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Home Purchase Plan - **Scotland**

The halal mortgage alternative

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Home Purchase Plan

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Benefits

With an Islamic Bank of Britain Home Purchase Plan you can:

- Purchase your home in a Sharia'a compliant manner
- Convert your existing interest based mortgage to Sharia'a compliant finance
- Transfer your existing Sharia'a compliant finance to Islamic Bank of Britain
- Raise additional finance in a Sharia'a compliant manner
- Choose to have your valuation and legal fees paid with the fees assisted option
- Sell your property at any time
- Make extra payments in February, May, August and November prior to each Occupancy Payment review
- Make full payment at any time without any penalties
- Benefit 100% from any price appreciation in the value of your home

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Sharia'a compliance

Islamic Bank of Britain's Sharia'a compliant Home Purchase Plan is based on the Islamic financing principles of Ijara (leasing) and Diminishing Musharaka (partnership). We believe that using this method of Islamic finance offers the best solution for Sharia'a compliant home finance in the UK today. Described simply, both you and the Bank will each contribute towards the purchase of the home. For example, the Bank may contribute 80% and you 20% of the purchase price. Both you and the Bank will become partners. Over a period of up to 30 years, you will make monthly purchase instalments through which you will buy the Bank's share. With each instalment paid, the Bank's share in the property diminishes while your share correspondingly increases.

Islamic Bank of Britain's Home Purchase Plan has been approved by the Bank's Sharia'a Supervisory Committee:

Sheikh Dr. Abdul Sattar Abu Ghuddah has taught at various institutes, including Imam Al Da'awa Institute in Riyadh, the Religious Institute in Kuwait and the Sharia'a College and Law faculty at Kuwait University. He is a member of the Islamic Fiqh Council in Jeddah and a member of the AAOIFI Sharia'a Board.

Sheikh Nizam Muhammed Saleh Yaqoobi is a member of a number of Sharia'a Supervisory Boards including the Dow Jones Islamic Index, Bahrain Islamic Bank and the Citi Islamic Investment Bank. He is also a member of the AAOIFI Sharia'a board and has been a visiting lecturer at Harvard University.

Mufti Abdul Qadir Barkatulla is a prominent Sharia'a scholar with a strong background in economics and finance. He is a member of the Sharia'a Supervisory Committees of several Islamic financial institutions. As a broadcaster and maintainer of the Islamic Helpline, he has a wealth of experience in Islamic financial issues in Europe.

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Key differences between a Sharia'a compliant finance and a conventional mortgage.

Sharia'a compliant finance	Interest based mortgage
The customer is a partner occupier of the Bank and will pay Occupancy Payment on the occupied share of the property	The customer is a borrower paying interest on the loan received from the bank
Both the bank and the customer have different responsibilities towards maintaining the property.	All maintenance responsibilities rest with the customer.
The income for the bank is from the Occupancy Payment charged to the customer for using the property	The income for the bank is from charging interest on the loan advanced to the customer
The bank as a partner in the property will be subject to the risks associated with ownership of the property	The bank as a lender will not have exposure to any ownership risks

It is these crucial differences which make Islamic Bank of Britain's Home Purchase Plan a Sharia'a compliant alternative to conventional interest based mortgages.

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Example

- Assume a property purchase price of £150,000.
- Assume you have £30,000 (20%) to pay towards the property purchase price.
- Assume you wish to spread your payments over 25 years.
- On this basis the Bank will pay £120,000 (i.e. 80%) and you will pay £30,000 (i.e. 20%).
- Assume the Occupancy Payment Rate is 3.99%.
- In the illustration below the Occupancy Payment Rate is fixed for 3 months.
- The example is for information purposes only and the actual figures are likely to vary.

Based on the example, your monthly payments may appear as follows:

Date	Acquisition Payment	Occupancy Payments	Total Monthly Payment
May	£234.51	£398.23	£632.74
June	£235.29	£397.45	£632.74
July	£236.07	£396.67	£632.74

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Each monthly payment will consist of two elements:

- Occupancy payment element – this is the amount that you are paying to the Bank as occupancy payment on the Bank's share of the property. This is covered by the Co-Beneficiaries (Ijara) agreement.

- Acquisition element - this is the amount that you are contributing towards purchasing the Bank's share in the property. This is covered by the Diminishing Musharaka (partnership) agreement.

- The Occupancy Payment element may decrease at each Occupancy Payment review as the Bank's share in the property decreases with each acquisition payment.

