

The Shared Appreciation Mortgage Scandal

Contents

The Loan and the Repayment (page 2)
The Financial Implications of a Shared Appreciation Mortgage (page 3)
An Unfair Relationship between the Creditor and the Debtor (page 4)
Some of Barclays' Other Arguments (page 5)
Interest Rate Formula (page 6)
The Origin of Shared Appreciation Mortgages (page 6)
Securitisation of Bank of Scotland SAMs (page 9)
Barclays SAMS Limited (page 10)
Securitisation of Barclays SAMs (page 12)
Shared Appreciation Mortgage Products (page 16)
Shared Appreciation Mortgage Companies (page 17)
Millennium Product (page 18)
Bank of Scotland Shared Appreciation Mortgage Advertisement (0% and 5.99% options) (page 19)
Bank of Scotland Shared Appreciation Mortgage Advertisement (0% and 5.95% options) (page 79)
BOS and Barclays Shared Appreciation Mortgage Examples (page 21)
Bank of Scotland ("as agent for BOS (Shared Appreciation Mortgages) No. 4 PLC")
Shared Appreciation Mortgage Sales Booklet (page 22)
Marketing Barclays Bank Shared Appreciation Mortgages (page 23)
Barclays Bank Shared Appreciation Mortgages Sales Booklet (page 24)
Barclays Bank Shared Appreciation Mortgages Sales Booklet Insert (page 26)
Barclays SAMS Limited Agreement (page 26)
UK House Price Index (page 28)
Regulation (page 29)
Legislation (page 29)
Early Dissension (page 29)
Action Groups (page 30)
Parliament (page 30)
Hardship Scheme (page 31)
Class Actions (page 31)
Media Coverage (page 34)
Social Media (page 37)
Complaints Procedure (page 38)
Financial Ombudsman Service (page 40)
Pre-Action Conduct and Protocols (page 42)
Issuing Court Proceedings (page 42)
Transcripts (page 43)
Bank of Scotland Sales Agents' Newspaper Advertisements (page 82)
List of Newspaper Advertisements for Shared Appreciation Mortgages (page 90)

About 12,000 Shared Appreciation Mortgages were sold by Bank of Scotland between November 1996 and March 1998 (17 months), and 3,253 were sold by Barclays Bank between May and July 1998 (3 months). They were sold by Bank of Scotland through financial advisers and mortgage brokers, and by Barclays directly to the borrowers. Bank of Scotland loaned a total of £534,120,460 of Shared Appreciation Mortgages, and so the average size of each of their loans would have been about £44,510. Barclays Bank loaned a total of £97.84m of Shared Appreciation Mortgages, and so the average size of each of their loans would have been about £30,077.

Barclays' booklet on Shared Appreciation Mortgages says that they were "specially designed for the needs and lifestyles of the mature homeowner ... aged 45 or over and ... property worth over £60,000." They were mostly aimed at people aged 65 and over, and marketed as ideal for people who had paid off their mortgage, allowing them to release cash tied up in their home without having to sell up.

In December 2020, 1,168 of the 3,253 shared appreciation mortgages that had been sold by Barclays, about a third, were still in existence. It is possible therefore that about a third of the 12,000 shared appreciation mortgages that had been sold by Bank of Scotland were also still in existence, i.e. about 4,000 of them.

The Loan and the Repayment

The lender of a Shared Appreciation Mortgage lent a sum of money up to a maximum of 25% of the value of the property. The borrower retained ownership of the property and no repayments were made until the property was sold or the borrower died. At that time the repayment was the original amount borrowed plus a share of the increase in the value of the property. The lender's percentage share was three times the percentage of the value of the property that was originally borrowed. Therefore if the original loan was 25% of the value of the property, the share of the increase in the value would have been 75%. For the purpose of this calculation, the final value of the property was not the price at which the property was sold, but a valuation commissioned by the lender and paid for by the borrower. So if the property was sold for less than the valuation, the borrower's percentage share would be further reduced.

Barclays' booklet on Shared Appreciation Mortgages gives an example of a property with an original valuation of £100,000 and a final valuation of £150,000. For a loan of £25,000, i.e. 25% of the original valuation, the repayment would be $£25,000 + (75\% \times £50,000) = £62,500$, i.e. 42% of the final valuation. Over a period of 20 years this would be equivalent to a compound rate of interest of 4.7%.

However the value of property has increased by a much greater amount than Barclays used in their example. The final valuation of the property in the example might now be £400,000. For a loan of £25,000, the repayment would be $£25,000 + (75\% \times £300,000) = £250,000$, i.e. 62.5% of the final valuation. Over a period of 20 years this would be equivalent to a compound rate of interest of 12.2%, two and a half times the rate of the example. The borrower's share of the equity would be £150,000, less than half of the final valuation of the property of £400,000.

Bank of Scotland also sold Shared Appreciation Mortgages on which interest was charged at about 5.75% to 6% per annum. On these mortgages the maximum loan was 75% of the value of the property (compared with 25% for a zero-interest SAM), and the lender's percentage share of the appreciation was the same as the percentage ratio of the loan to the original value of the property (compared with three times the percentage for a zero-interest SAM). Therefore if the loan was 75% of the original value of the property, the lender's share of the appreciation would also have been 75%. The interest was paid by monthly instalments, and the final repayment was the original amount borrowed plus the lender's share of the appreciation.

The large repayment amount of a Shared Appreciation Mortgage and the small share of the equity remaining mean that the borrower might not have sufficient money to be able to downsize to a smaller property. The borrower would have less money to pay care home fees, which would require the local authority to make a greater contribution to those fees. And the borrower would have less money to leave to his or her children or grandchildren, some of whom might have been looking after the borrower for many years.

Conversely, in the unlikely event that the value of property had remained the same or reduced,

the Shared Appreciation Mortgage would have effectively been interest-free.

The Financial Implications of a Shared Appreciation Mortgage

Barclays had a sales booklet for their Shared Appreciation Mortgages. On the first page after the cover, it says "We are committed to The Mortgage Code and The Banking Code", and on the back cover, under the heading "The Mortgage Code and The Banking Code", it says "Barclays is committed to The Mortgage Code and The Banking Code, both of which set out the commitments and standards of banks in dealing with their customers. As such, we ensure that our products and services comply with the terms of both Codes."

The Mortgage Code says that the standards of the Code are encompassed in the 10 key commitments. One of these commitments is "We, the subscribers to this Code, promise that we will help you to understand the financial implications of a mortgage."

However Barclays did not help potential customers understand the financial implications of a Shared Appreciation Mortgage. It did not tell them that the repayment of the mortgage would be about two-thirds of the final value of their property, or that the equivalent compound rate of interest of the mortgage would be in the order of 10%; that the Shared Appreciation Mortgage would therefore be about twice as expensive as other forms of equity release loans.

Barclays have said that they were not able to predict the financial implications of the mortgages, which admits that they did not help potential customers understand the financial implications.

Barclays say that they could not have foreseen at the time that there would be such a dramatic increase in the value of property. However in the 20 years before they started selling Shared Appreciation Mortgages in May 1998, the UK House Price Index had increased from £12,429 in April 1978 to £69,757 in April 1998, an increase of 461% (£57,328, 9.0% per annum), and so it would have been reasonable to expect the value of property to continue to increase in the long term at a high rate.

The Shared Appreciation Mortgages were marketed before the widespread use of the internet. Potential customers and their solicitors would not have had easy access to UK House Price Index information, but banks selling mortgages would have had this information. There was information asymmetry between the banks and their prospective customers.

On page 5 of the sales booklet there are three examples of Shared Appreciation Mortgages. They are based on loans of £15,000, £20,000 and £25,000, an original property valuation of £100,000 and a final property valuation of £150,000. The quoted repayments, including the initial loan and the shared appreciation, but not including any legal fees or other costs, are £37,500, £50,000 and £62,500. The examples do not give the number of years of the mortgage, but if it is assumed to be 20 years, the equivalent compound rate of interest of the mortgage is 4.7%.

The examples in the sales booklet would have been more realistic and less misleading if they had used a higher increase in the value of the property, nearer the increase in the value of property in the previous 20 years of 461%, instead of the 50% it did use (from £100,000 to £150,000).

Shared Appreciation Mortgages were about twice as expensive as other equity release loans. Barclays "promised" their prospective customers, through the Mortgage Code, that they would help them understand the financial implications of their Shared Appreciation Mortgages. Barclays have admitted that they did not do this, saying, incorrectly, they were not able to, but they say their prospective customers or their solicitors should have worked out the financial implications for themselves.

An Unfair Relationship between the Creditor and the Debtor

The arrangement whereby a loan which is 25% of the initial value of a property is repaid by 75% of the appreciation of the value in the property, plus the amount of the loan, is an arbitrary and unfair method of calculating the repayment. It could be considered to be an unfair relationship between the creditor and the debtor under the Consumer Credit Act 1974 and the Consumer Credit Act 2006. With the Shared Appreciation Mortgage, the appreciation is shared disproportionately. A repayment of 25% of the appreciation of the value in the property, plus the amount of the loan, would have been more appropriate and less exorbitant, and would still have provided a highly profitable return for the lender.

One of the flaws of the method of calculating the repayment of the Shared Appreciation Mortgage is that, over the term of the mortgage of 20 to 25 years or more, even a small increase in the average annual house price inflation causes a disproportionately large increase in the amount of the repayment.

INITIAL VALUE	LOAN	TERM (YEARS)	HOUSE PRICE INFLATION	FINAL VALUE	75% SHARE OF APPRECIATION	REPAYMENT
100,000	25,000	20	2.05%	150,000	37,500.00	62,500.00
100,000	25,000	25	2%	164,061	48,045.45	73,045.45
100,000	25,000	25	3%	209,378	82,033.34	107,033.34
100,000	25,000	25	4%	266,584	124,937.72	149,937.72
100,000	25,000	25	5%	338,635	178,976.62	203,976.62
100,000	25,000	25	6%	429,187	246,890.30	271,890.30
100,000	25,000	25	7%	542,743	332,057.45	357,057.45
100,000	25,000	25	8%	684,848	438,635.64	463,635.64
100,000	25,000	25	9%	862,308	571,731.05	596,731.05

The first example, with a repayment of £62,500, is one of the three examples in Barclays' Shared Appreciation Mortgages booklet, assuming the term to be 20 years.

The 2006 amendments to the Consumer Credit Act 1974 significantly strengthened the Judicial control of unfair credit relationships. The Consumer Credit Act gives the Court wide powers to amend the terms of the Shared Appreciation Mortgage relationship to make it fairer. It is arguable that Shared Appreciation Mortgages would not survive judicial scrutiny and the Court would ameliorate the position of the customer to provide for a fairer outcome. (source: Teacher Stern LLP website)

Barclays say they are not responsible for the fairness of the Shared Appreciation Mortgage because they were not the actual lender of the product. Barclays Bank devised, marketed, arranged and administered the Shared Appreciation Mortgages, but they established a wholly owned subsidiary company, Barclays SAMS Limited, to act as the lender. The borrowers' contracts were with Barclays SAMS Limited. Barclays say that a complaint about the unfairness of the terms and conditions of a Shared Appreciation Mortgage would need to be made against Barclays SAMS Limited, as the lender, and that Barclays Bank cannot be held liable for the actions of this separate entity.

This is despite Barclays SAMS Limited being a wholly owned subsidiary of Barclays Bank and registered at the same address (1 Churchill Place, London, E14 5HP). Barclays SAMS Limited does not seem to have any employees other than its two directors, the correspondence address of both of whom is given as the same address as Barclays Bank. Their names can be found on the Companies House website. It is possible that a complaint against Barclays SAMS Limited would be referred to Barclays Customer Relations or Barclays Mortgage Services. The Financial Ombudsman Service says it does not have the jurisdiction to consider a complaint against

Barclays SAMS Limited.

Barclays' statement that it cannot be held liable for the actions of Barclays SAMS Limited appears to contradict the reassuring statements made in their sales booklet: "Barclays is committed to The Mortgage Code and The Banking Code, both of which set out the commitments and standards of banks in dealing with their customers. As such, we ensure that our products and services comply with the terms of both Codes."

Similarly, Bank of Scotland created separate companies, such as BoS (Shared Appreciation Mortgages) No. 1 PLC, to act as lender, outside the Banking Code and unregulated.

The fact that Barclays say they are not responsible for the fairness of the Shared Appreciation Mortgage strongly implies that they recognise that the Shared Appreciation Mortgage is not fair.

Some of Barclays' Other Arguments

Barclays say "SAMs were made available on an 'information only' basis and [the customers] did not receive any advice or recommendation from Barclays."

Barclays nearly always loaned their SAM customers the maximum possible amount, equivalent to 25% of the valuation of the property, irrespective of whether the customers needed so much. Barclays seem to have given remarkably consistent advice to their customers: to borrow as much as they could, whether or not they needed it.

Barclays say "The SAM literature at the time suggested, 'Before making any commitment to a Shared Appreciation Mortgage you may wish to seek independent advice or discuss it with your family.'"

The text quoted by Barclays was a note at the foot of page 5 of the sales booklet. However none of the fifteen items listed on the Barclays Mortgage Service checklist, for face-to-face discussion between the bank and the customer, referred to seeking independent advice or discussing the SAM with their family.

Barclays say "SAMs were a very different product to a normal Mortgage and the Bank therefore took steps to ensure that customers fully understood the potential implications of their SAM, by issuing clear instructions to their Solicitors. A key requirement set out in our Instructions to Solicitors and Licensed Conveyancers for SAMs, was that the Solicitor must ensure the borrower understands the provisions and implications of the legal charge and the terms and conditions of the Mortgage."

However we have seen a letter from Barclays SAMS Limited to some of their customers' solicitors, which said merely "We enclose our standard Instruction to Solicitors", and does not ask them to ensure that the customers fully understood the potential implications of the Shared Appreciation Mortgage.

Barclays also say "The terms of the SAM were clearly set out in the agreement and the worked example detailed how the product worked. It was not an indication of the likely sum repayable in a specific case. ... We have no influence over property prices, nor could we have foreseen at the time that there would be such a dramatic increase in the value of property."

The worked example in the agreement was headed "Example of a Shared Appreciation Mortgage". A customer would assume that the repayment in the example was typical and roughly what could be expected, and there was nothing to say that the customer should not assume this. In fact the line below the heading says "Assume:". Similarly, the examples in the sales booklet were introduced by the statement "The examples below show you how some typical Shared Appreciation Mortgages work" and here again the customer would assume that the repayments in the examples were typical and roughly what could be expected. However the repayments in the examples were completely misleading underestimates.

Barclays could have made estimates of the sizes of the repayments of the Shared Appreciation Mortgages, and they probably did for their own purposes, by extrapolating the historical values of the UK House Price Index. They should have shared this information with their prospective customers. Barclays said they were not able to work out the financial implications of the Shared

Appreciation Mortgages, but their prospective customers or their customers' solicitors should have worked out the financial implications for themselves.

Barclays say the mortgage agreement says '... you confirm that we have recommended that you obtain independent legal advice on the meaning and effect of this Agreement and the Mortgage.' However Barclays had not recommended that the customers should obtain independent legal advice. They coerced their customers to sign an agreement in which they had to confirm that Barclays had done something that they had not. If the customers did not sign the agreement, they would not receive the loan.

Interest Rate Formula

To calculate the Equivalent Interest Rate (EIR) of a "zero-interest" Shared Appreciation Mortgage, i.e. the rate of the interest that would have been charged on the amount owing, and added to the amount owing, so that at the end of the term of the loan, the amount owing would be the same as the repayment owing on a Shared Appreciation Mortgage:

Equivalent Interest Rate

$$EIR = \left(\sqrt[n]{\frac{R}{L}} - 1 \right) \times n \times 100$$

Where R is the amount of the repayment,
L is the amount of the loan,
n is the number of times per year
that interest is charged
(1 for annually, 12 for monthly)
and t is the time in years (and part of a year)

For loans that were 25% of the value of the property, the repayment would normally be 75% of the difference between the initial and final values of the property, plus the amount of the initial loan.

To calculate the repayment required for a loan on which interest is charged:

Compound rate of interest
Calculation of repayment

$$REPAYMENT = L \times \left(1 + \frac{r}{n \times 100} \right)^{nt}$$

Where L is the amount of the loan,
r is the interest rate as a percentage,
n is the number of times per year
that interest is charged
(1 for annually, 12 for monthly)
and t is the time in years (and part of a year)

The Origin of Shared Appreciation Mortgages

There is a detailed account of the origin of Shared Appreciation Mortgages in chapter 23 of Dr Bettina von Stamm's book "Managing Innovation, Design and Creativity", first edition published in 2003 and second edition published in 2008. Chapter 23 is titled "Innovation in Financial Services, Case Study 8: Shared Appreciation Mortgage – Bank of Scotland". For this chapter Dr Bettina von Stamm interviewed several of Bank of Scotland's senior sales and customer service leaders in the late 1990s. This is a précis of the chapter:

Craig Corn, a director in structured finance at Merrill Lynch, was looking for a way to give

investors access to one of the largest asset pools, the housing market. This was dominated by owner-occupiers, most of whose wealth was tied up in their homes. Meanwhile commercial investment in the much smaller private rental sector of the market was hampered by the cost of managing rental property and the difficulty of gaining repossession. Linking an investment to a mortgage would give investors access to the much larger owner-occupier sector of the housing market and enable the owner-occupiers to make financial use of their asset.

As Merrill Lynch's management did not feel that the product would fit into their existing product portfolio, Craig Corn approached other companies, and moved to the Swiss Bank Corporation (SBC). David Garner had joined SBC from a building society in autumn 1995, and had knowledge of the UK mortgage and capital markets. Corn and Garner worked together on the project and obtained legal opinion. It soon emerged that homeowners could give up a share in the appreciation of their property in return for a fixed-term, low-interest mortgage, while investors could access the shared appreciation in return for their investment. (SBC bought S.G. Warburg & Co., a leading British investment banking firm, in 1995, and merged it with its own investment banking unit to create SBC Warburg.)

As well as having the support of SBC as an investment bank, Corn and Garner also needed a mortgage lender to market and manage the mortgages. Of the building societies and banks they approached, Bank of Scotland had a good reputation and were considered to be innovative. In February 1996, Craig Corn contacted Willie Donald, who had recently joined Bank of Scotland as Director of Sales. Willie Donald liked the idea and took it via George While, Head of Mortgages, to George Mitchell, Divisional Chief Executive of Personal Banking, both of whom also liked the idea. Mitchell put the idea to the main board, who approved it in principle in June 1996.

SBC and Bank of Scotland quickly reached agreement to cooperate. George Mitchell selected Neil Forrest to work with Willie Donald on the product. Neil Forrest had been with the bank for seven or eight years and had expertise in securitisation; Willie Donald had just introduced the Personal Choice Mortgage. According to Neil Forrest, Craig Corn and Willie Donald had the ideas while he and David Garner translated the ideas into something realizable.

The team spent four or five months working on the first version of the product, which did not involve securitisation. This is the pooling of debt such as residential mortgages, and selling their cash flows as securities, also known as bonds. One reason that securitisation had not initially been included was that it had a bad reputation: it was normally only used if direct financing could not be afforded. Another reason was that the proposed interest rate swaps would have been a substantial taxation risk for the bank. The second version of the product, which did involve securitisation, was given the go-ahead.

The implementation team consisted of Willie Donald and Neil Forrest, responsible for the product, Ian Dickson and John Lloyd, for sales, John Trouton, for customer care, Dave Smith, for process area, and three people from systems. A second team was dedicated to develop the processes surrounding the Shared Appreciation Mortgage. At the first implementation team meeting, on 25 September 1996, the launch date was set for 4 November 1996. Gary Gordon, Manager, Operations, joined the team in early October 1996.

The team focused on a choice for borrowers of two interest rates: a 0% mortgage where the borrower could borrow up to 25% of the value of property and give up appreciation worth three times the percentage borrowed, i.e. up to 75%, and a 5.75% mortgage where the borrower could borrow up to 75% of the value of property and give up appreciation at the same percentage as the percentage borrowed.

For the investor, the 5.75% SAMs would be securitised into fixed rate bonds with a fixed interest rate of about 55% of the 10-year gilt yield (a gilt is a UK government bond). The 0% SAMs would be securitised into floating rate bonds with a variable interest rate of about 60% of the three month Libor (London Inter-bank Offered Rate, an interest rate average calculated from estimates submitted by the leading banks in London). The interest would be paid quarterly, and would consist of the fixed or floating element plus an additional element from SAMs terminated in that quarter. The debt was amortized (reduced) each quarter as the number of homes with SAMs reduced. Therefore the ratio of the interest to the debt would gradually increase, and the benefit of this would compensate for the bonds not having a fixed term.

SAMs would be less risky for investment than equity (a share of ownership), they would be long term, and their earnings would be linked to house prices, which historically performed better than inflation but not as well as shares. Consequently they were expected to appeal to pension funds, property funds and equity investors.

All of the debt and equity of the SAMs would go to the bondholders, with Bank of Scotland receiving a fee. Money from the mortgages coming into Bank of Scotland would be cleared monthly or weekly to SBC. To keep funds associated with SAMs separate from its other funds, Bank of Scotland set up an independent company for each SAM. BoS acted as an agent for each BoS SAM and legal charges were in the name of the BoS SAM rather than BoS. Separate companies had to be set up for interest-bearing and zero-interest Scottish SAMs: BoS SAM 3 and BoS SAM 4. One of the English companies securitised the assets.

The implementation team attempted to anticipate any problems. At their second meeting in early October, they were alerted by the IT people to the fact that Unisys, one of the bank's IT systems, could only process loans of up to 50 years, whereas the SAM was open-ended, until the sale of the property or the death of the owner. Nor could Unisys process an interest rate of 0%. There was also concern that with a separate company for each SAM, overnight processing might overrun, especially at the end of the month. The processing capacity was therefore upgraded, with a separate system for mortgages to avoid affecting the other systems.

Property valuations were important because appreciation was calculated on the difference between the initial valuation and the final valuation of a property. Countrywide was appointed to administer the panel of valuers.

At the team meeting on 9 October 1996, it was decided to launch on 11 November, following an announcement in The Sunday Times on 4 November. There was also a press leak in a Sunday newspaper on 20 October. The product was launched before contracts with SBC Warburg had been finalised and before terms and conditions had been copy written. By the launch date the bank was already receiving about 2,000 phone calls per day, with most of the callers interested in the 0% option, and 2,500 people had requested more information. Demand was much greater than expected: by the second week of December they had run out of brochures.

BoS SAM 1 and BoS SAM 2 were sold in England, with the first moneys drawn on 31 December 1996. For the BoS SAM 1, 5.75% option, bonds worth £27.2m were issued; for the BoS SAM 2, 0% option, bonds worth £105.6m were issued. Unexpectedly, investors did not include pension funds. Borrowers had been expected to be in their seventies, but most of them were in their fifties or sixties.

SAMs 3 and 4, for Scotland, could not be launched until the securitisation of SAMs 1 and 2 had been completed, and they were also delayed by the different legal system in Scotland. They were introduced in mid-February 1997 and took longer to place with investors than SAMs 1 and 2. During the preparations for SAMs 5 and 6, SBC Warburg merged with Union Bank of Switzerland. The merger was announced on 8 December 1997 and created UBS AG. Investors could not be found for SAMs 5 and 6, which had to be taken up by SBC Warburg itself. Bank of Scotland hoped that UBS/SBC Warburg would find new investors for the SAMs, but instead had to withdraw the product.

BoS SAMs 2, 4 and 6 were 0% interest mortgages, with the lender's percentage share of the appreciation being three times the percentage ratio of the loan to the initial value of the property (LTV).

In March 1998, after Bank of Scotland had withdrawn their product, Barclays Capital launched the securitisation of their shared appreciation mortgages. Like Bank of Scotland's zero-interest mortgage, the maximum loan to property value ratio (LTV) of Barclays' shared appreciation mortgage was 25%, no interest was charged, and the lender's share of the appreciation was three times the LTV. Barclays sold 3,253 SAMs between May and July 1998. Barclays Capital securitised the mortgages in 1999 through Millshaw SAMS No.1 Limited, a £97.84m triple-A rated zero-coupon bond, which was a 55-year deal. The take-up by investors was slow, but institutions bought the bonds for their high returns.

On 11 July 1998 the Financial Times reported that shared appreciation mortgages were

temporarily off the market. Shared appreciation mortgages did not subsequently return to the market. Had Bank of Scotland and Barclays Bank quickly realised that shared appreciation mortgages were toxic?

When house prices increased and the appreciation became much greater than the initial value of the properties, the borrowers owed the investors the majority of the value of their properties, and were left with only a small proportion of the value for themselves.

Securitisation of Bank of Scotland SAMs

There is some information on the securitisation of Bank of Scotland SAMs at the end of chapter 23 of Dr Bettina von Stamm's book "Managing Innovation, Design and Creativity". There is a précis of that chapter on this page, titled The Origin of Shared Appreciation Mortgages.

On 25 July 1997, BOS (Shared Appreciation Mortgages) No.1 PLC and BOS (Shared Appreciation Mortgages) No.2 PLC securitised their mortgage books via the issue of £27,200,000 mortgage backed fixed rate notes and £105,600,000 mortgage backed fixed rate notes respectively.

On 13 February 1998, BOS (Shared Appreciation Mortgages) No.3 PLC and BOS (Shared Appreciation Mortgages) No.4 PLC securitised their mortgage books via the issue of £46,560,000 mortgage backed fixed rate notes and £203,670,000 asset backed floating rate notes respectively. Also on this date, as part of the securitisation, BOS (Shared Appreciation Mortgages) No.3 PLC and BOS (Shared Appreciation Mortgages) No.4 PLC purchased the zero rated mortgages of BOS (Shared Appreciation Mortgages (Scotland)) Limited and BOS (Shared Appreciation Mortgages (Scotland) No.2) Limited.

During the period from 18 September 1997 to 28 February 1999, BOS (Shared Appreciation Mortgages (Scotland) No.3) Limited advanced mortgages totalling £15,229,764. In 1998 the company entered into a one year put and call option with Union Bank of Switzerland (UBS, formerly SBC) to sell the outstanding balance of its mortgage portfolio. (A put and call option is a financial derivative contract giving investors the right, but not the obligation, to sell (put) or buy (call) an asset at a set price within a specific timeframe.)

During the period from 24 October 1997 to 28 February 1999, BOS (Shared Appreciation Mortgages) No.5 PLC advanced mortgages totalling £48,642,449, and BOS (Shared Appreciation Mortgages) No.6 PLC advanced mortgages totalling £87,218,247. In 1998 the companies entered into one year put and call options with Union Bank of Switzerland to sell the outstanding balances of their mortgage portfolios.

The total amount of the four securitisations and the three other portfolios of mortgages advanced was £534,120,460.

The one year options that BOS (Shared Appreciation Mortgages (Scotland) No.3) Limited, BOS (Shared Appreciation Mortgages) No.5 PLC and BOS (Shared Appreciation Mortgages) No.6 PLC had entered with Union Bank of Switzerland, were extended on 12 November 1999 for a further ten years. The options envisaged that UBS would either securitise the mortgages if a market had developed or purchase the mortgage loans themselves. As a result of the options, UBS acquired the three mortgage portfolios on 16 November 2009. The net considerations received by the three BOS companies were £8,029,705, £18,327,689 and £53,132,700 respectively. (On 31 December 2008 the mortgage portfolios had been valued at £8,171,270, £19,486,666 and £56,372,017 respectively.)

There is more information about the securitisation of Bank of Scotland SAMs in a report by Standard & Poor's Ratings Services dated 14 July 2014:

Rating Lowered On BOS (Shared Appreciation Mortgages) No. 4's Zero-Coupon Notes Following Review

Following our review of BOS (Shared Appreciation Mortgages) No. 4's performance, we have lowered to 'AA (sf)' from 'AAA (sf)' our rating on the zero-coupon notes to reflect the increased likelihood that the issuer will have insufficient funds to pay the transaction's costs until the notes fully amortize.

BOS (Shared Appreciation Mortgages) No. 4 securitizes a pool of shared appreciation mortgages secured over residential properties in England and Wales.

LONDON (Standard & Poor's) July 14, 2014 – Standard & Poor's Ratings Services today lowered to 'AA (sf)' from 'AAA (sf)' its credit rating on BOS (Shared Appreciation Mortgages) No. 4 PLC's (BOS No. 4) zero-coupon notes.

Today's rating action follows our analysis of the transaction's performance.

BOS No. 4 securitizes shared appreciation mortgages, which various subsidiaries of the Bank of Scotland PLC originated, secured over residential properties in England and Wales. The transaction closed in 1999, and in 2011 the Bank of Scotland restructured the transaction. The main elements of that restructure included the use of the cash collateral that was held in a guaranteed investment contract (GIC) account since closing to partially repay the notes and to convert the notes to zero coupon notes.

The underlying mortgage loans do not have a legal maturity date. Instead, the repayment is triggered by (i) the death of the sole borrower or the last surviving borrower, (ii) a default under the borrower's mortgage agreement, (iii) the compulsory purchase of the property, or (iv) the sale of the property.

In addition to the loan balance, the borrower must also pay to the issuer a percentage of appreciation in the value of the property. The appreciation amounts are paid to the noteholders as the equity participation amounts. Our rating in this transaction only addresses the full repayment of the principal by the notes' final maturity, it does not address the payment of equity appreciation amounts.

The mortgage loans in the pool do not pay any interest. The issuer's ability to pay administration and servicing fees and other senior costs relies on other sources of liquidity, such as a reserve fund. Our analysis considers whether the transaction is likely to pay down before the reserve fund is fully drawn. We used mortality data, which the Continuous Mortality Investigation bureau of the Institute and Faculty of Actuaries produces, in combination with our assumption of long-term mortality rate improvement, and applied age-sensitive prepayment assumptions to assess the expected amortization schedule for the pool (see "Criteria For Rating U.K. Reverse Mortgage-Backed Securities," published on Aug. 8, 2002). We observed that the prepayments in shared appreciation mortgage transactions, and in the reverse mortgage transactions that we rate, which in our view are likely to exhibit similar prepayments patterns, are low.

Our analysis indicates an increased likelihood that the issuer will run out of funds in the reserve account before the notes are fully repaid. We have based our analysis on the assumption that the issuer will only be able to draw on the reserve fund up to the reserve required amount. We note that the reserve account's current balance substantially exceeds the required amount. If this additional liquidity were available to the issuer to pay the senior costs, the issuer would be able to service the transaction until it fully pays down, in our view. However, due to the uncertainty as to how this excess can be used, we assumed that the issuer will not be available to use it to pay the senior costs.

Therefore, we have lowered to 'AA (sf)' from 'AAA (sf)' our rating on the zero-coupon notes.

We will continue to monitor the repayment speed and the reserve fund's levels in this transaction.

BOS No. 4 securitizes a pool of shared appreciation mortgages secured over residential properties in England and Wales. The transaction closed in 1999.

Barclays SAMS Limited

Barclays' booklet on Shared Appreciation Mortgages says on the back cover, under the heading "THE MORTGAGE CODE AND THE BANKING CODE": "Barclays is committed to The Mortgage Code and The Banking Code, both of which set out the commitments and standards of banks in dealing with their customers. ..."

Banks operated voluntarily under the Banking Code, as a condition of which they had to sign up to the Financial Ombudsman Service, which has legal powers to put things right if customers have

been treated unfairly. Barclays Bank operated under the Banking Code and was a signatory to the Financial Ombudsman Service.

However Barclays Bank established a subsidiary company, Barclays SAMS Limited, to act as the lender of the shared appreciation mortgages. The Barclays SAMS Limited Agreement that was signed by the borrowers, names Barclays SAMS Limited as the lender. Barclays SAMS Limited did not operate under the Banking Code, was not a signatory to the Financial Ombudsman Service, and was therefore outside the jurisdiction of the Financial Ombudsman Service.

So Barclays Bank has successfully avoided the Financial Ombudsman Service's scrutiny of the fairness of its shared appreciation mortgages, despite its reassuring words on the back cover of the Shared Appreciation Mortgages booklet.

