Fair value assessment

Regulated bridging

2026

Executive summary

In line with the expectations contained within Chetwood's fair value assessment process, all regulated bridging products are subject to an annual fair value assessment. This paper presents the initial fair value assessment for the Chetwood bank regulated bridging products, which is prior to the launch of the products into the market.

Based on the analysis of customer outcomes and pricing governance, the assessment concludes that the Regulated Bridging products provide fair value to customers within the defined target market.

No material concerns regarding customer harm or poor outcomes have been identified. Ongoing monitoring through Consumer Duty metrics, complaints analysis and product governance forums will continue to ensure the product offering remains appropriate and continues to provide good customer outcomes, ensuring new propositions have been thoroughly considered to prevent customer harm or poor outcomes.

The bank's regulated bridging proposition provides value to customers by offering a short-term, flexible funding solution designed to meet urgent or time-sensitive borrowing needs where traditional mortgage products may not be suitable due to speed, property condition, chain issues or complex circumstances. The product enables customers to access finance quickly to support property purchases, refinance existing borrowing, prevent chain breaks and fund refurbishment prior to longer-term refinancing.

The value that is delivered to the customer is a combination of speed of execution, tailored underwriting and manual assessment of individual circumstances, while maintaining appropriate consumer protections associated with regulated lending. This provides the means of property finance that meets the required timeframes and requirements of the customer.

Product characteristics and benefits

The regulated bridging proposition is designed to provide short-term residential finance solutions for customers requiring fast, flexible funding where traditional mortgage products may not be appropriate due to timing constraints, property condition, or transitional circumstances.

The product range supports a variety of customer needs including chain breaks, auction purchases, downsizing, temporary accommodation, refurbishment projects, and time-sensitive property transactions.

The proposition currently offers two core product variants:

- Standard Bridging
- Refurbishment Bridging

All products are secured against residential property and are intended to provide temporary funding with a clearly defined and evidenced exit strategy, typically through sale of the property, refinance onto a longer-term mortgage product, or repayment from other verifiable sources.

Chetwood will not operate a direct sales channel, all applications will be made via intermediary firms holding the requisite regulatory permissions.

Standard Bridging

The standard bridging product is designed for residential properties that are considered habitable and do not require material structural works. The product supports customers requiring short-term funding for purposes such as chain breaks, auction purchases, capital raising, downsizing, debt consolidation (where appropriate), or other transitional property-related needs.

Key features include:

- Loan terms designed for short-term lending requirements
- Residential security held on residential/owner occupied properties

- Manual underwriting and case-by-case assessment
- Maximum loan-to-value ("LTV") tiers of:
  - 55% LTV, 60% LTV, 65% LTV, 70% LTV, 75% LTV

Pricing is risk-based and aligned to LTV, customer profile, property type, and overall transaction complexity.

There is one drawdown of the loan where the value is provided in the speed of execution and the ability to meet the customer requirements and provide the funds for them to secure their property.

Refurbishment Bridging

The refurbishment bridging product is designed to provide customers with short-term funding to support the purchase, refinance and improvement of residential properties where refurbishment works are required prior to sale, occupation or longer-term refinancing. The product offers customers flexibility through manual underwriting, tailored lending structures and the ability to consider properties that may not currently meet standard mortgage lending criteria due to condition or required works. Key product benefits include speed of access to finance, the ability to fund light refurbishment projects and a streamlined process designed to support time-sensitive transactions. The product is intended to assist customers in improving property quality and value while providing an interim funding solution pending a clear and credible exit strategy, such as sale or refinance onto a longer-term mortgage product. Customer value is further supported through transparent pricing, regulated consumer protections and underwriting that considers both the customer's circumstances and the recoverability of the underlying security property.