- The Occupancy Payment Rate is fixed for the initial period of the Co-Beneficiaries (Ijara) agreement until the end of March, June, September or December, whichever comes first after the date of completion. Thereafter, the Occupancy Payment Rate will be fixed for three month periods at a time and will be reviewed in March, June, September and December each year. At each Occupancy Payments review date the Occupancy Payment Rate may either increase, decrease or stay the same.

- All Occupancy Payments are due in arrears and we will write to advise you of your new payments in good time. The Co-Beneficiaries Agreement sets out how the Occupancy Payment is calculated, how the Occupancy Payment may vary and also explains that you have the option to purchase the Bank's share (i.e. pay the remaining Acquisition Cost) at any time, subject to terms and conditions.

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Buildings Insurance

- Buildings insurance is a mandatory requirement of the Islamic Bank of Britain Home Purchase Plan. This needs to be maintained throughout the term of the Home Purchase Plan agreement. You will be required under the Service Agency Agreement to arrange this yourself. The policy will be in joint names between Islamic Bank of Britain and yourself, with the Bank listed as the first loss payee.

- Any changes in the Insurance policy such as switching to a new provider must be notified to Islamic Bank of Britain by sending the relevant documentation. The insurance policy must be for a continuous period with no break in the cover.

Eligibility

The decision to finance the property will be based on our assessment of your ability to meet the payments and the Bank's underwriting criteria. In arriving at this decision the following factors will be considered:

- Your income and expenditure
- The management of your financial affairs
- Information received from credit reference agencies
- Your age
- The type of the property and its condition. The general property criteria for the Home Purchase Plan is:
    - Absolute ownership residential properties in Scotland
    - Long leasehold domestic residential properties with an unexpired term of at least 60 years plus the term of the financing

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Costs

Below is an indication of the types of costs that will be incurred in the purchase or refinance of the property.

Cost	When payable	Reason for payment
Administration fee	When you complete the debit card details and return with your Home Purchase Plan application	To cover the Bank's cost in processing the application
Valuation fee	When you complete the debit card details and return with your Home Purchase Plan application	To cover the cost of a survey and a professional valuation report
Bank's solicitor's fees	Paid by you before completion	To cover the Bank's legal costs incurred in the purchase / refinance of the property
Your solicitor's fees	As agreed between you and your solicitor	To cover your solicitor's legal costs in the purchase of the property
Stamp Duty *consult with your solicitor to see if there is an exemption and what the current rate is	When the purchase of the property takes place	A government tax payable on all residential purchases
CHAPS fee	Deducted from the funds on completion	To cover the costs of remitting the funds on an electronic basis

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Next steps in completing your Islamic Bank of Britain Home Purchase Plan

Important note - the timescales given are an indicative guide for customers. Each case will be different and dependent on factors that are not necessarily within Islamic Bank of Britain's control. In certain circumstances the finance can be arranged sooner than indicated below.

What you need to do	Documents required	Approximate Time
Step 1 **Apply** via: • online • telephone • visiting one of our branches (appointment may be necessary)		Agreement in Principle (30 mins) Application Form (45 mins)
Step 2 Ensure your signed **application is sent** to Islamic Bank of Britain with all the **supporting documentation** and all the information is accurate and complete	• Application form signed and dated • Latest 3 months pay slips / P60 • Latest 3 months bank statements • 2 years accounts if self employed • Proof of address < 3 months old if not an existing customer • Proof of identity if not an existing customer • IBB direct debit mandate • Debit card details form • Please refer to the document checklist	Processing of application Week 1
Step 3 **No action is required on your part**. Once the survey is complete and satisfactory we will send the offer letter to the Bank's solicitor who will then send to your solicitor. A copy will be sent to you		Survey and valuation Weeks 2 - 3
Step 4 **Review and sign** the financing documents. Give an indication to your solicitor of your preferred completion date and keep in regular contact with them to make sure the deal is progressing		Legals and searches Weeks 4 - 6
Step 5 In order to avoid delays ensure you have arranged your **buildings insurance, paid the deposit and fees** to the solicitor before the completion date		Completion Weeks 7 - 8

Want to know more? Call our Home Purchase Plan Team from Monday

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Frequently Asked Questions

You are advised to read through this section as you may find the answers to some of the most frequently asked questions

Q. Should I obtain advice from anyone else before proceeding?
A. We will provide you with the information required but ultimately the decision to apply is your choice. You may decide to consult your local Imam or Mufti directly but please remember that they are probably not Independent Financial Advisors ("IFAs") and may not be qualified to give you financial advice.

