



Risks and Features

Staff Home Purchase Plan (SHPP)

The Sharia Compliant mortgage alternative

The Financial Conduct Authority (FCA) is the independent regulator of financial services. It requires Islamic Bank of Britain plc. (IBB) to give you this important information to help you decide whether a Staff Home Purchase Plan (SHPP) is right for you.

1. How our SHPP works

Our product uses the Islamic financial principles of co-ownership (Diminishing Musharaka) with leasing (Ijara). For purchases, this is where you choose the property in the normal way and apply to IBB to buy the property. IBB undertakes the usual enquiries and valuation. Both you and IBB contribute towards the purchase of the house as partners (e.g. 60% from IBB and 40% from you). The transaction is completed by IBB taking the title of the property in its name.

For refinances, IBB undertakes the usual enquiries and valuation, and then purchases the relevant share of the property. Your contribution to the transaction is the equity in the property. The transaction is completed by IBB taking the title of the property in its name.

IBB agrees to sell its share of the property to you at the same purchase price for an agreed monthly amount. Your share in the property increases with every payment made towards acquiring IBB's share. Both you and IBB enter into a Lease Agreement under which IBB agrees to let its share in the property to you for an agreed term, during which rent will be paid by you on a monthly basis (the rent will be reviewed every three months). Therefore, you will make one monthly payment comprised of two elements, rent and acquisition. The amount of rent payable by you may be reduced as your share increases. In due course, after IBB's entire share has been bought and all the rent has been paid under the lease, IBB transfers the legal title of the property to you. You also sign a Service Agency Agreement, and agree to a charge on the property in favour of IBB to secure the outstanding payments amount due under the SHPP agreements.

IBB has a dedicated Sharia Compliance Officer and a panel of respected Sharia Scholars, called the Sharia Supervisory Committee, which acts as an independent body to ensure that all of IBB's products and business activities are Sharia compliant.

Our SHPP has been approved by our Sharia Supervisory Committee. Please ask us if you require more information in relation to our Sharia Supervisory Committee.

2. Who is it right for?

At least one of the applicants must be a permanent employee of IBB, who has successfully completed their six months' probationary period.

Our SHPP could be right for you if you want to buy a home in a way acceptable under Islamic law. Interest based mortgages are available in the market but do not normally comply with Islamic law. You should consider carefully whether this product is appropriate for your needs and is right for you in light of your financial position. If you are in any doubt, you should speak to someone who can give you independent professional advice.

3. What are the features?

Features	Staff variable rent rate (S10131)
Minimum finance amount	£30,000
Maximum finance amount	£750,000 (higher amounts may be considered)
Minimum property value	£90,000
Minimum age of applicants	21 years old
Payment term	7 – 30 years
Rent rate	2.50%
<ul style="list-style-type: none">Which is	Bank of England Base Rate (BBR) plus our margin of 2.00%
<ul style="list-style-type: none">Which applies	Whilst you are a permanent employee of Islamic Bank of Britain plc.
<ul style="list-style-type: none">Which reverts to the	IBB Variable Rental Rate (Bank Base Rate (BBR) plus our margin ¹ of 3.99%) if for any reason you cease to be a permanent employee of Islamic Bank of Britain plc.
Maximum finance to value (FTV)	80%
Administration fee	£0
Available for:	
<ul style="list-style-type: none">New purchases	<input checked="" type="checkbox"/>
<ul style="list-style-type: none">Refinancing	<input checked="" type="checkbox"/>
<ul style="list-style-type: none">Releasing additional capital	<input checked="" type="checkbox"/>
IBB pays the first £400 (inclusive of VAT) of its own conveyancing fees and you pay any excess over that amount	<input checked="" type="checkbox"/>

Features	Staff variable rent rate (S10131)
Additional acquisition payments can be made in	March, June, September and December ²
Minimum additional acquisition payment of £4,000 ³	<input checked="" type="checkbox"/>
Rent reviewed in	March, June, September and December
New rent rate effective from	April, July, October and January
The property can be sold at any time	<input checked="" type="checkbox"/>
Full payment can be made at any time	<input checked="" type="checkbox"/>
Income from four applicants can be taken into account when assessing an application ⁴	<input checked="" type="checkbox"/>

Notes:

- ¹ IBB reserves the right to change the margin on its products; however, a cap applies of 2%. This means that IBB cannot increase the margin on its SHPP products by more than 2% over the margin that applied at the outset. Staff will be given at least 30 days' advance notice of any changes in the pricing structure.
- ² Where an additional acquisition payment is made, you can choose to either reduce your monthly SHPP payments, or reduce the term of your SHPP.
- ³ Additional acquisition payments are subject to a small administration fee, currently £25. Please refer to the HPP Tariff List for details of charges.
- ⁴ All applicants need to be resident in the property.

