

## Key Features

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# Fixed Rate Lending

Important information



# Fixed Rate Lending

This document explains the key features of our Fixed Rate Loans. It also provides general information about the advantages and disadvantages of a Fixed Rate Loan.

Fixed Rate Loans may lead to Prepayment fees and Break Costs if repaid during the Fixed Rate Period. **These costs could be substantial.**

All lending is subject to our underwriting criteria, availability and status.

We reserve the right to decline any loan application.

Before entering into any loan agreement or prepaying your loan, we advise that you take advice from an independent legal or financial adviser. This is to ensure the loan meets your requirements and that you understand the terms of your loan and the financial implications of your actions.

We do not provide legal or financial advice to our customers on the management of interest rate risks and you are not entitled to rely on us for advice or recommendations.

## Advantages:

- Provides certainty as your loan repayments will not increase if interest rates rise during your Fixed Rate Period.
- Allows for easier cashflow management as your Repayments will not change.

## Disadvantages:

- If interest rates fall during your Fixed Rate Period you will not benefit as your repayment amount will not decrease.
- If you wish to repay any of your loan during your Fixed Rate Period you may be subject to fees. These could be substantial.

# Key Features

Terminology	Summary Definition
<b>Arrangement fee</b>	This needs to be paid up front and is typically 1.5% of the loan value. In addition, legal and valuation fees are payable by the Borrower.
<b>Break Costs/Break Gains</b>	May be applicable. See page 5 for more information.
<b>Eligibility Criteria</b>	Unity will only lend or provide banking services to organisations which deliver positive social or environmental outcomes through their activities and subject to appropriate credit assessments.
<b>Fixed Rate Period</b>	<p>You pay a fixed interest rate for your Fixed Rate Period. Unity will consider Fixed Rate Periods ranging between 24 months and 60 months. The loan then reverts to a variable interest rate, at an agreed percentage above the Bank of England Base Rate.</p> <p>It may be possible to split your Term lending between a Variable Rate Loan and a Fixed Rate Loan. For example, a £1 million loan over five years could be split £600,000 on a Fixed Rate over two years, and £400,000 on a Variable Rate for the remaining Term.</p> <p>The Fixed Rate Period will not begin until the loan is fully drawn. Please discuss your requirements with us.</p>
<b>Loan Amount</b>	Between £250k and £10m. Unity will also consider all loan amounts for Fixed Rate Loans where the original loan amount with Unity was £500k or higher.
<b>Net Present Value</b>	<p>Within the overall break cost this will usually be a loss or gain when calculated. We calculate the value of all future cash flows contractually payable by you during the remainder of the fixed rate period and compare this to the replacement income we can obtain for the remainder of the fixed rate period by reference to the Swap Rate.</p> <p>These future dated cash flows are then discounted to the date you make the early repayment.</p>

Terminology	Summary Definition
<b>Prepayment fee</b>	A prepayment fee may be payable if this is within the first three years of your loan period, where all, or any part of the loan is prepaid. The fee is equal to a percentage of the amount prepaid. Please refer to your Term Loan Facility letter for further details
<b>Purpose of funds</b>	<p>The loan must be for business purposes, to support a project that contributes community, economic, social or environmental benefit. This could involve:</p> <ul style="list-style-type: none"> <li>• Business acquisition</li> <li>• Creating housing, community and office space</li> <li>• Property purchases</li> <li>• Property refurbishment including green initiative social housing projects to support decarbonisation</li> <li>• Refinance</li> </ul>
<b>Repayments</b>	Monthly or Quarterly.
<b>Repayment type</b>	<ul style="list-style-type: none"> <li>• Capital and Interest only</li> <li>• Interest only</li> <li>• Interest only then Capital and Interest</li> </ul>
<b>Security</b>	Security may be required - each case is considered on its merits. If security is required, legal fees will be payable, and we will give you an estimate of this at the outset. If the security arrangements include a property or assets that you own please remember that these may be repossessed if you do not keep up repayments on your loan.
<b>Swap Rate</b>	<p>We use this to calculate the Break Cost/Break Gain as a result of a prepayment during the fixed rate period.</p> <p>This is, on the date of the prepayment, the fixed rate of interest that we could have obtained in the market for the amount of the prepayment for the remainder of the fixed rate term.</p>
<b>Term</b>	Up to 10 years.

