'Add' where the mortgage will be Term into Retirement
- Debt Consolidation

4.3.3 Mortgages - Digital - Execution Only

- The implications of applying for a mortgage without receiving advice are clearly communicated. This includes that the Society is not required to assess the suitability of the mortgage; and the customer will not benefit from any regulatory protection.
- Acknowledgement from the customer waiving their right to advice must be received before conclusion of the transaction.
- Regulatory documentation (e.g. ESIS, where required) must be provided in a durable medium at an appropriate time during the sale.
- Customers wishing to move their mortgage application to another channel must be free to do so. (i.e. where the customer feels they would benefit from advice).
- Sales Processes must be developed in a way that makes them accessible on a range of devices, operating systems and browsers.

The following lending types / transactions are out of scope of '*Mortgages - Digital - Execution Only*':

- Interest Only Lending
- Term into Retirement Lending for House Purchase / Remortgages

- Debt Consolidation

In addition:

- Video Meetings will follow the standards outlined under Mortgages - Telephony - Advice / Execution Only.
- Any transaction where 'Advice' is required will not be permitted through a Digital channel.

4.3.4 Savings - Informed Choice

- The service level must be clearly communicated at the outset of the interaction.
- Colleagues working in Branches & Agencies who facilitate the sale of a Savings Account will do so by presenting appropriate options to the customer.
- Sufficient time must be given to the customer so they can consider their options before making an informed choice.
- Key features, benefits and limitations must be included in the information disclosed and made available to a customer in good time, in an appropriate medium, and in an easily understandable language and format.
- Regulatory documentation (e.g. Summary Box for Savings Accounts) must be provided in a durable medium before a customer is bound by the terms and conditions.
- In the event of the savings account being opened 'at a distance', then Distance Communication requirements will be applicable.
- Customers living outside of the UK will not be eligible to open any new Savings accounts (which includes Offset Savings accounts).

4.3.5 Insurance - Referral Model

- The service level must be clearly communicated at the outset of the interaction.
- The name of the approved partner must be clearly communicated to the customer before the referral is completed.
- The customer must provide their permission to the referral and understand that they will be dealing with an approved partner following the referral being made.
- Home Insurance and Life & Lifestyle Protection Insurance is not available for customers who have a Buy to Let mortgage.
- Life & Lifestyle Protection Insurance must only be offered where the customer has no existing relationship with their Broker.

4.3.6 Record Keeping

- Records may include recorded telephone meetings, system generated documentation and colleague notes retained on the relevant point of sale system. (This is not an exhaustive list)
- Records must be retained in line with the Society's Data Retention standards.
- Where colleague notes are retained, these must be relevant to the discussion held, avoid any assumptions or biases, and be aligned to the standards documented in the relevant Customer Journey Framework.
- Records must not be stored or distributed outside of the purpose for which it has been collected.

5. Implementation and Monitoring

Implementation

When changes are made to this Policy, the relevant Director or accountable Senior Manager will be notified. All changes will be clearly documented within the version history.

All colleagues accountable for adherence to the Policy will be required to understand any new requirements since the last annual review.

No mandatory training is required in relation to the communication of this Policy.

Monitoring

The Society operates a Three Lines of Defence (LoD) approach towards risk management. Each LoD has different responsibilities for managing the risk and therefore carries different actions.

The first LoD is directly responsible for the day to day management and control of risk throughout the business, generally within business functions. They monitor the implementation of this policy through:

- Reporting of Training and Competency (T&C) activity to the Conduct Risk Committee via the Marketing & Sales Suitability Risk Category MI.
 - % of advised mortgage appointments resulting in a poor customer outcome - all direct channels & brands (T1)
- Additional independent Quality Assurance (QA) carried out by 1LOD.

The second line is accountable for competent risk management across the society and overseeing the effectiveness and integrity of the Enterprise Risk Management Framework. They monitor the implementation of this policy through various activities defined in the annual Compliance Monitoring Plan.

The final LoD is providing independent assurance across the first and second LoD through our internal Audit function. They monitor the implementation of this policy through various activities defined in the annual Audit Plan.

6. Approval

This policy will be reviewed and updated annually (or more frequently as necessary) to ensure ongoing relevance and compliance with regulatory or legislative changes and to reflect any lessons learned from both internal and external events.

This policy is classified as a Board policy.