Barclays SAMS Limited changed its name to its current name on 11 May 1998. Its Report and Accounts for the year ended 31 December 1997, dated 29 October 1998, stated that its principal activity was ownership of a UK based mortgage portfolio.

The Balance Sheet at 31 December 1998, included in the Report and Accounts for the year ended 31 December 1998, showed a balance owed by Barclays Capital of £97,887,173 and amounts due to creditors [Group Companies] within one year of £97,881,672.

The Report and Financial Statements for the year ended 31 December 1999 stated that a portfolio of mortgages was originated by Barclays SAMS Limited during 1998 and was sold to another group company at cost. The portfolio was re-purchased during 1999 and was sold to a third party [Millshaw SAMS No.1 Limited] at a profit. The proceeds from the sale were £106,479,200. After the deduction of £97,840,000 for the mortgage balances, £5,814,200 for Warehousing Costs, £1,000,000 for Put Option and £825,000 for Insurance, the profit on the sale was £1,000,000. Note 10, Debtors:- Amounts falling due after one year, itemises a subordinated loan to Millshaw SAMS No.1 Limited due 2060 of £500,000 (1998: -).

The Report and Financial Statements for the year ended 31 December 2000 stated that the company's principal activity was the origination and sale of a mortgage portfolio. It said that it had not engaged in its principal activity during the year.

The Reports and Financial Statements for the year ended 31 December 2001 and subsequent years stated that the company's principal activity was to carry out some administration duties in respect of a mortgage portfolio that it previously originated and sold to Millshaw SAMS No.1 Limited, a company registered in Jersey.

The Directors' Report and Financial Statements for the year ended 31 December 2013, Strategic Report, Review and principal activities, also stated that following an impairment review of loans and receivables, the decision had been made to impair the subordinated loan note issued by Millshaw SAMS No.1 Limited and held by the Company. This was as a consequence of non-payment of interest due to Barclays SAMS Limited. This impairment resulted in the Company making a loss of £1,725,767 (2012: £1,851,153).

In the same document, Note 10, Loans and receivables – Non Current, stated "Barclays Sams Limited holds a subordinated loan note issued by Millshaw SAMS No.1 Limited, a company incorporated in Jersey. The accrued interest due on the Subordinated Loan Note issued by Millshaw SAMS No.1 Limited has been classified as an amount falling due after more than one year as the interest is unlikely to be received within the next twelve months and has been fully provided against.

"On inception of the Millshaw SAMS No.1 Limited structure, interest received on cash deposits by Millshaw SAMS No.1 Limited were expected to cover yearly operating expenses of that company. Any excess profits are to be paid to Barclay SAMS Limited as interest on the Subordinated Loan Note. Due to lower than expected prevailing interest rates, the interest income received on cash deposits by Millshaw SAMS No.1 Limited is currently not expected to be sufficient to cover the company's operating expenses. Barclays SAMS Limited holding in the Subordinated Loan Note issued by Millshaw SAMS No 1 Limited has been impaired by £170,000 in the current year as per note 1."

The settlements that Teacher Stern negotiated with Barclays Bank in 2021, on behalf of 37 clients who had taken out shared appreciation mortgages in 1998, do not appear in the reports and financial statements for Barclays SAMS Limited or Barclays Bank UK PLC, but in the reports and financial statements for Millshaw SAMS No.1 Limited. Because this company is registered in Jersey, its reports and financial statements are not available on the Companies House website.

The Directors' Report and Financial Statements for the year ended 31 December 2024 for Barclays SAMS Limited says in Note 1, Reporting entity: "Barclays SAMS Limited (the 'Company') is a private limited company, domiciled and incorporated in the United Kingdom. The address of the registered office of the Company is 1 Churchill Place London, E14 5HP. These financial statements are prepared for the Company, the principal activity of which is providing a Subordinated Loan Note ("SLN") to Millshaw SAMS No.1 Limited ("Millshaw"), a company registered in Jersey. While the Company retains legal title to the mortgages transferred to Millshaw and Barclays Bank UK PLC administers them on behalf of Millshaw, they are not recognised in the Company's financial statements as the significant risks and rewards of ownership have been transferred to Millshaw. ..."

Securitisation of Barclays SAMs

Millshaw SAMS No.1 Limited is a special purpose securitisation vehicle that was registered in Jersey by Barclays Capital to securitise 3,253 Barclays Shared Appreciation Mortgages. It was funded primarily through the issue of floating rate notes backed by the mortgages: a 55-year £97.84m triple-A rated zero-coupon bond named Millshaw SAMS No.1.

Millshaw SAMS No.1 Limited issued the debt securities (£97,840,000 SAM Notes of £10,000 each, due 2054) to purchase an equivalent amount of mortgage loan portfolio from Barclays SAMS Limited, a wholly owned subsidiary of Barclays Bank UK PLC. Barclays Bank UK PLC continues to administer the mortgage portfolio under a Mortgage Administration Agreement with the company. Until 2024 the SAM Notes issued by the company were listed on the London Stock Exchange but not actively traded on it.

Millshaw SAMS No.1 Limited holds the interest in the SAMs purchased until maturity and uses the principal repayments and shared appreciation monies received to make quarterly distributions to Noteholders, based on the value of the maturing mortgages within each quarter, known as a determination period. Shared appreciation money is payable on the participation payments dates: 15 March, 15 June, 15 September and 15 December.

All the shares in Millshaw SAMS No.1 Limited are held beneficially by Millshaw SAMS Holdings Limited. In 2003 all the shares in Millshaw SAMS Holdings Limited were held by Royal Exchange Trust Company Limited. In 2023 the shares in Millshaw SAMS No.1 Limited were legally owned by Ocorian Trustees (Jersey) Limited, as a Trustee of the Millshaw SAMS Charitable Trust. (Ocorian Secretaries (Jersey) Limited was named as the Secretary of Millshaw SAMS No.1 Limited.)

Millshaw SAMS No.1 Limited, a public company, and Millshaw SAMS Holdings Limited, a private company, were incorporated in Jersey on 18 December 1998, registration numbers 73181 and 73182. The Offering Circular for the Notes was dated 17 March 1999.

On 5 March 2021, Moody's Investors Service ("Moody's") announced that it had downgraded and placed on review for further downgrade the rating of the Class S notes in Millshaw SAMS No.1 Limited (the "Issuer"). The announcement stated that the portfolio as of December 2020 consisted of 1,168 shared appreciation mortgages originated by Barclays SAMS Limited in 1998. The mortgages were secured on residential properties in England and Wales. It also stated, under the heading "Threatened Legal Action", that they were also aware of a threatened litigation in relation to the underlying assets, which potentially may increase the Issuer's expense burden and could have other adverse effects on Noteholders. The outcome and impact of any such lawsuit were for the moment unclear and were not the drivers of the rating action.

A Notice to Noteholders from Millshaw Sams No.1 Limited, dated 27 May 2021, stated, "The Issuer wishes to update Noteholders ... concerning matters relating to a small group of Borrowers who had threatened litigation, and the reaching of the settlement of such claims with such Borrowers.

"The Issuer wishes to inform Noteholders that the Administrator on behalf of and as agent for the

Issuer, has informed the Issuer that the terms of the recommended settlements proposed to Borrowers have been agreed and accepted by each such Borrower and therefore such settlements have been entered into.

"Whilst the precise economic terms of the agreed settlements (which are individual to each relevant Borrower) are required to be kept confidential by the Issuer, the settlements mean: (a) certain Borrowers, whose mortgages have already been redeemed, have been repaid certain agreed amounts; and (b) for the relevant Borrowers who still have a mortgage outstanding, their existing repayment terms have been amended, which may result in a future reduction in the amount ultimately owed by such Borrowers. The settlement also sees the Issuer meeting certain of the agreed legal costs of such Borrowers.

"As communicated to Noteholders, the Issuer previously made, in accordance with the terms of the Transaction Documents, provision of certain amounts in order to ensure it had sufficient funds to meet such settlement payments (which saw reduced payments being made to Noteholders in the previous Participation Payment Date). Further information as to ultimate cashflows to Noteholders will be made available to Noteholders in the next investor report in the normal manner."

The Millshaw SAMs No.1 Limited Interim Report and Unaudited Condensed Financial Statements for the Period Ended 30 June 2022, stated, "On 15 March 2021, the Company issued a notice to Noteholders concerning matters relating to a small group of Borrowers who had threatened litigation and a potential settlement of such claims with such Borrowers (Claimants). The Administrator advised the Company that such settlement is prudent and in the best interests of the Noteholders. An amount of £2,900,000 was reserved to settle these claims.

"The Claimants relate to Borrowers with either redeemed or unredeemed shared appreciation mortgages. This composition has been considered in the determination of the fair value of the Deemed Loan and the SAMs Notes as at valuation date.

"... On 27 May 2021, the Company further issued a notice to Noteholders that the recommended settlements proposed to Borrowers have been agreed and accepted by each Borrower. A sum of £2,886,356 was used to finalise the settlement of claims. The settlement also sees the Company meeting certain of the agreed legal costs of such Borrowers.

"Expenses paid out of transaction account were largely incurred in connection with the settlement, were all incurred in order to protect the position of Noteholders and as such the Directors were advised that they should be met out of the transaction account."

A Notice to Noteholders from Millshaw Sams No.1 Limited, regarding the meeting of Noteholders that took place on 11 October 2022, stated, "The purpose of the meeting was: (1) to vote on the Extraordinary Resolution, as set out in full in the Notice to Noteholders; and (2) to answer questions posed by the Noteholders that were to be submitted 48 hours in advance of the meeting." It said the Extraordinary Resolution was unanimously voted against by the Noteholders in attendance.

The second group of questions requested clarifications on the statement in Note 11 (page 22) of the Issuer's unaudited condensed semi-annual financial statements published on 24 August [2022], which suggested that the Issuer was contemplating entering, or had possibly already entered, into additional settlements with borrowers.

Note 11 read, "A small group of borrowers have threatened litigation, asserting that their shared appreciation mortgage loans contain an unfair term or amount to an unfair relationship. The merits and the quantum of these claims are vigorously disputed by Barclays (acting as administrator on behalf of the Company). However, Barclays (acting on behalf of the Company) is considering whether a commercial settlement of the claims would be prudent and cost effective. The amount of damages that the claimants have threatened to claim does not reflect the Company's potential exposure. It is not certain that settlement will occur (particularly at this early stage when none of the borrowers has issued proceedings), nor what the aggregate amount of any settlement would be if it did occur. The possible financial outcome of these actions has been considered in determining the fair value of the Deemed Loan and the SAMs Notes."

The Notice to Noteholders stated, "This Note, which relates to the fair value measurement of the Mortgages, has been erroneously been left in from the prior interim financial statements ended 30 June 2021. It was not present in the audited financial statements for the year ended 31 December 2021. The current situation is that Barclays Bank UK PLC, as agent of the Company, continues to deal with a small number of issues in relation to the SAMS mortgages. However, the Board are not aware of any claim having been made or threatened to be made against the Company arising out of these matters."

The third group of questions regarded the basis on which the Issuer had entered into settlements, and may have been considering entering into more settlements, instead of fighting such claims, and the role Barclays is playing in this situation.

The Notice to Noteholders stated, "As the legal owner of the SAMS Mortgages, the claims were brought against Barclays SAMS Limited, and accordingly it was Barclays SAMS Limited which entered into the settlement agreement rather than the Issuer. However, Barclays Bank PLC in its capacity as Administrator under the Mortgage Administration Agreement did enquire of the Issuer whether or not the Issuer intended to object to the terms of such settlement. The Issuer sought independent legal advice in relation to the merits of such claims, including advice from leading specialist consumer credit counsel. Although the Issuer cannot comment specifically why it did not object to Barclays entering into the settlements rather than fighting the claims, it would be reasonable to assume that this was on the basis of the independent advice which it received.

"As stated in the Notice to Noteholders convening today's Meeting, throughout the settlement process, the Issuer felt it was constrained from consulting with Noteholders or obtaining their sanction prior to making any determination in relation to the proposed settlement due to the concern that obtaining such sanction would involve putting certain information in the public domain through the publication of more detailed RNS updates which might be prejudicial in the context of the wider class action litigation. One of the intentions of the Extraordinary Resolution before you today is to introduce a process by which the Issuer can contact Noteholders with a proposal for a written resolution without placing confidential or potentially damaging information into the public domain. Should any further class action litigation be instigated in relation to the SAMS Mortgages, the Issuer would (assuming that today's Extraordinary Resolution is passed) be likely to use the Written Resolution process to determine whether or not the Noteholders would consent to the settlement of such litigation.

"Further, in its correspondence with Barclays, the Issuer has reserved its rights in relation to any claim it may have against Barclays. This is also a matter on which the Issuer has sought independent legal advice and is a matter of ongoing consultation with counsel. The Issuer cannot currently disclose the advice which it has received on the merits of any such claim, as this is restricted under the Market Abuse Directive."

The Millshaw SAMS No.1 Limited Interim Report and Unaudited Condensed Financial Statements for the Period Ended 30 June 2023, dated 31 August 2023, stated in note 8, Financial liabilities, "Barclays, as agent of the Company continues to deal with a small number of issues raised by homeowner mortgagors in relation to their SAMS mortgages. However, the Board are not aware that any claim has been made or threatened to be made against the Company arising out of these matters."

The Millshaw Sams No.1 Limited Annual Report And Audited Financial Statements For The Year Ended 31 December 2023, dated 30 April 2024, included the statement contained in the Interim Report and Unaudited Condensed Financial Statements (quoted in the previous paragraph), and added "The directors consider this remains the position and don't believe anything further is needed regarding the claims situation."

The Millshaw SAMS No.1 Limited Interim Report and Unaudited Condensed Financial Statements for the Period Ended 30 June 2023, dated 31 August 2023, stated in note 4, Financial assets at fair value through profit and loss, "As at 30 June 2023, there were 54 mortgages (31 December 2022: 56) which pertain to deceased mortgage holders and remained unredeemed as at reporting date. 13 of these have been unredeemed for more than 18 months after the mortgage holders died (31 December 2022: 16). These mortgages are being monitored by the Directors on a periodic basis in order to assess their impact on the Company's revenue."

The Millshaw SAMS No.1 Limited Annual Report and Audited Financial Statements For The Year Ended 31 December 2023, dated 30 April 2024, stated in note 4, Financial assets at fair value through profit and loss, "As at 31 December 2023, there were 72 mortgages (2022: 56) which pertain to deceased mortgage holders and remained unredeemed as at reporting date. 23 of these have been unredeemed for more than 18 months after the mortgage holders died (2022: 16). These mortgages are being monitored by the Directors on a periodic basis in order to assess their impact on the Company's revenue."

The accounts and other company information for Millshaw SAMS No.1 Limited are not available on the Companies House website because the company is registered in Jersey.

On 3 June 2024 Millshaw SAMS No.1 Limited issued a Notice to Noteholders stating that on 30 May 2024 the Noteholders had passed an Extraordinary Resolution to apply to remove the Notes from the Official List of the London Stock Exchange and that this would become effective on 2 July 2024.

The Notice stated, "Maintaining the listing on the London Stock Exchange has become more costly since the Notes were originally issued, in part due to increased regulatory and audit requirements imposed since issuance. The reserve established in order to fund the ongoing costs of the Issuer through to the maturity of the Notes was not calculated to include such higher costs and the Delisting is intended to reduce some of the additional burden on such reserve."

One example of the investors in the Millshaw Sams No.1 bond is the M&G Credit Income Investment Trust plc. Its Half Year Report and unaudited Condensed Financial Statements for the six months ended 30 June 2024 lists "Millshaw SAMS No. 1 Var. Rate 15 Jun 2054" in its top twenty holdings. At 30 June 2024 it made up 1.26% of its portfolio of investments. The same Financial Statements state that the Closing Value of the Investment Trust at 30 June 2024 was £134,541,000. If the Millshaw SAMS No. 1 made up 1.26% of the portfolio of investments, its value would therefore have been £1,695,216.

The M&G Credit Income Investment Trust plc portfolio also includes the securitisation of another controversial loan product: Income Contingent Student Loans.

M&G Credit Income Investment Trust plc	
Half Year Report and unaudited Condensed Financial Statements for the six months ended 30 June 2024	
Portfolio analysis	
Top 20 holdings % as at 30 June 2024	Company description
Millshaw SAMS No. 1 Var. Rate 15 Jun 2054 1.26%	Floating-rate, single tranche of an RMBS backed by shared-appreciation mortgages. (Public)
Income Contingent Student Loans 14.95% 24/07/2058 1.77%	Floating-rate, junior mezzanine tranche of a portfolio comprised of income contingent repayment student loans originally advanced by the UK Secretary of State for Education. (Public)

RMBS: Residential Mortgage-Backed Security

Shared Appreciation Mortgage Products

NAME	INTEREST RATE	APPRECIATION SHARE : LOAN	ISSUED	PORTFOLIO
BOS (SAM) No.1	5.75%	1:1	11 November 1996	£27,200,000
BOS (SAM) No.2	0%	3:1	11 November 1996	£105,600,000
BOS (SAM) No.3	5.95%	1:1	mid-February 1997	£46,560,000
BOS (SAM) No.4	0%	3:1	mid-February 1997	£203,670,000
BOS (SAM) No.5	5.99%	1:1	1997/98	£48,642,449
BOS (SAM) No.6	0%	3:1	1997/98	£87,218,247
BOS (SAM (Scotland))				*
BOS (SAM (Scotland)) No.2				*
BOS (SAM (Scotland)) No.3				£15,229,764
BOS (Shared Appreciation Mortgages) Total				£534,120,460
Barclays	0%	3:1	March 1998	£97,840,000
Bank of Scotland and Barclays Shared Appreciation Mortgages Total				£631,960,460

APPRECIATION SHARE : LOAN is the ratio of the lender's percentage share of the appreciation to the percentage of the initial value of the property that was borrowed.

* The zero-rated mortgages of BOS (Shared Appreciation Mortgages (Scotland)) Limited and BOS (Shared Appreciation Mortgages (Scotland) No.2) Limited were purchased by BOS (Shared Appreciation Mortgages) No.3 PLC and BOS (Shared Appreciation Mortgages) No.4 PLC, as part of the securitisation of No.3 and No.4.

Shared Appreciation Mortgage Companies

INCORP-ORATED	COMPANY NUMBER	FROM	TO	NAME	STATUS	SIC*
05/10/1995	03110558	05/10/1995 26/04/1996 01/11/1996	26/04/1996 01/11/1996	REFAL 474 Limited BOS (Shared Appreciation Mortgages) Limited BOS (Shared Appreciation Mortgages) No. 1 PLC	Renamed Renamed Active	 64921
23/01/1996	03149607	23/01/1996 11/10/1996	11/10/1996	REFAL 485 Limited BOS (Shared Appreciation Mortgages) No. 2 PLC	Renamed Active	64921
20/11/1996	03281120	20/11/1996		BOS (Shared Appreciation Mortgages (Scotland)) Limited	Active	99999
12/03/1997	03331868	12/03/1997 28/04/1997 09/02/1998	28/04/1997 09/02/1998	REFAL 507 Limited BOS (Shared Appreciation Mortgages (Scotland) No. 2) Ltd BOS (Shared Appreciation Mortgages (Scotland) No. 2) Limited	Renamed Renamed Active	 99999
12/03/1997	03331871	12/03/1997 17/04/1997	17/04/1997	REFAL 506 Limited BOS (Shared Appreciation Mortgages) No. 3 PLC	Renamed Active	64921
12/03/1997	03331873	12/03/1997 17/04/1997	17/04/1997	REFAL 505 Limited BOS (Shared Appreciation Mortgages) No. 4 PLC	Renamed Active	64921
18/09/1997	03436151	18/09/1997 24/10/1997 09/02/1998	24/10/1997 09/02/1998	REFAL 513 Limited BOS (Shared Appreciation Mortgages (Scotland) No. 3) Ltd BOS (Shared Appreciation Mortgages (Scotland) No. 3) Limited	Renamed Renamed Active	 64921
24/10/1997	03457750	24/10/1997		BOS (Shared Appreciation Mortgages) No. 5 PLC	Active	64921

24/10/1997	03457742	24/10/1997		BOS (Shared Appreciation Mortgages) No. 6 PLC	Active	64921
22/10/1990	02550646	22/10/1990	20/10/1993	BARSHELFCO (No. 41) Limited	Renamed	
		20/10/1993	20/01/1998	The Mortgage House Limited	Renamed	
		20/01/1998	11/05/1998	BARSHELFCO (TR No. 2) Limited	Renamed	
		11/05/1998		Barclays SAMS Limited	Active	74990
18/12/1998	73181	18/12/1998		Millshaw Sams No.1 Limited Public Company, incorporated in Jersey	Active	
18/12/1998	73182	18/12/1998		Millshaw Sams Holdings Limited Private Company, incorporated in Jersey	Active	

SIC (Nature of business, Standard Industrial Classification of Economic Activities):

64921: Credit granting by non-deposit taking finance houses and other specialist consumer credit grantors

74990: Non-trading company (Barclays SAMS Limited)

99999: Dormant company (BOS (Shared Appreciation Mortgages (Scotland)) Limited and BOS (Shared Appreciation Mortgages (Scotland) No. 2) Limited)

Source: Companies House, <https://beta.companieshouse.gov.uk/>

Bank of Scotland PLC and the nine BOS (Shared Appreciation Mortgages) companies are subsidiaries of Lloyds Banking Group PLC. Bank of Scotland merged with Halifax in 2001 to form HBOS (Halifax Bank of Scotland). Lloyds TSB Group negotiated a takeover of HBOS in 2008 and changed its name to Lloyds Banking Group on completion of the takeover in 2009.

Millennium Product

The Bank of Scotland Shared Appreciation Mortgage was selected as one of 1,012 Millennium Products by the Design Council. The Millennium Product concept was launched by Prime Minister Tony Blair in September 1997 and the full and final list was unveiled by him in December 1999. He hailed the Millennium Products companies as "the very best of British innovation, creativity and design." The Bank of Scotland Shared Appreciation Mortgage was described by the Design Council as "A mortgage which allows you to release cash tied up in your house for 0% interest payments, in return for a share in any appreciation in value from the sale of the home." The description does not state the size of the share in the appreciation in the value of the home. By the time the final list of Millennium Products was announced in December 1999, Shared Appreciation Mortgages were no longer being offered for sale by either Bank of Scotland or Barclays Bank.

ADVERTISEMENT

Homeowners

If you want to afford a better lifestyle...

The Shared Appreciation Mortgage™ (S.A.M.™) is an exciting new concept from Bank of Scotland. There are two S.A.M.s,™ both of which allow you to raise money quickly and easily, and with a low interest rate fixed for life, presently 0% or 5.99%.

How does it work?

As the name suggests, all we ask from you when leaving the scheme is that you share with us a percentage of any future appreciation in value of your property, together with repayment of the loan.

The interest rate chosen determines the level of appreciation you will be required to pay when leaving the scheme. Any equity you currently have in the property remains yours, except in the event of any future decrease in the value of your home.

In any case where the property value falls below the initial value, there will be no Shared Appreciation to pay.

0% S.A.M.™

- Zero % interest fixed for life
- No upper age limits for applicants
- Minimum Loan £15,001
- Minimum Property Valuation £60,000
- Maximum loan 25% of property valuation

5.99% S.A.M.™

- 5.99% fixed for life
- No upper age limits for applicants
- Minimum Loan £15,001
- Minimum Property Valuation £60,000
- Maximum loan 75% of property valuation

Who decides what the funds can be used for?

You do! Whether you want to raise money to improve your lifestyle by investing for the future, carrying out those long desired home improvements, repaying an existing mortgage, treating yourself to a holiday or purchasing that dream car, then the Shared Appreciation Mortgage™ may be the solution for you.

Can I repay the mortgage at any time?

Yes! The choice of when to repay the mortgage is yours. You can exit at any time, or alternatively it can be repaid on death, or death of the surviving partner, if a joint mortgage.

To apply

It couldn't be easier. Simply call us, or contact your local branch for an application form and brochure. Alternatively, if it is more convenient, cut out the coupon and send it to us. We will then arrange to send you the brochures.



BANK OF SCOTLAND
RESIDENTIAL MORTGAGES

Call us today from 10am – 4pm
or Monday to Friday
from 9am – 5pm on
0131 317 6827
0131 317 6828
0131 317 6829

Please send me more information on the Shared Appreciation Mortgage™. Post to: Bank of Scotland, Residential Mortgages, (S.A.M.™) Team, FREEPOST (Licence No. EH 937), 41 South Gyle Crescent, Edinburgh EH12 0PD.

☐ 0% Scheme ☐ 5.99% Scheme ☐ Both Schemes

Name: _____

TD406

Address: _____

Postcode: _____

Telephone Number: _____

We are obliged under the provision of the Consumer Credit (Advertisements) Regulations 1989 to include this statement because you are required to create a mortgage over your home as security for the loan. Typical mortgage example: The example is based on representative information as follows: house value of £130,000. A loan of £17,300 with Shared Appreciation of 55%. Although the loan can be for life this example is based on the whole of the loan and Shared Appreciation being repaid after 20 years. The chargeable rate of interest is 5.99%. Total amount payable will be £260,034 to include 240 monthly interest payments of £1356.90, Shared Appreciation (£100,938), Arrangement Fee (£500), Legal Fees (£400), Valuation Fee on entrance and exit (valuing £540) and an Administration Fee (£300). All amounts are calculated without the benefit of MTDAS.

APR 9.09%. APR based on representative information set out above. House price inflation, valuations and legal fees may vary. To apply for a mortgage you must be aged 18 or over. Written consumer credit quotations are available on request from BCS (Shared Appreciation Mortgages) No. 9 PLC, No. 6 PLC and Scotland (No. 3) Ltd, 41 South Gyle Crescent, Edinburgh, EH12 0PD. All lending is subject to approval by Bank of Scotland as agent for BCS (Shared Appreciation Mortgages) No. 9 PLC, No. 6 PLC and Scotland (No. 3) Ltd, of the applicant's financial status. BCS (Shared Appreciation Mortgages) No. 9 PLC, No. 6 PLC and Scotland (No. 3) Ltd, require security over the property. An acceptable life assurance policy is also required. Valuations are also required on sale of the property or compulsory purchase of property or if you make improvements costing more than £10,000. All valuations at your cost. Valuation fees vary depending on property situation. Limited funds available. Currently not available in Northern Ireland. BCS (Shared Appreciation Mortgages) No. 9 PLC, BCS (Shared Appreciation Mortgages) No. 6 PLC and BCS (Shared Appreciation Mortgages) (Scotland) No. 3) Ltd are owned subsidiaries of Bank of Scotland. The name Bank of Scotland and BCS are registered trademarks, and (Shared Appreciation Mortgages) and S.A.M. are trademarks of The Governor and Company of the Bank of Scotland.

YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT.

Transcript of Bank of Scotland Shared Appreciation Mortgage Advertisement (0% and 5.99% options)

Homeowners

If you want to afford a better lifestyle...

The Shared Appreciation Mortgage™ (S.A.M.™) is an exciting new concept from Bank of Scotland. There are two S.A.M.s,™ both of which allow you to raise money quickly and easily, and with a low interest rate fixed for life, presently 0% or 5.99%.

How does it work?

As the name suggests, all we ask from you when leaving the scheme is that you share with us a percentage of any future appreciation in value of your property, together with repayment of the loan.

The interest rate chosen determines the level of appreciation you will be required to pay when leaving the scheme. Any equity you currently have in the property remains yours, except in the event of any future decrease in the value of your home.

In any case where the property value falls below the initial value, there will be no Shared Appreciation to pay.

0% S.A.M.™

- Zero % interest fixed for life
- No upper age limits for applicants
- Minimum Loan £15,001

- Minimum Property Valuation £60,000
- Maximum loan 25% of property valuation

5.99% S.A.M.™

- 5.99% fixed for life
- No upper age limits for applicants
- Minimum Loan £15,001
- Minimum Property Valuation £60,000
- Maximum loan 75% of property valuation

Who decides what the funds can be used for?

You do! Whether you want to raise money to improve your lifestyle by investing for the future, carrying out those long desired home improvements, repaying an existing mortgage, treating yourself to a holiday or purchasing that dream car, then the Shared Appreciation Mortgage™ may be the solution for you.

Can I repay the mortgage at any time?

Yes! The choice of when to repay the mortgage is yours. You can exit at any time, or alternatively it can be repaid on death, or death of the surviving partner, if a joint mortgage.

To apply

It couldn't be easier. Simply call us, or contact your local branch for an application form and brochure. Alternatively, if it is more convenient, cut out the coupon and send it to us. We will then arrange to send you the brochures.

BANK OF SCOTLAND RESIDENTIAL MORTGAGES

Call us today from 10am – 4pm or Monday to Friday from 9am – 5pm on

0131 317 6827

0131 317 6828

0131 317 6829

Please send me more information on the Shared Appreciation Mortgage.™ Post to: Bank of Scotland, Residential Mortgages, (S.A.M.™) Team, FREEPOST (Licence No. EH337), 41 South Gyle Crescent, Edinburgh EH12 0PD.

☐ 0% Scheme ☐ 5.99% Scheme ☐ Both Schemes

Name:

Address:

Postcode:

Telephone Number:

We are obliged under the Consumer Credit (Advertisements) Regulations 1989 to include this statement because you are required to create a mortgage over your home as security for the loan.

Typical mortgage example: The following example is based on representative information as follows: house value of £130,000. A loan of £71,500 with Shared Appreciation of 55%. Although the loan can be for life this example is based on the whole of the loan and Shared Appreciation being repaid after 20 years. The chargeable rate of interest is 5.99%. Total amount payable will be £260,034 to include 240 monthly payments of £356.90, Shared Appreciation (£100,938), Arrangement Fee (£500), Legal Fees (£600), Valuation Fees on entrance and exit totalling (£540) and an Administration Fee (£300). All amounts are calculated without the benefit of MIRAS.

APR 9.0%. APR based on representative information set out above. House price inflation, valuation and legal fees may vary.

To apply for a mortgage you must be aged 18 or over. Written consumer credit quotations are available on request from BOS (Shared Appreciation Mortgages) No.5 PLC, No.6 PLC, and Scotland (No.3) Ltd. Teviot House, 41 South Gyle Crescent, Edinburgh, EH12 9DR. All lending is subject to approval by Bank of Scotland as agent for BOS (Shared Appreciation Mortgages) No.5 PLC, No.6 PLC, and Scotland (No.3) Ltd. of

the applicant(s) financial status. BOS (Shared Appreciation Mortgages) No.5 PLC, No.6 PLC, and Scotland (No.3) Ltd. require security over the property. An acceptable life assurance policy is also required. Valuations are also required on substantial damage or compulsory purchase of property or if you make improvements costing more than £10,000. All valuations at your cost. Valuation fees vary depending on property valuation. Limited funds available. Currently not available in Northern Ireland. BOS (Shared Appreciation Mortgages) No.5 PLC, BOS (Shared Appreciation Mortgages) No.6 PLC, and BOS (Shared Appreciation Mortgages (Scotland) No.3) Ltd are owned subsidiaries of Bank of Scotland. The name Bank of Scotland and [BoS logo] are registered trademarks, and (Shared Appreciation Mortgages) and S.A.M. are trademarks of The Governor and Company of the Bank of Scotland.

. YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT.

Based on the initial value of the house in the example of £130,000 and the Shared Appreciation of £100,938 (55%), the final value of the house would have been £313,523.64. The example assumes house price inflation of 4.5% per annum but in the 20 years before Bank of Scotland started selling shared appreciation mortgages in November 1996, the UK House Price Index had increased from £10,682 in October 1976 to £59,885 in October 1996, which was average house price inflation of 9.0% per annum.