Before you accept a fixed rate or make an early repayment, we recommend that you seek professional advice from your accountant or financial advisor in order to fully understand the potential liabilities associated with either of these actions.

# Break Costs/Gains

If you partially or fully repay your loan before the end of the fixed rate period, break costs may be payable by you to us, or break gains may be payable by us to you.

**You can use this formula to estimate your break:**

Break Cost/Break Gain = Amount prepaid x Interest Rate difference\*  
x Remainder of fixed rate period.

For example, if as at the date of the prepayment, the Swap Rate for the remainder of the fixed rate period is lower than your fixed rate, you will be required to make a payment to us at the same time as the prepayment; this is known as the Break Costs. The Break Cost payment depends entirely on how much these rates change.

If the Swap Rate for the remainder of the fixed rate period is higher than your fixed rate, then this may result in payment to you.

\*This takes into account the interest rate environment at the time you make the prepayment.

# Calculating Break Costs/ Gains

We will start by using the amount of interest that would be payable by you for the remainder of the fixed rate period by reference to the fixed rate.

We will then notionally deduct the interest that we would receive for the remainder of the fixed rate period based on the Swap Rate.

We would then also calculate the Net Present Value of that amount in determining the final figure payable by you or us.

If the amount is positive, this is the Break Cost. If the amount is negative, this is the Break Gain.

Depending on the Swap Rate and the remainder of the fixed rate period at the time of the prepayment, the Break Costs could be significant.

## Break cost example information

Loan Assumption	
Amount	£1,000,000
Fixed Term Period	5 years
Fixed rate (excluding any margin)	5.00%
Remaining term at break	1 year
1 year swap rate	4.30%

Break Cost Calculation		
Interest due	£50,000	
Replacement interest	£43,000	
Customer cost to break	£7,000	Interest due less replacement interest
Net Present Value (NPV*)	£6,711	At today's interest rate, what the £7,000 is worth to the bank
Total Break cost to customer	£6,711	

# Calculating Break Costs/ Gains (cont.)

## Break Gain example information

Loan assumption	
<b>Amount</b>	£1,000,000
<b>Fixed Term Period</b>	5 years
<b>Fixed rate (excluding any margin)</b>	5.00%
<b>Remaining term at break</b>	1 year
<b>1 year swap rate</b>	5.70%

Break Cost Calculation		
<b>Interest due</b>	£50,000	
<b>Replacement interest</b>	£57,000	
<b>Customer Gain from break</b>	-£7,000	Interest due less replacement interest
<b>Net Present Value (NPV*)</b>	-£6,623	At today's interest rate, what the £7,000 is worth to the customer
<b>Total Break Gain to customer</b>	£6,623	

\*NPV will discount the cost or gain that reflects its 'time value' – it takes into account the fact that £100 received in the future is worth less than £100 received now. The discounted figure is known as the net present value of the cost or gain.

# Further information

## All Loans are subject to status and Terms and Conditions apply.

Unity adheres to the Lending Standards Board's Standards of Lending Practice which set the benchmark for good lending practice in the UK, outlining the way registered firms are expected to deal with their customers throughout the entire product life cycle.

The protections of the Standards of Lending Practice for business customers apply to businesses which at the point of lending:

- Have an annual turnover of up to £25 million in its last financial year (exclusive of VAT and other turnover related taxes), and;
- Does not have a complex ownership structure (for example, businesses with overseas, multiple or layered ownership structures).

More information can be obtained at [www.lendingstandardsboard.org.uk](http://www.lendingstandardsboard.org.uk)

## Go Paperless!

You can choose to receive online statements and we'll notify you by email or SMS when they're available. [Contact us](#) to switch to paperless statements.

