



Product name: Small Business Loan

Information sheet produced: 14 August 2023

Our approach to meeting the Products & Services Outcome and Price & Value Outcome – Information for distributors of the Product

This summary document is being provided to you to fulfil our responsibilities under PRIN 2A.4.15R and PRIN 2A.3.12 R (2).

It is designed to support you to comply with your responsibilities under PRIN 2A.3.16 R and PRIN 2A.4.16 R. Please note that you are responsible for meeting your obligations under ‘The Consumer Duty.’

This information is intended for intermediary use only and should not be provided to customers.

1. Summary of our assessment

We have assessed that:

- Our Small Business Loan (SBL) currently meets the identified needs, characteristics, and objectives of customers in the intended target market
- The current distribution strategy remains appropriate for the intended target market
- The product provides fair value to customers in the intended target market (i.e., the total benefits are proportionate to total costs)

2. Product characteristics and benefits

The product is currently designed to meet the needs of the intended target group, i.e., invest in new equipment, property or to start a new project, or unplanned events, breakdown of equipment, damage to property or business assets, injection of cash to the business to support cashflow.

SBLs provide a lump sum to customer to be repaid over a fixed term, with no Early Repayment Charge (ERC). The current product features and criteria are designed to support these needs.

Features	Benefits
<ul style="list-style-type: none"> • Interest rate type – Fixed • Reference rate – Base Rate • Currency – Sterling (GBP) • Repayment type - Capital & interest • Term: 1-7 years • Interest calculation frequency – Monthly • Borrowing from £1,000 up to £50,000 	<ul style="list-style-type: none"> • Allows for a quick cash injection to the business • Customers will know how much they will pay each month, allowing them to manage their cashflow in line with their plans • Customers can repay their loan early with no Early Repayment Charges



NatWest Group

	<ul style="list-style-type: none"> • Customers are protected from the risk of higher interest rates • Low cost to set up - no arrangement fees or security fees
--	---

In summary, eligibility will be assessed based on Responsible Lending Criteria covering:

- Probability of default – assessing the viability of business in the short, medium / long term
- Adverse credit – ensuring credit worthiness / track-record of borrower is reviewed
- Affordability – assessing business income versus business expenditure; ensuring adequate coverage, to include a safety “buffer” to absorb one-offs and unforeseen circumstances
- Responsible loan to value assessments - ensure customers are not over committing themselves and fall within credit appetite
- Experience – ensuring the management team have the necessary skills and experience to manage the business successfully in the short / medium / long term
- Business Model – an assessment of the overall business model to ensure a viable going concern

3. Target market assessment and distribution strategy

This intended target market assessment matrix segments the target customers for the product, recognising their differing needs to enable you to tailor the services you provide when you distribute the product.

Customer Circumstances	Distribution Strategy	Customer Needs and Objectives
<ul style="list-style-type: none"> • Customers want to borrow £1,000 to £25,000 	<ul style="list-style-type: none"> • Direct channel online application • CCA (Consumer Credit Act) registered channel referral applies online • Intermediaries 	<ul style="list-style-type: none"> • Most customers applying for an SBL are non-RM managed and therefore a fast, simple online application for both existing and new customers is the most appropriate channel • Certainty of fixed repayments over 1-7 years
<ul style="list-style-type: none"> • Customers want to borrow £25,001 to £50,000 	<ul style="list-style-type: none"> • Online digital application form • Intermediaries 	<ul style="list-style-type: none"> • As above



NatWest
Group

The product **is not** designed for customers who:

- Do not require the certainty of fixed repayments and are comfortable accepting interest rate risks
- Are looking for day-to-day working capital needs
- Are deemed a Phoenix company (an entity that has been established to purchase the shares, and / or other assets of a company that has failed, and / or is set up to take the place of the failed company or Pre-Pack Administrations (is a deal for the sale of an insolvent company's business and / or assets which is put in place before the company goes into a formal insolvency process and is rapidly executed once the insolvency practitioner is formally appointed)
- Are aged under 18
- Are personal customers
- Are borrowing below £1,000 or more than £50,000
- Are a Relevant Financial Institution (RFI) (a credit institution or investment firm, or a parent of such an entity or subsidiary of such an entity that is subject to consolidated supervision with its parent)
- Are in financial difficulty other than when, in exceptional circumstances, we may do so to help the customer's situation
- Use the SBL to fund ongoing business losses
- Has been made bankrupt or previously have business that has been liquidated (if out of the bankruptcy we would allow)
- Fall under cross border restrictions e.g., Customer's address is outside the UK
- Carries out business within listed sanctioned countries in line with the Bank AML (Anti Money Laundering) policies (please speak to your local contact)
- Fall into no appetite sectors as defined by the bank (please speak to your local contact)

4. Customers with characteristics of vulnerability

The product is designed for customers with a need for investing in new equipment, property or to start a new project, or unplanned events, breakdown of equipment, damage to property or business assets, injection of cash to the business to support cashflow, which is likely to include some customers with characteristics of vulnerability or who will experience vulnerability over time.

To determine vulnerability, we rely on bank wide processes and functionality (called "Banking My Way") through which customers can self-declare and indicate what support is required, if any.

The support options available to vulnerable customers are more focused on direct interactions with customer facing staff, e.g., being more patient and does not include options related to offline interactions such as sending important loan documentation more frequently or more in advance of any deadline (e.g., the fixed rate expiring).



NatWest
Group

Examples of support options / framework in place to achieve good outcomes for vulnerable customers, which includes but not limited to:

- Education and training for our staff to ensure they have the appropriate skills and experience to recognise and respond to the needs of vulnerable customers.
- Flexible policies, where appropriate, to support vulnerable customers.
- Monitoring to ensure we continue to meet and respond to the needs of customers with characteristics of vulnerability.

Intermediaries should continue to comply with their obligations to ensure that they treat customers in vulnerable circumstances fairly.

Please contact us if you need any further information about how we support the needs of all our customers in relation to the product.

5. Our assessment of value

In reviewing the intended value of our SBL we have considered the product benefits, price, costs, and limitations to ascertain if the product delivers fair value for its intended target market.

A summary of the key areas considered during our value assessment are set out in the table below:

Benefits	Price	Costs	Limitations
<ul style="list-style-type: none"> • Simplicity / Speed of the product application • Certain of fixed repayments – protecting customers against interest rate rises • Cost effective and flexible - no Early Repayment Charges • Self-service digital journey 	<ul style="list-style-type: none"> • There are no arrangement fees or security required (unsecured) on an SBL • Customers are charged a base price based on the bank’s risk assessment criteria 	<p>The primary driver of costs for loans are:</p> <ul style="list-style-type: none"> • Funding rate • Capital costs (driven primarily by customer credit risk classification and term of loan) • Operational costs • Any fees paid to Intermediaries for the standalone product for the value of £50,000 	<ul style="list-style-type: none"> • 1 - 7 year loan term • Borrowing amount – £1,000 minimum up to £50,000 maximum

Result of our assessment:

Based on the above factors the product currently delivers fair value for its intended target market.