



# A-Z Lending Criteria

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**Every mortgage loan application is assessed against the 5 main risk pillars which are:**

- Loan to value (LTV)
- Loan to income (LTI)
- Affordability (Surplus)
- Credit history
- Security

**Acceptable Deposits**

- Savings and Investments
- Inheritance (that has already been received by the applicant or funds already held by the solicitor)
- Builder's deposit (New Build only and not available for shared ownership mortgages) – Subject to confirmation by valuer
- Builder's incentives (New Build Only) – If incentives are greater than 5% of the purchase price/ valuation (whichever is lower), must be deducted from the purchase price/ valuation when calculating the maximum amount DBS will lend. This will be subject to confirmation by valuer
- Gifted deposit (blood relative, step-parent, child, spouse, guardian or partner).
- Equity from sale of another property owned.
- Deposit raised from another property owned.
- HTB government loan – up to 20% of purchase price/ valuation price.
- For BTL applications, gift may only be from Landlord or family (As defined above)
- Deposits coming from abroad can be considered on an individual basis. It will depend on the source of the funds and the funds must come from our acceptable foreign currency list (see Foreign Currency Policy). The deposit funds must be paid into the applicants UK bank account and we must be able to evidence a trail of the funds from the overseas account.

Applicant must provide a minimum deposit of 5% from their own resources (excluding Right to Buy and gifted deposit) and will be subject to MIG approval in this instance. Where personal contributions are less than 5% then LTV will be restricted to 80%.

**Additional borrowing**

The society will agree additional borrowing at a Maximum of 90% LTV.

Unacceptable reasons for additional borrowing:

- Tax bills
- Gambling
- Anything speculative

## Affordability

The minimum level of essential and regular household expenditure is calculated using the ONS model. The minimum amount of expenditure estimated by the model will differ based on a number of customers and application characteristics. The expenditure used in affordability calculation is the higher of what the customer has declared or the ONS model.

If there is evidence on file (e.g. bank statements) to suggest that commitments are greater than declared/ONS then this must be included in the customer's expenditure and included in the affordability assessment.

Cases received with an additional person in the household that is not a joint applicant should be referred to an underwriter to assess whether the additional person/s should be included in the affordability assessment

All cases should have a positive surplus for affordability at stress tested rate, anything outside of this should be referred to UW.

## Affordable Housing (Excluding shared ownership)

The Society will consider applications for people wanting to buy their homes under 'Affordable Housing' or discounted purchase schemes.

The valuation must reflect the full value of the property and confirmation of the purchase price must be provided.

The Society will lend 95% of the total purchase price, LTV will be limited to 80% LTV.

The customer must provide a minimum deposit of 5% from our list of acceptable deposits.

All covenants and Section 106 to be agreed by underwriters and relevant documentation must be provided.

## Age requirements

### **Minimum age – Residential**

The Minimum age at application for all customers is 18 years

### **Minimum age – BTL**

The main customer must be at least 21 years of age at application on BTL application. Additional customers must be at least 18 years of age at application.

### **Minimum Age – Joint borrower sole proprietor**

A customer must have attained a minimum age of 25 years before they can be added as a supporting applicant on a joint borrower sole proprietor application.

### **Minimum Age – Expat (Residential and BTL), Holiday Let and Shared Ownership**

The Minimum age at application must be at least 21 years of age

### **Maximum Age**

DBS will not impose a maximum age for customers on a repayment mortgage – please refer to lending into/ in retirement policy.

The maximum age of 86 for customers on an Interest Only mortgage.

## Aggregated borrowing

Aggregation of facilities – all loans are assessed on an aggregation basis to take into account all existing and connected borrowing with the Society. Particular reference is to be given to the overall exposure and LTV together with the ability of the borrower to service the aggregated borrowing. Maximum loan amount aggregated is £1.75 million

## Agricultural Tie

Properties subject to an agricultural tie will be considered but should be referred to UW with the relevant Section 106

## Applicants (Number of)

Maximum number of applicants per application is 4

## Background BTL properties

For applications with up to 3 mortgaged BTL properties (non-portfolio landlords) we require evidence of the mortgage conduct for all of the BTL properties and also need to confirm that the properties meet the minimum ICR requirements.

Evidence of proof of mortgage payments should be confirmed from the applicant's credit report or mortgage statements. The monthly rental income received should be evidenced from the applicant's bank statements.

For applications with 4 or more mortgaged BTL properties (portfolio landlords) we will require a schedule of all of the BTL properties detailing a minimum of the property addresses, mortgage balances, monthly mortgage payments and the monthly rental incomes. We need to take a sample of the mortgaged BTL properties (minimum of 4 properties) and we require evidence of the mortgage conduct for the sampled properties and also need to confirm that the properties meet the overall minimum ICR requirements.

