



Risks and Features

Home Purchase Plan Scotland (HPS) 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 in Scotland is right for you.

1. How our HPS works

Our product uses the Islamic financial principles of a Co-ownership Agreement (Diminishing Musharaka) and a Co-beneficiaries Agreement (Ijara). 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, and then purchases 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.

IBB will then enter into a Co-ownership Agreement with you to purchase the property, whereby 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 Co-beneficiaries Agreement under which IBB agrees that you have the right to occupy our beneficial share in the property for an agreed term, during which occupancy payments will be paid by you on a monthly basis (the occupancy payment amount will be reviewed every three months). Therefore, you will make one monthly payment comprised of two elements, an occupancy payment and an acquisition payment. The amount of occupancy payment payable by you will be reduced as your share increases. In due course, after IBB's entire share has been bought and all the occupancy payments have been paid under the Co-beneficiaries agreement, IBB executes a discharge of the standard security of the property to you. You also sign a Service Agent Agency agreement and a Trust Deed which constitutes the beneficial interest in the property in favour of IBB and you jointly.

In due course, after IBB's entire share has been bought and all the occupancy payments have been paid under the Co-beneficiaries Agreement, IBB executes a discharge of the standard security of the property to you.

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 HPS 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?

Our HPS could be right for you if you want to buy or refinance 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	Standard Product	Fixed Product
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	
Term	7 – 30 years	
Occupancy payment rate ¹	4.49% Bank Base Rate (BBR) + a margin of 3.99%	4.19% Fixed until 31 March 2015 reverting to Bank Base Rate (BBR) + a margin of 3.99%
Maximum FTV (Finance to value)	80%	
Administration fee ²	£399	
Available for:		
• New purchases	☑	
• Refinancing	☑	
• Releasing additional capital	☑	
IBB pays the first £400 (inclusive of VAT) of its own conveyancing fees and you pay any excess over that amount	☑	
Additional acquisition payments can be made in February, May, August and November ³	☑	
Minimum additional acquisition payment of £4,000 ⁴	☑	
Occupancy payment rate reviewed in March, June, September and December	☑	
New occupancy payment 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 ⁵	☑	

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 HPS products by more than 2% over the margin that applied at the outset. Customers will be given at least 30 days' advance notice of any changes in the pricing structure. IBB cannot change the margin whilst a fixed occupancy payment rate applies.
- ² A full refund of the administration fee that has been paid will be made where the decision to decline is made by IBB through no fault of yours. Where the decline decision is taken because you have misrepresented yourself in the application, no refund of the administration fee will be due.
- ³ Where an additional acquisition payment is made, you can choose to either reduce your monthly HPS payments, or reduce the term of your HPS. Additional acquisition payments are not permitted whilst a fixed occupancy payment rate applies.
- ⁴ Additional acquisition payments are subject to a small administration fee, currently £25. Please refer to the Tariff List for details of charges.
- ⁵ Only one applicant needs to be resident in the property.

4. What are the risks?

The occupancy payment is reviewed at three monthly intervals. If the occupancy payment rate is increased, your monthly payments will increase. The occupancy payment rate may increase, decrease or stay the same at each occupancy payment rate review.

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 HPS (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 HPS payment, which is made up of two elements:
 - Monthly purchase payment
 - Monthly occupancy 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
- As long as a fixed occupancy payment rate does not apply, 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.

- 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, IBB will purchase the cover and charge this to you.

Please refer to our Tariff List for further details of costs and charges.

8. What do I do now?

If you would like any further information on this product, please contact us on 0800 4087 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.
Applicants must be 21 or over or as otherwise specified.**

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