Islamic Bank of Britain will be selling this product on a non-advised basis. If you are uncertain about the suitability of this product for you, then you should consult an Independent Financial Advisor.

Q. You state that the Occupancy Payment is calculated on the outstanding amount of the Bank's share of the property under the Diminishing Musharaka Agreement. The example is calculated at the occupancy rate of 3.99%. This seems like an interest rate. Is it permissible under Sharia'a to determine Occupancy Payments in this way?
A. It is important to remember that we do not charge interest. We are part owner of the property and have a Co-Beneficiaries contract where we charge Occupancy Payments and as such all of our legal documentation and our activities reflect this arrangement. However, to ensure that we give you a competitive price and to ensure that we are in line with the rest of the market, we use the Bank of England base rate as a bench mark to ensure that our product is priced competitively with other products in the market. This has been approved by our Sharia'a Supervisory Committee.

Q. What are the steps involved?
A. You need to apply for the Agreement In Principle online or a member of staff can assist you in the branch or via telephone. Once the Agreement In Principle has been approved, an application form needs to be completed, signed, dated and returned to the Bank via a branch or the post. If you are completing the form online you can print it, or if via telephone we will post for you to sign and return with the necessary documents and fees. The application will be considered based on the Bank's criteria and certain information requested from you.

Once the Bank is satisfied that you meet the criteria and have provided the necessary information, you will receive an offer (the "Offer Letter"). The Offer Letter will set out the terms and conditions upon which the offer is based and you will also be sent a draft copy of the Diminishing Musharaka Agreement, Co-Beneficiaries Agreement, Service Agency Agreement, Trust Deed and the Standard Security Agreement at the same time. You should go through each of these documents with your solicitor before you decide to proceed.

Frequently Asked Questions (continued)

On completion:
1. The Bank will pay its contribution towards the purchase of the property to the Bank's solicitor. You will pay the difference between this amount and the actual purchase price of the property.

2. If you are switching to the Bank from a conventional mortgage or from another Islamic form of finance, the Bank will pay the amount it is prepared to finance to the Bank's solicitor. Any difference between this amount and what is owed on your existing mortgage(s) must be paid by you. The Bank will arrange to collect this difference from you before completion. The Bank's solicitor will then pay the total amount to your existing financier to fully repay the sum due.

3. You will be registered at the Land Register as the legal owner of the property.

4. You will have the right to occupy the bank's beneficial share of the property for an agreed term and you will have an exclusive right to occupy the property.

5. The first priority Standard Security you grant to the Bank will be registered at the Land Register against your beneficial interest and the legal title in the property.

6. You pay monthly instalments (Acquisition Payments) towards the purchase of the Bank's share of the property (Acquisition Cost) as well as occupancy payments for the duration of the payment term.

7. Once you have paid the Acquisition Cost and Occupancy Payments due in full, the bank's beneficial share in the property will be transferred to you and your solicitor can then arrange for the record at the Land Registry to be amended as the Bank executes one discharge of the Standard Security.

Q. What contracts do I need to sign?
A. You will have to enter into legal agreements with the Bank. Below we describe these agreements although you must take your own independent legal advice on them.
There are principally six documents ('the Agreements') that will be sent when your application has been approved

1. The Offer Letter – this will contain the Bank's offer to finance and will detail the transaction and the sums involved along with the steps that will be taken by the Bank to purchase your chosen property.

2. The Trust Deed - you, as holder of the legal title to the property, will declare a trust over the property so that it is beneficially divided between the Bank and you in proportion to our respective financial contributions.

3. The Diminishing Musharaka Agreement – in this agreement, the Bank will agree to sell its beneficial share in the property to you over the Agreement Term (i.e. the number of years over which you wish to acquire the Bank's share of the property). Every month you agree to pay Acquisition Payments towards the Acquisition Cost of the property (i.e. the price we paid to purchase the property less your share). Once the Acquisition Cost and all Occupancy Payments have been paid in full, the Bank will release the Standard Security and Trust Deed.

4. The Co-Beneficiaries Agreement – in this agreement, the Bank will agree that you have the right to occupy its beneficial share in the property and in return you agree to pay monthly occupancy payment. Occupancy Payments will be determined based on a number of factors, including our outstanding share in the property under the Diminishing Musharaka Agreement and the profit margin in the transaction.