Evidence of proof of mortgage payments should be confirmed from the applicant's credit report or mortgage statements. The monthly rental income received should be evidenced from the applicant's bank statements.

Linked addresses on the credit report can also be an indicator of a BTL property and can be confirmed from the declared properties on application form or the portfolio spreadsheet for portfolio landlords.

## Bank statements

For every mortgage application the Society requires the most recent 3 full months' worth of bank statements for the applicant's accounts where their income is paid into and where household and living expense is paid out from.

## Bonus, overtime and commission

Please see income streams as to how these income streams can be used.

## BTL

Maximum 4 applicants Minimum income of £25,000 (excluding BTL income for property being mortgaged) for the application using a maximum of 2 applicants' income  
Max LTV is 75%

The Society has no appetite to lend to portfolio landlords (4 or more properties)

Rental income for the property must be able to cover the interest only mortgage payment, which is the Income Cover Ratio (ICR)

The Society has adopted a dual interest cover ratio test depending on whether the applicant is a higher Rate tax payer or not.

For a higher rate tax payer the minimum ICR is 145%

If  $ICR \leq 145\%$  but  $>130\%$  then full affordability to be undertaken to insure surplus income can support 145% ICR

Full affordability will cover all of the same levels as a residential affordability  
For basic rate tax payer the minimum ICR is 130% no other affordability can be used.

For ex-pats the minimum ICR is 130% no other affordability can be used.

Stress testing of the BTL mortgage should be as a minimum 2 percentage points in BTL mortgage interest pay rate subject to a minimum interest rate of 5.5%, whichever is the higher

As of April 2018 all landlords will be required to hold an EPC rating of "E" or above. A mortgage offer condition should be added for the solicitor to confirm that the property has an EPC rating of 'E' or above. The society will not provide further borrowing for debt consolidation on BTL properties.

The society has no appetite for BTL Joint borrower sole proprietor applications.

The society will not consider sub-letting on BTL applications. Mortgage offer condition to be added to confirm no sub-letting

The society will not consider BTL properties in Scotland

## Chancel repair liability

The Society will consider properties subject to a Chancel Repair Liability these cases should be referred to UW with supporting documents.

## Commercial

The Society has no appetite to lend to any new commercial borrowers.  
All existing Commercial borrowers should contact the Commercial Manager.



## Construction types

Modern methods of construction should be referred to UW, types considered include:

- Green Oak frame
- SIPS (Structurally insulated panels)
- ICF (Insulated concrete framework)
- Steel frames

Traditional construction will be considered to have:

Walls

- Outer walls of brick/reconstituted stone/block with inner walls of brick, block or timber frame(Modern)
- Solid stone

Roof

- Tile
- Slate

Any other constructions types should be referred to UW

## Consumer BTL

The Society has no appetite for consumer BTL properties.

The Society will deem any BTL mortgage where the objective is not to benefit from house price growth or rental income as consumer.

The Society will require a signed letter from the customer explaining their intention behind the purchase. Explanation of customer intention is also required for a re-mortgage where the property is currently let.

## Consent to let

Consent to let applications will be considered where the loan to value is 80% or under. Cases above 80% loan to value will be declined unless the balance is reduced to 80% or below. Where a request for a consent to let is made the original mortgage product will need to be converted to a buy to let product available at the time.

All consent to let applications will require an affordability assessment and assessed on residential criteria. The following supporting documents will be required to fully assess the consent to let application;

- 1 month bank statement
- 1 month pay slip/1 year SA302 (other income follow normal criteria)
- Darlington Building Society General conditions for letting
- Tenancy agreement (if applicable) or a letter from the estate agent confirming anticipated rental income
- Mortgage borrowers checklist
- Signed mortgage variation

### **Armed forces consent to let**

Where the applicant(s) is posted away from their mortgaged property and are looking to rent the property whilst be stationed. We will honor the request and leave their mortgage on the initial interest payable.

All armed force applications to let will require an affordability assessment and assessed on residential criteria. The following supporting documents will be required to fully assess the consent to let application;

- 1 month bank statement
- 1 month pay slip/1 year SA302 (other income follow normal criteria)
- Darlington Building Society General conditions for letting
- Tenancy agreement (if applicable) or a letter from the estate agent confirming anticipated rental income
- Mortgage borrowers checklist
- Signed mortgage variation

Where a consent to let/armed forces consent to let application falls outside of normal criteria please refer to the underwriters.

### **Contractors**

The Society will consider applications from contract workers who have a minimum of 2 years' experience in the same industry.