BOS and Barclays Shared Appreciation Mortgage Examples

Bank of Scotland and Barclays Bank provided several examples of shared appreciation mortgages for prospective customers. The examples assumed unrealistically low house price inflation, sometimes of 4.5% or 2.0%, or an unrealistically short term of the mortgage, such as two years. **These resulted in deceptively low repayments in the examples.** The calculated repayments would have been much higher and more realistic if higher, more realistic estimates of house price inflation, based on previous house price inflation, and the term of the mortgage, had been used.

The APR of 8.7% quoted in large, bold type in the example in the Bank of Scotland ("as agent for BOS (Shared Appreciation Mortgages) No. 4 PLC") Shared Appreciation Mortgage Sales Booklet is incorrect. The equivalent compound rate of interest of the example is 14.8%.

In the 20 years before Bank of Scotland started selling shared appreciation mortgages in November 1996, the UK House Price Index had increased from £10,682 in October 1976 to £59,885 in October 1996, which was average house price inflation of 9.0% per annum, twice or four and a half times the amount that was assumed in some of the examples.

Barclays said recently that the purpose of the examples was to show prospective customers how the repayment was calculated, and not to show what the repayment might be. However the Barclays Bank Shared Appreciation Mortgages Sales Booklet Insert, for example, says "The following example is intended to show the cost of a Shared Appreciation Mortgage..." It was inevitable that prospective customers would think that the examples indicated approximately how much the repayments might be.

Bank of Scotland ("as agent for BOS (Shared Appreciation Mortgages) No. 4 PLC") Shared Appreciation Mortgage Sales Booklet

Typical mortgage example: The following example is based on a house value of £120,000. A loan of £30,000 with Shared Appreciation of 75%. Although the loan can be for life this example is based on the whole of the loan and Shared Appreciation being repaid after 20 years. Total amount payable will be £158,944 to include Shared Appreciation (£127,054), Arrangement Fee (£500), Legal Fees (£600), Valuation Fees on entrance and exit totalling (£490) and an Administration Fee (£300). The example assumes average house price inflation of 4.5% per annum.

APR 8.7%. APR based on representative information set out above. House price inflation, valuation and legal fees may vary.

On page 10 of the BoS SAM No. 4 PLC sales booklet, there is an example of a shared appreciation mortgage based on a loan of £30,000, an initial house value of £120,000, and repayment of the mortgage after 20 years. The example says it assumes average house price inflation of 4.5% per annum. From these figures can be calculated the final house value of £289,405.68, the appreciation of £169,405.68, and the lender's 75% share of the appreciation of £127,054.26, which agrees with the figure of £127,054 given in the example. However the repayment of £157,054 (£127,054 + £30,000) after 20 years of a £30,000 loan is equivalent to a compound rate of interest of 14.8% and not the APR 8.7% which is quoted in bold type in the example.

In the 20 years before Bank of Scotland started selling Shared Appreciation Mortgages in November 1996, the UK House Price Index had increased from £10,682 in October 1976 to £59,885 in October 1996, an increase of 460% (£49,203) over 20 years and average house price inflation of 9.0% per annum, which is twice the amount that was assumed in the example. The example assumed unrealistically low house price inflation and quoted a completely incorrect APR.

On page 5 of the same document there is another example of a shared appreciation mortgage. This is based on a loan of £20,000, an initial property value of £100,000 and a final property value of £150,000. The quoted repayment, consisting of the initial loan (£20,000) and the shared appreciation (£30,000), but not including the fees, is £50,000. The example does not give the number of years of the mortgage, but if it is assumed to be 20 years, as in the example on page 10, the average house price inflation of the example is 2.0% and the compound rate of interest is 4.7%. These figures are unrealistically low and misleading.

The BoS SAM No. 6 PLC sales booklet is very similar to the BoS SAM No. 4 PLC sales booklet, but most of the example on page 5 has been removed. This suggests that Bank of Scotland realised that the example was unrealistic and misleading.

Ring 0800 694 6939	The Daily Telegraph	Or send to: Barclays Guide FREEPOST, PO Box 7 Brentford, MIDDLESEX TW8 9BR
	Free Guide to Unlocking the Capital in Your Home by Ian Cowie Sponsored by 	
A 16 PAGE GUIDE TO EQUITY RELEASE FOR OLDER HOMEOWNERS FOR YOUR FREE COPY, AND ACCOMPANYING MATERIAL ON THE SHARED APPRECIATION MORTGAGE AVAILABLE THROUGH BARCLAYS CALL 0800 694 6939		
Mr/Mrs/Miss/Ms _____		
Address _____		
Postcode _____ Tel (inc STD) _____		
Are you a Barclays customer? ☐ Yes ☐ No		
☐ The information on this form will be stored on computers by the Daily Telegraph and will be passed to Barclays Bank PLC who will store it on its computer systems and who may use it to bring to your attention products and services of Barclays Bank PLC. If you do not wish to receive such information from Barclays Bank PLC in the future, other than the guide and accompanying material, please tick the box		

In early 1998, Barclays Bank sent circulars to branch managers to tell them about the product that was going to be launched. They referred to more detailed information in their Mortgage Information Manual and a training support booklet.

As well as providing details of the repayment formula, the manual made it clear in several places that the lender of the loan, Barclays SAMS Limited, was a separate company from Barclays Bank. There were no directions though that customers should be informed of this separation. The manual directed staff to establish which level of service a customer required. The levels of service were the levels set out in the Mortgage Code that could be provided by lenders and intermediaries.

Level A service provided advice and recommendation on which mortgage was most suitable for the customer, level B service provided information on the different types of mortgage product available, and level C service provided information on a single mortgage product. Barclays normally provided level C service for customers of Shared Appreciation Mortgages.

The Saturday 16th May 1998 edition of The Daily Telegraph said that Barclays Bank was going to launch its shared appreciation mortgage on the following Monday, 18th May 1998. Barclays' publicity included a newspaper advertisement which offered "The Daily Telegraph Free Guide to Unlocking the Capital in Your Home", written by the Daily Telegraph's Personal Finance Editor Ian Cowie and sponsored by Barclays Mortgages. The advertisement says, "A 16 page guide to equity

release for older homeowners. For your free copy and accompanying material on the shared appreciation mortgage available through Barclays call 0800 694 6939".

The author of "The Daily Telegraph Free Guide to Unlocking the Capital in Your Home", Ian Cowie, joined The Daily Telegraph as City Reporter in 1986 and became their Personal Finance Editor in 1989. He joined The Sunday Times as Personal Account Columnist in 2013.

The newspaper advertisement was published in the Saturday editions of The Daily Telegraph on 16th May, 23rd May and 13th June 1998, and in The Sunday Telegraph on 7th June and 14th June 1998.

The "Guide to Unlocking the Capital in Your Home" did not mention that Barclays Bank was not the lender of the mortgages, but the front page of the guide said that it had been sponsored by Barclays Mortgages.

Prospective customers could also obtain a copy of Barclays' Shared Appreciation Mortgages sales booklet from branches of Barclays Bank and Barclays Direct Mortgages. Like the guide, the booklet did not mention that Barclays Bank was not the lender.

[We would like to obtain good quality scans of the Daily Telegraph's "Guide to Unlocking the Capital in Your Home" booklet. If you have a copy of this and might be able to lend it to us, or if you have scans or photos of it, please contact us using the "Contact Us" navigation button at the foot of this page.]

On 11th July 1998, The Financial Times reported that shared appreciation mortgages were "temporarily off the market". They did not return to the market.

Barclays Bank Shared Appreciation Mortgages Sales Booklet

THE MORTGAGE CODE AND THE BANKING CODE

Barclays is committed to The Mortgage Code and The Banking Code, both of which set out the commitments and standards of banks in dealing with their customers. As such, we ensure that our products and services comply with the terms of both Codes.

The Mortgage Code relates specifically to the service we provide, the provision of information regarding our mortgage products and services and how they operate.



Barclays had a sales booklet for their Shared Appreciation Mortgages. On the first page after the cover, it says "We are committed to The Mortgage Code and The Banking Code", and on the back cover, under the heading "The Mortgage Code and The Banking Code", it says "Barclays is committed to The Mortgage Code and The Banking Code, both of which set out the commitments and standards of banks in dealing with their customers. As such, we ensure that our products and services comply with the terms of both Codes." There is also a statement on the back cover which says "Barclays Bank PLC is a member of the Banking Ombudsman Scheme".

Unfortunately for the borrowers, Barclays had established a subsidiary company to act as the lender of the shared appreciation mortgages, Barclays SAMS Limited, which did not operate under the Banking Code, was not a member of the Banking Ombudsman Scheme, and was therefore outside the jurisdiction of the Banking Ombudsman Scheme and the Financial Ombudsman Service. Any prospective customer reading the booklet would have assumed that the lender of the mortgages operated under The Mortgage Code and The Banking Code and was a member of the Banking Ombudsman Scheme.

The examples* below show you how some typical Shared Appreciation Mortgages work.

Original Valuation (£)	100,000		
Final Valuation (£)	150,000		
Appreciation (£)	50,000		
Amount Borrowed (£)	15,000	20,000	25,000
Percentage of Property Value Borrowed (%)	15	20	25
Lender's Share of Appreciation (£)	$(3 \times 15\%) \times £50,000$ = 22,500	$(3 \times 20\%) \times £50,000$ = 30,000	$(3 \times 25\%) \times £50,000$ = 37,500
Total amount repayable (£)	22,500 + 15,000 = 37,500	30,000 + 20,000 = 50,000	37,500 + 25,000 = 62,500
Remaining equity (£)	112,500	100,000	87,500

* These examples do not include any legal fees or other costs payable in respect of a Shared Appreciation Mortgage.

On page 5 of the Barclays Bank Shared Appreciation Mortgages sales booklet there are three examples of shared appreciation mortgages. They are based on loans of £15,000, £20,000 and £25,000, an original property valuation of £100,000 and a final property valuation of £150,000. The quoted repayments, comprising the initial loan and the shared appreciation, but not including any legal fees or other costs, are £37,500, £50,000 and £62,500. These repayments are much less than the repayments that are actually being made on real shared appreciation mortgages, which are about ten times the amount of the original loan, or greater. The examples do not give the number of years of the mortgage, but if it is assumed to be 20 years, the average house price inflation of the examples is 2.0% per annum and the APR is 4.7%. The average house price inflation and the APR (Annual Percentage Rate) are unrealistically low.

Barclays say that they could not have foreseen at the time that there would be such a dramatic increase in the value of property. However in the 20 years before they started selling Shared Appreciation Mortgages in May 1998, the UK House Price Index had increased from £12,429 in April 1978 to £69,757 in April 1998, an increase of 461% (£57,328, 9.0% per annum), and so it would have been reasonable to expect the value of property to continue to increase at a high rate. The example in Barclays' SAM booklet would have been more realistic and less misleading if it had used a higher increase in the value of the property than the 50% it did use (from £100,000 to £150,000, 2.0% per annum).

One would have expected Barclays to have made estimates of how house prices might increase, what the size of the repayments might be, and consequently the possible return on their investment. They did not share their estimates of what the size of the repayments might be, with potential customers of their Shared Appreciation Mortgages. **They did not make clear the financial implications of the Shared Appreciation Mortgage** to their potential customers, as required by The Mortgage Code: that the repayment would be about two-thirds of the final value of the house and the effective compound rate of interest would be in the order of 10%, compared with a repayment of about one-third of the final value of the house and an effective compound rate of interest in the order of 5%, with a conventional equity release loan.

The Shared Appreciation Mortgages were marketed before the widespread use of the internet. Potential customers and their solicitors would not have had easy access to UK House Price Index information, but banks selling mortgages would have had this information. There was an information asymmetry.

Barclays Bank Shared Appreciation Mortgages Sales Booklet Insert

There was a single page insert in the Barclays Bank Shared Appreciation Mortgages Sales Booklet titled "A Typical Shared Appreciation Mortgage Example". It says "The following example is intended to show the cost of a Shared Appreciation Mortgage when converted as an annual interest rate and is based on a house value of £100,000, a loan of £25,000 with Shared Appreciation of 75% of the increase in value of the property... based on the whole of the loan and the Shared Appreciation being repaid after 20 years. This example assumes average house price inflation of 4.5% per annum..."

In the 20 years before Barclays started selling Shared Appreciation Mortgages in May 1998, the UK House Price Index increased from £12,429 in April 1978 to £69,757 in April 1998, which was average house price inflation of 9.0% per annum, and so the 4.5% assumed in the insert is an unrealistic underestimate.

Based on the assumed average house price inflation of 4.5% per annum, the example calculates the final value of the property to be £241,172.00, the 75% of the shared appreciation to be £105,879.00, and the total amount payable to be £131,409.00, consisting of the 75% of the shared appreciation, legal fees of £305, a valuation fee of £225, and the original loan of £25,000. This is equivalent to a compound rate of interest of 8.7%, which is shown in large type in a box on the example.

However if the assumed average house price inflation had been 9.0%, as it had been in the previous 20 years, the final value of the property would have been £560,441.08, the 75% of the shared appreciation would have been £345,330.81, and the total amount payable would have been £370,860.81, which would have been equivalent to a compound rate of interest of 14.4%, much higher than the 8.7% shown in the example.

Barclays SAMS Limited Agreement

The Agreement between Barclays SAMS Limited (the "Lender") and the "Borrower" states that it is a Credit Agreement Regulated by the Consumer Credit Act 1974.

The agreement gives an example of a shared appreciation mortgage, based on a total loan of £20,000, an original property valuation of £120,000, property valuation before redemption of £140,000, and repayment of the loan after just two years. The total loan is 16.6% of the original property valuation and the repayment would be $(3 \times 16.6\% \times £20,000) + £20,000 = £29,960$ (Barclays' figures).

The increase in the value of the property from £120,000 to £140,000 over two years is house price inflation of 8.0% per annum, which is a fairly realistic estimate of house price inflation. But the two-year term of the loan in the example is unrealistically short. Equity release loans, such as the shared appreciation mortgage, were not intended for such a short term. Over 20 years at the same house price inflation of 8.0%, the value of the property would have increased from £120,000 to £559,314.86. The lender's $3 \times 16.6\%$ share of the appreciation in the value would have been £278,538.80, which, added to the loan of £20,000, would have required a repayment of £298,538.80, many times more than the repayment of £29,960 shown in the example.

Barclays used a checklist titled "Barclays Mortgage Service" when they were discussing a mortgage with prospective borrowers. "Y/N" was printed against 18 statements for "Y" or "N" to be circled by hand as appropriate. None of the statements included any recommendation to seek legal or other independent advice, or any recommendation to discuss the mortgage with their family.

UK House Price Index

In the 20 years before Bank of Scotland started selling Shared Appreciation Mortgages in November 1996, the UK House Price Index increased from £10,682 in October 1976 to £59,885 in October 1996, an increase of 460% (£49,203) and average house price inflation of 9.0% per annum. In the 20 years before Barclays Bank started selling Shared Appreciation Mortgages in May 1998, the UK House Price Index increased from £12,429 in April 1978 to £69,757 in April 1998, an increase of 461% (£57,328) and average house price inflation of 9.0% per annum.

It would have been reasonable to expect the value of property to continue to increase at a high rate. However Shared Appreciation Mortgages were marketed before the widespread use of the internet. Potential customers and their solicitors would not have had easy access to UK House Price Index information, but banks selling mortgages would have had this information.

UK House Price Index information is available at <https://landregistry.data.gov.uk/app/ukhpi/>. Click "search the UK house price index". The default location of United Kingdom, the start date and the end date can be changed. The first graph or table shows "Average price by type of property". "All property types" seems to be the only type of property for which information is available until 2005. Click "See data table". This will show the average price of each property type selected in each month in the range of dates selected. This information was not easily available to the lay person in the 1990s.

To calculate the annual house price inflation:

Annual house price inflation
as a percentage

$$RATE\ OF\ INFLATION = \left(\sqrt[t]{\frac{B}{A}} - 1 \right) \times 100$$

Where A is the initial value, B is the final value,
and t is the time in years (and part of a year)

To calculate what the final value of the property would be for a specified rate of house price inflation:

Annual house price inflation
Calculation of final value

$$FINAL\ VALUE = A \times \left(1 + \frac{r}{100} \right)^t$$

Where A is the initial value,
r is the rate of inflation as a percentage,
and t is the time in years (and part of a year)

Regulation

In the 1990s, mortgages were not fully regulated. Banks operated voluntarily under the Banking Code, and mortgage lenders operated voluntarily under the Mortgage Lenders Code. As a condition of operating under the Banking Code, banks had to sign up to the Financial Ombudsman Service, which has legal powers to put things right if customers have been treated unfairly.

Although Barclays Bank and the Bank of Scotland marketed Shared Appreciation Mortgages under their company branding, they set up separate companies to administer and issue the mortgages. These separate companies were not signatories to the Banking Code, and so the Financial Ombudsman Service was not able to investigate customers' complaints about Shared Appreciation Mortgages.

However Barclays' booklet on Shared Appreciation Mortgages says on the back cover, under the heading "THE MORTGAGE CODE AND THE BANKING CODE", "Barclays is committed to The Mortgage Code and The Banking Code, both of which set out the commitments and standards of banks in dealing with their customers. As such, we ensure that our products and services comply with the terms of both Codes. The Mortgage Code relates specifically to the service we provide, the provision of information regarding our mortgage products and services and how they operate."

The Mortgage Code came into effect on 1 July 1997 for lenders and on 30 April 1998 for mortgage intermediaries. It remained in force until 31 October 2004, when the Financial Services Authority's Mortgage Conduct of Business Sourcebook (MCOB) came into force. The standards of the Code are encompassed in ten key commitments, which include **helping customers to understand the financial implications of a mortgage**.

The Financial Services Authority (FSA) did not start to regulate mortgage business until 31 October 2004. The FSA was replaced by the Financial Conduct Authority (FCA) on 1 April 2013.

Legislation

The Consumer Credit Act 1974 significantly reformed the law relating to consumer credit.

The Consumer Credit Act 2006 extended the scope of the Consumer Credit Act 1974, created the Financial Ombudsman scheme, and increased the powers of the Office of Fair Trading. It permits borrowers to challenge unfair debtor-creditor relationships in court. The arrangement whereby a loan which is 25% of the initial value of a property is repaid by 75% of the appreciation in the value of the property, plus the amount of the loan, could be considered to be an unfair debtor-creditor relationship.

The 2006 amendments to the Consumer Credit Act 1974 significantly strengthened the Judicial control of unfair credit relationships. The Consumer Credit Act gives the Court wide powers to amend the terms of the Shared Appreciation Mortgage relationship to make it fairer. It is arguable that Shared Appreciation Mortgages would not survive judicial scrutiny and the Court would ameliorate the position of the customer to provide for a fairer outcome. (source: Teacher Stern LLP)

The Unfair Terms in Consumer Contracts Regulations 1999, Regulation 7, states that a seller or supplier shall ensure that any written term of a contract is expressed in plain, intelligible language and that if there is doubt about the meaning of a written term, the interpretation which is most favourable to the consumer shall prevail. Regulation 8 provides that an unfair term "shall not be binding upon the consumer", where an unfair term is one which causes a significant imbalance in the parties' rights and obligations arising under the contract, to the detriment of the consumer.

The Mortgage Conduct of Business (MCOB) rules apply to Regulated Mortgage Contracts which were entered into on or after 31 October 2004.

Early Dissension

In October 1997 Harold Fisher and his wife borrowed £90,000 from Bank of Scotland under its Shared Appreciation Mortgage Scheme. By year three of the loan, Mr Fisher realised that the large increase in house prices meant that their debt to Bank of Scotland had increased by a much greater amount than he had expected. He wrote to the bank to express his fears but they said he

had signed the contract.

Mr Fisher then took his claim to the Financial Ombudsman Service, which ruled against him. They said that in Shared Appreciation Mortgage disputes, they usually ruled in favour of the banks. Harold Fisher was one of the homeowners who helped to run the Shared Appreciation Mortgage Victims Action Group (SAMVIC).

Another couple who borrowed money from Bank of Scotland under its Shared Appreciation Mortgage Scheme, £72,000, were Geoffrey Cooke and his wife. Mr Cooke was planning to make an application to the High Court in September 2003 to have their mortgage contract dealt with under the Unfair Terms in Consumer Contracts Regulations 1994 (and amendments). He thought there was evidence that the entry and exit procedures from the loan breached statute law and European Union law.

After The Times reported on Geoffrey Cooke's case in August 2003, they said they were inundated with letters, telephone calls and e-mails from readers who similarly ended up facing crippling debts.

Action Groups

By 2003, Shared Appreciation Mortgage customers were represented by three action groups: Struggle Against Financial Exploitation (SAFE), the Shared Appreciation Mortgage Action Group (SAMAG), and the Shared Appreciation Mortgage Victims Action Group (SAMVIC).

The Shared Appreciation Mortgage Action Group (SAMAG) was hoping to bring a test case. It launched a fighting fund and asked each member to donate £10 a month to fund the case, which was expected to cost at least £60,000.

The Shared Appreciation Mortgage Victims Action Group (SAMVIC) was a body of 500 homeowners who felt that they had been deceived by lenders into taking on debts that were now exorbitant, to coordinate legal action against the banks. They wanted the banks to review "the moral implications of the products and the credibility of their calculations." They said, "Many people are still unaware of the full extent of their plight and we would urge anyone who took out a SAM to contact us for facts, information, and help on how to approach the problem. The documents supplied by the banks gave unclear and misleading information, which resulted in borrowers misinterpreting the facts."

The SAM customers also contacted their Members of Parliament.

Parliament

The House of Commons Standard Note SN/BT/3414 "Shared Appreciation Mortgages", written by Timothy Edmonds and last updated on 12 December 2013, says, "There have been a significant number of debates in the House about equity release mortgages in general and SAMS in particular, as the consequences of policies taken out some years ago now come to be appreciated."

A pensions Green Paper, "Simplicity, Security and Choice: Working and Saving for Retirement", was published in December 2002. It stated that the Treasury would be "looking at options to create a level playing field for the regulation of equity release and home reversion plans to protect consumers and make the market work better".

There was a general debate on 14 January 2003 in an adjournment debate in Westminster Hall launched by Angela Browning. During the debate, a number of members specifically mentioned Shared Appreciation Mortgages, including Vince Cable, Stephen O'Brien and the then Financial Secretary to the Treasury, Ruth Kelly.

During her speech, Ruth Kelly said, "I am pleased to say that, when the FSA's mortgage regulation comes into force, the proposed advice and disclosure regime will enable borrowers to become fully aware of the implications of all equity release loans before they take a decision on the right one for them ... In the meantime, if Hon. Members' constituents believe that they have been badly advised, or that their mortgage was missold, and, assuming that all internal complaints procedures have been completed, they may be able to seek redress from the Financial Ombudsman Service."

In June 2003 the then Chief Secretary to the Treasury, Paul Boateng, initiated a consultation and in the following month he announced in response to oral questions, "All mortgage-based equity release schemes will be regulated by the Financial Services Authority with effect from 31 October 2004."

He also said, "... he is right to point out that a mortgage is one of the biggest financial decisions that a consumer makes. Equity release falls into that category too. They are very significant financial decisions. It is absolutely essential to protect consumers adequately. Indeed, I should point out that the FSA is the only statutory regulator in the world, as far as we are aware, that has consumer protection as one of its statutory objectives. As he knows, there will be better protection for consumers when the regulation of mortgages and mortgage advice comes into force on 31 October 2004. The new regime will give the borrower greater confidence in the decisions that he or she is making."

During a further debate held in December 2003 in Westminster Hall, the Financial Secretary said, "... the FSA will regulate the selling of mortgages by first legal charges on UK property where at least 40% is residential accommodation to be occupied by the borrower or their immediate family. That definition was derived following consultation and is designed to protect loans when a person's home may be at risk as a result of being sold an unsuitable product."

The outcome of the consultation initiated by the then Chief Secretary to the Treasury, Paul Boateng, was announced by the then Financial Secretary, Ruth Kelly, on 10 May 2004. It was that Home Reversion plans would be regulated by the FSA. Under Home Reversion plans, part of the house is sold to the lender and part of the ownership of the property passes to the lender, whereas under Shared Appreciation Mortgages, full ownership is retained by the borrower.

Hardship Scheme

In June 2007 Barclays launched the Barclays Shared Appreciation Mortgage (SAM) Hardship Scheme. According to Barclays, it was designed to assist customers who were in a situation of substantial hardship due to a change in circumstances, and needed either to move to a more suitable property or to adapt their existing home to make it suitable to their needs, but were unable to do so due to their Shared Appreciation Mortgage. It was aimed to help customers who were genuinely facing hardship and therefore not everyone would be eligible.

The Barclays Hardship Scheme would provide an interest-free loan to make up the difference between the amount of money the borrower would have after selling his or her existing home, and the amount of money the borrower would need to buy a new home, up to 50% of the value of the new home. The loan would be repayable on the sale of the new home, which would probably be on the death of the borrower.

The Bank of Scotland did not set up a formal hardship scheme, but said they would look at each individual case on application.

Class Actions

In 2009, Hilary Messer, who was then head of litigation at RWP Solicitors (Richard Wilson Pangbourne), based in Reading, Berkshire, represented members of the Shared Appreciation Mortgage Action Group (SAMAG) in legal action against Bank of Scotland and Barclays. Over 300 SAM customers paid £5,000 each, therefore a total of about £1.5m, towards legal fees for a class action. Hilary Messer said that recent changes to the Consumer Credit Act made it possible to sue the banks over the mortgages. Under the act, the changes to which were retrospective, if a court determined that the relationship between a creditor and a debtor was unfair to the debtor, it had wide powers to vary the terms of the loan agreement. A legal Letter Before Action was sent to the banks in January 2009. A Group Litigation Order (GLO) was sought at a hearing on 14 July 2009 and it was made in the High Court on 5 October 2009, enabling the Shared Appreciation Mortgage customers to take legal action as a group against the banks.

The banks appealed against the decision that allowed the case to be heard and, with a different judge, won their appeal. The customers' solicitors needed more money, which the customers did not have, and so they had to withdraw their case. The customers then became liable for the banks' costs.

The banks agreed to waive their costs if the customers made legal agreements ("gagging orders") not to make any further complaints about their Shared Appreciation Mortgages. The Shared Appreciation Mortgage Action Group (SAMAG) was dissolved and became part of the wider Struggle Against Financial Exploitation (SAFE) action group.

Journalist and broadcaster Nick Wallis (author of "The Great Post Office Scandal", 2021, 2022) wrote in his blog on 15 September 2014, "At a stroke the campaign collapsed, everyone was several thousand pounds poorer and the banks could continue their legal right to slowly take peoples' homes away from them. But at least every lawyer involved got paid."

In 2018, 101 of the claimants from the 2009 litigation, now represented by Teacher Stern LLP, sued their former solicitors Messer Beg Limited (Hilary Messer), who were previously known as RWP Solicitors Limited, for negligence and breach of contract in not advising them to use Conditional Fee Agreements (CFAs) and After The Event insurance (ATE insurance). The claimants had contributed £5,000 each, a total of about £1.3m, to RWP, to fund the claim against the lenders of the shared appreciation mortgages. None of this was returned to them, and about £800,000 of it had been paid to two counsel instructed by RWP: Mr David Lowe QC and Mr Henderson, who acted as Mr Lowe's junior.

The case was heard on 19 December 2018 and the judgement was delivered on 11 April 2019. Messer Beg Limited had £3m of professional indemnity insurance and settled out of court for £1.4m, with no admission of liability.

Messer Beg/RWP Solicitors then made a claim against Mr David Lowe QC, alleging that he breached a duty owed to the claimants, and that if RWP Solicitors were liable to the claimants in respect of the loss, then the QC was also liable to the claimants in respect of the loss. Messer Beg were effectively suing the QC for the loss. However this claim by the solicitors was not upheld.

While Rajesh Pabla (Partner) and Chris Philpot (Senior Associate) of Teacher Stern were preparing to sue Messer Beg on behalf of some of the latter's former clients, they were also starting work on group actions against Barclays and Bank of Scotland.

On 3 April 2017 Chris Philpot, Senior Associate in Teacher Stern's dispute resolution department, was interviewed on the BBC's One Show in relation to potential claims being organised by Teacher Stern against Bank of Scotland and Barclays for compensation relating to Shared Appreciation Mortgages. He was encouraging anyone who was sold a Shared Appreciation Mortgage to contact him to find out more about joining the potential legal action. The claims were being organised by Chris Philpot until he left Teacher Stern in October 2018. David Bowman and Kira Lipinski took over from him. In 2021 the SAMs Litigation Team was led by David Bowman and Rajesh Pabla.

In June 2021 Teacher Stern announced that they had successfully negotiated settlements with Barclays Bank on behalf of 37 clients who had taken out Shared Appreciation Mortgages in the late 1990s. The settlements were individual to each claimant. The details were confidential, but they meant that some of the claimants, whose mortgages had already been redeemed, were repaid certain agreed amounts, and other claimants, who still had mortgages outstanding, had their existing repayment terms amended, which might have resulted in a reduction of the amount ultimately owed. The Bank also met some of the agreed legal costs of the claimants. A sum of £2,886,356 was used to finalise the settlement of the claims.

It is assumed that this sum was used to pay compensation to the claimants whose mortgages had been redeemed, who might have comprised about half of the total number of claimants, the legal costs of the bank in its dispute with all the claimants, and some of the legal costs of the claimants.

To securitise the 3,253 Barclays Shared Appreciation Mortgages, Millshaw SAMS No.1 Limited (the "Issuer") had issued £97,840,000 SAM Notes of £10,000 each, due 2054, to purchase the Shared Appreciation Mortgage loan portfolio from Barclays SAMS Limited. Barclays Bank UK PLC continues to administer the mortgage portfolio under a Mortgage Administration Agreement with the Issuer. The Issuer uses the mortgage repayments to make quarterly distributions through a transaction account to the Noteholders (the owners of the SAM Notes) on the participation payments dates of 15 March, 15 June, 15 September and 15 December.

The June 2021 settlement of £2,886,356 and some of the legal costs of the Borrowers were paid

out of this transaction account. The claims had been brought against Barclays SAMS Limited, because it is the legal owner of the SAMs, and so it was Barclays SAMS Limited which entered into the settlement agreement rather than the Issuer of the SAM Notes. Barclays Bank PLC, as the Administrator under the Mortgage Administration Agreement, asked the Issuer if they intended to object to the terms of the settlement. The Issuer sought independent legal advice in relation to the merits of the claims, and did not object to Barclays entering into the settlements rather than fighting the claims.

At a meeting of the Noteholders on 11 October 2022, some of the questions submitted by the Noteholders before the meeting were about "the basis on which the Issuer has entered into settlements, and may be considering entering into more settlements, instead of fighting such claims, and the role Barclays is playing in this situation;"

The Issuer had felt it was not able to consult the Noteholders or to obtain their sanction, because that would have put information into the public domain through the publication of RNS updates (Regulatory News Service for the London Stock Exchange) which might have been prejudicial to wider class action litigation. A process was subsequently introduced by which the Issuer could contact the Noteholders with a written resolution without placing information into the public domain. If any further class action litigation was instigated, the Issuer would be likely to use the Written Resolution process to determine whether or not the Noteholders would consent to the settlement of such litigation.

So whereas the decision to agree to the June 2021 settlement was taken by Barclays Bank PLC, decisions to agree to any future settlements would be taken by the Noteholders, who are the owners of the Barclays SAM investment bonds known as SAM Notes, and who would bear the costs of any settlements. Alternatively the costs of any settlements could be borne by Barclays Bank PLC, in the same way as the cost of the 2024 settlement with the Bank of Scotland and its subsidiaries, was borne by the Bank of Scotland and not by the investors in the Bank of Scotland Shared Appreciation Mortgage investment bonds.

Trowers and Hamlins have made successful claims against Barclays on behalf of several individual Shared Appreciation Mortgage clients. Their team includes Chris Philpot, who, as a Senior Associate, started the group litigation actions by Teacher Stern against Barclays and Bank of Scotland.