Frequently Asked Questions (continued)

5. The Service Agency Agreement - in this agreement the bank will appoint you as its service agent. This will state your obligations as a service agent which includes arranging buildings insurance for the duration of the Co-Beneficiaries agreement.

6. The Standard Security Agreement – as security for your payment obligations under the Diminishing Musharaka Agreement and the Co-Beneficiaries Agreement, you grant the Bank a first priority legal charge over your interests in the Diminishing Musharaka Agreement and the Co-Beneficiaries Agreement.

Q. Can I make additional payments to the Bank?
A. You can make additional Acquisition Payments in February, May, August and November and these will be taken into account at each occupancy payments review. If you would like more information please contact us on 0800 4087 786. Please check the Diminishing Musharaka Agreement for full terms and conditions.

Q. Can I refinance?
A. You can switch from an existing conventional mortgage or from an Islamic home finance. Like a purchase, you will have to go through the legal process of the Bank acquiring a beneficial share in the property from you or from your bank.

Q. Are there any restrictions on the early settlement of the outstanding amount?
A. During the first 5 years of the Home Purchase Plan if you decide to settle your finance early you will be required to repay to the Bank the full cost of the fees incurred if you selected the Fees Assisted product only.

Q. What happens if I lose my job or am unable to pay you for any reason?
A. If your financial circumstances change for any reason and you encounter difficulty in meeting your monthly payment, it is vital that you contact the Bank as soon as possible. What action the Bank takes is dependent on the circumstances. However, the Bank promises to act fairly and reasonably at all times. **You must make sure you can afford the monthly payments. If you do not keep up the monthly payments, you may lose your home.**

Q. What happens if I die?
A. This will be handled sensitively and respectfully. It may be possible to transfer payment obligations under a new contract to other individuals as long as they are able to demonstrate their ability to meet the payment obligations. The proportion of the value of the property that belongs to the deceased customer will become part of their estate.

Q. How does the Bank acquire share in the property that I have chosen?
A. You will enter into the purchase contract with the seller and pay any required deposit to the seller. On the initial completion date we will acquire a share in the property for which we will pay our contribution to the purchase price. The Bank will pay its contribution to the purchase price of the property (the Acquisition Cost) to the seller and you will pay your share (being the difference between the Acquisition Cost and the purchase price), and legal title to the property will transfer to you. In our case there is no loan, rather you pay monthly Occupancy Payments for the Bank's share of the property, so you cannot become the sole legal owner immediately. You do however become the sole legal owner once you have purchased the Bank's share (i.e. once the balance of the Acquisition Cost has been paid) in accordance with the Legal Documents.

Frequently Asked Questions (continued)

Q. Will the Bank, as a beneficiary, benefit from any increase in the value of the property?
A. The Bank will not benefit from any increase in the value of the property. The Bank will receive the balance of the Acquisition Cost due under the Diminishing Musharaka Agreement paid in purchasing the property as well as the Occupancy Payments due under the Co-Beneficiaries Agreement. Any appreciation or depreciation in value of the property will be passed on to you on completion of the sale of the property under the Diminishing Musharaka Agreement.

Q. If I make payments late, why do I have to pay additional amounts? Surely this additional payment is the riba?

A. There may be times when some customers make their payments late and as a financier there will be additional administrative costs as a result of such late payments and these costs can be recovered. Once the costs have been recovered any additional amount will be donated to charity and the Bank will not profit from any extra income received from this charge. Our Sharia'a Supervisory Committee has agreed that this is acceptable.

Q. I understand the Bank will review the Occupancy Payment. I have two questions concerning this

a) Why is there a review of Occupancy Payment?
b) What happens if the Occupancy Payment increases too much and what does this mean for me?

A. (a) Providing a product that has variable Occupancy Payment is important to both you and the Bank. It is important that the Occupancy Payment remains competitive and provides a rate of return that is comparable with the profit that is made by other providers when advancing conventional non-Islamic loans. At the same time, our customers want the flexibility of knowing that if the rates that are used for benchmarking purposes go up or down, their Occupancy Payment will be adjusted accordingly. There is a further reason why the Bank adjusts the Occupancy Payment. Some of you may wish to make additional Acquisition Payments, which can be made at any time, but it is most beneficial to you immediately prior to the Occupancy Payment review. By periodically adjusting the Occupancy Payment, the additional Acquisition Payments are taken into consideration when assessing what the new Occupancy Payment figure should be on each Occupancy Payment review date.