DBS accept contract workers on the following basis:

- Day rate x number of days x 46 weeks (Day rate and number of days worked to be taken directly from contract).

Bank statement where payments are received must match the contract – these statements can be personal or business bank statement.

The society requires the following documentation with all applications for contractors:

- The current contract has half of the contractual term remaining at the time of application or evidence that the contract will be renewed.
- 3 months most recent bank statements which demonstrate the income.

CIS sub contractors are classed as Self-Employed and we should follow the Self Employed criteria for these applicants. Consideration to be given on taxation as generally 20% is deducted at source on their 'remittance advices' which are paid directly to HMRC by the contractor towards their tax and NI bill. CIS Ltd Company Contractors should also follow the Self Employed criteria.

### **Credit History**

A credit check should be performed for all applicants.

Everything in the below table with the exception of debt management plans must be satisfied. All applications which demonstrate previous mortgage arrears must be referred to Underwriting. Before making a referral to Underwriting please ensure that your referral does not fall under the no appetite section noted on page 3 of this document.

	Standard	NonStandard	CreditRepair	ExtraSupport
LTV	Up to 95%	Up to 80%	Up to 70%	MAX65%
Maximum Loan Amount	Referto loan amounts section	70.1-80% - £500k 70%orless-£750k	70%orless-£500k	65%orless-£300k
Missed Payments – Consumer Credit ( Excl Mobile Phones, Mail Orders & Utilities)	No more than 1 in the last 12 months	No more than 2 in the last 12 months	All other Missed Payments.	No FCA definition
Missed Payments - Loans	None in the last 3 years	None in the last year	Less than 12 months	In the last 2 years overdue payments 3 months or more on a loan, except where the late payment was caused by a third party error.
Mortgage/ Rent Arrears	None in the last 3 years	None in the last year	Less than 12 months	In the last 2 years overdue payments 3 months or more on a mortgage, except where the late payment was caused by a third party error.
Satisfied Payday Loans	No more than 1 in the last 12 months	No more than 2 in the last 12 months	Maximum of 5 in the last 12 months	No FCA definition
Satisfied Defaults on Credit Commitments (satisfied prior to issuing mortgage offer)	Registered over 3 years ago (£500 or Less)	Registered over 2 years ago (£500 or less)	All other satisfied defaults	No FCA definition
Satisfied CCJ's	None in the last 3 years and satisfied for at least 3 years (£500 or less)	None in the last 2 years and satisfied for at least 1 year (£500 or less)	All other satisfied CCJ's	There have been one or more CCJ's within the last three years with a total value greater than £500
Payment/Debt Management Plans (Satisfactory conductor discharge)	None in the last 3 years and satisfied for at least 3 years	None in the last 2 years and satisfied for at least 1 year	Established over 3 years ago	No FCA definition
Satisfied IVA / Bankruptcy Previous Repossession (Max 70% LTV)	Satisfied over 6 years ago	Satisfied over 5 years ago	Satisfied over 3 years ago	The customer has been subject to an IVA / Bankruptcy order at any time within the last 3 years

\*Please see glossary for an understanding of the above categories

## Debt consolidation

The Society is prepared to consider mortgage applications where there is an element of capital raising for third party debt consolidation subject to the following criteria:

- In all cases details of the debts to be consolidated must be ascertained
- The maximum LTV should not exceed 70%. Any exceptions to this (up to an absolute maximum of 90%) must be approved by underwriting. In addition normal MIG referral criteria will apply
- Where the proposed LTV exceeds 80% and any of the debts are related to a business operated by the applicant then this is not acceptable to the MIG provider who will refuse to provide cover. In this situation the application must be declined
- The maximum amount to be consolidated should not exceed £30,000. (Does not include HTB equity loan).
- Second charges can be repaid but will be included in the total value of the debt consolidation
- The Society will only consider debt consolidation where the main purpose of the loan is for residential purposes, we define main purpose as at least 50% of the total borrowing.
- Not available for Shared Ownership Mortgages.

## (EEA) Nationals of European Economic Area

Subject to normal affordability and other criteria in this Policy being satisfied, the Society would be willing to provide a mortgage to them providing they are residents in the UK.

## Employment criteria

All applicants should be employed for a minimum of 6 months. Where applicants are employed for less than 6 months, an employment reference must be requested to confirm that employment is permanent with no probationary.

The Society can accept applications within probationary periods, however the mortgage will not be offered until an employer's reference confirms this has been successfully completed and position is permanent.