Key features include:

- Short-term funding to support property enhancement projects
- Funding for substantial refurbishment or structural improvement projects through multiple drawdowns of funds
- Detailed assessment of works schedule, costings, and contingency planning
- Additional valuation and monitoring requirements where appropriate
- Manual underwriting with enhanced due diligence on borrower experience and exit strategy
- Maximum available LTV tiers of:
  - 55% LTV, 60% LTV, 65% LTV, 70% LTV, 75%

Heavy refurbishment cases are restricted to a maximum of 70% LTV to reflect the elevated risk associated with larger-scale works, property condition, marketability, and exit delivery.

The value in the refurbishment product is it provides customers with flexible staged funding aligned to the progression of works. An initial drawdown is provided at completion to support the purchase or refinance of the property and commencement of refurbishment works. Once the agreed works have been completed, customers can request an additional drawdown subject to a satisfactory re-inspection of the property and payment of the applicable re-inspection fee. This structure provides value by allowing customers to access further funding based on the enhanced property condition and value, while ensuring lending remains appropriately controlled and proportionate to the security at each stage of the project.

The bank provides a consistent servicing approach across both standard regulated bridging and refurbishment regulated bridging products, ensuring customers receive the same level of support, communication, and service standards regardless of product type. The customer journey has been designed to be straightforward and customer-friendly, with transparent terms and clear communication throughout the lifecycle of the loan.

The product structure is intended to avoid unnecessary customer detriment through the absence of hidden or unexpected charges, supportinggood customer outcomes and providing customers with greater certainty over the overall cost of borrowing.

Price

The regulated bridging proposition has been assessed to ensure that the overall costs and charges 'price' borne by customers are proportionate to the features, benefits and intended use of the product, in line with the FCAs Consumer Duty requirements and Fair Value expectations.

The pricing structure reflects the specialist nature of regulated bridging finance, including the short-term duration of lending, manual underwriting requirements, higher operational servicing costs, enhanced legal oversight and the increased risk profile associated with transitional and time-sensitive borrowing.

The total cost of credit comprises:

- Monthly interest charges (rolled up)
- Facility fees
- Valuation fees (and a re-inspection fee for refurbishment bridging)
- Legal fees
- Administration and disbursement costs.

The proposition currently includes:

- A facility fee of 2% of the gross loan amount
- Procuration fees of up to 2% payable to distribution partners
- No term extension fees

These charges have been benchmarked against comparable products within the UK regulated bridging market and are considered consistent with prevailing specialist lending pricing structures.

The pricing structure recognises that regulated bridging finance is not intended to be a long-term borrowing solution. The product therefore targets customers with a clearly evidenced repayment strategy and anticipated short-term duration, helping mitigate the risk of disproportionate cumulative interest costs over extended periods. All products are run through a pricing model to achieve a hurdle return for the bank.

The Fair Value Assessment has considered:

- expected customer outcomes
- projected loan duration
- comparable market pricing
- intermediary remuneration
- operational servicing costs
- arrears and forbearance processes
- and expected levels of customer benefit.

Based on current analysis, the bank considers that the overall costs and charges are reasonable and proportionate relative to:

- the product features
- the level of service provided
- the risk profile of the lending
- and the intended customer need being met.

The proposition will remain subject to ongoing monitoring and review, including:

- total cost of credit analysis
- average customer loan duration
- early redemption trends
- complaints and vulnerability outcomes
- broker distribution performance
- and customer outcome testing.

The bank will continue to assess whether customer outcomes remain consistent with fair value expectations as actual performance data becomes available following product launch and broader distribution expansion.

Valuation Fees:

Valuation fees will be charged to customers on a cost-only basis, with no additional premium, commission or margin applied by the bank. Customers will therefore only pay the direct cost charged by the instructed valuation firm.

This also applies for the refurbishment products re-inspection fee for the additional drawdowns.

This approach is intended to support fair value outcomes by ensuring customers are not charged additional fees beyond the actual cost of obtaining an independent valuation required to support underwriting and responsible lending decisions.

