



Risks and Features of this Home Purchase Plan

The Financial Services Authority (FSA) is the independent regulator of financial services. It requires us to give you this important information to help you decide whether a home purchase plan is right for you.

1. How our Home Purchase Plan works

Our product uses the Islamic financial principles of Diminishing Musharaka. This is where both you and the Bank contribute towards the purchase of your home. For example, we may contribute 65% and you 35% of the purchase price. Over a period of up to 25 years or more, you will make monthly purchase instalments to us in return for which we will sell our 65% share in the property to you. With each payment instalment you make, our share in the property diminishes while your share correspondingly increases. While the purchase instalments are being made, we will charge you rent for the use of our share in the property, the rent being calculated according to the respective shares we own.

Our Diminishing Musharaka has been approved by our Shariah Board. Please ask us should you require more information in relation to our Board.

2. Who is it right for?

Our home purchase plan could be right for you if you want to buy 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 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 benefits?

You can

- buy residential property up to 25 years or more;
- obtain finance up to 65% of the property's value; (please refer to specific product information, as for some products this may be different);
- move from an existing interest bearing mortgage to this product (subject to being eligible - see our terms and conditions);
- move from an existing Islamic home finance product to this product (subject to being eligible - see our terms and conditions);
- sell the property when you wish;
- make full payment at any time; and
- make additional payments at each rent review

For further details see our application pack.

We have taken all reasonable steps we can 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

In the unlikely event that we fail or if we sell any of our obligations or rights under the home purchase plan (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.

4. What are the risks?

If you lose your job or illness prevents you from working, you will still have to pay your monthly payments. The rent you pay is reviewed at 6 monthly intervals (except in the case of our fixed rate products - please refer to product details). If the rental rate is increased, your monthly payments will increase.

Make sure you can afford the monthly payments. If you do not keep up the monthly payments, you may lose your home.

- We promise always to act fairly but, as a tenant, you face the risk of losing your right to stay in your home if you breach any of the terms of the agreements between us, not just those relating to payments.
- If your application does not result in completion of a home purchase plan, then the non-refundable application fee will not be returned to the applicant(s)

5. What is my commitment?

You must pay a minimum deposit

You must make:

- monthly purchase payments;
- monthly rental payments

Depending upon the product chosen, the rental rate is normally reviewed on 1 March and 1 September each year with new payments commencing one month after this date. The rent may either increase or decrease, at each rent review (see our terms and conditions, a copy of which is enclosed, for how the rent is calculated).

6. How flexible is it?

- **You can** sell the property when you wish (for further details see our terms and conditions);
- **You can** make full payment at any time (see our terms and conditions);
- **You can** make additional payments at each rent review (see our terms and conditions).

BUT

- **You cannot** have further money advanced on the plan;
- **You cannot** take payment holidays;
- These products are not portable.

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.

The most significant costs that you are responsible for paying are:

- Solicitor fees - The Law Society does not permit one firm of solicitors to act for both you and us and so you should budget for two amounts of solicitors' fees, yours and ours. You are strongly advised to obtain your own independent legal advice.
- Stamp duty land tax - This is a tax payable on all residential purchases, whether the purchase is financed by Islamic or conventional finance (unless the purchase price is below the threshold or the property falls within an exempt area). The property price bands and rate of tax payable vary from time to time and you should consult your solicitor to ascertain the rate currently payable. Stamp duty land tax becomes payable on the initial transfer of the property to the Bank.
- Valuation reports and survey - A property valuation will be necessary. The cost of this is detailed in our Payment Tariff leaflet.

Energy Performance Certificates (EPC)

Since 1 October 2008 all homes require an Energy Performance Certificate when built or sold.

In certain circumstances it will be necessary for you to obtain an EPC when refinancing your property to us. We will advise you if an EPC is necessary and help you obtain this where appropriate

Our Payment Tariff leaflet details the fees and charges we may levy in the running of your account. A copy is enclosed.

8. What do I do now?

If you would like any further information on this product, please contact us on **0800 587 8866**.

Finance is subject to status and valuation.

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