The Society will not lend over 80% LTV for sole applicants who are:

- Unemployed
- Seasonally based employees/employers
- Commission only sales people

## Employments Types

The society will consider applications from:

- Full/part/term time employed
- Contractors
- Self employed
- Directors
- Some benefit income
- Retired
- Stipend income\* Bursary\*
- Zero Hours Contract\*\*

\*The society will only consider Stipend and Bursary income where there is another source of income to support (Must be a minimum of 6 months in role) or a secondary customer to support the mortgage application.

\*\* The society will only consider Zero Hours Contract where there is another source of income to support (Must be a minimum of 12 months) or a secondary customer to support the mortgage application.

A referral must be sent to Underwriting where stipend, bursary and zero hour contract income is required to support the mortgage application.

## Existing Customers

The society will consider the following for existing customers, providing there is a minimum of 6 months (excluding self-build) after the original mortgage advance and will be subject to full underwriting. Exceptional consideration can be taking into account and will be on a case by case basis.

- Additional Borrowing
- Transfer of equity
- Term change extension with lending in/ into retirement (including expired terms)
- BTL to residential

The following Mortgage variation requests will not require underwriter approval and can be assessed by the direct team providing they are within policy criteria and a full affordability assessment is completed. Anything outside of policy will need to be referred to an underwriter.

- Repayment type (Interest Only and Repayment)
- Term change reduction (stressed at product rate for affordability)
- Term change extensions with no lending in/into retirement
- Consent to let – please refer to policy

Where the customer has demonstrated the following, a common sense approach can be adopted when assessing affordability without the need to request additional documentation:

- Eligible criteria has been met
- Customer has met their previous 12 month contractual mortgage payments
- Monthly payment is reducing
- The customer is not in financial difficulty

- The customer confirms that their circumstances have not significantly changes since taking out the original mortgage and they can afford the new mortgage payment.

Mortgage variations where there is a 'Product switch' and there are no material changes to the original agreement will be assessed by the direct team without the need to be referred to underwriter.

### Ex-Local authority properties

Minimum value of £80,000 for Ex Local authority houses.

The society will accept Ex Local authority flats in London only subject to the following

- Maximum 60% LTV of the open market value.
- Minimum value of £250,000

The Society has no appetite to lend on ex Local Authority flats outside of the London area.

### Expat (British Nationals)

Applicants will be considered against the criteria outlined below:

- Joint applications – All applicants must be British Nationals (If 1 applicant is going to be residing in the property this is not considered to be an Expat mortgage and will be considered as a Foreign Currency mortgage).
- For purchase or re-mortgage of a UK property
- Applicants must have been contracted for a minimum of 1 year with at least 2 years in the same field.
- Not available for self-employed applicants.
- Minimum Loan amount of £100,000
- Minimum Age - 21
- Only available for Standard credit history criteria.
- Currency – Please refer to foreign currency policy
- Must have an Active UK bank account
- Must have permanent rights to reside
- Not available for Shared Ownership applications

### **Expat residential**

- Up to a Maximum 80% LTV
- Minimum Income – £45,000 – sterling equivalent (Gross)
- Property not to be unoccupied for longer than 2 months at a time – Underwriter discretion which includes consideration of a holiday home.
- Must receive copy of the Contract for employment of working abroad - If working abroad for longer, this is be reviewed on an out of policy lend and will require confirmation of who will be occupying the property.
- Not available to Right to Buy
- Not available for FTB applications
- Not available for Rent a Room – please refer to policy.

### **Expat Buy to Let**

- Up to a Maximum 75% LTV
- Minimum Income – £35,000 – sterling equivalent (Gross)
- Property must be occupied within 3 month of completion of mortgage. Underwriter discretions for anything outside of this.
- Must receive copy of the Contract for employment of working abroad.
- Must meet BTL criteria – please refer to BTL policy criteria
- Rental must be received in sterling
- Max of 4 mortgaged BTL properties – please refer to policy for BTL (consumer to not be considered).
- Available for First buyer, first time landlord.

### **Expenditure**

The Society categorise expenditure into the categories:

- Committed expenditure
- Basic essential expenditure
- Basic quality expenditure

### **Financial Commitments**

All credit commitments should be taken into consideration for all applicants.

For outstanding credit card / mail order a minimum of 3% of the outstanding balance should be used for monthly affordability.

3% of overdraft outstanding should also be included if bank charges aren't clear.

### **First time buyers**

The Society will considered FTB BTL landlord subject to BTL criteria see BTL.

Loans of up to 95% LTV in area subject to product specific criteria and 90% LTV out of area.

Up to 95% loan to share for shared ownership

First time buyers are defined as a person who has not previously owned a property

### **Flats**

Converted flats should be referred to UW.

Where blocks are more than 4 stories high, the minimum property value must be £250,000.

