



Risks and Features

The Home Purchase Plan (HPP)

The Sharia Compliant Mortgage Alternative

The Financial Services Authority (FSA) 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 Home Purchase Plan (HPP) is right for you.

1. How our HPP works

Our product uses the Islamic financial principles of Co-Ownership agreement (Diminishing Musharaka) with Leasing (Ijara). This is where you, the customer, choose the property in the normal way and apply to IBB to buy the house. IBB undertake the usual enquiries and valuation, just as in the case of a conventional mortgage. IBB will then purchase the property from the seller at the price agreed between the seller and you. 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.

Firstly, IBB enters with you into a Co-Ownership agreement to purchase the property where 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. Secondly, both you and the Bank 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 (rent amount will be reviewed every three months). Thus, you will make one monthly payment comprised of two elements, rent and acquisition. The amount of rent payable by you will 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. Thirdly, you sign a Service Agency agreement and you also agree to a charge on the property in favour of IBB to secure the outstanding payments amount due under the HPP agreements.

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

2. Who is it right for?

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

3. What are the features?

Features	Standard Product	Fixed Product
Minimum £70,000 finance	✓	✓
Maximum £750,000 finance (higher amounts may be considered)	✓	✓
Minimum property value of £100,000	✓	✓
Minimum age of applicants – 21 Yrs old	✓	✓
Term 7 - 30 years	✓	✓
Rent Rate ¹	4.49% Bank Base Rate (BBR) + a margin of 3.99% (up to 80% Finance to Value)	4.19% fixed until December 2013 reverting to Bank Base Rate (BBR) + a margin of 3.99% (up to 80% Finance to Value)
Administration Fee (payable on application) ²	£299	£299
Available for: New Purchases Refinancing Releasing additional capital	✓ ✓ ✓	✓ ✓ ✓
IBB pays the first £400 (inclusive of VAT) of its own conveyancing fees and you the customer will have to pay any excess over that amount	✓	✓
Additional acquisition payments can be made in February, May, August and November ³	✓	✓ ⁴
Minimum additional acquisition payment of £4,000 ⁵	✓	✓
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	✓	✓
Full payment can be made at any time	✓	✓
Income from four applicants can be taken into account when assessing an application ⁶	✓	✓
Payments can be made from either your IBB account or direct debit from any other UK bank account	✓	✓

Notes:

¹ IBB reserves the right to change the margin on its product however, there is a cap (ceiling) of 2% over the Bank's margin (this means that IBB can increase the margin on its HPP products by no more than 2% over the initial margin at the outset). Customers will be given at least 30 days advance notice of any changes in the pricing structure. The bank cannot change its margin whilst a fixed rent rate applies.

² A full refund of the fee will be made where the decision to decline is made by the Bank through no fault of yours. Where the decline decision is taken because you have misrepresented yourself in the application then no refund of the fee will be due.

³ When an additional acquisition payments is made, either the remaining term or the monthly payment can be reduced.

⁴ Additional acquisition payments are not permitted during the fixed term.

⁵ This is subject to a small administration fee. Please refer to the HPP Tariff List for charges.

⁶ The four applicants must be owner occupiers of the property.

4. What are the risks?

On the standard product and following the expiry of the fixed rent period on the fixed product, the rent you pay is reviewed at 3 monthly intervals. If the rental rate is increased, your monthly payments will increase.

If you lose your job or become ill which prevents you from working, you will still have to pay your monthly payments. As a responsible finance provider, it is important that IBB work with you to ensure that you can afford the monthly payments. Unfortunately if circumstances occur where you do not keep up your monthly payments, then 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

so that, in the unlikely event that we sell any of our obligations or rights under HPP (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 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 HPP payment, which is made up of two elements:
 - monthly purchase payments
 - monthly rental payments

Details of the payments you must make will be provided to you in a Financial Information Statement. The rent rate may increase, decrease or stay the same at each rent review.

6. How flexible is it?

- You can sell the property when you wish
- 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.

- 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 IBB's interest on the buildings insurance. Should IBB be notified that the cover has ceased then IBB will purchase the cover and charge this to you.

Please refer to our HPP Tariff List for further details.

8. What do I do now?

If you would like any further information on this product, please contact us on 0800 40 87 786.

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

Finance is subject to status and valuation.