Teacher Stern represented 160 Shared Appreciation Mortgage claimants in a case against the Bank of Scotland, which is now part of Lloyds Banking Group, with a trial that was due to start on 31 January 2024. On 30 January, Teacher Stern posted an agreed statement on their website, saying that the claimants and Bank of Scotland (and the other defendants) had agreed a commercial settlement, without any admission of liability, in the County Court action. It said that the terms of the settlement agreement are confidential, and that there are no changes to the mortgages, or their terms and conditions.

This agreed statement was included in the accounts made up to 31 December 2024 for the BoS (Shared Appreciation Mortgages) companies numbered 1 to 6 and BoS (Shared Appreciation Mortgages (Scotland) No. 3) Limited, under the heading "Litigation", together with this information: "In January 2021, a litigation claim was brought by, or on behalf of, a number of customers against Bank of Scotland plc and some of its subsidiary undertakings which had issued shared appreciation mortgages, including the Company. The claim was issued in the County Court and was brought under the unfair relationship provisions of the Consumer Credit Act 1974. ... Following the settlement in January 2024, the Directors have concluded that no provision is required against this claim in the Company's financial statements as Bank of Scotland plc has borne the costs of this settlement. Should further claims arise, the directors have considered the contractual arrangements between the Bank of Scotland and the Company and that Bank of Scotland plc can meet any associated costs or liabilities (if any) which may become due. No reimbursement will be made to the Bank of Scotland for such costs or liabilities. Since the settlement on 23 January 2024 (sic), the Company has received a number of new pre-action claims."

Although the Bank of Scotland Shared Appreciation Mortgages had been issued by the BoS (Shared Appreciation Mortgages) companies numbered 1 to 6, the costs of the 30 January 2024 settlement were borne by their owning company, Bank of Scotland plc. For comparison, the costs

of the June 2021 settlement with Barclays Bank were paid out of the transaction account of Millshaw SAMS No.1 Limited, and were therefore borne by the Noteholders, who are the investors in the SAM Notes that were issued to securitise the Barclays Bank Shared Appreciation Mortgages.

Teacher Stern are working on more group actions against Barclays and Bank of Scotland, with greater numbers of claimants. Trowers and Hamlins, Clarke Willmott, Acuity Law and Ellis Jones are also planning to make claims against Barclays and Bank of Scotland, except that Clarke Willmott will not be making claims against Bank of Scotland. On their websites search for shared appreciation mortgages to find the relevant web page, or click the links at the top of this page.

Clarke Willmott will not be making claims against Bank of Scotland because of a conflict of interests. Bank of Scotland and the nine BOS (Shared Appreciation Mortgages) companies are subsidiaries of Lloyds Banking Group, which is a client of Clarke Willmott. However Clarke Willmott are planning to make claims against Barclays on the shared appreciation mortgage product that was also sold by Bank of Scotland.

Some of the Bank of Scotland shared appreciation mortgages had agreements which were "governed and interpreted in accordance with Scots law." English solicitors were not prepared to accept clients with Scots law SAMs. In April 2025 Jones Whyte, solicitors of Glasgow, agreed to represent holders of these mortgages and their families, with a No Win No Fee arrangement for the funding. Their contact details are on their website (joneswhyte.co.uk). Holders of Scots law SAMs and their families have a WhatsApp group and a Facebook group ("Scottish SAM").

The shared appreciation mortgage holders and their families who are not at the moment able to make claims against the banks are those whose mortgages were redeemed more than six years ago, those who signed legal agreements with the banks after the unsuccessful 2009 claim, and those who cannot afford the solicitors' fees, or to take the risk, to take part in a group action.

Media Coverage

On 23 March 2003 the **Financial Mail on Sunday** published an article written by Richard Dyson titled "New Sam backlash for banks".

In August 2003 **Which?**, the magazine of the Consumers' Association, published an article about shared appreciation mortgages.

On 16 August 2003 **The Times** published an article titled "Fed up and fighting back for all of us" and a Commentary about shared appreciation mortgages, written by Anne Ashworth.

On 23 August 2003 **The Times** published an article written by Helen Nugent titled "Courts to test shared home loan issue".

On 13 September 2003 **The Times** published an article titled "Sam missiles from readers over crippling loan penalties".

On 1 and 2 November 2004 **The Daily Echo** published two articles titled "Sheer Greed?" and "Mortgage nightmare action calls", about Reg Baylis, who had to repay £96,690 after taking out a Barclays shared appreciation mortgage of £20,000 six years earlier. Barclays now valued the property at £187,950. Mr Baylis wanted to move to a smaller property after his wife died of cancer. In August 2007 Saga Magazine reported that Mr Baylis was now living in a mobile home.

The second article named three action groups which were representing the victims of the shared appreciation mortgages: the Struggle Against Financial Exploitation (SAFE), the Shared Appreciation Mortgage Group (SAMAG) and Shared Appreciation Mortgage Victims. The article quoted Mr Baylis's local MP, Dr Julian Lewis, who described the mortgages as a "classic rip-off scheme".

On 16 March 2006 **The Daily Telegraph** published an article written by Boris Johnson, who was then MP for Henley, titled "If you think the banks are bad ...".

In September 2006 **Saga Magazine** published an article written by Paul Lewis titled "Trapped in their own homes".

In August 2007 **Saga Magazine** published an article written by Paul Lewis titled "Barclays relents at last". It says "Barclays will now offer its customers two ways out. If they want to move, Barclays will give them an interest-free loan equal to 75% of the growth in value of their home, which will pay off the SAM ... People who do not want to move can have a grant from Barclays to adapt their home ... perhaps for a downstairs bathroom or a stairlift ... These deals are only available to those in "hardship" ... Saga reader Reg Baylis, who repaid the SAM and now lives in a mobile home, said he would look into the new offer but claimed Barclays were "Crafty devils. They'll get the money back eventually, won't they?"

On 27 September 2008 **BBC Radio 4 Money Box** broadcast an item about shared appreciation mortgages.

On 20 January 2009 **The Times** published an article written by Michael Herman titled "Barclays, HBOS sued by homeowners over shared appreciation mortgages".

On 6 October 2009 **The Times** published an article written by Michael Herman titled "Homeowners win right to sue over mortgages".

In 2010 **Investment Management and Financial Innovations**, Volume 7, Issue 3, published a paper written in 2006 by Professor J. Austin Murphy titled "An analysis of SAM pricing in the UK". Its conclusion begins, "The SAMs offered in the UK in 1997 benefited the lenders/investors enormously to the detriment of the homeowners persuaded to sign up for them. To the sophisticated financial institutions making or investing in the SAM loans, the expected return would have been clearly recognized ex-ante to be extremely high relative to risk ..."

A **BBC Inside Out South** investigation into shared appreciation mortgages, presented by Nick Wallis (author of "The Great Post Office Scandal", 2021, 2022), was broadcast on BBC One on 8 September 2014. One of the people interviewed on the programme by Nick Wallis was Dr Julian Lewis, Member of Parliament for New Forest East in Hampshire.

Sarah Davidson wrote articles about shared appreciation mortgages that were published on **thisismoney.co.uk** on 26 August 2016 and 16 January 2017. The latter article, "Revealed: How Bank of Scotland rushed older borrowers into controversial mortgages that have left them trapped in unsuitable homes", relates some of the early history of shared appreciation mortgages.

Chris Philpot, Senior Associate in Teacher Stern's dispute resolution department, was interviewed on the **BBC's One Show** on 3 April 2017 in relation to the claim being organised against the Bank of Scotland and Barclays.

On 22 April 2017 **BBC Radio 4 Money Box** broadcast an item about shared appreciation mortgages.

BBC Radio 4 Money Box broadcast another item about shared appreciation mortgages on 23 September 2017. The presenter was Paul Lewis and the reporter was Tony Bonsignore.

There was an article written by Sarah Davidson and published on **thisismoney.co.uk** on 16 November 2018 saying that the claim being organised by Teacher Stern was set to start in 2019. According to the article, Teacher Stern were going to write to Barclays and Bank of Scotland, and to third party firms that purchased the SAMs. The banks would have the opportunity to respond, and if they engaged constructively there might be settlement discussions arranged on a case by case basis. If not, the claim would proceed to court. The article said there was still time for borrowers or relatives of borrowers to join the action.

An **ITV Tonight** programme "Cash In Your House: Deal or No Deal?" about equity release and shared appreciation mortgages, presented by Jonny Maitland, was broadcast on ITV on 7 November 2019. Jonny Maitland spoke to the son of a customer who took out a Shared Appreciation Mortgage in 1997.

There were two articles written by Angie Brown, Edinburgh and East reporter for BBC Scotland, and published on the **BBC News** website on 27 August 2020 and 6 April 2021, about a family

who lived in the Buckstone area of Edinburgh and had discovered the huge amount that would be required to redeem their Bank of Scotland shared appreciation mortgage. The second article mentioned the legal challenge that was under way in London, but said that this family was not allowed to join it because it was being pursued under English law. Escalating legal fees had stopped the family pursuing their case in Scotland.

There was an article written by Ali Hussain about shared appreciation mortgages and published in **The Sunday Times** on 26 September 2021. It says that there will be a preliminary hearing at the High Court in October 2021 for litigation brought by Teacher Stern, representing 150 Bank of Scotland SAM customers. The action alleges that SAMs were "fundamentally unsuitable" for consumers and "inherently unfair" under the 1974 Consumer Credit Act.

The lead lawyer David Bowman said, "Our clients are members of a diminishing group of living victims who were the target of Bank of Scotland's marketing of these products."

He said the consequences for clients were "severe, and in some cases tragic".

"The bank point-blank refused to agree any compromise to the terms of the unfair lending, despite the pleas of our clients. Instead it made even more money from selling the debt on in the financial markets. Our clients were effectively trapped in their homes."

The article says that Barclays has settled claims about its products with 37 Teacher Stern clients.

On 21 November 2021, **The Sunday Times** published another article written by Ali Hussain about shared appreciation mortgages: "How a £66k home loan grew into a £700k debt". It describes the cases of four couples who took out shared appreciation mortgages from Barclays and Bank of Scotland in 1998.

On 14 August 2023 the BBC Radio 4 programme "**You and Yours**" broadcast an item about shared appreciation mortgages. It is available on the BBC Sounds website at <https://www.bbc.co.uk/sounds/play/m001pmcb> The item starts 19 minutes after the start of the programme, lasts for about 10 minutes, and the programme will be available on the website for over a year.

The "You and Yours" item mentions the case in which Teacher Stern are representing 160 Shared Appreciation Mortgage claimants against the Bank of Scotland (part of the Lloyds Banking Group), with trial due to take place in January 2024.

On 23 October 2023 the **BBC News** website published an article written by Amy Phipps about shared appreciation mortgages: "Shared appreciation mortgages: The 1990s deals that became a nightmare". People and organisations quoted in the article include Sarah Emerson, a partner at the solicitors firm Teacher Stern, the Financial Ombudsman Service and Barclays Bank.

On 23 December 2023 **The Guardian** published an article written by Rupert Jones about the court case being brought by Teacher Stern: "UK mortgages: trial to rule on deals that left people with huge debts". It says that Lloyds Banking Group is being sued by 160 people. Bank of Scotland, which sold the mortgages at the centre of this case, became part of the Lloyds group in 2009. The court case is set for a six-week trial and is due to start on or about 29 January 2024, assuming there is no settlement between the two sides before then.

The case has been brought by the law firm Teacher Stern, which in 2021 negotiated a confidential settlement with Barclays on behalf of 37 clients who took out its SAM loans.

An estimated 2,000-plus people still have a Bank of Scotland-administered SAM loan. Teacher Stern's case focuses on section 140 of the Consumer Credit Act, which gives the courts powers to step in and intervene if the "relationship" between a company such as a bank and a customer is judged to be unfair.

On 2 January 2024 the BBC One television programme "**Morning Live**" broadcast an item about shared appreciation mortgages. It is available on the BBC iPlayer at <https://www.bbc.co.uk/iplayer/episode/m001txcr/morning-live-series-5-02012024>. The item starts about 11 minutes 40 seconds after the start of the programme, lasts for about 9

minutes, and the programme will be available on the iPlayer for about a year.

On 2 February 2024 **The Guardian** published an article written by Rupert Jones: "Bank agrees payout over mortgages that 'ruined lives'". It says that on the eve of a trial set to last six weeks, Bank of Scotland – part of Lloyds Banking Group – and a law firm, Teacher Stern, representing 160 current and former customers, reached an out-of-court settlement that means the bank will not face a public grilling. The case involved the shared appreciation mortgage product.

On 4 February 2024 The **Sunday Times** published an article written by Ali Hussain: "Justice at last for the families who paid up to 1,000% interest on loans". It says that the Bank of Scotland has backed down at the last minute from defending its sale of an "unfair" equity release scheme (shared appreciation mortgages) in court.

On 4 June 2024 the BBC One television programme "**Rip Off Britain**" broadcast an item about shared appreciation mortgages. It included Nick Wallis, author of "The Great Post Office Scandal", 2021, 2022 and presenter of the BBC Inside Out South investigation into shared appreciation mortgages. "Rip Off Britain" is available on the BBC iPlayer at <https://www.bbc.co.uk/iplayer/episode/m001zy1f/rip-off-britain-series-16-12-lose-a-stone-in-a-week-the-pamphlet-peddling-porkies>. The item about shared appreciation mortgages is the first item in the programme.

On 9 September 2025 **The Guardian** published an article written by Rupert Jones: "UK banks face lawsuits over mortgages that left people with huge debts". It says that the law firm Teacher Stern is bringing group actions against Barclays and Bank of Scotland in an attempt to win justice for two new groups of claimants comprising current and former customers and their next of kin. The cases involve their shared appreciation mortgages. Teacher Stern's Barclays claimant group is made up of almost 80 people.

On 18 September 2025 **The Telegraph** published online an article written by Charlotte Gifford: "The mortgage scandal that left pensioners 'trapped' with million-pound debts".

Social Media

The *Fighting against Barclays and BoS SAM (Shared Appreciation Mortgage)* Facebook page was created in 2012 (MF/MR) and the *Shared appreciation mortgages Scandal* Facebook page was created in 2015 (GS). In 2022 the creator of the *Shared appreciation mortgages Scandal* Facebook page asked if anyone else would like to be the moderator. TM volunteered and became the new moderator.

On 24 January 2024 the *Shared appreciation mortgages Scandal* Facebook page (TM/CJL) asked its members to switch to the newer and more active *Shared Appreciation Mortgages Sam bos mortgages* Facebook page (also TM). That changed its name to *Action Group Sams*, moved its conversation to a WhatsApp group that had been created on 19 January 2024 (TM), and then closed down. On 22 February 2024 the creator and moderator of the now defunct *Action Group Sams* Facebook page created another Facebook page: *SAMS shared appreciation mortgages* (TM). On 13 March 2024 the admin of the WhatsApp group (TM) announced that she had stopped accepting new members for the group and had created a new WhatsApp group for new members (TM). On 23 March 2024 she removed most of the members from the first WhatsApp group without any explanation. There is another WhatsApp group, created on 10 February 2024 (RD).

The *Scottish SAM* Facebook page was created on 23 March 2024 for the customers of Scots law shared appreciation mortgages and their families. English solicitors were not prepared to accept clients with Scots law SAMs. In April 2025 Jones Whyte, solicitors of Glasgow, agreed to represent holders of these mortgages and their families, with a No Win No Fee arrangement for the funding. Their contact details are on their website (joneswhyte.co.uk). Holders of Scots law SAMs and their families also have a WhatsApp group.

Posted by Nick Wallis @nickwallis (author of "The Great Post Office Scandal", 2021, 2022) on X/Twitter at 18:18 on 5 April 2024:
Just did a pre-record for #RipOffBritain about an appalling financial product called Shared

Appreciation Mortgages. Thrilled they are revisiting it. I wrote this ten years ago after doing an Inside Out piece:

<http://becarefulwhatyouwishfor.nickwallis.blogspot.com/2014/09/the-sam-scandal-bbc-inside-out-south.html>

Thanks to @Ian_Fraser for his contribution.

Reply by Stuart Reynolds @shaldonangler on X/Twitter at 18:25 on 5 April 2024:

I remember these – as financial products go they were pure poison and, as I recall, paid quite a high procurement fee to advisers compared with ordinary home loans. (Thank you for a good piece and bringing back memories of another inglorious episode from my past career.)

[procurement fee: the total amount paid by a home finance provider to a home finance intermediary, whether directly or indirectly, in connection with providing applications from customers to enter into home finance transactions with that home finance provider]

Complaints Procedure

Complain about a financial service or product

source: www.gov.uk/complain-financial-service

Follow the company's complaints procedure. You can usually then take your complaint to the Financial Ombudsman Service if you're unhappy with their response.

Ask for a copy of the company's complaints procedure. This should tell you how to complain and how they'll deal with it.

If you're unhappy with their response (or they don't respond within 8 weeks) you can complain to an independent complaints service. This is usually the Financial Ombudsman Service – the company's complaints procedure should tell you which service to contact.

The Money Advice Service has information on making complaints and time limits for complaining to the ombudsman.

You can ask an organisation for a copy of the information they hold about you. There is a page on the gov.uk website titled "Find out what data an organisation has about you". It says "The organisation must give you a copy of the data they hold about you as soon as possible, and within one month at most."

Sort out a money problem or make a complaint

source: www.moneyadviceservice.org.uk/en/articles/sort-out-a-money-problem-make-a-complaint-or-get-compensation

"If you're unhappy with the service you got from your bank, financial adviser or any other financial company, it's often easy to sort out. If talking things through doesn't work, there's always a formal way to complain – and if you're still not happy, you can ask an independent service to investigate."

You can get free help with your complaint. Independent complaints services (for example, the Financial Ombudsman Service) are free, but you have to have made a formal complaint to the company involved before you can use them. See the next section for the key steps you need to take first.

Think twice before using a complaints company. Complaints companies will usually charge a fee to investigate for you. You can get the same help for free, and you're just as likely to win.

Step 1 – Talk to the firm

Tell them why you're unhappy and what you'd like them to do to make things right.

If they can't give you a reasonable explanation of what's wrong and don't try to fix things, you might be able to take your complaint to an ombudsman service such as the Financial Ombudsman

Service (FOS).

Step 2 – Make a formal complaint

All financial firms ought to have a formal complaints procedure to follow when you complain.

It tells you:

- who you should talk to or write to
- when you should expect a reply, and what to do if you're not satisfied with the answer you get.

You should be able to find their complaints procedure online – but if you can't find it, ask for it.

If the complaints procedure involves something you've already done, like visiting your bank, make sure that the person you spoke to understands that they need to treat your complaint formally.

Try to put everything in writing, rather than talking over the phone.

You should get a final decision within eight weeks, explaining exactly how the firm will deal with the problem.

Step 3 – Get an impartial decision

After making a formal complaint, if you think the firm's answer is unreasonable, or if you don't hear from them within eight weeks, you have the right to take your complaint further.

You can get free, official help from an independent complaints service, who can often order the company to pay compensation.

The services include the Financial Ombudsman Service – this covers most financial complaints.

The company's complaints procedure should tell you which you should contact.

There are time limits for complaining to the Financial Ombudsman Service. You must complain:

- within six months of the firm sending you their final response, and
- within six years of the event you're complaining about, or (if it's more than six years) within three years of the time you could reasonably have known you had cause to complain.

Time Limits

The general rule is that you have six years to pursue a claim (five years in Scotland).

After six years, the company might argue that the limitation period has expired and you are barred from pursuing a claim. In the case of a shared appreciation mortgage, the counter-argument is that the unfair relationship was a continuing one and the limitation of six years would not begin to run until the unfair relationship had come to an end. The limitation period would therefore not have started to run on any shared appreciation mortgage claim where the mortgage has not yet been redeemed. If it has been redeemed, there would be six years from the date of the redemption in which to pursue a claim.

Bank of Scotland: How to Complain

www.bankofscotland.co.uk/contactus/complain

Bank of Scotland, PO Box 761, Leeds, LS1 9JF

The Annual reports and accounts for BOS (Shared Appreciation Mortgages) No. 1 PLC, No. 2 PLC, No. 3 PLC and No. 4 PLC, for the year ended 31 December 2024, state under the heading "Customers and clients", "The Directors have ensured that the Company, as part of the Group, continues to work towards the Group's strategy for treating all customers fairly. ... with the Directors regularly reviewing customer complaints to understand areas where improvements can

be made."

Barclays Bank: How do I make a complaint?

www.barclays.co.uk/help/making-a-complaint/how-do-i-make-a-complaint-

Freepost Barclays Customer Relations

The Financial Ombudsman Service

The Financial Conduct Authority operates as the financial conduct regulator. Its operational objectives are: securing an appropriate degree of protection for consumers; protecting and enhancing the integrity of the UK financial system; and promoting effective competition in the interests of consumers in the market for regulated financial services.

The FCA does not investigate individuals' complaints against the firms it regulates. This is the role of the Financial Ombudsman Service.

The Financial Ombudsman Service's main role is to operate a scheme to resolve disputes, independently and impartially, as an alternative to the civil courts. The scheme's statutory purpose is for certain disputes to be resolved quickly and with minimum formality by an independent person on the basis of what is fair and reasonable in all the circumstances.

The Financial Ombudsman Service must determine disputes on the basis of what it believes to be fair and reasonable in all the circumstances of the case, taking into account certain matters including the relevant law and regulations, relevant regulator's rules, guidance and standards, relevant codes of practice and (where appropriate) what the Financial Ombudsman Service considers to have been good industry practice at the relevant time. (Source: Memorandum of Understanding between the Financial Conduct Authority and the scheme operator, the Financial Ombudsman Service, November 2024)

In 2003, Mr Alec Fisher complained to the Bank of Scotland and then the Financial Ombudsman Service about his Shared Appreciation Mortgage. He said, "By the time I got to year three of the loan, I started to get extremely concerned. I wrote to the bank to express my fears. The bank said it was no good, I had signed the contract." The Ombudsman ruled against him, saying that the terms of the contract were made clear at the outset. The FOS said that with SAM disputes, it usually rules in favour of the banks. (Source: "Fed up and fighting back for all of us," published in The Times, 16 August 2003)

The Ombudsman has said more recently, regarding a Barclays SAM, that Barclays subscribed to the Mortgage Code and so he would expect to see that it adhered to the Code when selling mortgages. Under the Code, Barclays were required to inform borrowers of the level of service it was giving. This level of service was information on the mortgage product they had chosen. It did not provide the borrowers with advice, and so was not required to assess their needs or make a recommendation based on those needs.

The Mortgage Code did require Barclays to provide borrowers with information that was clear, fair, reasonable and not misleading. The Ombudsman thought that, given that the formula provided was supplemented by a working example, it would have been relatively straightforward to follow. Even if the borrowers were not able to follow the working example provided, their solicitor was under instruction to confirm that they had understood the product. The Ombudsman thought it likely that the solicitor would have included an understanding of the calculation of the potential redemption amount to satisfy themselves that the borrowers understood the SAM. The Ombudsman thought an understanding of the redemption calculation was fundamental to an understanding of the SAM.

The Ombudsman said that Barclays SAMS Limited was the lender in respect of the borrowers' SAM. So, where a complaint was about the fairness of the agreement or its terms and conditions, it would need to be made against Barclays SAMS Limited, rather than Barclays Bank UK PLC. The Ombudsman said that Barclays SAMS Limited was not within their jurisdiction, so they do not have the power to consider such a complaint.

The Ombudsman did not address one of the commitments of the Mortgage Code, that subscribers

to the Code promise that they will help the borrowers to understand the financial implications of the mortgage, i.e. how expensive the repayment might be: about two-thirds of the final value of their property and about twice as expensive as other forms of equity release loans. Barclays could have extrapolated the historical values of the UK House Price Index to estimate the possible increase in house prices and the possible size of the repayment. They probably did this for their own purposes, to estimate how much return there might be on their "investment".

Barclays SAMS Limited is a wholly owned subsidiary of Barclays Bank and registered at the same address (1 Churchill Place, London, E14 5HP). It is unreasonable for Barclays to deny any responsibility for the fairness of the SAM agreement or its terms and conditions, and to lay that responsibility solely with Barclays SAMS Limited.

Similarly, although Bank of Scotland marketed and administered their shared appreciation mortgages, they established subsidiary companies, BoS (Shared Appreciation Mortgages) numbered 1 to 6 and BoS (Shared Appreciation Mortgages (Scotland) numbered 1 to 3, to act as the lenders of the mortgages. These companies did not operate under the Banking Code, were not signatories to the Banking Ombudsman Service or the Financial Ombudsman Service, and are therefore outside the jurisdiction of the Financial Ombudsman Service. Like Barclays Bank, Bank of Scotland has successfully avoided the Financial Ombudsman Service's scrutiny of the fairness of its shared appreciation mortgages.

In 2021 and 2024, Barclays and the Bank of Scotland settled claims out of court with about 200 Shared Appreciation Mortgage borrowers and their families. This strongly indicates that the banks know these loans should never have been sold, and that they would not stand up to scrutiny in court. It is time for the Financial Ombudsman Service to review and revise their policy of not upholding complaints about Shared Appreciation Mortgages.

Financial Ombudsman Service Success With Fractional Timeshare Scheme Complaints

On 5 May 2023 a judgement was published, finding against Barclays Partner Finance (part of the Barclays Group) and Shawbrook Bank, in the judicial reviews lodged by those banks in 2021, to challenge the decision by the Financial Ombudsman Service that both banks had breached consumer protection rules because investors in fractional timeshare schemes did not fully understand the investment they were making.

The ombudsman said they were receiving about 50-100 new fractional timeshare complaints each month. When the number of complaints reached an estimated 3,150, the ombudsman decided to use two cases, against Barclays and Shawbrook, to set a precedent. Barclays and Shawbrook disagreed and lodged judicial reviews starting in 2021. The banks argued that they were not responsible for the lack of information provided to timeshare investors and there was no unfairness in the relationship between them and the consumer.

The judge dismissed these arguments and instead agreed with the ombudsman that the relationship between the banks and the consumer "could scarcely have been more unfair".

Source: "Banks on the hook for timeshare payouts" by Ali Hussain, The Sunday Times, 21 May 2023

This case demonstrates the value of making complaints to the Financial Ombudsman Service.

Complaints to the Financial Ombudsman Service

The Financial Ombudsman Service had 5,519 complaints lodged about Barclays from January to July 2023. Complaints about the other four big high street banks – HSBC, Lloyds Banking Group (which also runs Royal Bank of Scotland), NatWest and Santander – ranged from 3,199 to 3,994. (source: "Big demands for small firms from overbearing Barclays" by Ali Hussain, The Sunday Times, 28 January 2024)

Pre-Action Conduct and Protocols

gov.uk: Ministry of Justice

Pre-action protocols explain the conduct and set out the steps the court would normally expect parties to take before commencing proceedings for particular types of civil claims.

www.justice.gov.uk/courts/procedure-rules/civil/rules/pd_pre-action_conduct

Issuing Court Proceedings

Solicitors can communicate with the media about litigation, including announcing that proceedings have been issued. This can damage the financial company's reputation and sales. A publicised group claim can create reputational harm, customer concern, increased regulatory attention, adverse media coverage, and hesitation among potential customers buying similar products. Financial services businesses are particularly sensitive because trust is a major part of purchasing decisions.

Transcripts

New Sam backlash for banks (Financial Mail on Sunday, 23 March 2003) (page 44)

Fed up and fighting back for all of us (The Times, 16 August 2003) (page 44)

Commentary: Anne Ashworth (The Times, 16 August 2003) (page 45)

Courts to test shared home loan issue (The Times, 23 August 2003) (page 46)

Sam missiles from readers over crippling loan penalties (The Times, 13 September 2003) (page 46)

Sheer Greed? (The Daily Echo, 1 November 2004) (page 48)

Mortgage nightmare action calls (The Daily Echo, 2 November 2004) (page 49)

If you think the banks are bad ... (by Boris Johnson, The Daily Telegraph, 16 March 2006) (page 50)

Trapped in their own homes (Saga Magazine, September 2006) (page 51)

Barclays relents at last (Saga Magazine, August 2007) (page 53)

Barclays, HBOS sued by homeowners over shared appreciation mortgages (The Times, 20 January 2009) (page 54)

Homeowners win right to sue over mortgages (The Times, 6 October 2009) (page 54)

Lawyer of the Week: Hilary Messer (The Times, 15 October 2009) (page 55)

Were shared appreciation mortgages sold unfairly? (A BBC Inside Out South investigation, 8 September 2014, by Nick Wallis, author of "The Great Post Office Scandal", 2021, 2022) (page 56)

Barclays and Bank of Scotland could face legal action over shared appreciation mortgage scandal (www.thisismoney.co.uk, 26 August 2016) (page 60)

Shared Appreciation Mortgages – Potential Claim (BBC One The One Show, 3 April 2017) (page 62)

Why is Joan trapped in her home? (BBC Radio 4 Money Box, 22 April 2017) (page 62)

Shared Appreciation Mortgages (BBC Radio 4 Money Box, 23 September 2017) (page 65)

Shared Appreciation Mortgages (BBC Radio 4 You and Yours, 14 August 2023) (page 67)

Shared Appreciation Mortgages (BBC One Morning Live, 2 January 2024) (page 70)

Statement issued by Teacher Stern and Bank of Scotland on 30 January 2024 (page 72)

Justice at last for the families who paid up to 1,000% interest on loans (The Sunday Times, 4 February 2024) (page 73)

Shared Appreciation Mortgages (BBC One Rip-Off Britain, 4 June 2024) (page 74)

Published in Financial Mail on Sunday, 23 March 2003

New Sam backlash for banks

by Richard Dyson

Borrowers who took out a shared appreciation mortgage (Sam) with Barclays and Bank of Scotland, now part of HBoS, have formed an action group.

They hope to prove that the terms of their agreements made in 1998 are unfair.

The non-profit organisation called Samvic – Shared Appreciation Mortgage Victims Action Group – is lobbying for political and media support and is raising funds for legal bills.

Under the scheme, 15,000 borrowers were lent £400 million during 1998.

The deals differed, but all worked by lending homeowners money in exchange for a share in the future value of their properties. In five years, Sam borrowers' debts have mushroomed to between four and six times the original loan.

Borrowers are trapped – if they sell their homes to clear the debt, they will be left with too little to buy another house. Borrower Carolyn Mentzel, from Bourne, Lincolnshire, founded the action group after Financial Mail publicised her case.

Carolyn now hopes to rally as many of the 15,000 borrowers as possible to back actions against the banks.

She says: "We believe there are errors and inconsistencies in some of the documentation that could amount to mis-selling."

At least two individual cases have gone to court, but Carolyn believes borrowers should pin their hopes on mass actions.

The action group is likely to be the biggest customer protest lobby apart from those formed after the Equitable Life debacle.

Barclays and HBoS argue that because the money was lent to them by other institutional investors who have to be paid back, they are unable to reduce the cost to borrowers.

To contact the action group, go to www.sharedappreciation.fsnet.co.uk or write to Sam, Financial Mail, 2 Derry Street, London W8 5TS.

Published in The Times, 16 August 2003

Fed up and fighting back for all of us

A quiet acceptance of losses or unfair treatment is no longer the way for consumers who feel themselves hard done by. A growing band is fighting back against financial institutions, setting up action groups and becoming a thorn in the side of banks, building societies and insurance companies. Others are fighting the Inland Revenue over what they see as injustices.

Harold Fisher, a 75-year-old retired managing director, is typical of this new breed of militant. He helps to run Samvic, the Shared Appreciation Mortgage Victims Action Group, a body of 500 homeowners who believe that they were duped by lenders into taking on debts that are now crippling.

Six years ago Mr Fisher and his wife borrowed £90,000 from Bank of Scotland under its shared appreciation mortgage (Sam), an equity release scheme aimed at the elderly. Today, if the Fishers wished to redeem the loan, they would have to pay back £360,000: the loan, plus a £270,000 penalty. Despite rebuffs from every quarter, Mr Fisher refuses to stay silent over his plight, arguing that he and other Samvic members were misled by the banks.