Broker Fees:

Broker fees are not included within the bank's fair value assessment for regulated bridging products, as these charges are set and applied independently by intermediary firms. Responsibility for assessing the fairness and appropriateness of broker fees sits with the intermediary as part of their own Consumer Duty and fair value obligations. Customers will be made aware of any broker fees separately from the bank's charges to support transparency and informed decision making.

Notwithstanding this, the bank recognises that broker fees form part of the customer's overall cost of borrowing and may influence customer outcomes. As part of ongoing intermediary oversight and governance, the bank will monitor broker fee levels and structures across the distribution chain to identify any instances where fees appear excessive, disproportionate, or inconsistent with delivering fair value to customers. This monitoring will form part of regular intermediary management and conduct oversight activities.

Where concerns are identified regarding the fairness or appropriateness of broker fees, the bank will take appropriate action which may include further investigation, engagement with the intermediary, enhanced monitoring, remediation requirements, or restrictions to future business where necessary. This approach supports the bank's obligations under Consumer Duty to act in good faith, avoid foreseeable harm, and deliver good outcomes for customers throughout the distribution process.

Non-financial costs and customer burden:

The bank has considered the non-financial costs and customer burden associated with the regulated bridging product as part of its assessment of fair value under the requirements of Financial Conduct Authority Consumer Duty. In addition to the financial cost of borrowing, customers may experience non-monetary impacts including the time and effort required to provide supporting documentation, engage with legal and valuation processes, and progress the transaction within the typically shorter timescales associated with bridging finance.

The bank recognises that regulated bridging is a specialist and often time-sensitive product which may be used in circumstances where customers are seeking to avoid delays in property transactions, complete refurbishment works or manage transitional financing needs. This can create an increased level of customer pressure or stress compared with standard residential mortgage borrowing. To mitigate these risks, the bank aims to provide clear and transparent communication throughout the customer journey, including upfront disclosure of product features, risks, fees, repayment expectations, and exit strategy requirements.

The underwriting and servicing model has been designed to minimise unnecessary friction and customer effort wherever possible. Dedicated underwriting resource, direct engagement with intermediaries and solicitors, and streamlined case management processes are intended to support timely decision making and reduce avoidable delays. Customers are also able to benefit from product flexibility through the absence of exit fees or roll over fees, reducing potential barriers where repayment occurs earlier or later than originally anticipated.

Overall, while some non-financial burden is inherent within regulated bridging due to the specialist and short-term nature of the product, the bank considers these impacts to be proportionate and reasonable when balanced against the benefits, speed, flexibility, and customer need that the product is designed to meet.

Limitations

As part of the Fair Value Assessment, consideration has been given to the inherent limitations, risks and potential customer detriments associated with the product to ensure these are appropriately understood, mitigated and balanced against the intended customer benefits.

Regulated bridging finance is typically higher cost than mainstream residential mortgage lending due to:

- the short-term nature of the borrowing
- increased underwriting complexity
- specialist servicing requirements
- and the higher risk profile associated with transitional or time-sensitive lending scenarios.

The product is therefore not designed for customers seeking a long-term residential financing solution and may not represent fair value where a customers needs could reasonably be met through lower-cost mainstream mortgage borrowing.

The key limitations and risks identified include:

- Higher overall borrowing costs when compared to conventional residential mortgages
- Increased customer detriment risk where loans extend beyond the anticipated term
- Dependence on a credible and achievable exit strategy
- Exposure to property market fluctuations which may impact refinance or saleability
- Potential vulnerability risks where customers are under transactional or financial pressure
- Increased complexity associated with interest roll-up structures
- Limited suitability for customers with uncertain income or repayment plans
- The potential for customers to incur additional legal, valuation and broker fees
- The possibility of repossession where repayment strategies fail.

The bank has considered that customer outcomes could deteriorate where:

- exit strategies are delayed or fail
- customers experience changes in financial circumstances
- property sales take longer than anticipated
- or refinancing options become unavailable due to market conditions or credit profile changes.

