

Intermediary Capital Protected Double Asset Bond – Service Level Expectations

Background

This service has been designed to allow you to introduce customers to the Society via a deposit product offering and to gain a commission for doing so. The Society has an obligation to ensure that any customers using such an arrangement are treated fairly as required by the Financial Services Authority (FSA). We would ask that you please follow the requirements below to ensure that both our interests are protected and to ensure a high level of service to our mutual customers.

The service is offered through our Skipton Intermediaries website which includes the product terms and conditions and an application form. You will need to be a registered intermediary with the Society before using the service. If you are not already registered please contact the appropriate Business Development Manager as indicated on the intermediary website.

Customer Introduction/Disclosures

It is important that the customer understands the basis of the service provided. When introducing the product and service to the customer the following points must be explained:

- That you are not authorised to accept deposits by the Financial Services Authority (FSA);
- That the introduction is to be made to Skipton Building Society who are authorised by the FSA to accept deposits;
- That this is an introduction where only information about this product will be given, ie it is not advice about the Society's product range;
- That you are not an agent of Skipton Building Society;
- That the product on offer is a single product offering and that other products are available directly from the Society.

Description of Product offering and Provision of Terms and Conditions

It is vital that the customer is provided with all necessary terms and conditions prior to the application form being completed and sent to the Society. The first part of this process involves the provision of the product terms and conditions and in conjunction with this, a brief explanation of the product should be provided covering the following points:

- That the account is a share account and does confer membership rights of Skipton Building Society;
- That this is a product, with one third of the investment in a one year fixed rate bond to 22 September 2011, offering a guaranteed interest rate of 5.00% gross and two thirds invested in a bond which is linked to the performance of the FTSE 100 Index over the five and a half year period;
- For the five and a half year element, 100% of any positive growth in the FTSE 100 Index will be paid to the account on maturity (subject to a maximum growth of 50%);
- That the minimum and maximum investment is £3,000 and £250,000 respectively;
- Up to 50% of the initial investment into the 1 Year Fixed Rate Bond element may be withdrawn during the 1 year term, however, once a withdrawal has been made, the funds cannot be replaced;
- No withdrawals are allowed from the Index Linked Bond prior to maturity except on death;
- That on maturity the funds will be transferred into a variable rate access account and the Society will write to the customer to provide other investment opportunities.

- If the customer is eligible for Gross interest (ie without tax deducted) they need to complete an R85 form. This is available on HM Revenue & Customs website at:

<http://www.hmrc.gov.uk/forms/r85.pdf>

NB – Please ensure that you print off the product terms and conditions and provide these to the customer. The web pages will also prompt you to do this.

Following the above you also need to provide the customer with the Investment Account Terms and Conditions (IATCs). Your Intermediary Sales Manager will have arranged for you to be provided with a small stock of these and they should be contacted if you require further copies.

The IATCs contain additional terms and conditions which apply to all our savings accounts. We have included below two common queries which may arise during your discussions and which are covered in the IATCs. **You need not cover these points if they are not raised by the customer.** If the customer requires a further explanation about any of the points you should contact our Principal Office Contact Centre on 0845 850 1722* for assistance.

- In the current business environment we are receiving a number of queries about the Financial Services Compensations Scheme (FSCS) and the cover afforded to customers. The FSCS covers each customer for £50,000 (£100,000 for joint accounts) of their total investments with the Society.
- Customers may ask when their investment will start to earn interest. For cheque deposits interest will accrue on the third working day from and including the day on which we pay the cheque into the account.

NB – Please ensure that the Investment Account Terms and Conditions are provided to the customer.

Customer Application Form, Identification and sending this to the Society

There is an application form available to print from our intermediary website. This should be completed and signed by the customer. **There are also some details that you are required to enter so that we can identify you for commission purposes.**

We require two pieces of certified identification which should be photocopied and sent with the application form. We have included details of what is acceptable as ID on the 'Proving Your Identity' leaflet which is available on the intermediary website. **Please note that we will not be able to open accounts without satisfactory identification.**

Any applications should be sent to the Society at the end of each business day. Cheques should be made payable to Skipton Building Society – account holder's name. **Please do not hold applications overnight as this will both delay the account being opened and you may not have permission to do this from the customer.**

NB – On opening the account the Society will send a Certificate of Investment to the customer along with a letter explaining the basis on which the bond has been taken. No passbook is provided as withdrawals are not allowed, unless as stated previously.

(continued...)

Commission

You will note that the product terms and conditions contain disclosure of the amount to be paid to you. Disclosure of all commissions to customers is considered by the FSA to represent good practice and we would encourage you to be upfront about what is due to you. It is not necessary to give a specific figure unless the customer asks you to do so.

- Commission of 2.75% to Intermediary and 0.25% to the Network or Mortgage Club (if any) will be paid on the initial investment only, following the expiry of the 14 day cancellation period. Total commission payable on the sum invested is up to 3.00% of the sum invested. The amount will depend on the sum of the investment. For example, for an investment of £10,000 it would be up to £300. The payment of this commission by Skipton Building Society will not affect the returns quoted. No further commission will be payable on additional investments into the same bond.
- No commission will be paid on re-investment into another Skipton Building Society investment product.
- Commission will not be reclaimed by Skipton Building Society if the bond is encashed early (ie on the death of an investor).

Customer declaration

In order to ensure that the customer is aware of the main features and key risks of the Capital Protected Double Asset Bond product and level of the service provided by you the IFA ie that this is not full advice, we require that the customer sign a Customer Agreement Form. This should be submitted along with the completed application and any associated documents.

Enquiries to Principal Office

Enquiries may be made to ascertain the progress of an application if required and you will be asked the usual verification questions. The Society will be unable to provide you with details about the bond during its term and the customer, if they have any questions/queries, will have to make an enquiry themselves. Enquiries that are not specific to a customer's account can be made as and when you require.

Principal Office, The Bailey,
Skipton, North Yorkshire BD23 1DN
Telephone: 0800 87 66 010*

skipton-intermediaries.co.uk

Skipton Building Society is a member of the Building Societies Association.
Authorised and regulated by the Financial Services Authority (FSA) under registration number 153706 for accepting deposits, advising on and arranging mortgages and insurance.
*To help maintain quality and service some telephone calls may be recorded.

Stock Code: 10-5529/30/06/10/APS