Sams were sold by Bank of Scotland and Barclays until July 1998. Those with properties worth at least £60,000 were offered an interest-free loan in return for signing over to the bank up to 75% of any appreciation in the value of their home.

Property prices were more stable when the loans were first touted around. But some prices have since soared by nearly 70%, leaving up to 15,000 homeowners like the Fishers facing crippling debts.

Mr Fisher, 75, thinks that he was misled by the Bank of Scotland salesman. He claims that the catastrophic effects of a sustained property boom were not spelt out to him in October 1997. "Bank of Scotland had a reputation for probity and I thought the Sam was a good deal," he says. "But by the time I got to year three of the loan, I started to get extremely concerned. I wrote to the bank to express my fears. The bank said it was no good, I had signed the contract."

A Bank of Scotland spokesman says: "The terms and conditions of the Sam were very clear. We advised borrowers to obtain independent legal advice – which Mr Fisher did." Bank of Scotland and Barclays claim that they can do nothing to help Sam borrowers. They do not profit from them because the profit rights were sold to institutional investors.

Mr Fisher took his claim to the Financial Ombudsman Service (FOS) but the ombudsman ruled against him, saying that the terms of the contracts were made clear at the outset. The FOS says that with Sam disputes, it usually rules in favour of the banks.

For many people, losing an appeal to the ombudsman would be the end of the road. But Mr Fisher refused to accept the decision. Although Samvic was set up only a few months ago, 500 homeowners have already joined up and Mr Fisher hopes that many more will follow.

"All of our members are in a similar situation in that they are intelligent people who were taken in by the 0% deal based on sharing the appreciation in the value of their house," he says. "But we need others to join. Elderly people who have to move house or need to sell their homes to fund long-term healthcare are in dire straits. We are writing to everybody to try and pressure the banks into modifying everyone's contract terms."

Published in The Times, 16 August 2003

Commentary: Anne Ashworth

"The 15,000 elderly homeowners who raised money against the value of their properties through Sam schemes are now horribly in debt, being liable not only for their original loans, but also for the banks' share of the appreciation in the price of their properties"

The shared appreciation mortgage, or Sam, typifies an all-too-common kind of financial product. Apparently straight-forward and just the answer to your needs, but in reality, extremely complex. The terms and conditions have potential repercussions that no ordinary consumer could possibly grasp. Even experts can fail to spot the pitfalls.

The 15,000 elderly homeowners who raised money against the value of their properties through Sam schemes are now contemplating the consequences of their decision. They are horribly in debt to either Barclays or Bank of Scotland, being liable not only for their original loans, but also for an additional sum – the banks' share of the appreciation in the price of their properties.

If Harold Fisher, a Sam borrower, opted out now, he would have to pay a £270,000 penalty based on the 100% increase in the value of his London home since 1997.

At that time, the Sam looked attractive to the Fishers and other borrowers because the loan was interest-free until repaid from the sale of the house. But in lieu of interest, the bank (or to be exact, the financial institutions who have bought the rights to Sam profits) will be entitled to a 75% share in the increase in the value of the properties.

The Consumers' Association claims that as a result of the rise in house prices, the true rate of interest on the Sam loans is not 0%, but more than 60%. It is the kind of charge usually

associated with disreputable lenders. But upstanding Bank of Scotland and Barclays will not contemplate any concession to the debt-laden homeowners. They insist that these individuals were properly informed of the risks. But were they told of the risk of a house-price spiral?

Mr Fisher and his fellows are fighting back through Samvic, one of the many action groups now struggling for their rights against obdurate organisations. The existence of these groups is yet another result of the over-complexity of all financial products. Customers who feel themselves misled over the true nature of investments, loans and other deals feel betrayed and want their voices to be heard. The increasing number of these new consumer militants should give all of us pause for thought.

Before you get enmeshed in any financial deal, make sure that you explore the downside potential. Always imagine the worst, because it might just happen.

Published in The Times, 23 August 2003

Courts to test shared home loan issue

by Helen Nugent

The Bank of Scotland is being taken to court by a man who claims that his action could result in a £1.5 billion payout for thousands of other homeowners who believe that they were duped into taking on crippling home loan debts.

Geoffrey Cooke, 58, and his wife borrowed £72,000 from the Bank of Scotland six years ago under its shared appreciation mortgage (Sam), an equity release scheme marketed at older borrowers who owned their homes but wanted to raise cash. Today, if the Cookes want to redeem the loan, they must pay back £118,800 – the loan, plus £46,800 as an element of the increased value of the property. Sams were sold by Bank of Scotland and Barclays until July 1998. Those with properties worth at least £60,000 were offered interest-free loans in return for signing over to the bank up to 75% of any appreciation in the value of their homes.

Mr Cooke estimates that at least 15,000 people signed up for these loans without realising that a house-price surge would leave them with huge debts. He says: "I am making an application to the High Court in early September to have my mortgage contract dealt with under the Unfair Terms in Consumer Contracts Regulations 1994 (and amendments).

"I think that there is evidence that the entry and exit procedures from the loan breach statute law and European Union law." Mr Cooke, a consultant restorer of fine arts in Gloucestershire, has engaged a firm of solicitors to draft his application.

He wants his mortgage contract to be declared invalid and the huge additional charges or "penalty" written off, and is confident that he can win his case. "This could open the floodgates for 15,000 other people to make claims against Bank of Scotland and Barclays," he says.

A spokesman for the Bank of Scotland comments: "The bank does not believe that the terms of Mr Cooke's mortgage breach the Unfair Terms in Consumer Contracts Regulations."

Published in The Times, 13 September 2003

Sam missiles from readers over crippling loan penalties

Many readers of Times Money are supporting Geoffrey Cooke for taking the Bank of Scotland to court over his shared appreciation mortgage (Sam). They also believe that they were misled into taking on huge home loan debts.

After reporting Mr Cooke's campaign to secure a payout from Bank of Scotland, Times Money was inundated with letters, telephone calls and e-mails from readers who similarly ended up facing crippling debts.

About 15,000 people signed up with Bank of Scotland and Barclays for Sams, equity release plans marketed at older borrowers who owned their homes but wanted to raise cash. Those with properties worth at least £60,000 were offered interest-free loans in return for signing over to the bank up to 75% of any appreciation in the value of their properties.

Mr Cooke, 58, and his wife borrowed £72,000 from the Bank of Scotland six years ago. Today, if the Cookes wanted to redeem that loan, they would have to repay £118,000 – the sum of the loan, plus £46,800 as an element of the increased value of their house.

Another couple, Jane, 67, and Fred Price, 73, also face a huge penalty to pay off their loan. They arranged it with Barclays for £15,000 in 1998. With the rise in house prices in the past five years, they face a £105,000 redemption charge to settle the £15,000 loan.

Mrs Price says: "We are very vulnerable, this is making our lives a misery. It is our dearest wish to move from St Ives back to our roots in Staffordshire so that we can be nearer our children and grandchildren. But Barclays says it can do nothing to help us to obtain a more fair and just settlement, and that the Sam business is no longer in its hands."

The banks argue that they do not profit from Sams because the profit rights were sold to institutional investors. But this comes as cold comfort to pensioners trapped in their homes.

Antony, 70, and Elizabeth Kirkby, 68, would have to pay Bank of Scotland more than £200,000 if they sold their property – £150,000 more than the original loan of £50,000. The Kirkbys accept that they signed up to the mortgage knowing the terms but believe that the glossy brochure did not make clear the possibility of being saddled with catastrophic debt.

"Our mortgage advance was designed to give us an investment for the future but we are facing the disastrous outcome of the most damaging financial decision we have ever made," Mr Kirkby says. "We never dreamt that the value of the house would double in five years. And now we are stuck with a £200,000 repayment charge, which we can't think about. If we paid it, what would we be left with?" In close sympathy with the Kirbys, Gordon Kingham, 75, and his wife, Heather, 61, are stuck with what they call "a Sam ball-and-chain shackle". They want to move, but are reluctant to pay Bank of Scotland more than £40,000 to settle their loan.

Mr Kingham says: "If and when we eventually shake off the dreaded Sam, we will have to pay £83,200 – the bank's share of the appreciation and the original loan. Some would whisper 'usury'."

Other readers of Times Money with Sams hope that Mr Cooke, a consultant restorer of fine arts in Gloucestershire, will win his case against Bank of Scotland. He is confident of a successful outcome and hopes to start court action by the end of the month.

He says: "I think that there is evidence that the entry and exit procedures from the loan breach statute law and European law. Papers have already been served on the bank." He is hoping to have his mortgage contract declared invalid and the huge additional charges written off. Mr Cooke claims that a court win could open the floodgates for thousands of other borrowers like him and result in a £1.5 billion payout for homeowners.

Despite the threat of legal action, Bank of Scotland is standing firm. A spokesman says: "Mr Cooke's case has been fully investigated by the bank. Mr Cooke has been advised that if he wishes to take his case further he should seek mediation through the Financial Ombudsman Service. We do not believe that the shared appreciation mortgage breached the Unfair Terms and Consumer Credit Regulations."

When approached by Times Money, Barclays also held its ground. "The funding for Sams was provided by institutional investors, such as pension funds. Barclays has an obligation to meet the terms and conditions on which these investors provided the funding for the mortgages."

An action group for Sam customers, called Samvic, the Shared Appreciation Mortgage Victims Action Group, can be reached at www.sharedappreciation.fsnet.co.uk.

Sheer Greed?

BARCLAYS BANK has been condemned after they said they would charge a 69-year-old Hampshire widower £76,000 interest on a loan which lasted just six years.

It seemed like a good idea at the time. Even their solicitor said so.

Reginald and Eileen Baylis needed money to carry out improvements to their Hampshire home and decided to take out a Shared Appreciation Mortgage (SAM).

The now notorious mortgages were offered between 1996 and 1998 by just two lenders, Barclays and the Bank of Scotland.

They were aimed at older people who wanted to secure funds in their retirement by releasing some of the value of their house.

Customers were given an interest-free sum in return for surrendering part of their home's future worth. Under the deal, no cash had to be repaid until the borrowers either died or sold up.

It sounded simple and proved popular with couples across the country.

But the repayment was based on a complex formula called a "loan to value ratio" – and critics say few people understood the full implications.

Homeowners who borrowed 25 per cent of the value of their property would have to repay 75 per cent of any appreciation – plus the original loan.

Now many borrowers are in dire financial straits after seeing their debt shoot up in line with soaring property prices.

They cannot afford to move house and are unable to pay off the loan, which gets bigger every day as property prices continue to increase.

When they die and their home is sold, their children will receive only a fraction of the property's true worth once the hugely inflated debt has been paid off.

Mr Baylis is among an estimated 15,000 victims and must cope with the situation alone following the death of his wife.

The couple moved into their two-bedroom bungalow in Holbury Drove, Holbury, in 1996 after paying cash for the property, which cost them £66,500.

Two years later, when the house was worth £80,000, they saw a SAM advertisement in a national newspaper.

Mr Baylis said: "We needed work done on our home but weren't in a position to pay for the work, so a Shared Appreciation Mortgage seemed very appealing. I went to a local solicitor, who also said it was a good idea."

But the dream turned into a nightmare after Mrs Baylis died of cancer in January and her husband decided to buy a smaller property.

"I couldn't cope with the garden and thought it would be nice to move to a nice little one-bedroom place," he said.

"But Barclays valued my bungalow at £187,950 and told me that when I sold it I'd have repay the original £20,000 loan, plus a percentage of the value – a total of £96,690."

Mr Baylis was horrified to discover he would have to pay such a large amount.

"It's disgraceful – nothing but greed," he said.

"If this were any other lending company they would be described as loan sharks. They are allowed to get away with high rates that cause people extreme stress.

"There must be thousands of people in the same position as me."

New Forest East MP, Dr Julian Lewis, said: "I've been approached by someone who is basically stuck in their existing property for life because selling up would mean downsizing to such a large extent.

"This was a flawed scheme that backfired and was discontinued, but people are still suffering.

"All I can advise them to do is stand firm and see if Barclays have the nerve to take them to court in the light of last week's court case."

The MP was referring to a Merseyside couple who took out a £5,750 loan and ended up owing £384,000 after they were charged 34.9 per cent interest.

Last Thursday their debt was wiped out by Judge Nigel Howarth, who criticised the "extortionate" sum that had been demanded by London North Securities.

Dr Lewis said he hoped Barclays would "take note" of the ruling.

Published in The Daily Echo, 2 November 2004

Mortgage nightmare action calls

Hampshire homeowners saddled with huge debts after taking out Shared Appreciation Mortgages (SAMs) are being urged to join action groups.

One of these is planning to bring a test case that could prevent homeowners having to pay massive sums several times larger than the original loan.

As reported in the Daily Echo yesterday, SAMs were offered in the 1990s by Barclays Bank and the Bank of Scotland.

The interest-free loans allowed people to borrow a fixed amount that did not have to be repaid until they died or sold their home.

However, there was a sting in the tail – a clause that enables the lender to grab 75 per cent of any increase in the property's value.

Soaring house prices mean SAMs customers who want to sell their home must pay the banks vast sums that would devour most of the sale price.

Retired decorator Reg Baylis, 69, of Holbury Drove, Holbury, is among those trapped in a property they want to leave.

The Daily Echo revealed how Mr Baylis secured a £20,000 SAM from Barclays in 1998 to pay for home improvements, including a new roof.

When he decided to sell his bungalow, Barclays valued it at £187,950. They told him he would have to repay the original loan plus a huge percentage of the property's current value, a grand total of £96,690.

The pensioner has sought the help of Struggle Against Financial Exploitation (SAFE), one of several action groups representing the 15,000 victims of a SAM.

Other groups include the Shared Appreciation Mortgage Group (SAMAG), which is hoping to bring a test case.

SAMAG has launched a fighting fund and has asked each member to donate £10 a month to fund the case, which is expected to cost at least £60,000.

Another group, Shared Appreciation Mortgage Victims, wants the banks to review "the moral implications of the products and the credibility of their calculations".

A spokesman said: "Many people are still unaware of the full extent of their plight and we would urge anyone who took out a SAM to contact us for facts, information, and help on how to approach the problem.

"The documents supplied by the banks gave unclear and misleading information, which resulted in borrowers misinterpreting the facts."

Barclays says customers were obliged to seek independent legal advice and sign a form saying they fully understood the terms of the mortgage.

A spokesman said: "The product was designed for people living in their final home who wanted to release some of their property's value and enjoy a better quality of life.

"The money they received could be spent on medical care or home improvements - things they wouldn't normally be able to afford.

"At the time the mortgages were offered, nobody could have predicted the substantial increases in property prices that have taken place over the past few years.

"If the value of their property had declined, the borrower would have repaid only the original loan."

New Forest East MP Dr Julian Lewis has attacked the now notorious SAMs, describing them as a "classic rip-off scheme".

Published in The Daily Telegraph, 16 March 2006

If you think the banks are bad ...

by Boris Johnson

It takes guts to bring your wife to meet a stranger and then to confess, in front of her, that you have been a complete idiot. So when a distinguished and snowy-haired gentleman appeared in my office, and spread the shocking details of his mortgage arrangements before me, I was immediately sympathetic. "The awful truth," said the honest fellow, "is that I am not the sharpest tool in the box."

I beamed at him, and extra specially hard at his wife, and yet as I looked at the papers, I could see that he was accurate in his self-assessment. He was, indeed, a bit of a chump.

We have all, in our time, been egregiously foolish with money. I will never forget the trance-like way in which I decided that I was going to buy a magic dancing doll from a Ghanaian street vendor in Paris; how I shelled out colossal quantities of wonga for this scrap of cardboard, in the conviction that if I placed it in front of the hi-fi it would dance around, just as he was making it dance in the Tuileries gardens.

I remember watching it sit there all floppy in front of the pulsing speakers at home, doing nothing except being a scrap of cardboard, and how long it took before it dawned on me that I was just a sucker, a gull, a dupe, so dur-brained that I had actually persuaded myself that a piece of paper could be made to dance by playing music at it.

The awful truth was that I really had no one to blame but myself (I think my wife had pointed out the idiocy of the investment). and the same, alas, was true of the man who had come to see me. He was one of those who had invested in a shared appreciation mortgage, a scheme which the banks briefly and tantalisingly placed on the market between 1996 and 1998, and then whisked away like street pedlars surprised by the police: but not before they had persuaded 15,000 people to fall for a beautiful sting, which has allowed them to fleece, and to keep fleecing, their mainly elderly prey like a vast flock of muddled old ewes.

In a nutshell, the shared appreciation mortgage allowed you to borrow 25 per cent of the value of your property at zero interest, provided you agreed to pay the bank, upon your death or sale of the house, 75 per cent of the appreciation in the price. Now you might think that the catch would be obvious to anyone with a vague knowledge of the English property market over the past 40 years. We are, as a nation, addicted to house price inflation. We are demanding new houses so vociferously that even if Prescott carpet-bombs the countryside with five million new homes. I doubt (*pace* Kate Barker) that it will have much impact on the trend of the English housing market, which is and has been remorselessly upwards. You might have thought that that point would have been obvious to this man when he signed up for such a deal. If England went through one of its traditional housing booms, he would find himself owing the bank a huge proportion of the value of the house, and since a rising tide lifts all boats, he would find it very difficult to sell that house and buy even a smaller house. He should have foreseen that he could find himself in the nightmarish position of watching his debt grow ever bigger with every rise in house prices; he should have spotted a bum deal, you might say, and in a strict sense I suppose you are right.

In my free-market soul I can see that the banks have logic and the law on their side. The punters were offered the benefit of a zero-interest-rate mortgage; they took a risk; they got spectacularly stung. Whose fault was that? The punters' fault; and yet somehow that won't do. These people were so foolish, so idiotic, that their plight has managed to uncover, in another part of my soul, a long-buried streak of paternalism. Is it really right that so many elderly people, with no very deep understanding of finance, should be so brutally shylocked by banks that make many billions of profits? Is it really right for us all to say, Oh well, *caveat emptor*, old chum, and move quietly on?

I certainly don't want to enact any regulation; I don't want to give the Financial Services Authority any new role. But wouldn't it be nice if someone put moral pressure on these banks to help men such as an 85-year-old Normandy veteran from Yorkshire, who, together with his wife took out a £15,000 shared appreciation mortgage against the value of their home in 1997, when it was worth £63,000. His wife is now dead, the house is far too big, his health bad, and he needs to sell; yet the house is now worth £180,000 and at least £100,000 must go to the bank, leaving him too little to buy anything else and the prospect of going into residential care. Who is in a position to put pressure on his bank, which recently announced billions of profits? ...

Boris Johnson is MP for Henley

Published in Saga Magazine, September 2006

Trapped in their own homes

by Paul Lewis

Thousands of elderly people are unable to move house, trapped in their home by a deal they did with a bank more than eight years ago. If they sell, the bank will seize more than half the value of their home. The deal has brought the banks extraordinary returns. On a typical loan of £17,000 to a retired homeowner in 1997, the banks would today demand an extraordinary £98,000 to repay it.

The products, called Shared Appreciation Mortgages or SAMs, were sold by Bank of Scotland in 1996-98 and by Barclays for a few months in 1998. The deal was that you borrowed a quarter of the value of your home but repaid neither interest nor the amount lent. In return the bank would take three-quarters of the growth in the value of your home when it was sold. When the loans were being sold, house prices had barely begun to recover from the drift downward that began in 1989. Both banks' sales literature used an illustration of house prices rising by 4.5% a year. So it seemed a good way to release some of the value of your home, leaving the banks to take their profits only when you or your heirs sold the house. And if house prices didn't rise the loan would effectively be interest-free.

In 1998 Richard Snelling, then 68, and his wife Sheila were renting property and decided to use their savings to buy a home for their retirement. The house they wanted in the east of England was a shade under £70,000 and they had almost £52,500. Getting a mortgage for the rest at 68

was difficult until Richard saw an advert in a paper for a SAM with Bank of Scotland. His adviser arranged the loan of about £17,500 – a quarter of the house's value. Making no repayments suited the retired couple. And when Richard saw that the bank would take three-quarters of any growth in the value of the property he was sanguine about that too.

"At the time they gave an illustration of what the effective interest would be – about 8% on average. Now that seemed quite expensive for a mortgage but with no repayments I thought even if the interest doubled it was not that much and I wouldn't be around to worry about it. So we took it. At that time mortgage rates were higher than they are now and capital appreciation was relatively low."

But that soon changed. Richard's house is now worth £180,000 – which is £110,000 more than in 1998. He owes Bank of Scotland three-quarters of that gain or £82,500. Add that to the original loan of £17,500 and HBOS owns £100,000 – more than half – of the Snelling home. If they sell it they will be left with just £80,000 – not enough to buy anywhere else.

"We do feel trapped. We would like to move closer to London. At 75 we're fit now but we might need the help or support of our families, who live closer to London. And if one is left alone that will become more important. But we cannot move."

And there is another trap. Before the householders sell their house they have to get it valued at their expense, but using a valuer approved by the bank. If they sell it for more than the valuation, the bank uses that price to work out what it is due. But if they sell it for less, the bank still counts the sale at the valuation its valuer has put on it. And the valuation only lasts three months – which stopped SAM victim Reg Baylis selling his home in Southampton. He took out a SAM from Barclays in 1998, borrowing £20,000 to repair the roof and fit new windows. Today his £80,000 home is worth more than £216,000 and Barclays would take more than £122,000, six times what they lent him. But when he tried to sell up a couple of years ago he couldn't.

"You have to have an approved surveyor and they charge you £180 but they give you only three months to sell it. I got a buyer but I couldn't get it done within the three months, so I would have had to pay another £180. That's another loophole. I would be happy for them to have, say, £40,000, twice what they lent me, that's fair enough. This is extortion. That's what a solicitor I talked to said and I agree."

The bank's stake grew so rapidly because Barclays takes the capital growth in three-quarters of the home's value even though the bank owns only one-quarter of the home. Since these loans began, property prices in the UK have almost trebled. The return on Reg's loan equals an APR of 25%. Reg would have done better to borrow the money on his credit card. The bank, of course, took no real risk as the debt was secured on a property which, even if prices fell, was never going to be worth less than the original loan. At worst it would have lent the money interest-free.

Reg says he did not understand the contract and it did not warn him of the possible consequences.

"If they had said you borrow £20,000 and pay back more than £100,000 I would have said stick it. I could have borrowed that and paid so much per week. But they were advertising it as a good deal."

Barclays admits that its literature used an illustration of an APR of between 3% and 8.7% but says it did warn customers to take financial advice.

Reg and Richard admit that the banks are merely enforcing their contract. But Richard believes that circumstances have changed so much that the contract should now be revised.

"There is such a thing as an unfair contract, if a contract is so one-sided. It wasn't at the time it was signed but I do think it has reached a stage where it is now."

Richard and Reg are not alone. About 12,000 people took Bank of Scotland loans between November 1996 and February 1998. Another 3,000 took out a similar product from Barclays between May and August 1998. Many of them are now part of an action group – Struggle Against Financial Exploitation (SAFE) – which is campaigning on their behalf. Elaine Williams is a director.

"We are beginning to make headway," she said. "It is a totally unethical product, a horrendous

product. People are being trapped. They can't downsize. But we have evidence that staff told them it is transferable if they move to another property. It isn't. They can't maintain the property. But staff told them they could draw down more. Now they can't. Some are too terrified to tell their children what is going on. I get children coming to me after their parents have died asking what has happened to the value of the house."

Barclays, which sold the products direct, denies its staff misled customers in this way. A spokesman said he had never had such a complaint. Bank of Scotland SAMs were sold through financial advisers or mortgage brokers.

SAFE believes that a fair contract would give the banks the growth in value of the quarter of the home they effectively own, not in three-quarters. It is lobbying to get the contracts changed retrospectively. That job is made harder because the banks sold on the debt to other investors who are making the large profits. Robert Owen, another SAFE director, said: "We've tracked down the people who own those bonds and are in negotiation with them. They are vested overseas which doesn't help matters. We are still in negotiation ... We have put a proposal to them and they are considering it."

The two banks are both adamant that they will not change the deal and are entitled to their money. A spokesman for Barclays told me: "Barclays took extensive legal advice from leading City solicitors and Counsel relating to all aspects of the SAM scheme, including the contents of the brochure promoting it. We are satisfied that the brochure was accurate and did not result in any mis-selling of this product."

And Bank of Scotland said: "Prior to any loan we recommended that applicants sought advice to be sure it was suitable and they were aware of the obligations they were getting into. Applicants would be told that the money secured included the shared appreciation percentage."

Published in Saga Magazine, August 2007

Barclays relents at last

Edited by Paul Lewis

Barclays Bank has given in to public pressure and will offer a way out to 2,500 people trapped in their homes by the terms of a mortgage deal they did in 1998 (see *Saga Magazine* September 2006). They had taken out what was called a Shared Appreciation Mortgage (SAM). They borrowed a quarter of the value of their home. No interest was charged and the capital was not repaid until the home was sold. When it was, the bank took back the loan and three-quarters of the increase in the value of the home since the loan was taken out. With house prices so high the share taken by the bank meant there was too little left to buy another suitable home. So people stayed put. But because the bank owns so much of their home, they cannot borrow more to repair or adapt it to their changing needs as they get older.

After years of refusing to help, Barclays will now offer its customers two ways out. If they want to move, Barclays will give them an interest-free loan equal to 75% of the growth in value of their home, which will pay off the SAM. The homeowner will still have to pay off the original amount borrowed. But without the appreciation element they should have enough left to buy somewhere suitable. The new interest-free loan will not have to be repaid until the new home is eventually sold.

People who do not want to move can have a grant from Barclays to adapt their home to make living there easier, perhaps for a downstairs bathroom or a stairlift, but the SAM will continue and will have to be repaid in full when the home is eventually sold. These deals are only available to those in "hardship" but it seems that Barclays will be generous in applying this criterion to anyone who feels trapped by the original deal due to age or illness. The deal is also available to people who have already sold their home and paid off their SAM if they live somewhere unsuitable.

Saga reader Reg Baylis, who repaid the SAM and now lives in a mobile home, said he would look into the new offer but claimed Barclays were "Crafty devils. They'll get the money back eventually, won't they?"

The offer does not apply to the larger group of SAMs customers with Bank of Scotland. A spokesman said "We will be studying any Barclays announcement very closely and with interest" and confirmed meetings have been arranged with the campaigning group SAFE and MPs.

Published in The Times, 20 January 2009

Barclays, HBOS sued by homeowners over shared appreciation mortgages

by Michael Herman

A group of homeowners who claim they were sold unfair shared appreciation mortgages took the first step towards suing their lenders today.

Lawyers representing 222 people sent out a legal Letter Before Action, the first stage in the process of launching a legal case, to Barclays and HBOS concerning the loans.

The homeowners, who have each paid £5,000 to take part in the action, will argue that a recent change in the law has made it possible for them to sue their lenders over the "unfair" loans.

Under shared appreciation mortgages (Sams), interest on the loan is typically frozen. In exchange, the bank receives up to 75% of the appreciation in the value of the property in the 10 years prior to when it is sold as well as having the original sum borrowed repaid.

The mortgages were sold in large quantities throughout the UK in 1997 and 1998 but many people now find themselves trapped in their homes, unable to raise enough money to buy a new property from the sale of their current one after paying the banks their share of the appreciation.

The homeowners are represented by Hilary Messer, head of litigation at RWP Solicitors, who says that recent changes to the Consumer Credit Act make it possible to sue the banks over the mortgages.

Under the new act, which is retrospective, if a court determines that the relationship between a creditor and a debtor is unfair to the debtor, it has wide powers to vary the terms of the loan agreement.

The group are demanding a reduction in the percentage of the appreciation in their property that is payable to the bank or a cap on the amount payable to the bank as its share.

Barclays said it was not aware that any legal proceedings have been commenced against it, particularly as it has only just received correspondence from a firm of solicitors about this issue. While that correspondence is being considered, it would not be appropriate to comment further on its contents.

It added: "Barclays has great sympathy for those Sams customers who have experienced difficulties. As a result, in 2007 Barclays created the hardship scheme for shared appreciation mortgage customers."

HBOS said: "We have not received any formal notification that a court action has been raised. Therefore, we are not able to make a comment."

Around 8,000 people are thought to hold a shared appreciation mortgage.

Published in The Times, 6 October 2009

Homeowners win right to sue over mortgages

Group has been granted the right to take Barclays and Bank of Scotland to court

by Michael Herman

A group of more than 300 homeowners have won the right to sue Barclays and Bank of Scotland

over mortgages they claim are unfair.

The homeowners have been granted a Group Litigation Order by the High Court, enabling them to take legal action against the banks over Shared Appreciation Mortgages (Sams).

The mortgages allowed people to take out loans secured against their homes at 0% interest or a low fixed rate.

In exchange for the low interest rate, the borrowers must pay an additional charge when they repay the mortgage, typically of around 75% of the increase in the value of their property since the loan was first taken out.

Despite recent house price falls, the steep price rises seen between 1997, when the loans were first available, and 2007, mean the lender's share of the home is often about 4.4 times the amount that was originally borrowed, the equivalent of an interest rate of between 35% to 40%.

As a result, many people with the mortgages have found themselves trapped in their homes, unable to raise enough money to buy a new property from the sale of their current one, after paying the banks their share of the appreciation.

The Group Litigation Order means that people can sue the lenders as a group, rather than on an individual basis.

The case is being handled by RWP solicitors, with 126 claims filed so far and a further 200 currently being processed.

The group action is expected to cost homeowners about £5,000 each.

Hilary Messer, of RWP solicitors, said: "Up to now, the banks have been able to recover payment in full under SAMs and the merits of the enormous number of complaints made about this product over the years have never been properly tested in the courts.

Ms Messer is seeking to have the mortgages cancelled or get a reduction in the percentage of the appreciation that is payable to the bank.

It is thought that about 12,000 Sams were sold in the UK between 1997 and 1998, when they were withdrawn from the market, with about 7,000 still in force.

A spokeswoman for Bank of Scotland, which is now part of partly nationalised Lloyds Banking Group, said: "Bank of Scotland believes the terms of the mortgages were clear to customers when they took out their loan but does recognise that the arguments the Sams borrowers wish to raise should be brought before a court as quickly and efficiently as possible.

A Barclays spokeswoman said: "The issuing of the Group Litigation Order (GLO) was only the first step in the litigation being brought by the Sams claimants and follows on from the application for the GLO which was sought at a hearing on 14 July 2009.

"The GLO merely formalises the procedure which the claimants are now to follow and does not involve any decision on any of the major issues in the case.

"There has been no adverse finding whatsoever against Barclays – we consider that the case as it has been presented is without merit and we will defend it vigorously in the courts."

Published in The Times, 15 October 2009

Lawyer of the Week: Hilary Messer

by Linda Tsang

Hilary Messer is head of litigation and a director of RWP Solicitors, a Berkshire practice. She represents more than 300 homeowners suing, in a group action, the Bank of Scotland and Barclays over shared appreciation mortgages (SAMs), which they claim to be unfair. The group

litigation order (GLO) was made in the High Court on October 5, 2009.

What are the main challenges in this case and the possible implications?

It is at a very early stage. It has been a challenge, in itself, to achieve the GLO. Without such an order, no SAM holder could hope to bring his or her claim before the court.

The daily challenge is managing the expectations of so many clients, most of them elderly and anxious. They have waited years to find someone prepared to try to help them. Almost every one of them is unfamiliar with the legal process and it is difficult for them to understand why determination of their claims will take some years.

This is new law being tested in claims with a very human angle. If we win, it really will change my clients' quality of life.

What was your worst day as a lawyer?

When I was at court last month I heard that someone had left a tap running in the office overnight and flooded the ground floor. And yes, it was me! I was not popular ...

What was your most memorable experience as a lawyer?

Spending two weeks on appeal in the House of Lords in the presence of some of the best legal minds. The discursive nature of the proceedings was amazing. But the resultant win was even more so.

Who has been the most influential person in your life and why?