Flats above commercial premises are acceptable in prime central London only, the minimum property value must be £250,000 at a maximum 60% LTV. Shops not to include fast food or alcohol sales and all such properties to be authorised on a referral basis.

Studio flats are acceptable to the society in prime central London only. Must have a minimum value of £500,000 and maximum LTV of 60%.

The Society has no appetite for:

- Maisonettes/ flats/ apartments above a shop or commercial premises outside of the prime central London area.
- HMOs
- Studio flats outside of the prime central London area.

### Flying Freehold

Approval is not required whereby the first floor of proposed security is over shared passage.

All other flying freehold should be referred to underwriting.

### Foreign Currency

The Society will accept applications from UK nationals and foreign nationals with indefinite leave to remain (spousal and tier 2 visas maybe considered on a referral basis).

The following foreign currencies will be considered up to a maximum 80% LTV:

- Euro
- US Dollars
- Australian Dollars
- Saudi Riyals
- UAE Dirhams
- Swiss Francs
- Singapore Dollar
- Qatari Riyal
- Norwegian Krone
- Danish Krone
- Swedish Krone
- Canadian Dollar
- New Zealand Dollar
- South African Rand

The income used for affordability purposes once converted into sterling will be reduced by 20% for the Euro, US Dollars, Australian Dollars, Swiss Francs and 30% for the remaining currencies.

Income tax will be applied at the rate which is applicable to the country in which, the applicant is resident, and evidence will be required.

Residence status will be defined by the latest information from the government website.

The Society will not support applications with self-employed income from companies incorporated outside the UK.



## Foster care income

The Society will look to support application from those in receipt of foster care income, income will be assessed in the same way as self-employed. Income should be taken from:

The last 2 years SA302's and the tax year overview

**Or**

2 years Tax calculations and the tax year overviews

Anything outside the above such as invoices should be referred to underwriting.

Applicants should have a minimum of 2 years' evidence of foster care income.

LTV should be limited to 80%

Reasonability surrounding the age and number of children as well as the sustainability of the income going forward should be included in the assessment.

## Geographic area

The Society currently only has appetite to lend in England, Wales and Scotland excluding Northern Ireland, Eire, Channel Islands and Isle of Man.

For local area information please see relevant sub heading.

### **London**

LTV will be restricted within the London area, the "London" area will mean any property within the M25 boundary

- LTV on residential house purchase/re-mortgage will be limited to 80%
- LTV on residential flat purchase/re-mortgage will be limited to 60%
- LTV on all BTL will be limited 60%

The limits will not apply to shared ownership mortgages – There are no differentiation on LTV by geographic area.

All applications outside of this should be referred to underwriting

## Help to Buy

The Society will take applications supported by Help to buy, excluding London and Scotland Help to buy. Help to Buy mortgages must meet the government eligibility guidelines

Only available for FTB's

If applicants are married it must be a joint application

Minimum of 5% deposit must come from the applicants own resources

Subject to regional price caps

Further borrowing will be consider subject to HCA approval.

## Help to Buy Remortgages

The Society will accept Help to Buy re-mortgages from applicants.

Help to Buy re-mortgage will not be available for properties in London and Scotland.

Full or partial repayment of Help to Buy government stakes are acceptable.

The term of the mortgage must not exceed the original loan term from when the Help to Buy was offered.

Further borrowing will be considered subject to HCA approval.

## Higher lending charge (MIG)

Insurance cover is required in cases exceeding 80% LTV

Cover is only available for residential properties

Indemnities will need formal approval by the MIG provider in the following circumstances:

- previously held a mortgage under which the property was taken into possession by a lender following voluntary surrender by the applicant(s)
- previously had a property taken into possession by the lender
- previously been refused a mortgage by another lender;
- Max loan amount £300k with an LTV restriction of 90.01-95% and £400k with an LTV restriction of 80.01-90%.

A referral will also need to be made to the MIG provider in the following circumstances:

1. Where the application is Out of Policy
2. Where there is a 2<sup>nd</sup> residential property in the background

## Holiday Let

The society will consider Holiday let applications and will be subject to the following criteria:

- Freehold properties only (other than where a lease explicitly permits short-term letting or holiday letting activity), where the property type also meets lending criteria - LTV may be restricted and all such cases should be referred to an underwriter
- Properties must be marketed on a recognised holiday letting platform, which includes (but is not limited to) Sykes Cottages, HomeAway, and Airbnb.
- The property must be suitable to be sold as a residential property in the event of repossession.
- Maximum 75% LTV
- Minimum earned income of £25,000
- Minimum property value £100,000
- Property must be let furnished
- Maximum of 3 mortgaged holiday lets per applicant
- Only available for Standard Credit History criteria
- Minimum age 21
- It must be available as a holiday let for at least 210 days of a year
- Holiday lets are available for individuals only (not corporate bodies)
- Please refer to BTL policy for ICR calculation.