To mitigate these risks, the proposition incorporates:

- verification of repayment strategies

- enhanced underwriting oversight
- specialist broker distribution controls
- exclusion of applications submitted on a non-advised basis
- customer vulnerability considerations
- and ongoing monitoring throughout the loan lifecycle.

The product distribution strategy is intentionally restricted to intermediary partners with relevant bridging expertise to support appropriate customer positioning and reduce the risk of unsuitable sales or customer misunderstanding.

Whilst regulated bridging finance carries higher inherent customer risk than mainstream residential lending, the bank considers that fair value can still be demonstrated where:

- the product meets a clear and time-sensitive customer need
- alternative mainstream finance is not appropriate or available
- the customer fully understands the costs and risks
- and the repayment strategy is credible and sustainable.

In Life Servicing

The bank's approach to in-life servicing for regulated bridging has been designed to support good customer outcomes throughout the duration of the loan term and in circumstances where repayment may be delayed. Customers will not be subject to exit fees on redemption of the facility, supporting transparency of total borrowing costs and reducing the risk of disproportionate charges at the point of repayment. There are no early repayment charges, customers will therefore retain flexibility to redeem their loan early without incurring punitive exit penalties. However, the product will require a minimum of one months retained interest to apply on redemption. In addition, the bank does not intend to charge roll over or extension fees where additional time is required beyond the original contracted term, provided the extension remains appropriate and subject to ongoing underwriting assessment.

Where a loan exceeds its original term, customers will continue to benefit from the same contractual interest rate rather than being moved to a higher default rate, provided there remains sufficient equity within the transaction and the bank is satisfied that the exit strategy remains achievable. Customers will also remain on a rolled-up interest basis where appropriate, avoiding immediate payment shock or affordability pressure during the extension period. This approach is intended to provide flexibility and support to customers experiencing delays outside of their control, while ensuring the bank continues to manage lending risk appropriately through ongoing monitoring of security value, equity position and exit strategy viability.

Target market assessment

The product is designed to support legitimate short-term borrowing needs with a clearly defined and credible exit strategy.

Intended Target Market

The proposition is intended for customers who:

- Require short-term regulated finance secured against residential property
- Need funding quickly to support time-sensitive transactions
- Have a clearly defined repayment and exit strategy
- Are purchasing, refinancing, or refurbishing residential property

- Require temporary or transitional finance prior to moving onto a longer-term lending solution
- Understand the risks, costs, and short-term nature of bridging finance
- Have sufficient financial resilience to support the borrowing requirement and associated costs.

Typical customer scenarios may include:

- chain break transactions
- auction purchases
- downsizing or relocation
- inheritance or probate-related transactions
- temporary accommodation requirements
- capital raising for short-term purposes
- refurbishment of owner-occupied or regulated residential property.

The product is distributed through specialist intermediary partners with experience in regulated bridging finance to help ensure customers receive appropriate advice, product explanations, and suitability assessments.

Product Segmentation and Suitability

The proposition includes standard bridging, light refurbishment, and heavy refurbishment variants, each aligned to differing customer requirements and risk profiles.

- Standard bridging is intended for habitable residential properties requiring short-term funding without material works.
- Light refurbishment is intended for customers undertaking cosmetic or non-structural improvements whilst maintaining property habitability.
- Heavy refurbishment is intended for more experienced customers undertaking larger-scale structural or significant refurbishment projects, with additional underwriting controls and lower maximum LTV restrictions applied.

The differentiated LTV structure, including the restriction of heavy refurbishment lending to a maximum of 70% LTV, is intended to ensure product design remains aligned to customer risk profiles and supports sustainable customer outcomes.

Customers for Whom the Product May Not Be Suitable

The regulated bridging proposition is not intended for customers who:

- Require a long-term residential mortgage solution
- Do not have a credible or sustainable repayment strategy
- Are unable to demonstrate affordability where applicable
- May struggle to understand the costs or risks associated with short-term borrowing
- Are seeking borrowing for speculative or inappropriate purposes
- Are likely to experience foreseeable harm due to financial vulnerability or repayment uncertainty.