Edward Bannister, QC, my pupil-master. He allowed me to see where I would be best placed to succeed in my professional life: to use my people skills with the lay client directly as a litigation solicitor in private practice rather than to practise as counsel. As such, I can choose the cases to pursue, run them from the start, instruct counsel like him and win.

Why did you become a lawyer?

By default: I failed to get into medical school and law was the only other area of interest to me. I'm still sure I would have made an excellent GP.

What would your advice be to anyone wanting a career in law?

Find a niche area that you really like, aim to excel and position yourself to overcome the threats to our profession.

Where do you see yourself in ten years?

On a beach would be nice, but probably still dealing with the fallout litigation of Tesco law.

A BBC Inside Out South investigation, 8 September 2014

Were shared appreciation mortgages sold unfairly?

by Nick Wallis (author of "The Great Post Office Scandal", 2021, 2022)

BBC Inside Out investigates the banks that sold mortgages to pensioners which they say has left them trapped in their homes.

Shared appreciation mortgages were offered by Barclays and the Bank of Scotland between 1996 and 1998, but campaigners say these products should never have been sold to thousands of people.

Nick Wallis meets Brian Dawtrey from the New Forest who took out one of these mortgages from the Bank of Scotland in 1998.

The bank lent him 25% of the value of his property, but today it owns 59% of his bungalow – a figure that will grow as Brian's property goes up in value.

Dr Julian Lewis, MP for New Forest East, believes the scheme was unfair and should never have been issued.

Barclays and the Bank of Scotland refused to be interviewed but denied breaching the Banking Code. They claimed they had strongly advised all customers to get independent advice before signing up to the scheme.

Inside Out South was broadcast on BBC One on Monday 8 September 2014 at 20:00.

<http://www.bbc.co.uk/news/av/uk-england-29064495/were-shared-appreciation-mortgages-sold-unfairly>

<https://www.youtube.com/watch?v=I37JJ7M8iZ4>

<http://becarefulwhatyouwishfornickwallis.blogspot.co.uk/2014/09/the-sam-scandal-bbc-inside-out-south.html> (Nick Wallis's blog, which includes a description of this investigation)

Transcript:

Nick Wallis, Programme Presenter

Brian Dawtrey, Shared Appreciation Mortgage holder

Dr Julian Lewis MP, New Forest East, Brian Dawtrey's MP

Ian Fraser, Financial Journalist

Edna Robson, Shared Appreciation Mortgage holder

Barry Taylor, Edna Robson's son

Robert Owen, Struggle Against Financial Exploitation

Brian Dawtrey has lived a life surrounded by family and adventure. He seemed set for a long and happy retirement in the New Forest, but 16 years ago Brian took out a financial product which has nearly ruined him.

It's a type of mortgage which leaves people helpless, as day by day, brick by brick, their homes are taken from them. Campaigners say these products should never have been sold to thousands of elderly people like Brian, and we believe the banks broke their own voluntary code when they did so.

Julian: "The fact is they were toxic, they were poisonous, they were exploitative. They should never have been issued."

Ian: "It just seems like an utter disgrace. It's almost robbery."

In 1960 Brian took his family to Africa and spent the rest of his career there. It was a wonderful time, but as a guest worker in a foreign country, Brian didn't get a pension. After a few years of retirement, money was getting tight. So Brian decided to release some of the equity in his house by taking an interest-free loan from the Bank of Scotland.

He borrowed £35,000 and agreed that in return the bank would take 75% of any of the increase in the value of his home. At the time he thought it was a good deal.

Brian: "... I just thought, I would go for it, you know, I'm that sort of person. And I went to Africa. I went for it, you know. And that's the sort of thing I do but, and whether you call it a weakness or not, but anyway."

Brian signed up to a Shared Appreciation Mortgage. A product which was only ever offered by Barclays and the Bank of Scotland for two years between 1996 and 1998. The Bank of Scotland gave Brian £35,000 cash interest-free in return for 75% of any future increase in the value of his property.

Right now Brian's home is worth £450,000. If he sold it tomorrow he'd have to hand over more than £232,000 to the Bank of Scotland, plus the original £35,000 loan. A return for the bank of

664%. To put it another way, in 1998 the bank lent Brian 25% of the value of his property. As of now, it owns 59%, and that percentage will keep growing as the value of Brian's property goes up.

Nick: "Did the bank at any stage say you need to go and get independent financial advice about this product before signing up to it?"

Brian: "I don't remember him doing that, but it's quite possible. I might recall somewhere in the contract advising me to do it."

Nick: "No one ever said that to you? No one ever drew your attention to that clause?"

Brian: "No, I don't think so. I don't think so."

Every day that goes by, the Bank of Scotland owns a greater percentage of Brian's bungalow. The deal only ends when Brian sells up. The moment he does, the bank will take its share and Brian won't be able to afford anywhere suitable with what's left. He's trapped. And he's not alone. Nearly 12,000 Shared Appreciation Mortgages were sold by Barclays and the Bank of Scotland. Many thousands of people are still stuck with them.

Brian: "I took it up with the Financial Ombudsman, and they seemed as though they were interested and they spent several weeks corresponding and interviewing banks and things like that. And finally they declared that they didn't have enough authority to be able to do anything about it."

Inside Out asked the Financial Ombudsman, which exists to resolve complaints between banks and customers, why they couldn't help. What they told us was extraordinary. Barclays and the Bank of Scotland set up a series of entirely separate companies to administer Shared Appreciation Mortgages. Because these new companies weren't signatories to the Banking Code, the Ombudsman was powerless.

Brian's situation does seem pretty hopeless. He signed away 75% of the future growth of his only asset, his home, for £35,000 in cash. Now he's living with the consequences.

Should we shrug our shoulders and say, well tough luck, you agreed the deal, or has he paid enough for his mistake?

Nick: "Should these products ever have been made available in the first place?"

Julian: "Absolutely not. And the banks know perfectly well that they should never have been made available because after just two years they stopped making them available."

Nick: "Why should they let people off the hook, for deals that they willingly and knowingly signed?"

Julian: "Well the answer is they should do so when they realised that the product that they have encouraged people to sign, is at fault, at risk, unfair and oppressive."

One man who has spent most of his career studying banks and the way they behave thinks Shared Appreciation Mortgages are particularly bad.

Ian: "It just seems like an utter disgrace. It's almost robbery, you know, it's just. It's usury. It's a form of lending which is exploiting the ignorance of the customer and I think it's really unhealthy. It's got to be stopped."

Edna: "Hello."

Edna Robson borrowed £15,000 through a Shared Appreciation Mortgage on her property in Chelmsford. Now she's in a care home, with advanced dementia. When she sold her house for £183,000, Barclays were entitled to help themselves to more than half of it: £96,000. The remainder will soon be swallowed up by the 24-hour care she needs.

Barry: "I think it's a fundamentally unfair product because of the amount of money they had to take back. There's no need to take that amount of money. If they were taking two or three times the initial loan, that would have been ample, but to take six times the amount of the original loan

just seems to me to be, you know, elderly people who just want to borrow a small amount of money and then they're punished. My mum now can't afford to pay for the care."

Barry: "The bank has robbed my mum of the ability to look after and pay for herself. They just don't want to know. They pay themselves the big fat bonuses and at the end of the day all these elderly people that took out Shared Appreciation Mortgages have been stitched up."

As far as we've been able to find out, there is no recorded instance of either Barclays or the Bank of Scotland agreeing to change the terms of their Shared Appreciation Mortgage. It means that every day house prices go up, it's another brick or roof tile that these mortgage customers have to hand over to their bank.

In the mid-2000s a parliamentary campaign led to Barclays setting up a hardship fund. But the Bank of Scotland refused to follow suit, saying they would look at each individual case on application.

In 2009 victims raised more than a million pounds for a fighting fund, and took the banks to court, hoping to prove that Shared Appreciation Mortgages were unfair to customers. One of the campaigners lives in Swanage.

Robert: "We thought it was all go, go, go, we've got it. The solicitor said she'd run out of money. And went back, wanted us to go back to the members, the Shared Appreciation Mortgage holders, to get them to put in another £5,000 each. And many of them couldn't do it."

The banks kept deploying legal and technical arguments until the victims' fighting fund ran dry. They were then forced to sign gagging orders or pay the banks' costs. Not only could they never air their grievances again, the banks escape the scrutiny of a judge as to whether the mortgage contracts were unfair.

Although there was very little regulation around mortgage products in the 90s, both Barclays and the Bank of Scotland were signatories to the Banking Code. This code requires banks to act fairly and reasonably, ensure all services and products comply with the code, subscribe to the Banking Ombudsman scheme, and help customers understand the financial implications of the mortgage.

Because the Banking Code was administered by the Banking Code Standards Board which doesn't exist any more, we went to the Financial Conduct Authority and the British Bankers' Association and asked them if they thought that Barclays and the Bank of Scotland were breaching the Code over Shared Appreciation Mortgages. Both organisations refused an interview, saying the subject matter was outside their remit.

Inside Out South contacted Barclays and the Bank of Scotland and asked them to explain how setting up companies outside the Ombudsman scheme ensured all products complied with the Banking Code. We asked them if their customers were made fully aware of what might happen if property prices rose in the way they did, and we asked, given how much house prices have risen, were they being fair and reasonable in refusing to consider altering the terms of their Shared Appreciation Mortgages?

Both Barclays and the Bank of Scotland refused to give this programme an interview. But they deny breaching the Banking Code and say in all circumstances they strongly advise customers to get proper independent financial advice.

The Bank of Scotland told us that customers were required to sign a document confirming they fully understood the nature of the product. And Barclays say they required confirmation from the borrower's solicitor that independent advice had been taken.

Both banks also say that they were unable to release anyone from the terms of their mortgages, for instance by capping the amount to be repaid, because the rights to the profits have been packaged up and sold on to other investors.

Barclays told us its hardship scheme can allow elderly customers to get a new mortgage from them when they move home. Or if they want to stay in their existing property, they can apply for grants to make repairs.

Bank of Scotland say despite not having a hardship scheme, it's been able to give grants to people to buy things like stairlifts, if mobility becomes a problem.

Brian doesn't drive much any more, but once a week he lays flowers at his wife's grave. It gives him a chance to reflect on the lifetime they spent together, and what the future might hold for him.

Brian: "I think when we took this deal out 16 years ago, with the Bank of Scotland, Jo and I, we both thought it was a great idea, and using the property value which is just something in the air, you know, but giving us cash which we could live on, was a great idea. But now 16 years on, where I get to the point where I need more help, you know, in terms of care, I think she'd be quite concerned really that the bank sort of defaulted in a way, and we owe them this £250,000 or something on a miserable loan of £35,000. I think she would find that quite shocking ..."

Right now Brian is surviving, but he doesn't know what he'll do if he loses his independence.

Nick: "Do you regret taking out that mortgage?"

Brian: "Well the way it's turned out, yes, I do. It's really put me in an impossible situation. To be honest I have to regret taking it out. I think it's hard to say that right now. I should have found another way of raising money to solve our problems. It's turned out very unfortunate. I'm really in a difficult situation."

Published on www.thisismoney.co.uk, 26 August 2016

Barclays and Bank of Scotland could face legal action over shared appreciation mortgage scandal

by Sarah Davidson for Thisismoney.co.uk

Banking giants Barclays and Bank of Scotland are facing potential court action over allegations they misled customers taking shared appreciation mortgages in the 1990s.

Chris Philpot, a solicitor at Teacher Stern, believes he has found a way to take the banks to task over the outrageously expensive loans, based on an assertion that the contracts were unfair.

Thousands of people took shared appreciation mortgages in the late 1990s from both Barclays and Bank of Scotland. The products were sold directly to borrowers and allowed them to release a cash sum worth up to 25% of the value of their home, often interest-free.

The catch was that when the property was sold, the loan would have to be repaid in full plus up to an eye-watering 75% of any uplift in value of the property.

It was even worse for some borrowers. Bank of Scotland issued thousands of shared appreciation mortgages where the borrower not only forfeited up to 75% of any uplift in value of their home, they also agreed to pay around 6% interest for the lifetime of the mortgage.

This has left many thousands of borrowers in dire financial situations, with some unable to downsize because they would be left with inadequate funds to buy a new property. But there may yet be some hope.

Philpot said: 'We believe we are making positive progress on unresolved cases, and are optimistic that we have found a legal means that should allow a wider section of people who were affected to do something about it.'

'Our aim is to help our clients find easier access to justice but these are not simple claims. That said, we believe there are ways to challenge the banks.'

Philpot is not the first lawyer to attempt to get justice for borrowers who say they didn't realise what they were signing.

The Shared Appreciation Mortgages Action Group was set up in 2009 by Hilary Messer, of RWP

Solicitors, to fight for redress for affected borrowers. She raised £1.5 million for a class action.

They won the support of a judge who agreed the case should be heard, but the banks appealed and the case never made it to court, leaving the complainants owing millions in their banks' legal costs.

In exchange for a waiver on those costs, complainants agreed to sign a gagging order stopping them from ever complaining about shared appreciation mortgages again.

Unfortunately for those borrowers, there will be no redress. But for those who didn't sign the gagging order and either have a shared appreciation mortgage or have sold their property and redeemed a shared appreciation mortgage in the past six years, there may be an opportunity to take part in a fresh claim against Barclays and Bank of Scotland.

A spokesman from Barclays said: 'The supporting literature on shared appreciation mortgages directed borrowers to seek independent legal and financial advice. We are satisfied that SAMs were sold in the right way. Barclays does not comment on past or present matters that are or were the subject of legal proceedings and before the courts.'

A Bank of Scotland spokesman said: 'Bank of Scotland no longer offers shared appreciation mortgages. If a customer feels they are facing financial hardship as a result of their shared appreciation mortgage we would encourage them to contact us to see if we can assist. We review all customer cases on an individual basis.'

SHARED APPRECIATION

The owner of a £200,000 house in 1998 would sign up to a SAM and be given £50,000 cash.

If that house were sold in 2014 for £600,000, the owner would be required to hand over £350,000 to redeem the mortgage.

Sale price: £600,000

House value when SAM taken out: £200,000

Increase in value: £400,000

75% of increase in value: £300,000

Original loan: £50,000

Total repayable: £350,000 (a return for the bank of 600%)

BARCLAYS SAID:

Barclays operates a hardship scheme for borrowers who require assistance. As part of this scheme we provide financial assistance to borrowers either by way of a non-repayable grant to cover the cost of adaptations to their property, or, if necessary, provide interest free borrowing to help borrowers move to an alternative property of their choice.

Any further borrowing, as well as being completely free of interest, does not need to be repaid until the borrower voluntarily vacates or sells their property.

Barclays took great care to ensure that all aspects of the SAMs product and the contents of supporting brochures were clear. We are satisfied that this product was sold in the right way because we:

- Required sellers to explain the mortgage to the borrower and evidence this by completing a Confirmation of Discussion form, a copy of which was provided to the borrower
- Confirmation was required from the borrower's legal adviser that they had explained the provisions and implications of the legal charge and mortgage conditions to the borrower
- We complied with our obligations under the mortgage code

BANK OF SCOTLAND SAID:

We encourage customers to contact us if they feel they are facing financial hardship as a result of their SAM.

For customers who contact us experiencing financial difficulties and are looking to downsize, we may be able to offer a supplemental mortgage to add to their equity to enable them to buy a more suitable home in their target area.

In other cases where the customer does not want to move but has mobility issues such as getting up or down stairs, we may be able to provide them with a grant for works to be carried out that would improve their quality of life.

We have assisted many customers and each case is assessed on an individual basis.

We apologise if a customer has had difficulty contacting us about their SAM. If a customer wishes to discuss their SAM they can call us on 08000 964 518 or write to us at: Shared Appreciation Mortgages Regulatory Response Team Lloyds Banking Group Pendeford Business Park Wolverhampton WV9 5HZ

<http://www.thisismoney.co.uk/money/mortgageshome/article-3741419/Barclays-Bank-Scotland-face-legal-action-shared-appreciation-mortgage-scandal.html>

Broadcast on BBC One The One Show, 3 April 2017

Shared Appreciation Mortgages – Potential Claim

Chris Philpot, Senior Associate in Teacher Stern's dispute resolution department, has been interviewed on the BBC's One Show in relation to a potential claim being organised against both Bank of Scotland and Barclays for compensation relating to Shared Appreciation Mortgages that were sold between 1996 – 1998.

The programme was aired on BBC One on Monday 3rd April 2017 at 7pm.

Chris is encouraging anyone who was sold a Shared Appreciation Mortgage to get in contact with him via email to find out more about joining the potential legal action.

<http://www.teacherstern.com/share-appreciation-mortgage-news/>

<http://www.bbc.co.uk/programmes/b08l265f>

Broadcast on BBC Radio 4 Money Box, 22 April 2017, and repeated on 23 April 2017

Why is Joan trapped in her home?

Joan was among thousands of people who took out shared appreciation mortgages in the late 1990s. Older borrowers used them to release cash worth up to 25% of the value of their homes. On the sale of the home the bank would get the loan amount back plus 75% of any increase in property value. Years later Joan is in her 80s with mobility problems and her home has risen sharply in value. She tells Money Box she can't sell up to downsize because the amount owed to her banks won't leave enough to buy a suitable property in her area.

Presenter: Alan Shaw

Reporter: Tony Bonsignore

Producer: Charmaine Cozier

<http://www.bbc.co.uk/programmes/b08n1f8c>

Transcript:

Alan: "The mortgages that have effectively trapped people in their homes unable to afford to

move. Money Box has learnt of a number of cases of people in their 80s and 90s who are desperate to downsize for health reasons but can't. Tony Bonsignore has been investigating. Tony."

Tony: "Yes Alan. So the common thread was that they all took out what were called Shared Appreciation Mortgages, sold by Barclays and Bank of Scotland between 1996 and 1998. Now they're open-ended mortgages secured against a home with little or in many cases no interest. It was very attractive if you needed a cheap loan but there was a catch and that was that at the end of the loan period the borrower also had to pay back up to 75% of any increase in the value of the home during that time. So if the value of the house was stable or falls, they've got a very good deal, but if the value of the house increases sharply, it suddenly doesn't look so cheap after all and crucially you couldn't move these loans to another property."

Alan: "For instance if property prices rose they've got to give a chunk of the increase to the bank, I understand that, clearly missing out on a bit of the profit, but why does it mean they're trapped?"

Tony: "The problem is they have to give back so much of the rise in the value to the bank that they no longer have enough to buy a new home in the same area. The argument here is that these are homeowners who've suffered because of a rise in the price of their property. Here are a couple of examples. First up. 85-year-old Joan Stracey. She moved into a bungalow in south London in the mid-1980s. Less than a decade later, when she was in her early 60s, her husband, who earned a good living, died suddenly after a short illness."

Joan: "He was a freelance tax inspector for a solicitors. So the income was pretty good for us but of course once he died that income had gone."

Tony: "So your husband died in 1994. What were your finances like at that stage?"

Joan: "I did have a little bit of capital but of course with the next few years after that it sort of petered out and I needed help and someone who worked for Allied Dunbar sort of advised me that this Shared Appreciation Mortgage might be the answer."

Tony: "So on that advice Joan said she took out a Shared Appreciation Mortgage from Bank of Scotland from a financial advisor who was also a friend of the family. She borrowed £35,000, she says, to maintain her financial independence."

Joan: "Basically to be able to live a life where perhaps if I wanted to go on a holiday sometimes or have a little money to buy something, I had it and I didn't have to ask my daughter or my two sons."

Tony: "So here are the numbers. Back in 1997 Joan's bungalow was valued at around £150,000. Now the value is at least £550,000 so on that basis it's gone up let's say around £400,000. If she were to sell the bungalow now, under her deal she would have to pay 75% of that increase to the bank. So she would owe the bank £300,000 plus the initial £35,000 she borrowed so out of the sale she herself would get a little over £200,000 which won't get her a home in that area. Joan says she was never warned this might happen."

Joan: "He just told me that it was a very good deal and that I'd be getting the £30,000 in cash, and being very honest, I realise how stupid I was."

Tony: "At what point did you realise then the real financial situation here with this mortgage? At what point did it really come home?"

Joan: "Well I can't move because you know other people have actually gone into very, very nice places where they can get like one-bedroomed apartments and things like that. And I suddenly thought, well my God, if this is the sort of money I'm going to have to repay, I'm going to have practically nothing left, and I'm not going to be able to afford something and then live."

Tony: "Well Joan now has severe mobility issues. Her daughter Sally says she only found out about the loan years after it happened. She says Jane was struggling to make ends meet, to maintain the house and she worries about her safety. She says ideally her mum would have moved years ago."

Sally: "What she needed was somewhere she felt safe, so something like not completely sheltered accommodation yet but something like. Locally we have a place where a lot of her elderly neighbours have moved to. Where there's a warden there if you need it, it's near a bus stop, it's near the doctors. So I looked at the prices of that accommodation at the time and then I became aware of this deal and there wasn't enough equity left for us to move her."

Tony: "And there's other problems in this house as well apart from the fact that it's a bit big and unmanageable for your mother as well."

Sally: "Yes, the problem is that being in a bungalow and elderly, you get people knocking on the door offering services. Just for an instance, she had her whole drive jet-washed. She thought she was paying one price and then they asked her for £2,000. She hasn't got that sort of money, so I had to then call in the Police and Trading Standards and these guys still keep knocking on the door. It's very, very worrying to leave someone as vulnerable at her age in this situation."

Tony: "Another person in a similar position is Alexander MacRae who lives in a large house part of which he inherited on the Isle of Skye. He too says he was persuaded to take out a Shared Appreciation Mortgage, this time from his local bank branch, where he'd been a business customer for many years."

Alexander: "The key to me taking this loan which I didn't actually need but I was advised to take it up by an assistant manager of the Bank of Scotland which I'd been with for 20 years and on very good terms as well and I trusted him basically. The key to all this was trust."

Tony: "Now Alexander was in his early 60s at the time. He borrowed £25,000. So here are the numbers again. At that time Alexander's house was worth around £100,000. He now says it's worth at least £250,000. So let's say an increase in value of £150,000. On that basis when he sells he'll have to pay Bank of Scotland three-quarters of the increase in the value plus the original loan. In short he'll owe the bank a total of nearly £140,000 plus fees. That will in turn leave him with just over £100,000 which he says won't be nearly enough to either buy locally or move abroad as he wants to do for his health. He says he is effectively a prisoner in a house that's way too big."

Alexander: "I mean I'm living in one room at the moment in this huge house, which is like a cold store because I can't afford to keep it warm. I need to find somewhere smaller which I can afford to heat and in a good climate where I can get out and about. I have something called chronic obstructive pulmonary disorder, which means a very bad chest, and I have asthma, and I have diabetes type two, which really I should be getting out and getting exercise, to try and counteract."

Tony: "What's your feelings now 20 years on? Do you feel as though you're trapped in your home? Who do you blame?"

Alexander: "Well I'm not going to blame myself. I'm too trusting OK, but I don't regard that as a fault."

Tony: "The Bank of Scotland say they never advise people themselves to take out these mortgages but they said they did recommend that all their potential customers including Alexander get financial and legal advice."

Alan: "OK. Thanks very much. Dean Murfin is from Key Retirement. Back then his firm refused to sell these type of mortgages."

Dean: "There was a particular point in time when Shared Appreciation Mortgages were sold and I think if you roll back the clock and take yourself back to around about 20 years ago, the housing market was in a very particular place, and that place was where property prices had either, depending on where you lived, been very static or had been falling, and therefore there was quite a degree of negativity about where property prices might go in the future."

Alan: "Is it your view that people understood the risks they were taking when they bought this stuff?"

Dean: "I know of people who went ahead with these types of schemes and absolutely understood

the risk but through one means or another bought into poor property price inflation and a belief that they would never want to move home."

Alan: "Why do you think this is coming to the fore now then?"

Dean: "Shared Appreciation Mortgages we've talked about over many, many years and the main conversation before now has been purely about the perceived dreadful value that these plans now have given in terms of how much has to be repaid. That's been a lot of the conversation. What we're saying now is the fact that as these consumers are ageing, that they're now wanting to move home and the reason this is becoming a bigger and bigger issue is, as we've already heard, is that we've got more and more people that fundamentally have become prisoners in their homes."

Alan: "Any advice for them?"

Dean: "It is very, very difficult. The fundamental aspect of their situation is unless they can prove that they were mis-sold, only then can they potentially gain some headway in terms of making the bank change their view."

Alan: "That was Dean Murfin from Key Retirement. Tony, are the banks going to change their view?"

Tony: "Well there was a court case a few years ago at which customers argued they had been mis-sold, but that case collapsed. I understand another group action is now being prepared but the banks are sticking to their guns. They insist everything is clear and that people knew what they were getting into and they won't budge on the money people owe. The Bank of Scotland and Barclays both told Money Box, customers should contact them if they're suffering financial hardship and they will consider offering some assistance on a case by case basis."

Alan: "Thank you very much."

Broadcast on BBC Radio 4 Money Box, 23 September 2017, and repeated on 24 September 2017

Shared Appreciation Mortgages

How does someone who borrows £42,500 end up paying back more than £600,000?

Shared appreciation mortgages were sold by two banks in the mid to late 1990s. In return for loans homeowners gave up a significant share of the increase in value of their property when they sold it. Now legal action is being planned by some who claim the terms of the mortgage deal were unfair.

Presenter: Paul Lewis
Reporter: Tony Bonsignore
Producer: Charmaine Cozier

<http://www.bbc.co.uk/programmes/b095pfxv>

Transcript:

Paul: "Now, how does someone who borrows £42,500 from Barclays to pay for double glazing, end up owing the bank more than £600,000? Well that's what's happened to one Money Box listener and thousands of people have had a similar experience after taking out what's called a Shared Appreciation Mortgage."

Paul: "They were sold by just two banks in the late 1990s. Borrowers were offered cheap loans secured against their home in exchange for a share in the increase of the value of the property. And as these borrowers get older, many are now only now discovering what a bad deal they were. Tony Bonsignore has been investigating."

Tony: "Yes, Paul. So we've been contacted by James Baird from Edinburgh. Last year James was

forced to sort through the financial affairs of his aunt, June, a former librarian who is now in her mid-90s and lives just outside London."

Tony: "Now, after a series of strokes, June was forced to move out of her home into full-time residential care, and her house needed to be sold to pay for that care. Now James knew that in her mid-70s his aunt had taken out a loan against her property. But when he started looking through her papers, he was surprised at what he found."

James: "I'd always been aware that there was a form of mortgage but I was shocked to find that it was a special kind of product, a Shared Appreciation Mortgage. But the real shock was that that didn't only gear some value back to the bank based on how much the property went up in value, but actually gave them three times the difference in value."

Tony: "So what details did you find out then about the terms of the loan?"

James: "She'd taken out a loan of £42,500, and that was 25% of the value of the house at that time."

Tony: "The obvious question then, I guess James, is why she took this out?"

James: "Quite simply she took it out because she needed to, in order to get proper windows in the house for her own health benefit and for the state of the house and she was already 75."

Tony: "Do you think she understood what she was getting into?"

James: "I think at that stage, I have to strongly question that. Firstly the statements that my aunt had been receiving from the bank each year were very, very brief and effectively for the vast majority of the period listed, the amount borrowed showed the same amount as outstanding. Secondly the documentation when my aunt took out the mortgage did include some evidence of that she had taken legal advice but that was a requirement of the mortgage by the bank, and the nature of the legal advice was very cursory in nature. I don't think she fully appreciated what she was getting herself into."

Tony: "What happened then when you approached the bank?"

James: "I explained to them the possible value of the house. The person I was talking to expressed surprise at the amount that might result in being payable to the bank. They then carried out a formal investigation, but that culminated in them saying that they were maintaining the terms of the mortgage and saw no reason to vary the redemption formula."

Tony: "Tell us what the numbers are."

James: "Well my aunt borrowed £42,500 in 1998. When the house was sold earlier this year, it was sold for £910,000, and Barclays received a cheque for about £640,000."

Tony: "What does your aunt make of what's happened?"

James: "My aunt struggles with this. She saved all of her life with Barclays. She's always banked with them. And she worked all her life with the hope that she would pass on a legacy to the rest of the family, and that she would be safely looked after for the whole of her life. I've managed to get her into a private nursing home where she has settled in. Her concern is how long she can afford to stay there."

Tony: "And James told me that with the money left over, his aunt would be able to pay for around four years of care in that home. Now that's a worry for them too."

Paul: "How many mortgages like this were sold, Tony?"

Tony: "Well thousands of these loans were sold by just two banks, Bank of Scotland and Barclays, between 1996 and 1998. Now neither bank has ever admitted any liability or changed the terms of any of these loans. There is though now a strong possibility of legal action. A London law firm called Teacher Stern has spent much of the past year preparing a new case. The lawyers want to argue that the terms of the mortgage deals were unfair under the Consumer Credit Act, a recent

piece of legislation which can be applied retrospectively. They argue that banks knew the risks for borrowers, but that the marketing material didn't reflect those risks. It's actually the second time people affected have tried to take legal action. The previous case didn't even make it to court because the complainants ran out of cash after the bank's appeal. Well so far more than 170 people have signed up. The lawyer behind it is preparing the final argument. They hope to go live in the next few months."

Paul: "And Tony, we have looked at other cases, similar ones in the past, and the banks always insist they did nothing wrong. Has anything changed in their view?"

Tony: "No, both banks have always insisted that the conditions of these loans were spelt out very clearly and that borrowers were encouraged to take legal and financial advice. They also say it was impossible to predict what would happen to property prices but Barclays has set up a hardship fund to help affected people."

Paul: "Thanks Tony. And I calculate that Barclays has made a return on that loan equal to 15½% a year over 19 years."

Broadcast on BBC Radio 4 You and Yours, 14 August 2023

Presenter: Winifred Robinson

Reporter: Julian Paszkiewicz

Producer: Tom Moseley

<https://www.bbc.co.uk/sounds/play/m001pmcb>

Transcript:

Winifred: In the mid to late 1990s, a new kind of mortgage was marketed by two banks, Barclays and Bank of Scotland. These new mortgages were for people with assets, who were short of cash. So a kind of precursor to equity release. Homeowners could take up to a quarter of the value of their home in cash, interest free, but, and it's a big but, the deal was that when the house was sold, the bank would take 75% of any appreciation in its value. Now the banks won't say how many of these mortgages they sold. But it's thought to be around 15,000. Some people are just finding out now about them as their parents die. A family in Nottingham wrote to us about it. Our reporter Julian Paszkiewicz went to see them.

Steve: My name's Steve Hutchinson, I live in Nottingham. My dad was a strong character, been down the coalmines most of his life.

Beryl: I'm Beryl Hutchinson, and I'm the wife of Barry Hutchinson.

Julian: How did he end up in here?

Beryl: It was when the pit closed. We found a bungalow, in Eastwood, liked it, bought it, and have been there ever since. We're still in it. It was about 33 years.

Julian: There obviously came a point where he needed some money. Can one of you tell me what exactly he wanted to get?

Steve: He wanted a car and he wanted some double glazing.

Beryl: I think we had the kitchen done and the bedroom and the bathroom. That was all.

Steve: Because he wasn't working at the pit any more, he was classed as retired. He probably thought he wouldn't qualify for a bank loan because he'd got no regular income.

Julian: When did you both realise that this was a problem?

Steve: As his health deteriorated, he started to ask me to get more involved in that side of things. He'd got a little safe where he kept a lot of paperwork. He gave me a key for that, and I started to look through the paperwork and at the bottom of this paperwork was this Barclays, and I started to talk to him about it and he said "Yeah, yeah, that's that money I borrowed. Do you remember

me telling you about it?" I said "Yeah" and he said "Well, I've still got the 16,250 that I borrowed, so we haven't got to worry about that. It's just whatever we've got to pay in interest." But at this point he gave me a list of things to do in the event of his demise, as he wrote, and on there was the Barclays and paying back the 16,250 he had borrowed. When I looked through the paperwork and I did the sums it became quite apparent that all wasn't what he would have expected with it. I didn't really speak to him about it much before he died. He was very frugal and he was also very proud.