## HMO

The Society has no appetite to lend on houses of multiple occupancy Income Streams.

The Society defines a HMO as an entire property, house or flat which is let to 3 or more tenants who form 2 or more households and who share a kitchen, bathroom or toilet.

## Identity Verification

For all loans the identity of the applicants must be verified in line with the Money Laundering Regulations.

Please refer to the Acceptable Documentation for ID and address verification.

**Income – Employed\*/Self Employed\*\***

<b>Income Type</b>	<b>Max %</b>	<b>Minimum Requirements</b>
Basic Gross – Guaranteed	100	2 months evidence
Overtime – Guaranteed	100	1 years
Second Employment	100	6 months
Applicant 3 Income	100	2 months
Applicant 4 Income	100	2 months
Bonus – Guaranteed	75	1 years
Bonus – Regular (At least quarterly)	50	1 years
Bonus – Discretionary	25	2 years
Shift allowance – Guaranteed	100	1 years
Shift allowance – Regular	100	1 years
Car Allowance	100	1 year
Overtime – Regular	100	1 year
Commission – Regular	100	1 year
Net profit	100	2 years
Self-employed Income (incl CIS contractors)	100	2 years
Dividend for Company Directors	100	2 years
State Pension	100	2 months
Occupational Pension	100	2 months
Private Pension	100	2 months
Bank/Supply Income	100	1 year

For ALL income streams additional UW consideration should be given regarding the income sustainability.

\*Additional UW consideration should be given for Employed applicants currently on furlough and whether the employment is sustainable on full salary and is there a return to return to work date.

\*\*Additional UW consideration should be given for Self Employed applicants receiving government assistance and the potential impact Covid 19 has had on the borrower's particular type of business.

**Income - Other**

<b>Income Type</b>	<b>Max %</b>	<b>Min Requirements</b>
Universal Credit Benefits – Guaranteed	50	3 months & Refer to U/W*
DWP General – Guaranteed	100	3 months
Child Benefit	50	3 months
Working Families Tax Credit	50	3 months
Savings Dividends	50	1 year
Trust/Investment Income	50	1 year & refer to U/W**
Rental income – Actual	50%	2 years & refer to Senior U/W and BTL calculation
Stipend income	100	Refer to U/W & See employment types section
Bursary	100	Refer to U/W & see employment types section
Zero Hour Contract	100	1 year & see employment types section
Attendance Allowance	50	3 months
Carers Allowance	50	3 months
Maintenance	100	See maintenance section
Other Income	100	Refer to U/W

**Income from Benefits (Excluding state pension)**

Maximum LTV is 70% where 50% or more of the income is benefit based.

All cases where 50% or more of the income is benefit based must be referred to underwriting prior to proceeding.

\*A referral must always be sent to underwriting where universal credit is required to support the mortgage application, even where less than 50% is being used for affordability.

Careful consideration should be applied to cases with benefit income as to how the benefits would be replaced, this should be explored and not assumed.

**Investment income**

\*\*Full assessment of the investment portfolio would be required, these cases would need to be referred to underwriting.

**Income Verification**

<b>Type of mortgage</b>	<b>Employed</b>	<b>Self employed</b>
<b>Residential</b>	<ul style="list-style-type: none"> <li>• Most recent 2 months' payslips/ 8 weekly payslips</li> <li>• Most recent p60 or equivalent evidence (only on applications where bonus/ additional income is to be used for affordability)</li> <li>• Employers reference if applicant has been employed for less than 6 months by current employer</li> <li>• Most recent 3 Months bank statements where their income is paid into and where household and living expense is paid out from.</li> </ul>	<p>Evidence for self-employed income can be provided through:</p> <ul style="list-style-type: none"> <li>• Most recent 2 years accounts of full accounts (management accounts are not acceptable) <b>Or</b></li> <li>• Most recent 2 years SA302's and the tax year overview <b>Or</b></li> <li>• Most recent 2 years Tax calculations and the tax year overviews</li> <li>• All applicants must provide most recent 3 Months bank statements where their income is paid into and where household and living expense is paid out from.</li> </ul>
<b>BTL</b>	<ul style="list-style-type: none"> <li>• Most recent 2 months' payslips/ 8 weekly payslips</li> <li>• Most recent p60 or equivalent evidence (only on applications where bonus/ additional income is to be used for affordability)</li> <li>• Most recent 3 Months bank statements where their income is paid into and where household and living expense is paid out from.</li> </ul>	<p>Evidence for self-employed income can be provided through:</p> <ul style="list-style-type: none"> <li>• Most recent 2 years accounts of full accounts (management accounts are not acceptable) <b>Or</b></li> <li>• Most recent 2 years SA302's and the tax year overview <b>Or</b></li> <li>• Most recent 2 years Tax calculations and the tax year overviews</li> <li>• All applicants must provide most recent 3 Months bank statements where their income is paid into and where household and living expense is paid out from.</li> </ul>

When standard income evidence cannot be obtained, refer to Underwriting.