## Financial difficulties

If you would like more information about managing your finances, please speak to your Relationship Manager or call us on **0345 140 1000**.

You can also find more information about financial difficulties in the Services section of our website – [www.unity.co.uk/debt-counselling](http://www.unity.co.uk/debt-counselling) or by calling Business Debit Line on **0800 197 6026**.

### **Get in touch to find out more about applying for a Fixed Rate Loan:**

Please call us on **0345 140 1000**.

You will receive support from a dedicated Relationship Manager who will help explain both fixed and variable options to you on a wholly **non advised basis**.

## How and where to complain

If you are not satisfied with any aspect of our service or products, you can tell us about your concerns. To find out how, please read our [dedicated complaints page](#).

**Contact us:**  Call us: 0345 140 1000  Email us: [us@unity.co.uk](mailto:us@unity.co.uk)  Visit us: [www.unity.co.uk](http://www.unity.co.uk)



# General Information



This information is available to you at any time on our website.  
Please read this important information carefully and retain it for future reference.

# Our Commitments to our business customers

**As a lender we have committed to follow the Standards of Lending Practice for business customers. By adhering to the Standards, we are demonstrating a commitment to ensuring that our customers are treated fairly.**

- We will lend responsibly and treat your business fairly and reasonably at all times.
- We will ensure that all information we provide about our products and how they work is clear and understandable so that you can decide what is best for your business' needs.
- We will provide clear, upfront information on the documents required to support an application. Taking account of this will help to ensure that we can deal with your application efficiently.
- If we are unable to approve your application, we will explain why and provide a referral, where appropriate, to alternative sources of finance.
- If your application is declined you have the right to appeal the decision.

- We will set out any requirements/conditions we may have to support any borrowing in a clear, understandable way.
- We will confirm the conditions of your business borrowing in writing and highlight any covenants or material conditions attached to it.
- We will clearly set out the type and frequency of information we will require to monitor the business' performance.
- If your business experiences difficulties, we will seek to understand the overall circumstances to try and identify suitable and pragmatic solutions. Where appropriate, we will provide details of free debt advice.



## What we ask of you:

That, prior to making an application you double check what information we will need to process an application. If you are unsure or have any questions, please contact us.	Yes <input type="checkbox"/>
That all information you provide to us during our relationship is complete, accurate and timely.	Yes <input type="checkbox"/>
We ask you to think carefully about whether the business can afford the product applied for and to be open in your dealings with us.	Yes <input type="checkbox"/>
To make sure that you understand the terms and conditions associated with your product.	Yes <input type="checkbox"/>
That you seek professional advice, where this is appropriate for the needs of your business and the type of product you are applying for.	Yes <input type="checkbox"/>
That the business maintains any commitments it has to us, for example providing information which we may reasonably request to monitor performance.	Yes <input type="checkbox"/>
Take care of any security information to help prevent fraud and protect your account(s).	Yes <input type="checkbox"/>
Tell us as soon as possible if someone is misusing confidential information.	Yes <input type="checkbox"/>
Carefully check your business' account statements/records to make sure they are accurate. If anything isn't right, please get in touch with us.	Yes <input type="checkbox"/>
<b>Please let us know if</b>	
Your contact details change or there is a change in how your business is run for example, ownership/directorships etc, so we can keep our records up to date;	Yes <input type="checkbox"/>
Your business may be about to experience, or is experiencing difficulties. The sooner you do this, the more likely it is we'll be able to find a way to help you	Yes <input type="checkbox"/>



**You can download our Key Features at: [unity.co.uk](http://unity.co.uk)**

Unity Trust Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Unity Trust Bank is entered in the Financial Services Register under number 204570. Registered Office: Four Brindleyplace, Birmingham, B1 2JB. Registered in England and Wales no. 1713124. Calls are recorded and may be monitored for security, training and quality purposes.

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**For Businesses. For Communities. For Good.**

[www.unity.co.uk](http://www.unity.co.uk)