The bank recognises that bridging finance carries higher costs than mainstream mortgage products and may not be suitable for customers without a genuine short-term funding requirement or clear route to repayment.

Target Market Assessment Conclusion

Based on the product design, underwriting approach, distribution arrangements, and customer oversight framework, the bank considers that the regulated bridging proposition is appropriately aligned to the needs, characteristics, and objectives of the identified target market.

The proposition includes appropriate and proportional controls, eligibility criteria, LTV restrictions, and vulnerability considerations intended to support good customer outcomes and mitigate foreseeable harm. Ongoing monitoring of customer outcomes, complaints, arrears performance, and intermediary conduct will continue to inform future reviews of target market appropriateness and overall fair value.

Customers with characteristics of vulnerability

The bank recognises that customers seeking regulated bridging finance may present with characteristics of vulnerability, either temporary or permanent, which may impact their ability to make informed financial decisions or manage the risks associated with short-term lending. This should ensure that customers with characteristics of vulnerability receive outcomes that are at least as good as those for other customers, with no foreseeable risk of harm arising from their vulnerability. In line with the FCA Consumer Duty and the FCA Guidance for banks on the Fair Treatment of Vulnerable Customers, the bank has considered the potential vulnerability risks associated with the product design, distribution strategy, communications, and customer servicing arrangements prior to launch.

Potential vulnerabilities within the target market may include, but are not limited to:

- Customers experiencing financial stress or temporary financial difficulty
- Customers requiring urgent funding due to property chain breakdowns, repossession avoidance, probate, divorce, or other life events
- Customers with limited financial capability or lower understanding of bridging finance
- Elderly customers or customers with health conditions that may impact decision-making
- Customers experiencing emotional stress linked to time-sensitive property transactions
- Customers with adverse credit histories or impaired access to mainstream finance.

The bank acknowledges that regulated bridging products may present heightened risks for vulnerable customers due to their short-term nature, higher overall cost of credit compared with mainstream residential mortgages, refinancing dependency, and the potential consequences where repayment strategies are not achieved within expected timescales.

To mitigate these risks and support good customer outcomes, the following controls and safeguards will apply:

- All customers will undergo a full advised sales process undertaken by appropriately trained individuals, conducted by the distributor
- Customers will receive clear, fair, and not misleading communications outlining product risks, fees, exit strategies, and the consequences of non-repayment
- Staff and distribution partners will receive vulnerability awareness training, including escalation procedures where additional support may be required
- Additional care will be taken where customers demonstrate signs of distress, confusion, reduced financial capability, or time pressure
- Customers will be encouraged to seek independent legal and financial advice where appropriate
- Monitoring and oversight will be implemented to identify any trends in complaints, arrears, customer outcomes, or distribution activity relating to vulnerable customers.

The bank does not intend to target vulnerable customers specifically through the distribution strategy. However, it is recognised that some vulnerable customers may fall within the intended target market due to the nature of bridging finance. The product has therefore been designed with appropriate governance, controls, and oversight to ensure that customers in vulnerable circumstances are not exposed to foreseeable harm, are supported to make informed borrowing decisions, and receive outcomes that are at least as favourable as those experienced by non-vulnerable customers.

Customer outcomes

As part of the Fair Value Assessment process, the bank has considered the customer outcomes delivered through the regulated bridging proposition to assess whether customers are receiving fair value throughout the product lifecycle. This includes reviewing whether the product will meet the needs, objectives, and characteristics of the identified target market, whilst avoid foreseeable harm and deliver outcomes consistent with the FCA Consumer Duty.

The assessment will consider both quantitative and qualitative management information ("MI"), including application trends, completion rates, customer feedback, complaints, arrears performance, redemption outcomes, intermediary conduct, and operational service levels. Consideration is given to whether customers fully understand the short-term nature and higher-cost characteristics of bridging finance, and whether the product is being used appropriately in line with intended use cases and repayment strategies.