- For self-employed income details please see self employed
- For retirement income please see retirement and pension income

## Interest Only

- Max LTV is 70% for Residential and 75% for BTL
- Not available for debt consolidation, shared ownership, Help to Buy or Extra Support customers.
- Available for lending in and into retirement subject to a maximum age of 86 (Term calculated at date of application).

The customer must have an acceptable repayment strategy. A list of acceptable repayment strategies are shown below and suitable evidence must be provided.

A combination of the below strategies can be used.

Any other plausible repayment strategy outside of this should be referred to underwriting.

### Acceptable repayment strategies

<b>Acceptable Repayment Strategies</b>	<b>Evidence Required</b>	<b>Assessment</b>
<b>MANAGED INVESTMENT PLANS</b> (including unit trusts / open ended investment companies (UK), Investment Bonds (UK), Stocks and share ISA, (all stock and shares held in a Stocks and shares ISA must be FTSE listed. The investment and return must be held in Great British pound/ UK Sterling Only)).	Evidence of current value, must be dated within last 12 months.	Allow up to 100% of current value amount plus growth at the current rate of inflation (at time of application). Amount must be equal to or greater than the interest only element it is being used to cover at the date of the mortgage maturity. Any regular commitment to such an investment plan must be included in affordability.
<b>PENSION</b> (Company, private or SIPP)	Copy of latest statement dated within last 12 months.	Allow 100% of the tax free lump sum (which is 25% of the projected value at retirement age). Amount must be equal to or greater than the interest only element it is being used to cover.
<b>SALE OF MORTGAGED PROPERTY</b>	Based on the current value of the property.	Maximum 65% LTV for the total loan amount where sale of mortgaged property is the repayment strategy. Must be a minimum £300,000 equity or properties in London and £200,000 elsewhere in UK. For residential mortgages it must be realistic for the applicants to downsize in the current area, or other suitable property must already be owned at time of application.
<b>SALE OF OTHER PROPERTY</b> (Must be located in the UK)	A copy of the latest mortgage statement dated within last 12 months. (If mortgaged). Valuations should be provided.	Customers equity must equal to or greater than 110% of the of the interest only element it is being used to cover. This allows for property fluctuations and sale costs. Maximum 65% LTV.

<b>Managed Share Portfolio</b> (Only UK based investments quoted within the FTSE index held in sterling are acceptable).	Copy of share certificates, nominee account statement or confirmation from an authorised stock broker containing evidence of shareholding together with their valuation (must be dated within the last 12 month).	Allow the face value which must be equal to or greater than 110% of the interest only element it is being used to cover. This allows for fluctuations in share process and sale costs.
<b>Endowment Policy</b> (Both with profits and unit trusts)	Copy of latest projection statement dated within last 12 months.	Allow up to 100% of projected amount using the middle % figure currently 6%. Amount must be equal to or greater than the interest only element it is being used to cover.

### Interest rate stress-testing

In assessing affordability the likely future interest rate increases are assessed to ascertain whether the customer will be able to pay the mortgage at stressed levels. This rate is subject to change at the discretion of the society.

This rate is subject to annual review.

### Intergenerational mortgages

Intergenerational mortgages are where different generations, usually parents, children or relatives, offers to support an applicant get a mortgage.

Applications will be assessed by an underwriter subject to standard policy criteria.

### Japanese knotweed or other invasive species

The Society will not look to lend on properties with where Japanese knotweed or other invasive species has been identified within the boundaries

### Joint Borrower sole proprietors

For cases of this nature the applicant who will not be party to the mortgage deed will require independent legal advice prior to any mortgage completion.

Shared ownership and BTL mortgages are not permitted, and all applications must be on a residential basis only.

- Minimum age is 25 for applicants not party to the mortgage deed
- Application will be treated as a joint application therefore all applicants' income and expenditure will be considered in affordability.
- Must be a relative of the customer – please refer to Relative of the customer policy
- Applicants not party to the mortgage deeds are not permitted under the governments Help to Buy Scheme.
- Maximum 90% LTV
- Self-Build JBSP applications must be referred to an underwriter prior to case submission.