(b) You have the right under the Diminishing Musharaka Agreement to settle your finance by paying the remaining balance of the Bank's share (i.e. the remaining Acquisition Cost) in accordance with the Diminishing Musharaka Agreement.

You should refer to the Co-Beneficiaries Agreement and the Diminishing Musharaka Agreement for further information on your rights concerning this.

Q. If I want to sell the property in the future, can I do so?
A. In the Diminishing Musharaka Agreement you have the right to request to settle the finance or sell the property to a third party. You will be required to pay the remaining balance of the Acquisition Cost due to the Bank under the Diminishing Musharaka Agreement or, if you are selling the property to a third party, you must ensure that the selling price is sufficient for the Bank to receive the remainder of the Acquisition Cost from the sale proceeds. In either case a discharge of the Standard Security and Trust Deed will not be executed unless all sums due to the Bank are paid.

Q. What will happen once the Acquisition element has been paid?
A. The Diminishing Musharaka Agreement provides that completion of the sale of our beneficial share in the property to you will take place ten (10) working days following receipt of your final payment.

Frequently Asked Questions (continued)

Q. As the Bank jointly purchases the property with the customer and will transfer its beneficial share in the property to me on full settlement will I have to pay stamp duty twice?
A. The Stamp Duty laws have been changed so that anyone financing property using Islamic finance "Alternative Finance" will not be at a disadvantage. Stamp Duty will be payable once on the transfer of the property to you from the seller. This is subject to future legislative changes in taxation.

Q. Will I have to pay stamp duty if I am refinancing my existing facility?
A. No, Stamp Duty is only payable on purchases. This is subject to future legislative changes in taxation.

Q. Why are their two sets of solicitors involved?
A. To ensure compliance with Sharia'a principles the transaction has to be structured in such a way as outlined in this guide. The Law Society will not permit one solicitor to act for both the Bank and its customer.

Our service

We have a dedicated team of experts available through various channels who will guide you through the stages of the Islamic Bank of Britain's Home Purchase Plan. The team not only understands the house buying and refinancing processes but also, more importantly, has an understanding of the Sharia'a principles involved. Our team will provide information and assistance for you to make an informed decision whilst being sensitive to the special reasons you have chosen to take Islamic finance.

Islamic Bank of Britain will be selling this product on a non-advised basis. If you are uncertain about the suitability of this product for you, then you should consult an Independent Financial Advisor.

Apply today :

Online	**www.islamic-bank.com**
Phone	**0800 4087 786**
Branch	**Book an appointment at one of our branches.** For details of our branch locations go to **www.islamic-bank.com**
Post	**Islamic Bank of Britain PLC** **PO Box 12461** **Birmingham B16 6AQ**

Remember
This guide is designed to provide you with an overview to Islamic Bank of Britain's Sharia'a compliant Home Purchase Plan. In the event of any conflict between the contents of this guide and the Legal Documents, the Legal Documents shall prevail. If you still have any doubts or if there is anything that you do not understand, you should take the copies of the Legal Documents to somebody who can give you independent legal advice. There is no substitute for seeking specific legal advice from your own legal advisor to cover your own particular needs.
Once you have read this guide, please keep it safe in case you need to refer to it in the future.

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If we don't get it right

Islamic Bank of Britain PLC will endeavour to ensure that you receive the highest standard of service and that you are treated with courtesy at all times. If you are unhappy with any aspect of our service we would like to know why.
For a copy of our Customer Care leaflet dealing with our complaint handling procedures call our Customer Care Team on **0845 6060 786**.

Data Protection Act

Under the Data Protection Act you have a right of access to your personal records.
Should you wish to exercise this right, please write to:

The Data Protection Officer
Compliance Department
Islamic Bank of Britain PLC
PO Box 12461, Birmingham B16 6AQ

A fee will be charged for this service.

Want to know more about any of our accounts or services?

Call us today on:
0845 6060 786*
Monday - Friday 9am to 7pm
Saturday 9am to 1pm

*calls may be recorded or monitored for training and security purposes

Write to:
Islamic Bank of Britain PLC
PO Box 12461
Birmingham B16 6AQ

Visit one of our branches

Online at:
www.islamic-bank.com

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