4. What are the risks?

Your rent rate is a variable rent rate and is reviewed at three monthly intervals. If the rent rate is increased, your monthly payments will increase. The rent rate may increase, decrease or stay the same at each rent review.

Your rent rate can change because the benchmark (Bank of England Base Rate) used to determine your rent rate changes, or because IBB changes the margin that is added to the benchmark.

If for any reason you leave the permanent employment of IBB, at the second rent review following the cessation of your permanent employment with IBB, your rent rate will revert to the IBB Variable Rental Rate, which is a variable rent rate and is subject to reviews at three monthly intervals. For example, if you were to leave IBB in October, your rent rate would not change at the next rent review in December. It would change to the IBB Variable Rental Rate at the following rent review in March.

Therefore, you should note that if for any reason you leave the permanent employment of IBB, your monthly payments will increase.

If you lose your job, or become ill and are prevented from working, you will still have to pay your monthly payments. As a responsible finance provider, it is important that IBB works with you to ensure that you can afford the monthly payments. Unfortunately if circumstances occur where you do not keep up your monthly payments, ultimately you may lose your home.

We have taken all reasonable steps to ensure that your interests, including your right to occupy the property throughout the term of the plan are protected. This includes ensuring that:

- The agreements between us are legally enforceable; and
- Your increasing share in the property is properly recorded

Therefore, in the unlikely event that we sell any of our obligations or rights under the SHPP (including our legal interest in the property) to a third party, you will not lose any payments you have made, your share of the property or your right to buy the property at the end of the term.

5. What are your commitments?

- You must pay a minimum deposit as required by the product you have chosen
- You must ensure that the building is insured at all times, provide us with a valid copy of the policy each year and our interest must be noted in the policy
- You must make your monthly SHPP payment, which is made up of two elements:
 - Monthly purchase payment
 - Monthly rent payment

Details of the payments you must make will be provided to you in a Financial Information Statement.

6. How flexible is it?

- You can sell the property whenever you wish
- You can make quarterly additional acquisition payments, subject to a minimum of £4,000 and a small administration fee of £25
- You can make full payment at any time, however,
 - You cannot have further money advanced on the plan
 - You cannot take payment holidays/breaks

7. What are the additional costs/charges?

No matter how you choose to finance the purchase of the property, there will always be some unavoidable costs and expenses. The costs listed below are the most frequent costs you will face when purchasing a property. Depending on your circumstances you may incur additional charges. For details of all charges that apply with an IBB Home Purchase Plan please refer to our HPP Tariff List.

- Valuation fee – IBB needs to establish the value of the property, and that the property is suitable security for the transaction. To do this we will arrange for a surveyor to visit the property. The cost of the valuation depends on the property value; you can refer to our Tariff List to find out the cost of the valuation.
- Solicitor's fee – For Islamic finance, the Law Society suggests that both you and the provider should obtain separate legal advice. You will be responsible for the cost of your solicitor. You will also be responsible for the full cost of our solicitor unless it is otherwise indicated in your offer letter. For details of the charges that apply for our solicitor please refer to our Tariff List.
- Clearing House Automated Payment System (CHAPS) fee – Our solicitor uses CHAPS to transfer the finance amount to your solicitor. This incurs a small administration fee that on completion, you will be required to pay to our solicitor.
- Buildings insurance – It will be your responsibility to insure the buildings. The finance will not be released until proof of cover is provided. It will be mandatory to note the interest of Islamic Bank of Britain plc. (IBB) on the buildings insurance. Should IBB be notified that the cover has ceased, IBB will purchase the cover and charge this to you.

8. What is the tax treatment of the SHPP?

The SHPP is treated as a taxable benefit by HM Revenue and Customs (HMRC). It will be included as a benefit in kind on the Bank's annual P11D return, which will impact your tax code and ultimately your net pay. The financial impact depends on your personal circumstances.

IBB does not offer tax advice and will not calculate the impact that the SHPP may have on your net income. If you require any information on the tax treatment of the SHPP and the effect it may have on you, please refer to a tax adviser or www.hmrc.gov.uk.

9. What do I do now?

If you would like any further information on this product, please speak to the designated HPP specialist that deals with the SHPP.

YOUR HOME MAY BE AT RISK IF YOU DO NOT KEEP UP THE PAYMENTS ON YOUR HOME PURCHASE PLAN

**IF FOR ANY REASON YOU LEAVE THE PERMANENT EMPLOYMENT OF ISLAMIC BANK OF BRITAIN PLC.,
YOUR MONTHLY PAYMENTS WILL INCREASE**

**Finance is subject to status and valuation.
Applicants must be 21 or over, or as otherwise specified.**