Julian: So Beryl, you hadn't actually seen the full extent of this. When did Steve tell you about this, what's happened?

Beryl: Only recently. I was horrified to think that a bank could take 75%. When you think about it, we could end up with no house.

Julian: So we're looking at the leaflet that they would have had at the branch, at the bank. It says "Shared Appreciation Mortgages. Benefit from the value of your home." A chocolate box house, quite literally, on the front of it, with shortbread pounds on the table. And it says here, it talks about making your home work for you, well it says here, "We are committed to the Mortgage Code and the Banking Code" and that "this booklet contains a summary of the information provided as part of this commitment" and it says in this box here, "Before making any commitment to a Shared Appreciation Mortgage, you may wish to seek independent advice or discuss it with your family." Beryl, is that something you ever recall your husband ever doing?

Beryl: Never. No. It was just a case of if you can get the money off your house, and it seemed easy enough, and that's what we did, but no, we weren't advised on anything.

Julian: So is this the first time you've actually seen this?

Beryl: It's the first time I've seen it, yeah.

Julian: What banks have said in the past when people have found themselves in the same position as you are now, the banks will turn round and say that first of all they asked people to get independent financial advice and the second thing they say is that they couldn't have predicted what has happened to property prices over the course of 25, 30 years. What's your reaction when you hear that?

Steve: ... normal people in their day-to-day lives. We couldn't have predicted that there would be this cost but somebody in a financial institution like banking, they would have had teams and teams of experts that would have predicted that house prices were going to rise.

Beryl: Banks have found a way to make you feel that you're getting something good when in fact they know they're going to be the winner.

Julian: What's it been like trying to get some sort of resolution from Barclays?

Steve: They're very matter of fact. They're acknowledging that they're taking 75%. I have looked at legal support to see if we could challenge it but the figures that are being quoted by a solicitor, they're just not affordable for us as a single family.

Julian: How much have they quoted you?

Steve: If they could get to a settlement agreement, it would take between 20 and 25,000 pounds plus VAT plus some other charges. What they have outlined in a telephone call was that the people that successfully settled out of court previously, they still had to pay back the loan, which is understandable, and then I think they based it on a reasonable APR which was I think about 7%. So in our instance you're going to pay £30,000 to get a settlement and then you're going to pay £35,000 in interest for the settlement, plus you've got to pay back the 16,250. You might as well let Barclays take all the money.

Winifred: That was Steven and Beryl Hutchinson speaking to Julian Paszkiewicz.

As Steve said to Julian, solicitors have had some success getting an out of court settlement from Barclays, covering a number of cases. They've done that by challenging the fairness of these

agreements, arguing that the banks knew much more about what might happen with property prices than the people who took out the loans. Sarah Emerson works for a legal firm that was involved in that action. She is a partner at Teacher Stern. Sarah, good afternoon to you, thank you for coming on. It's clear, isn't it, that Steve's dad didn't really understand what he was agreeing to, because in preparation for his death, he'd set aside only enough money for the family to cover the original cash sum advanced to him. Who were these mortgages typically marketed to?

Sarah: Yes, good afternoon. We have seen that the mortgages were marketed typically to, via local addresses and papers and in branch, to those at or approaching retirement age and, as you've referred to already, the brochures often mention straplines such as "Are you asset rich and cash poor? This may be a solution for you."

Winifred: Well Barclays have settled some of these cases out of court but as we heard Steve say, people are still left with huge debts and then legal fees on top. Can you understand why he isn't keen to bring a claim?

Sarah: Yes of course. Everyone's family situation is different and I can entirely appreciate, that's a big decision for a family as well as ... in particular.

Winifred: But the fees that he's quoted sound exorbitant at 20 to 25,000 pounds plus VAT. Does that sound about right to you?

Sarah: I'm afraid I'm not in a position to comment on the quote that he's been given. Every firm of solicitors works in a different way.

Winifred: A case is being brought against another of the banks involved, the Bank of Scotland. Were their loan agreements any different to the loan agreements that were used by Barclays?

Sarah: No, Bank of Scotland, which now of course is owned by Lloyds Bank, and the Barclays products were ...

Winifred: So anyone who's listening who believes that they have one of these loans, what would you advise them to do?

Sarah: I'm not in a position to give legal advice on a radio programme, I'm afraid. I think it would be interesting for them to watch what happens in relation to the claim that Teacher Stern are involved in. That's, again, on behalf of 160 SAMs, Shared Appreciation Mortgage holders, against Bank of Scotland and that matter goes to trial in January next year.

Winifred: Barclays and Bank of Scotland told us that customers were advised to get independent financial advice before they signed for these mortgages and both banks told us that they also made sure that customers were advised to use their own solicitors so that they understood what they were signing and Barclays made the point that they couldn't have predicted the rise in house prices that followed the 1990s. Could people sign agreements like this now or have rules tightened up?

Sarah: The rules have changed significantly and I think just back to your point about what the banks knew at the time. The banks had a significant information advantage. They had access to much more wide-ranging information than the borrowers and they also had particular expertise in this field and borrowers simply would not have had access to historical house prices, economic modelling, or forecasting, and this gave rise to some information asymmetry which is very unfair.

Winifred: When cases are settled out of court as those Barclays cases were, it doesn't establish in law any precedent so it doesn't mean that everyone who follows will get the same deal. Do the banks have any duty, any moral duty, to pass on the fact that they have settled out of court in some cases, to people who are approaching them now about these mortgages or not?

Sarah: We would say that, yes, moral duty being quite distinct from any legal duty. Yes, absolutely, we would welcome the banks taking a more sensible approach to the Shared Appreciation Mortgages and now engaging with, absolutely, their borrowers in a wholesome way and not necessarily through a court process.

Winifred: I guess the thing is though that when you ring up, you don't necessarily get anyone who

knows the history. You just get someone who looks at your file.

Sarah: Indeed that's certainly unfortunately the experience that many of our clients and those that we represent have faced in the past, indeed.

Winifred: Sarah Emerson from Teacher Stern, thank you.

Broadcast on BBC One Morning Live, 2 January 2024

Presenters: Gethin Jones, Helen Skelton

Reporter: Matt Allwright

<https://www.bbc.co.uk/iplayer/episode/m001txcr/morning-live-series-5-02012024> (available on iPlayer for about one year)

Transcript:

Gethin Jones: Matt's also been looking into shocking mortgage costs that could affect, what, thousands of homes?

Matt Allwright: Yes, tens of thousands possibly. It's called a Shared Appreciation Mortgage and was touted as a way to help free up cash for homeowners in the 1990s, but because of the terms of the deal, many are now facing huge payments when it's time to sell.

Matt: If you are a homeowner, your house is your biggest financial asset, but when all your wealth is tied up in bricks and mortar, it doesn't leave much cash to dip into if you want a bit extra.

Back in the 1990s, Barclays and the Bank of Scotland seem to have come up with a great way to free up some of that cash. Called a Shared Appreciation Mortgage, it released some of the equity in your home with the added advantage that you wouldn't have to pay it back until you sold your house on.

The scheme allowed you to borrow up to 25% of your home's value with as little as 0% interest. So, if your house was valued at £100,000, you could borrow up to £25,000. When you sold up, you had to repay the original loan in full but, also, there was then an additional fee based on a percentage of how much your home's value had increased. This equated to about three times the percentage you originally borrowed. So, if you borrowed 25%, the fee was 75% of the increase in the property's value, which could make that little loan you took out a few decades ago an awful lot larger today.

Matt: Towards the end of his life, Steve Hutchinson's dad asked him to put his financial affairs in order, so as not to put a strain on Steve's Mum. Routing around, Steve came across some paperwork he didn't recognise.

Steve Hutchinson: At the bottom of the pile was this large Barclays folder and, what's this one? He said, years ago, when we were just moving in, I needed some money to do the house up and get me a second hand car. He had £16,250, but don't worry, that's the words he used, don't worry, I've got the £16,250 put to one side.

Matt: But Steve soon realised it wasn't quite as straightforward as his dad had thought, and so he contacted Barclays to find out how much the family owed. So we were talking about a £16,000 loan?

Steve: Yep, £16,250.

Matt: How many years ago was that?

Steve: He took it out in 1998.

Matt: And how much of the value of the house was going to be owing at the point when it was sold?

Steve: Based on your home, initial valuation £65,000. If you sold the property now, we would

take £91,400 plus valuation fee plus VAT.

Matt: So over half the value of the property?

Steve: Yep

Matt: Have you been able to talk through what's happened with your mum?

Steve: Yes, she doesn't believe it. She couldn't believe that it happened. The bank to that generation was an institution.

Matt: What's the impact of all this on you?

Steve: It's affected my mental health, which adds pressure onto your physical health. It's just frustration.

Matt: And it's not just Steve. Others now looking after their parents' affairs are also becoming aware of the very high cost of these deals. Back in 2021, Gary Cooper discovered that his parents, Brian and Doris, had signed up to a Shared Appreciation Mortgage with the Bank of Scotland. They'd taken out the maximum amount that they could, and Gary began doing the maths.

Gary Cooper: £40,000 loan, 25 years, half a million pounds. We're in loan shark territory here, aren't we?

Matt: Do you think that your mum and dad understood what they were signing up for?

Gary: No, I don't think they did, but it means it's stifled the inheritance by 50%.

Matt: What a lot of people are going to be thinking, Gary is worried about his inheritance here. Why is it not just that?

Gary: It is about that as well, but that's not what's driving us. I suppose it's the fact that my mother's wishes have been thwarted. She wanted to leave her family comfortable, and she's not going to get that. It's the fact that they have been denied what they wanted to do.

Matt: Gary took his case to the Financial Ombudsman who revealed the lender wasn't the Bank of Scotland, but a third-party company, which is not regulated by the Financial Conduct Authority.

Gary: They gave these companies a wodge of money and said, lend that, and then we will administer it on your behalf. That's all the Bank of Scotland would do, administer it. So the lender is not covered by the regulations.

Matt: The banks are resolute that everyone who took out one of these mortgages was given everything they needed to understand the repercussions in the long term, but there are plenty of people just like Steve and Gary, who don't feel that that was the case.

It's a situation that caught the eye of legal firm Teacher Stern and partner at the firm, Sarah Emerson. Sarah, tell me what we know about the scale of this product, roughly how many were sold, and during what period?

Sarah Emerson: Approximately 15,000 Shared Appreciation Mortgages were sold in an approximate 18 month period during the late 1990s.

Matt: We look now at house prices. There is an assumption, isn't there, they're going to go up. Was that the case in the late 90s?

Sarah: The banks had the benefit of looking back at what the house market had done since about 1945 and they were able to use the information available to them to project forward to understand quite what that meant. Consumers wouldn't have had that information.

Matt: Sarah and her firm are bringing a civil case against the banks due to take place this month, arguing the product was sold unfairly. I know that the banks have set up hardship funds for people that were affected by this. Do they hold any kind of solution or resolution for people?

Sarah: The fact that they have put hardship funds in place, not a generic one, but ones specifically for this product, is an acceptance of liability. The banks need to accept that there is a problem, that there is an unfair relationship, and in so doing, rewrite these products or, we say, bring them to an end and swiftly.

Matt: There will be many people watching to see the results of the case, not least Steve and Gary.

There are going to be people out there, thousands possibly, who don't realise that these mortgages are attached to either their homes or those of their loved ones, and unless the banks change their tune, they could be delivered a life-changing shock at the time when they need it the least.

Helen Skelton: And it's, in fact, lots of you have got experiences of Shared Appreciation Mortgages. Yvonne's been in touch to say, when my parents passed away I sold their home and had to hand over half of the sale price. My parents would never have taken this mortgage out if they knew they would take so much. Thank you for getting in touch Yvonne.

Matt, if people are concerned, what should they do? Where should they go?

Matt: Well, certainly, in the first instance they should go to the provider, to the bank or the building society that's given them this mortgage in the first place. Find out how much is there, how many repayments, how much repayment has been accumulated during that time and see if there is an option, there may be, to pay back before they get to the point where they have to sell the house. So, find out exactly what the status quo is and make a decision to take some action about it.

Gethin Jones: We've had a response from some of the banks that we saw and heard from in the film. Barclays and Bank of Scotland told us that Shared Appreciation Mortgages allowed customers to borrow funds without the need to make any repayments during their lifetime and customers could have chosen to sell the property to repay it at any time.

Helen: Both also said that when these were set up, they made sure the customers took out independent legal advice before considering an application and Barclays added also that it suggested customers discuss it with their family first.

Gethin: Now Bank of Scotland has said it's doing everything it reasonably can to help any customer facing financial hardship and Barclays told us it has a hardship scheme to help people who struggle to pay these mortgages. This is to help the debt in the home so that they can stay in it longer, or move to new properties.

Statement issued by Teacher Stern and Bank of Scotland on 30 January 2024

Media statement:

"The Claimants and Bank of Scotland (and the other Defendants) have agreed a commercial settlement, without any admission of liability, in the County Court action brought by 160 current and former customers who took out Shared Appreciation Mortgages (SAMs).

SAMs were a specialist type of mortgage available in 1997/8, which were either interest free or offered at a fixed rate of interest in return for a share of any increase in property value.

The terms of the settlement agreement are confidential. There are no changes to the mortgages, or their terms and conditions.

Bank of Scotland has a range of measures to support borrowers who may need assistance with their Share Appreciation Mortgages. Customers should contact their bank first and at the earliest opportunity if they are concerned about their finances."

If you would more information, please contact our team via SAM@teacherstern.com

Justice at last for the families who paid up to 1,000% interest on loans

by Ali Hussain

The Bank of Scotland has settled out of court over a historic equity release scheme, which saw some customers' debt rise 1,000 per cent.

The Bank of Scotland has backed down at the last minute from defending its sale of an "unfair" equity release scheme in court. After a three-year battle the bank has decided to settle with claimants, but it has gagged them from disclosing the details.

The bank sold shared appreciation mortgages (SAMs) between 1997 and 1998. These were a type of equity release scheme that gave loans of up to 25 per cent of the value of a borrower's home and they would not have to pay anything back until they sold it, which was normally when they died or moved into a care home. They were aimed at the over-fifties who had finished paying off their mortgage.

The catch was that the bank would then own up to 75 per cent of any future appreciation of the value of the property. This meant that over time, as property values increased, a greater proportion of the home would be owned by the bank.

For example, say you had a property which you owned outright valued at £100,000 and borrowed 25 per cent – £25,000. If the value of the property increased to £200,000 the bank would be entitled to 75 per cent of the £100,000 increase – £75,000. You would own the remaining £125,000. The bank owns 37.5 per cent of the property's value and you own 62.5 per cent.

If the value increased to £400,000, the bank would be entitled to 75 per cent of the £300,000 increase, £225,000, leaving you with £175,000. So, the bank now owns about 56 per cent of the property's value and you 44 per cent. You also have to pay back the original £25,000 loan.

It meant that borrowers were, essentially, betting on the unknowable future of house prices. In the late 1990s there was a feeling that the upward march of house prices was unlikely to continue – but this proved to be a painful miscalculation.

Some people say they only fully understood the ramifications when they sold up. That was when they discovered that the debt had, in some cases, ballooned to as much as 1,000 per cent of the amount they had borrowed. One couple who took a loan of £66,250 later discovered that they owed £700,000.

Barclays also sold SAMs for about three months in 1998. About 15,000 of these mortgages were sold in total and in many cases it has been the children or grandchildren who have been left to settle the debt.

In 2021 about 160 customers, or their descendants, launched a £70 million claim against the Bank of Scotland, which is part of the Lloyds Banking Group, through the legal firm Teacher Stern. As Money reported at the time, they claimed that the loans were fundamentally unfair and that the debtor and creditor had what would, under the Consumer Credit Act 1974, constitute an unequal relationship. That is because the bank had an information advantage, with access to expertise that the borrowers did not, such as historical house price data and economic modelling and forecasting.

Court proceedings were due to start on Tuesday, but the Bank of Scotland said: "The claimants and Bank of Scotland have agreed a commercial settlement, without any admission of liability, in the county court action brought by 160 current and former customers who took out shared appreciation mortgages. The terms of the settlement agreement are confidential. There are no changes to the mortgages, or their terms and conditions.

"Bank of Scotland has a range of measures to support any borrowers who may need assistance with their shared appreciation mortgages. Customers should contact their bank first and at the earliest opportunity if they are concerned about their finances."

The bank did not say whether it would contact other borrowers, or their descendants, about its decision or make them a similar offer to that agreed with the Teacher Stern claimants. It would not say how many SAM customers it has because that was "commercially sensitive".

Teacher Stern was not able to comment on the outcome because of the conditions of the settlement.

The Sunday Times contacted one of the claimants, Andrew Papps, 52, who lives near Colchester in Essex, but he was unable to provide details due to the conditions attached to the agreement. Other claimants also felt they were not allowed to provide details of their settlements.

As Money reported previously, Andrew's parents, John and Mary Papps, bought their four-bedroom home in Brentwood, Essex, for £15,000 in 1975. They took out a SAM for £26,000 with the Bank of Scotland in 1998 when they needed money to help a relative. The house was valued at £105,000 at the time.

The couple told their children that the debt was an equity release-type loan, but the family did not discuss the details.

It was only after Mary died in 2012, when Andrew and his sister Frances obtained a Lasting Power of Attorney for their father, that they realised what had happened. John was diagnosed with Alzheimer's soon after and needed residential care, so his children planned to sell the home to cover the costs. John died of Covid in January 2021, aged 88.

By then the house was valued at £445,000, but the debt had risen to £282,000. It had to be paid within 18 months. Rather than sell the house, Andrew took out a mortgage on his own property to settle the debt and keep his parents' home in the family.

What if you had a shared appreciation mortgage

If you or your parents took out a SAM then contact the bank that sold it and ask for redress, pointing out the Bank of Scotland's decision not to defend the sale of its product in court.

You must allow the lender eight weeks to respond. After that, if you are unhappy with the bank's decision, you can lodge a complaint with the Financial Ombudsman Service.

The ombudsman said it received about 25 claims a year relating to SAMs, but in most cases compensation was denied because the banks could prove that customers were aware of the risks.

If you do go to the ombudsman you are more likely to succeed against Barclays than the Bank of Scotland because most of its loans were sold in branches so there is a greater chance of a successful mis-selling claim. Bank of Scotland sales were via post only.

You could complain about the valuation of a property because a bank may use its own assessors. In some cases the ombudsman found against a bank because there were several months between valuation and sale. In one instance the bank refunded about £4,000.

As a last resort, you could launch your own claim in court, but the costs will be high.

Broadcast on BBC One Rip-Off Britain, 4 June 2024

Presenters: Angela Rippon, Julia Somerville, Gloria Hunniford

Angela Rippon: But first to a story with two of the biggest names in British banking at its heart: Barclays and the Bank of Scotland. Now back in the 1990s, a new type of mortgage was directly marketed at people who were asset rich but cash poor. And it was a way to release some of the value that was locked up in their property.

Julia Somerville: But decades on those loans have turned sour, leaving borrowers facing huge debts they never expected, and coming to terms with the fact that years on, the bank earned far more from their home than they did.

Angela: For Karen Bowey and her mum Sylvia, who is living in Lincolnshire, a house is made of

memories as much as bricks and mortar.

Karen: Taken in the front room again. Taken with her lovely little outfit, isn't it, with a little beret.

Angela: In the quarter century since these pictures were taken, lots has changed, especially the loss of Sylvia's husband and Karen's stepdad Ernie who sadly died in 2012.

Karen: These are photographs of barbecues in the back of the old house, where Mum and Ernie lived and everybody was shivering. We all ended up sitting out in the back garden [Sylvia:] to get warm. [Karen:] It was freezing cold, wrapped up with all these scarves and coats.

Angela: Sylvia and Ernie bought their house in 1995.

Karen: Great big kitchen, massive dining room, table and chairs. So we all used to go round there for Christmas, lunches, a real family environment. It meant a lot.

Angela: But in time, the house became a source of anxiety for Karen and Sylvia.

Karen: Happy memories have been tainted by the fact that it's taken so much out of her retirement and her future.

Angela: It all stems from July 1998 when Ernie went to his bank, Barclays, to get a loan.

Karen: He'd been poorly and he wanted to make sure that they had some money to treat themselves, do a few repairs, that sort of thing. There was nothing to say it was anything other than a normal loan.

Angela: Ernie borrowed £21,250 that day but it would be almost 20 years for the true nature of the lending to come to light, back in 2017, when Sylvia decided to move out of the big, old house.

Karen: She got some back problems and other underlying health issues, and it was just too big a property for her to maintain any more and we found a nice little bungalow that would suit her down to the ground.

Angela: The house was sold and, with no mortgage to pay, Sylvia expected to recoup the full amount, but, just before the sale completed, there was a problem.

Karen: We were at the verge of finalising all the financial arrangements and we discovered that she owed £147,000. On what was called a SAMs mortgage loan which had been taken out back in 1998.

Angela: It turned out that far from being a simple bank loan, Ernie's home improvements had been paid for through a Shared Appreciation Mortgage, or SAM, a financial product offered by Barclays and Bank of Scotland between 1996 and 1998. They enabled people to borrow up to 25% of the value of their property, interest-free and with no monthly repayments. The money only had to be paid back when the house was sold, at which point you had to pay the original loan amount and up to 75% of the increase in your home's value since the start of the loan. So if your home was worth £100,000 at the beginning and £200,000 when you came to sell it, the bank's share of the appreciation could be as much as £75,000, which meant that Sylvia now owed almost seven times the amount Ernie initially borrowed.

Karen: The loan to value ratio which it's saying here is 25%, but when you actually look further down, it's actually three times 25%, so, from the original loan of £21,250, it comes to an unbelievable £147,510, and it was blind panic really. I didn't know what to do.

Angela: Karen has no doubt that Ernie would never have taken out the loan had he understood its true implications.

Karen: There is absolutely no way that he would have put his well-being, Mum's well-being in jeopardy by taking out a loan that would leave them in an insecure position.

Angela: But Sylvia couldn't continue to live in the bigger house, so she reluctantly sold up and paid Barclays what she owed. But the £105,000 she was left with wasn't enough to buy even a modest bungalow, so at the age of 81, she now had to borrow almost £82,000. She turned to

Barclays and applied to its shared mortgage Hardship Scheme, set up to help people suffering the consequences of huge SAM repayments. And the irony is not lost on Karen.

Karen: It is basically just saying that you've now become in a situation where there is hardship affecting you, but the hardship has actually been brought about by the amount that we've got to pay in redemption for the loan.

Angela: Karen and Sylvia are the latest in a very long line of borrowers who have complained about the terms of these specialist loans, because within a decade of hitting the market, the financial hardship that SAMs were causing was starting to get noticed.

Watchdog, 2007: It was a good idea then, but now it has left some people tens of thousands of pounds worse off.

Angela: As people woke up to the huge repayment amounts involved.

Rip Off Britain, 2011: My father borrowed £15,000 and they want £97,000 plus back.

Angela: And in 2014, investigative journalist Nick Wallis, who spent years investigating the Post Office Horizon IT scandal [and author of "The Great Post Office Scandal", 2021, 2022], also turned his attention to SAMs.

Nick Wallis, Inside Out South, BBC One, September 2014: He signed away 75% of the future growth of his only asset, his home, for £35,000 in cash and now he's living with the consequences.

Angela: A decade on from that report, Nick remains shocked by the terms to which borrowers were subjected.

Nick Wallis: When you've boiled it down to the fundamental issue, it seemed demonstratively unfair and there are parallels here with the Horizon IT scandal. You've got ordinary people who just wanted to get a little bit of money for themselves in a way that was fair and they have been systematically done out of it. It really is unforgivable, the way not only the way these products were sold and marketed but what has happened in the intervening 25 years.

Angela: During that time a number of SAMs borrowers have taken legal action against the banks. In January 2024, a group of 160 of them reached an out of court settlement with the Bank of Scotland, the terms of which remain confidential, but that's not a route Karen or Sylvia feel they can afford to go down.

Karen: It would mean putting ourselves further into debt with no guarantee that we'd actually come out at the end of it with anything that's favourable. Nobody really is willing or can do anything about the situation.

Angela: They're resigned to the fact that the money will one day need to be repaid, unless of course the banks change their policies.

Karen: I think the best response that we could hope for now is actually some ownership from both banks. For a lot of people it's too late already and nobody knows the true whole take that many people have already gone through. They need to stand up and be counted.

Gloria Hunniford: When we spoke to Barclays about all this, they told us their Shared Appreciation Mortgages allowed customers to borrow without the need to make any repayments during their lifetime, keep complete control over when they decide to sell the property, and retain all their original equity as well as a share of the increase in value.

Julia Somerville: Barclays said that before any funds were released, customers were required to seek independent legal advice to ensure that they fully understood the nature of the loan. The customer's solicitor was required to confirm that the terms and conditions had been fully explained and customers were encouraged to discuss their plans with their family.

Angela: Well joining me now is journalist Nick Wallis who we saw in the film there, along with solicitor Gary Rycroft. And Nick, I'd like to come to you first, because I know you've been covering

this story about this product for some time now. Looking at it, a £21,000 loan, which is what this particular family, that was on the film, took out, would never in 25 years have accrued £147,000 worth of interest would it?

Nick Wallis: No, and I think the thing about this product was that it was put into the market at a time when mortgages were almost like the Wild West. The banks who were selling these mortgages were signed up to the voluntary Banking Code but they did of their own, one may say, cynical and perhaps unfair manoeuvre by putting the group of companies which sold these mortgages into a separate organisation outside the main bank, which meant that they were outside the Banking Code, so these were completely unregulated products. And on top of that, I don't think they were sold properly. They simply did not get enough advice as to how potentially dangerous these products were.

Angela: As I understand it in the film, there was a group of people who took out these mortgages with Bank of Scotland who actually raised a legal case against them. It was never made public because they settled out of court, but what is your understanding of the broad settlement that was reached in that case?

Nick: Well, we don't know whether it was a fair one because it's bound up in secrecy and that makes it incredibly difficult for anyone who is still living with these mortgages to try and get any information out of the courts as to the decision that was actually made. We know that the banks have made millions, if not tens of millions of pounds, out of these products and surely enough is enough. These are desperate people who are diminishing in number. It was a pernicious product that created instability and anxiety, as well as financial precariousness within so many families.

Angela: And Sylvia was one of those people, as you saw, Gary, and so I'd like to bring you in here because now in her 80s she's had to borrow £82,000 so that she can now buy a bungalow for her old age. Now that money has come from the Hardship Scheme that Barclays have set up. Is that not a tacit acceptance of the fact that when they came up with this scheme, they really got it horribly wrong?

Gary Rycroft: I would agree with you. The fact that Barclays have set up a hardship scheme is acknowledgement that they didn't get it right in the first place, but actually I think that scheme is quite disingenuous, so that Hardship Scheme is available if you qualify for it. As far as Barclays is concerned, they will look at the issues like illness, disability, whether you want to adapt your home or whether you want to move house. It's a loan and so Sylvia is going to have to pay back that £82,000 either when she reaches the age of 96 or as and when she dies.

Angela: Now Shared Appreciation Mortgages are not on sale now and haven't been for some time, but there are similar loans available, aren't there?

Gary: Yes, that's right. They're a form of equity release and equity release products are absolutely still out there. Now I would say that releasing money from your property is always going to be a big decision for you and it's going to be a decision that will have implications for you and your family for many years to come. They're complicated products, and it is essential you get truly informed and independent advice but I'd also say to people, Angela, there are other ways you can release money from your home, so not just a standard bank loan. Look at sharing ownership with another family member or look at just downsizing and actually releasing some money that way. So I would always say absolutely look into it fully and make an informed decision.

Angela: Very good advice. Nick, finally coming back to you. What is likely to happen next in this saga?

Nick: Well the banks don't seem to want to do anything. You do have the Hardship Scheme from Barclays and I understand that Bank of Scotland haven't followed suit in that regard but as you said these are only loans. So I think we need to be lobbying of the government so that they can step in and either create some kind of legislation that would actually put an end to these mortgages or some way of cancelling them altogether because the way things stand there are a huge number of people who are living in anxiety as their house is taken from them, brick by brick.

Angela: Nick, thank you very much indeed for joining us and for your take on the story, and Gary thank you for your advice, as always.

Gary: Thank you.

Angela: Bank of Scotland told us that when it sold Shared Appreciation Mortgages, it recommended that borrowers took independent financial advice to ensure that they fully understood the product, adding that they were all advised by their own solicitor. Bank of Scotland also said that it has a range of measures to support customers and that it will do everything it reasonably can to help any customer facing financial hardship. As for the court settlement with 160 SAMs customers, Bank of Scotland said that this was reached without any admission of liability, that the terms are confidential, and that there are no changes to the mortgages or their terms and conditions.

Homeowners

If you want to afford a better lifestyle...

The Shared Appreciation Mortgage™ (S.A.M.™) is an exciting new concept from Bank of Scotland. There are two S.A.M.s,™ both of which allow you to raise money quickly and easily, and with a low interest rate fixed for life, presently 0% or 5.95%.

How does it work?

As the name suggests, all we ask from you when leaving the scheme is that you share with us a percentage of any future appreciation in value of your property, together with repayment of the loan.

The interest rate chosen determines the level of appreciation you will be required to pay when leaving the scheme. Any equity you currently have in the property remains yours, except in the event of any future decrease in the value of your home.

In any case where the property value falls below the initial value, there will be no Shared Appreciation to pay.

0% S.A.M.™

- Zero % interest fixed for life
- No details of income required
- No upper age limits for applicants
- Minimum Loan £15,001
- Minimum Property Valuation £60,000
- Maximum loan 25% of property valuation

5.95% S.A.M.™

- 5.95% fixed for life
- No details of income required
- No upper age limits for applicants
- Minimum Loan £15,001
- Minimum Property Valuation £60,000
- Maximum loan 75% of property valuation

Who decides what the funds can be used for?

You do! Whether you want to raise money to improve your lifestyle by investing for the future, carrying out those long desired home improvements, repaying an existing mortgage, treating yourself to a holiday or purchasing that dream car, then the Shared Appreciation Mortgage™ may be the solution for you.

Can I repay the mortgage at any time?

Yes! The choice of when to repay the mortgage is yours. You can exit at any time, or alternatively it can be repaid on death, or death of the surviving partner, if a joint mortgage.

To apply

It couldn't be easier. Simply call us, or contact your local branch for an application form and brochure. Alternatively, if it is more convenient, cut out the coupon and send it to us. We will then arrange to send you the brochures.



BANK OF SCOTLAND

RESIDENTIAL MORTGAGES

Call us today 10am - 2pm

Sunday 10am - 4pm

or Monday to Friday

8am - 6pm on

0131 317 6827

0131 317 6828

0131 317 6829

Please send me more information on the Shared Appreciation Mortgage™ Post to: Bank of Scotland, Residential Mortgages (S.A.M.™) Team, FREEPOST, 41 South Gyle Crescent, Edinburgh EH12 0PD.

☐ 0% Scheme ☐ 5.95% Scheme ☐ Both Schemes

Name: _____ SATIMEZ

Address: _____

Postcode: _____ Telephone Number: _____

We are obliged under the provision of the Consumer Credit (Advertisements) Regulations 1989 to include this statement because you are required to create a mortgage over your home as security for the loan. Typical mortgage example: The following example is based on a house value of £180,000, a loan of £71,500 with Shared Appreciation of 55%. Although the loan can be for life this example is based on the whole of the loan and Shared Appreciation being repaid after 20 years. The chargeable rate of interest is 5.95%. Total amount payable, with 1.25% and 1.25% arrangement fee (1500), legal fees (1500), valuation fees on entrance and exit totalling (1500) and an administration fee (1500). The example assumes a house price inflation of 4.5% per annum. All amounts are calculated without the benefit of MIRS.

APR 9.0%, APR based on representative information set out above. House price inflation, valuation and legal fees may vary. To apply for a mortgage, you must be aged 18 or over. Written consumer credit questions are available on request from BOSC (Shared Appreciation Mortgages) No. 3 PLC, No. 4 PLC, and Scotland (No. 2) Ltd. Terms House, 41 South Gyle Crescent, Edinburgh, EH12 0PD. All lending is subject to approval by Bank of Scotland as agent for BOSC (Shared Appreciation Mortgages) No. 3 PLC, No. 4 PLC, and Scotland (No. 2) Ltd. require security over the property. An acceptable life assurance policy is also required. Valuations are also required on subsequent damage or compulsory purchase of property or if you make improvements costing more than £10,000. All valuations at your cost. Valuation fees vary depending on property valuation. Limited funds available. Currently not available in Northern Ireland. BOSC (Shared Appreciation Mortgages) No. 3 PLC, BOSC (Shared Appreciation Mortgages) No. 4 PLC, and BOSC (Shared Appreciation Mortgages) Scotland No. 2 Ltd are owned subsidiaries of Bank of Scotland. The name Bank of Scotland and its registered trademarks, and Shared Appreciation Mortgage and its trademarks of The Governor and Company of the Bank of Scotland, are registered trademarks of The Governor and Company of the Bank of Scotland.

YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT.

Transcript of Bank of Scotland Shared Appreciation Mortgage Advertisement (0% and 5.95% options)

Homeowners

If you want to afford a better lifestyle...

The Shared Appreciation Mortgage™ (S.A.M.™) is an exciting new concept from Bank of Scotland. There are two S.A.M.s,™ both of which allow you to raise money quickly and easily, and with a low interest rate fixed for life, presently 0% or 5.95%.

How does it work?

As the name suggests, all we ask from you when leaving the scheme is that you share with us a percentage of any future appreciation in value of your property, together with repayment of the loan.

The interest rate chosen determines the level of appreciation you will be required to pay when leaving the scheme. Any equity you currently have in the property remains yours, except in the event of any future decrease in the value of your home.

In any case where the property value falls below the initial value, there will be no Shared Appreciation to pay.

0% S.A.M.™

- Zero % interest fixed for life
- No upper age limits for applicants
- Minimum Loan £15,001
- Minimum Property Valuation £60,000

- Maximum loan 25% of property valuation

5.95% S.A.M.™

- 5.95% fixed for life
- No upper age limits for applicants
- Minimum Loan £15,001
- Minimum Property Valuation £60,000
- Maximum loan 75% of property valuation

Who decides what the funds can be used for?

You do! Whether you want to raise money to improve your lifestyle by investing for the future, carrying out those long desired home improvements, repaying an existing mortgage, treating yourself to a holiday or purchasing that dream car, then the Shared Appreciation Mortgage™ may be the solution for you.

Can I repay the mortgage at any time?

Yes! The choice of when to repay the mortgage is yours. You can exit at any time, or alternatively it can be repaid on death, or death of the surviving partner, if a joint mortgage.

To apply

It couldn't be easier. Simply call us, or contact your local branch for an application form and brochure. Alternatively, if it is more convenient, cut out the coupon and send it to us. We will then arrange to send you the brochures.

BANK OF SCOTLAND RESIDENTIAL MORTGAGES

Call us today 10am – 2pm Sunday 10am – 4pm or Monday to Friday 8am – 6pm on

0131 317 6827

0131 317 6828

0131 317 6829

Please send me more information on the Shared Appreciation Mortgage.™ Post to: Bank of Scotland, Residential Mortgages, (S.A.M.™) Team, FREEPOST, 41 South Gyle Crescent, Edinburgh EH12 0PD.

☐ 0% Scheme ☐ 5.95% Scheme ☐ Both Schemes

Name:

Address:

Postcode:

Telephone Number:

We are obliged under the Consumer Credit (Advertisements) Regulations 1989 to include this statement because you are required to create a mortgage over your home as security for the loan.

Typical mortgage example: The following example is based on a house value of £130,000, a loan of £71,500 with Shared Appreciation of 55%. Although the loan can be for life this example is based on the whole of the loan and Shared Appreciation being repaid after 20 years. The chargeable rate of interest is 5.95%. Total amount payable will be £259,462 calculated to include 240 monthly payments of £354.52, Shared Appreciation (£100,938), arrangement fee (£500), legal fees (£600), valuation fees on entrance and exit totalling (£540) and an administration fee (£300). The example assumes house price inflation of 4.5% per annum.

All amounts are calculated without the benefit of MIRAS.

APR 9.0%. APR based on representative information set out above. House price inflation, valuation and legal fees may vary.

To apply for a mortgage you must be aged 18 or over. Written consumer credit quotations are available on request from BOS (Shared Appreciation Mortgages) No.3 PLC, No.4 PLC, and Scotland (No.2) Ltd. Teviot House, 41 South Gyle Crescent, Edinburgh, EH12 9DR. All lending is subject to approval by Bank of Scotland as agent for BOS (Shared Appreciation Mortgages) No.3 PLC, No.4 PLC, and Scotland (No.2) Ltd. of

the applicant(s) financial status. BOS (Shared Appreciation Mortgages) No.3 PLC, No.4 PLC, and Scotland (No.2) Ltd. require security over the property. An acceptable life assurance policy is also required. Valuations are also required on substantial damage or compulsory purchase of property or if you make improvements costing more than £10,000. All valuations at your cost. Valuation fees vary depending on property valuation. Limited funds available. Currently not available in Northern Ireland. BOS (Shared Appreciation Mortgages) No.3 PLC, BOS (Shared Appreciation Mortgages) No.4 PLC, and BOS (Shared Appreciation Mortgages (Scotland) No.2) Ltd are owned subsidiaries of Bank of Scotland. The name Bank of Scotland and [BoS logo] are registered trademarks, and (Shared Appreciation Mortgages) and [BoS logo] are trademarks of The Governor and Company of the Bank of Scotland.
YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT.

Based on the initial value of the house in the example of £130,000 and the Shared Appreciation of £100,938 (55%), the final value of the house would have been £313,523.64. The example assumes house price inflation of 4.5% per annum but in the 20 years before Bank of Scotland started selling shared appreciation mortgages in November 1996, the UK House Price Index had increased from £10,682 in October 1976 to £59,885 in October 1996, which was average house price inflation of 9.0% per annum.

CHESSMAN & PARTNERS

Independent Financial Advisers

Available again:

The SHARED APPRECIATION MORTGAGE

- * Absolutely **NO** repayments until the property is sold
- * **NO** income requirements
- * Maximum advance **25% of property value**
- * Capital raised can be used **for any purpose**
- * Amount repaid on sale, 75% of the increase in the value of the property since the date of the loan, plus the loan

Example:

**Property value £160,000. Maximum advance £40,000 (25%)
Repayments before property is sold ZERO. Sale price say,
£260,000. Amount to lender £40,000 plus 75% x £100,000, or
a total of £115,000. Available for beneficiaries £145,000.
Your property must be unencumbered by an existing
mortgage.**

THIS MORTGAGE IS NOT FOR EVERYONE.

IT IS DESIGNED FOR THOSE PEOPLE WHO ARE ASSET
RICH AND INCOME POOR, AND WHO CAN UTILISE THEIR
PROPERTY TO MAKE LIFE EASIER. THE CASH RELEASED
CAN BE USED PROPERTY REPAIRS, CHANGE A CAR,
INVEST FOR INCOME, HAVE A HOLIDAY OR ANY OTHER

**OF COURSE, LIKE ANY OTHER CAPITAL
RAISING DEVICE A FULL DISCUSSION IS
REQUIRED**

CALL US ON 01494-778199

Chessman & Partners (Chesham, Buckinghamshire) advertisement for shared appreciation mortgages. The advertisement does not mention the Bank of Scotland, but the advertisement was published when the Bank of Scotland mortgages were being marketed and the details of the mortgage are the same. Chessman & Partners appear to have been acting as sales agents for Bank of Scotland shared appreciation mortgages.

We survey the entire market for you to find the most attractive interest rates and terms.

**At Churston Financial Services we sincerely believe we can find
THE BEST REPAYMENT MORTGAGE FOR YOU.**

**Remortgage up to 120%
for any purpose.**

ESTABLISHED 12 YEARS **WE ARE OPEN 9am - 6pm Weekdays**

Churston Financial Services Uxbridge (01895) 811616

A typical example of the interest payments on a repayment mortgage of £60,000 over 300 months; Example 1 (12 months) 0.99% APR 6.6%, 49.50 monthly payment, 7.49% 288 months £346.41, Total £123,871 • Example 2 (24 months) 2.99% APR 6.4%, 138.29 monthly payments, 7.49% 276 months £346.41, Total £120,943 • Example 3 (36 months) 2.99% APR 6.4%, 138.29 monthly payment, 7.14% 264 months £344.10 monthly payments, Total £120,943 • Example 4 (60 months) 5.74% APR 7.0%, 265.48 monthly payment, 7.49% 243 months £346.41, Total £129,101 • Example 5 (12 months) 95% APR 6.9%, 43.94 monthly payment, 7.49% 288 months £346.41 Total £126,504 • Example 6 (24 months) 5.19% APR 7.2%, 240.04 monthly payment, 7.49% 276 months £346.41 Total £130,944 • Example 7 (36 months) 6.25% APR 7.4%, 289.07 monthly payment, 7.49% 264 months £346.41 Total £129,576 • Example 8 (48 months) 6.79% APR 7.4%, 314.04 monthly payment, 7.49% 252 months £346.41, Total £130,410 • Example 9 (60 months) 7.49% APR 7.9%, £346.42 monthly payment, 7.49% 240 months £346.42, Total £134,603 • Example 10 (12 months) 6.74% APR 8.0%, 311.73 monthly payment, 7.49% 288 months £346.41, Total £136,648. Written quotations of credit terms available upon request. Arrangement fees may vary from loan to loan but a typical example would be £200 legal fees £300 + disbursements. For quotes: Churston Box 237, Uxbridge, Middx, UB10 0HA. A Buildings Insurance Policy may be required. MIRAS calculated on £30,000 loan at 15%. This advert does not represent or advertise any investment type mortgage.

PURCHASE OR REMORTGAGE ANY PURPOSE AT 5.75% FOR LIFE – NO DEFERMENT OF INTEREST – LIMITED OFFER

YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT. GET THE EXPERT ADVICE FROM US BEFORE YOU COMMIT YOURSELF

**WOULD YOU LIKE A MORTGAGE AT
0%
FOR LIFE WITH ABSOLUTELY NO DEFERMENT OF INTEREST AND NO
PAYMENTS TO MAKE FOR THE LIFE OF THE LOAN?**

Well now you can!

This mortgage scheme is a completely new and innovative mortgage designed to help those who have equity tied up in their property and wish to release it for any purpose. You can borrow up to 25% of the value of your home and in return you give up a percentage of the future increase in the value of your property. This means that your existing equity is protected.

If you wish to borrow more than 25% of the value of your property, you can. Under this scheme you can borrow up to 75% of the value of your property for any purpose with payments fixed for the life of the mortgage at just 5.75%. In return you will give up a percentage of the future increasing value of your home.

Under both schemes you may redeem the mortgage at any time.

There are limited funds available and demand is likely to be very high.

For more details please contact this office during business hours.

Typical Example:
The following example is based on a house value of £200,000, a loan of £50,000 with Shared Appreciation of 25%.* Although the loan can be for life this example is based on the whole of the loan and Shared Appreciation being repaid after 15 years. The chargeable rate of interest is 5.75%. This amount payable will be £135,012* calculated to include 180 monthly interest payments of £230.58. Shared Appreciation (£40,047)* Lender arrangement fee £500, legal fees £600 valuation fees on entrance and exit (£400) and an administration fee £300. The example assumes average house price inflation of 4% per annum. *0% scheme has the same typical example but substitute Shared Appreciation 75%, amount payable £171,982 Shared Appreciation £120,143.

Churston Financial Services (Uxbridge, Middlesex) advertisement (lower advertisement) for shared appreciation mortgages. The advertisement does not mention the Bank of Scotland, but the advertisement was published when the Bank of Scotland mortgages were being marketed and the details of the mortgage are the same. Churston Financial Services appear to have been acting as sales agents for Bank of Scotland shared appreciation mortgages.

Transcript of Churston Financial Services Shared Appreciation Mortgage Advertisement

WOULD YOU LIKE A MORTGAGE AT 0% FOR LIFE WITH ABSOLUTELY NO DEFERMENT OF INTEREST AND NO PAYMENTS TO MAKE FOR THE LIFE OF THE LOAN?

Well now you can!

This mortgage scheme is a completely new and innovative mortgage designed to help those who have equity tied up in their property and wish to release it for any purpose. You can borrow up to 25% of the value of your home and in return you give up a percentage of the future increase in the value of your property. This means that your existing equity is protected.

If you wish to borrow more than 25% of the value of your property, you can. Under this scheme you can borrow up to 75% of the value of your property for any purpose with payments fixed for the life of the mortgage at just 5.75%. In return you will give up a percentage of the future increasing value of your home.

Under both schemes you may redeem the mortgage at any time.

There are limited funds available and demand is likely to be very high.

For more details please contact this office during business hours.

Typical Example:

The following example is based on a house value of £200,000, a loan of £50,000 with Shared Appreciation of 25%.* Although the loan can be for life this example is based on

the whole of the loan and Shared Appreciation being repaid after 15 years. The chargeable rate of interest is 5.75%. This amount payable will be £135,012* calculated to include 180 monthly interest payments of £230.58. Shared Appreciation (£40,047)* Lender arrangement fee £500, legal fees £600 valuation fees on entrance and exit (£400) and an administration fee £300. The example assumes average house price inflation of 4% per annum [sic]. *0% scheme has the same typical example but substitute Shared Appreciation 75%, amount payable £171,982 Shared Appreciation £120,143.

SHARED APPRECIATION MORTGAGE

In need of more income?

If you are asset rich and cash poor, this kind of mortgage
may be the solution

If you want to afford a better lifestyle, there's no better
mortgage

Interest Rate: Zero %

Capital Repayment: Zero

What is it?

A SHARED APPRECIATION MORTGAGE:

- is an exciting new type of mortgage
- provides you with peace of mind because there is no interest to pay during the lifetime of your mortgage
- has no term and can be for life or until you wish to repay it

You are never too old to apply – there are no age limits. The bank will consider lending you up to 25% of the value of your home. You don't have to give us details of your income, and there are no insurance requirements if you are over 60 years of age.

For further information contact:

ECE Financial Planning

Tel: 01725 510202 or Fax: 01725 513232

or write to us at

South Wing, Hale Park, Hale, Fordingbridge, Hants SP6 2RF

Your home is at risk if you do not keep up repayment on a mortgage or other loan secured on it. However, you are not required to make any monthly payments and cannot therefore fail to keep up those payments under the loan.

ECE Financial Planning (Fordingbridge, Hampshire) advertisement for shared appreciation mortgages. The advertisement does not mention the Bank of Scotland, but the advertisement was published when the Bank of Scotland mortgages were being marketed and the details of the mortgage are the same. ECE Financial Planning appear to have been acting as sales agents for Bank of Scotland shared appreciation mortgages.

If you are
ASSET RICH & CASH POOR
THERE IS A
SOLUTION
A ZERO INTEREST
shared appreciation mortgage is about giving you the freedom of
a mortgage with **NO INTEREST** payments to make or roll up.
Your only obligation apart from repaying the loan is to
share any future increase in the value of your home
when the mortgage is repaid.

IDEAL FOR CREATING
EXTRA INCOME IN RETIREMENT



Maximum loan 25% of the value
of your home
Minimum home value £60,000.

Written details available
on request from
PATRICK ELlicock
01872 223557

We are obliged under the provision of the Consumer
Credit (Advertisement) Reg. 1989 to include this
statement. However, you are not required to make any
monthly mortgage payments under the loan and cannot
therefore fail to keep up these payments. Your home is
at risk if you do not keep up repayments on a mortgage
or other loan secured on it.
CCL 209456

Patrick Ellicock (Truro, Cornwall) advertisement for shared appreciation mortgages. The advertisement does not mention the Bank of Scotland, but the advertisement was published when the Bank of Scotland mortgages were being marketed and the details of the mortgage are the same. Patrick Ellicock appears to have been acting as a sales agent for Bank of Scotland shared appreciation mortgages.

IF YOU WANT TO AFFORD A BETTER LIFESTYLE THEN THE SHARED APPRECIATION MORTGAGE COULD BE JUST FOR YOU

ATTENTION ALL HOMEOWNERS

- Shared Appreciation Mortgage allows you to raise money quickly & easily
- Zero % Interest fixed for life
- No details of income required
- No upper age limits for applicants
- Minimum loan £15,000
- Minimum property value of £60,000
- Maximum loan 25% of property valuation
- Money raised to spend on what you wish eg. holiday, new car etc.

CALL PENDLE ASSURANCE SERVICES NOW FOR ANY INFORMATION REGARDING THE ABOVE PRODUCTS

WRITTEN QUOTATIONS AVAILABLE UPON REQUEST

INDEPENDENT FINANCIAL ADVISERS
Life • Peps • Endowments • Investments • Pensions • Mortgages Arranged
INDEPENDENT ADVICE IS THE BEST ADVICE

PIA
Regulated by
Personal Investment Authority
for Investment Advice Only

We are obliged under the provisions of the Consumer Credit (Advertisements) Regulations 1989 to include this statement because you are required to create a mortgage over your home as security for the loan.
Typical mortgage example: The example is based on representative information as follows: house value of £130,000. A loan of £71,500 with Shared Appreciation of 55%. Although the loan can be for life this example is based on the whole of the loan and Shared Appreciation being repaid after 20 years. The chargeable rate of interest is 5.99%. Total amount payable will be £260,034 to include 240 monthly interest payments of £356.90, Shared Appreciation (£100,938), Arrangement Fee (£500), Legal Fees (£600), Valuation Fees on entrance and exit totalling (£540) and an Administration Fee (£300).
All amounts are calculated without the benefit of MIRAS.
APR 5.99%. APR based on representative information as set above. Rate may vary without notice. All lending is subject to approval by Bank of Scotland in accordance with the Bank of Scotland (Shared Appreciation Mortgages) No.5 PLC and Bank of Scotland (Shared Appreciation Mortgages) No.6 PLC and Bank of Scotland (Shared Appreciation Mortgages) No.3 Ltd. All valuations at your own risk. Valuations may vary depending on property valuation. Lenders funds available. Currency not available in Northern Ireland. BOS (Shared Appreciation Mortgages) No.5 PLC, BOS (Shared Appreciation Mortgages) No.6 PLC and BOS (Shared Appreciation Mortgages) No.3 Ltd are registered subsidiaries of Bank of Scotland. The name Bank of Scotland and BOS are registered trademarks, and Shared Appreciation Mortgages and ICB are trademarks of The Governor and Company of the Bank of Scotland.

YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT

Pendle Assurance Services (Rawtenstall, Rossendale, Lancashire) advertisement for shared appreciation mortgages. The small print at the foot of the advertisement mentions BOS (Shared Appreciation Mortgages) No.5 PLC, BOS (Shared Appreciation Mortgages) No.6 PLC and BOS (Shared Appreciation Mortgages (Scotland) No.3) Ltd. Pendle Assurance Services appear to have been acting as sales agents for Bank of Scotland shared appreciation mortgages.

Transcript of Pendle Assurance Services Shared Appreciation Mortgage Advertisement

IF YOU WANT TO AFFORD A BETTER LIFESTYLE THEN THE SHARED APPRECIATION MORTGAGE COULD BE JUST FOR YOU

ATTENTION ALL HOMEOWNERS

- Shared Appreciation Mortgage allows you to raise money quickly & easily
- Zero % Interest fixed for life
- No details of income required
- No upper age limits for applicants
- Minimum loan £15,000
- Minimum property value of £60,000
- Maximum loan 25% of property valuation
- Money raised to spend on what you wish eg. holiday, new car etc.

CALL PENDLE ASSURANCE SERVICES NOW FOR ANY INFORMATION REGARDING THE ABOVE PRODUCTS

WRITTEN QUOTATIONS AVAILABLE UPON REQUEST

INDEPENDENT FINANCIAL ADVISERS

Life • Peps • Endowments • Investments • Pensions • Mortgages Arranged

INDEPENDENT ADVICE IS THE BEST ADVICE

We are obliged under the Consumer Credit (Advertisements) Regulations 1989 to include this statement because you are required to create a mortgage over your home as security for the loan.

Typical mortgage example: The following example is based on representative information as follows: house value of £130,000. A loan of £71,500 with Shared Appreciation of 55%. Although the loan can be for life this example is based on the whole of the loan and Shared Appreciation being repaid after 20 years. The chargeable rate of interest is 5.99%. Total amount payable will be £260,034 to include 240 monthly payments of £356.90, Shared Appreciation (£100,938), Arrangement Fee (£500), Legal Fees (£600), Valuation Fees on entrance and exit totalling (£540) and an Administration Fee (£300). All amounts are calculated without the benefit of MIRAS.

APR 9.0%. APR based on representative information set out above. House price inflation, valuation and legal fees may vary.

To apply for a mortgage you must be aged 18 or over. Written consumer credit quotations are available on request from BOS (Shared Appreciation Mortgages) No.5 PLC, No.6 PLC, and Scotland (No.3) Ltd. Teviot House, 41 South Gyle Crescent, Edinburgh, EH12 9DR. All lending is subject to approval by Bank of Scotland as agent for BOS (Shared Appreciation Mortgages) No.5 PLC, No.6 PLC, and Scotland (No.3) Ltd. of the applicant(s) financial status. BOS (Shared Appreciation Mortgages) No.5 PLC, No.6 PLC, and Scotland (No.3) Ltd. require security over the property. An acceptable life assurance policy is also required. Valuations are also required on substantial damage or compulsory purchase of property or if you make improvements costing more than £10,000. All valuations at your cost. Valuation fees vary depending on property valuation. Limited funds available. Currently not available in Northern Ireland. BOS (Shared Appreciation Mortgages) No.5 PLC, BOS (Shared Appreciation Mortgages) No.6 PLC, and BOS (Shared Appreciation Mortgages (Scotland) No.3) Ltd are owned subsidiaries of Bank of Scotland. The name Bank of Scotland and [BoS logo] are registered trademarks, and (Shared Appreciation Mortgages) and [BoS logo] are trademarks of The Governor and Company of the Bank of Scotland.

YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT.

The small print at the foot of this advertisement is the same as the small print at the foot of the advertisement for the Bank of Scotland mortgages with the 0% and 5.99% options.



Over 50?

Your home can bring you immediate tax-free cash. Or a lifetime income.

The money could bring you the holiday you have dreamt of or a new car. It could pay for a gardener or help around the house, childrens or grandchildrens' school fees or simply a means to increase your present income.

At PPF, we specialise in arranging personal and business funding for professionals such as doctors, dentists, solicitors and many others in practice. Now, through one of the leading banks in the United Kingdom, we are delighted to bring this scheme to others.

It will give you cash or income, right now.

- There are no interest payments.
- There is no rolling-up of interest.
- There is no predetermined period for the loan. It can run for life. It's flexible so that you can set your own term until the mortgage is repaid or until death.

Where's the catch?

There is no catch. This scheme is safe. You fully retain ownership of your home. It's yours, and always will be. You simply agree that in return for the cash payable to you now, you share any future increase in the value of your home with the lender.

To qualify, you must own the home you are living in, it must have an estimated value of between £60,000 and £500,000 and there must be no loans attached to it. The minimum loan is £15,001 and the maximum is normally £125,000.

This is one of the most exciting schemes for the over-50s that we have ever seen. Apply now as the funds available are limited.

Return the coupon or call us at PPF on ☎ 01959 561762 or 561759 ☎

PS Have you seen this wording before? "Your home is at risk if you do not keep up repayments on a mortgage or other loan secured on it." Well, with the PPF Equity Release Plan, you are not required to make any monthly payments at all and cannot, therefore fail to keep up those payments under the loan!

Typical mortgage example: The following example is based on a house value of £200,000, a loan of £50,000 with Shared Appreciation of 75%. Although the loan can be for life, this example is based on the whole of the loan and Shared Appreciation being repaid after 15 years. Total amount payable will be £171,982 calculated to include Shared Appreciation (£120,142), arrangement fee (£500), legal fees (£600), valuation fees on entrance and exit (totalling £440) and an administration fee (£500).

The example assumes average house price inflation of 4% per annum.

As there are no monthly interest payments, all amounts are calculated without the benefit of MIRAS.

APR 8.8%. APR based on representative information set out above. House price inflation, valuation and legal fees may vary.

A flat fee is payable to PPF only on the loan proceeding.

To Trevor Downing, Managing Director, Professional Practice Funding Ltd.,
1st Floor, The Crown, London Road, Westerham, Kent TN16 1BR.

Please send me details of your new PPF Equity Release Plan.

Name _____

Address _____

Telephone _____



Professional Practice Funding Ltd (PPF) (Westerham, Kent) advertisement for shared appreciation mortgages. The advertisement does not mention the Bank of Scotland, but the advertisement was published when the Bank of Scotland mortgages were being marketed and the details of the mortgage are the same. Professional Practice Funding Ltd appear to have been acting as sales agents for Bank of Scotland shared appreciation mortgages.

List of Newspaper Advertisements for Shared Appreciation Mortgages

DAY	DATE	NEWSPAPER	REF	NOTES
Sunday	03/11/1996	The Sunday Times*		Bank of Scotland
Sunday	12/01/1997	The Sunday Telegraph		Professional Practice Funding Ltd, Westerham (BoS SAM)
Sunday	19/01/1997	The Sunday Telegraph		Professional Practice Funding Ltd, Westerham (BoS SAM)
Friday	31/01/1997	The Staines Informer		Churston Financial Services, Uxbridge (BoS SAM)
Friday	07/02/1997	The Staines Informer		Churston Financial Services, Uxbridge (BoS SAM)
Sunday	02/03/1997	The Sunday Telegraph		Professional Practice Funding Ltd, Westerham
Friday	07/03/1997	The Staines Informer		Churston Financial Services, Uxbridge (BoS SAM)
Thursday	13/03/1997	The West Briton		Patrick Ellicock, Truro (BoS SAM)
Friday	14/03/1997	The Uxbridge and Hayes Informer		Churston Financial Services, Uxbridge (BoS SAM)
Friday	04/04/1997	The Staines Informer		Churston Financial Services, Uxbridge (BoS SAM)
Sunday	06/04/1997	The Sunday Telegraph		Professional Practice Funding Ltd, Westerham
Friday	18/04/1997	The Staines Informer		Churston Financial Services, Uxbridge (BoS SAM)
Friday	25/04/1997	The Uxbridge and Hayes Informer		Churston Financial Services, Uxbridge (BoS SAM)
Friday	02/05/1997	The Uxbridge and Hayes Informer		Churston Financial Services, Uxbridge (BoS SAM)
Sunday	13/07/1997	The Sunday Telegraph	STE1	BOSSAM 3, 4, ₂ (SCOTLAND)
Saturday	19/07/1997	The Times	SATIME ₁	BOSSAM 3, 4, ₂ (SCOTLAND)
Sunday	10/08/1997	The Sunday Telegraph	STE2	BOSSAM 3, 4, ₂ (SCOTLAND)
Saturday	16/08/1997	The Times	SATIME2	BOSSAM 3, 4, ₂ (SCOTLAND)
Sunday	17/08/1997	The Observer	SO1	BOSSAM 3, 4, ₂ (SCOTLAND)
Thursday	21/08/1997	The Daily Echo		ECE Financial Planning, Fordingbridge (BoS SAM)

Wednesday	27/08/1997	The Daily Telegraph	DTE1	BOSSAM 3, 4, ₂ (SCOTLAND)
Thursday	18/09/1997	Amesbury Journal		ECE Financial Planning, Fordingbridge (BoS SAM)
Thursday	30/10/1997	Amesbury Journal		ECE Financial Planning, Fordingbridge (BoS SAM)
Sunday	02/11/1997	The Sunday Telegraph	S. TEL 03	BOSSAM 5, 6, ₃ (SCOTLAND)
Saturday	08/11/1997	The Daily Echo		ECE Financial Planning, Fordingbridge (BoS SAM)
Saturday	15/11/1997	The Times	SATIME 3	BOSSAM 5, 6, ₃ (SCOTLAND)
Thursday	20/11/1997	Amesbury Journal		ECE Financial Planning, Fordingbridge (BoS SAM)
Wednesday	26/11/1997	Evening Standard	EVS01	BOSSAM 5, 6, ₃ (SCOTLAND)
Thursday	27/11/1997	Amesbury Journal		ECE Financial Planning, Fordingbridge (BoS SAM)
Sunday	30/11/1997	The Sunday Telegraph	STE4	BOSSAM 5, 6, ₃ (SCOTLAND)
Friday	05/12/1997	Bucks Examiner		Chessman & Partners, Chesham (BoS SAM)
Monday	01/12/1997	Evening Standard		Farnham Financial Services, Brixham (BoS SAM)
Wednesday	10/12/1997	Amersham Advertiser		Chessman & Partners, Chesham (BoS SAM)
Wednesday	10/12/1997	Beaconsfield Advertiser		Chessman & Partners, Chesham (BoS SAM)
Wednesday	10/12/1997	Buckinghamshire Advertiser		Chessman & Partners, Chesham (BoS SAM)
Wednesday	14/01/1998	Beaconsfield Advertiser		Chessman & Partners, Chesham (BoS SAM)
Thursday	15/01/1998	Amesbury Journal		ECE Financial Planning, Fordingbridge (BoS SAM)
Saturday	17/01/1998	The Times	SATIME 3	BOSSAM 5, 6, ₃ (SCOTLAND)
Thursday	29/01/1998	Amesbury Journal		ECE Financial Planning, Fordingbridge (BoS SAM)
Sunday	08/02/1998	The Sunday Telegraph	SUTEL3	BOSSAM 5, 6, ₃ (SCOTLAND)
Saturday	14/02/1998	The Times	TIM06	BOSSAM 5, 6, ₃ (SCOTLAND)
Wednesday	25/02/1998	Beaconsfield Advertiser		Chessman & Partners, Chesham (BoS SAM)
Wednesday	25/02/1998			

		Buckinghamshire Advertiser		Chessman & Partners, Chesham (BoS SAM)
Sunday	01/03/1998	The Sunday Telegraph	SUTEL4	BOSSAM 5, 6, ₃ (SCOTLAND)
Friday	13/03/1998	Rossendale Free Press		Pendle Assurance Services, Rawtenstall (BoS SAM)
Saturday	16/05/1998	The Daily Telegraph		Barclays Bank
Saturday	23/05/1998	The Daily Telegraph		Barclays Bank
Sunday	07/06/1998	The Sunday Telegraph		Barclays Bank
Saturday	13/06/1998	The Daily Telegraph		Barclays Bank
Sunday	14/06/1998	The Sunday Telegraph		Barclays Bank
	1996-98	The Sunday Times		Not available for checking

* Chapter 23 of the book "Managing Innovation, Design and Creativity" by Dr Bettina von Stamm says, "... it was decided to launch [BoS SAMs] on the 11th of November and announce the launch in the Sunday Times on the 4th November 1996." 4th November 1996 was a Monday and so it is assumed that an advertisement was placed in The Sunday Times on Sunday 3rd November 1996. Advertisements might have also been placed in other editions of The Sunday Times but it has not been possible to check for them. The Times (and The Sunday Times) Archive is currently only available up to 1985.

The list shows that Bank of Scotland Shared Appreciation Mortgages were sold by Independent Financial Advisers and other sales agents, who were apparently paid lucrative fees ("procurement fees"), as well as directly by Bank of Scotland companies.

Advertisements for Barclays Bank Shared Appreciation Mortgages were placed in The Daily Telegraph and The Sunday Telegraph. These advertisements offered "The Daily Telegraph Free Guide to Unlocking the Capital in Your Home", written by the Daily Telegraph's Personal Finance Editor, and so it is possible that The Times and The Sunday Times preferred them not to appear on their pages.

There were probably more advertisements for Bank of Scotland and Barclays Bank Shared Appreciation Mortgages in other newspapers. It was not possible to check all the newspapers.