## Live/work units

The Society has no appetite to lend on live/work units

## Loan amounts

Minimum loan for new mortgages is £25k in the local area only, minimum loan £100,000 everywhere else. (£22,000 for shared ownership only).

Minimum loan for existing mortgage customer is £5k (Unless for essential repairs).

Maximum loan £1mil

## Local operating area

As a local building Society we have deals and products that are suitable to our local operating area these are properties within the postcodes of:

- DL
- DH
- TS
- SR
- YO
- HG

## London

Please refer to geographic area

## LTVs

### **Minimum property valuation**

For joint applicants where LTV is >80% and purchase/valuation price is <£60,000, approval from UW is needed.

For sole applicants where LTV is >70% and purchase/valuation price is <£60,000, approval from UW is needed.

All loans over 80% will be covered by MIG.

The Societies maximum LTVs are product guided as follows:

<b>Loan to Value (LTV) band</b>	<b>Maximum Loan</b>
90.01% to 95.00% LTV	£300,000
80.01% to 90.00% LTV	£400,000
70.01% to 80.00% LTV	£750,000
Equal to or below 70.00% LTV	£1,000,000

## LTI (Income multiples)

The maximum LTI should not exceed 4.5 except for professional applications which can be taken to 6 LTI, anything in excess of this should be referred to UW.

Financial commitments should be deducted from basic income before multiplier, commitments such as:

- 3% repayment on credit cards and mail orders
- Loan repayments and HP
- Maintenance payments
- Mortgages not to be repaid
- Phone loans

Revolving credit less than £100 does not need to be included as a financial commitment.

## Maintenance income

The Society will consider income from maintenance providing this is evidence by:

- Court order
- Solicitor agreement
- Government arrangement

Recent 3 months bank statements must be provided to demonstrate the maintenance payments in line with arrangement.

## Maternity pay

The Society will consider maternity pay as part of our assessment of income. The applicant must have stated their intention to return to work.

The customer and employer must provide written confirmation of the maternity pay plus return to work date and the salary. The application must be affordable throughout the whole maternity period.

Consideration should also be given to childcare cost once the maternity period has finished.

The society will agree to use the return to work salary providing written confirmation from the employer that the applicant will be returning to work within 3 month of mortgage completion.

## Minimum leasehold terms

Please refer to tenure.

## Mortgage term

Minimum term on SVR is 3 years

Minimum term is product specific, unless Standard Variable Rate

Max term is 40 years

Anything outside of this should be referred to UW

## New build

The Society will lend on new builds:

- Up to 90% LTV on all new build properties
- 

## Non EEA

The Society will only consider lending where the applicants can provide documentary evidence that supports their right to live and work in the UK.

Cases of this profile should be referred to UW for approval

## Non-traditional construction

Cases of this nature should be referred to UW for approval. Further clarification can be obtained from the valuers guidance notes.

## Offers

Mortgage offers for New build properties are valid for 9 month.

Mortgage offers for non-New Build properties are valid for 6 months.

Underwriter approved assessments are valid for 6 months

Underwriter referrals are valid for 6 months

## Offer extensions

The society will agree offer extensions of a Maximum of 3 months.

Extensions of 14 days can be agreed without re-underwriting the application.

## Out of Policy Lending – See appendix A

## Pension income

### **Pension Income**

To be able to assess an application where an applicant is in receipt of pension income the Society requires one of the following:

- Latest annual statement (must be dated in the last 12 months)
- 2 Months most recent pension slips
- Latest 2 months bank statements showing pension credits
- Latest P60 or HMRC SA302 and corresponding Tax year overview.
- Pension Tax credits

Where an applicant goes into retirement during the mortgage term, we would require the applicants annual projected pension income. Affordability will be assessed using the mid-projection figure excluding any lump sums (which is 25% of the projected value at retirement age).

## Portfolio Landlords

The Society will not lend to portfolio landlords on a BTL basis, the Society defines a portfolio landlord as someone with 4 or more mortgaged properties. The Society will consider applications from portfolio landlords on a residential basis where the income is from a property portfolio.

## Previous lender / landlord

Status	Evidence required
Current DBS borrower	Repayment history must be checked and an explanation sought for any missed / late payments
Existing mortgage	12 months payments history on Equifax and 3 months most recent bank statements confirming payments have been made – Should the mortgage history not be shown on Equifax latest annual mortgage statement should be supplied
Renting	3 months most recent bank statements confirming rental payments

In every case if there is evidence of missed / late payments, a satisfactory explanation must be sought and recorded on the file. Anything outside of this should be referred to UW.

## Probationary period

The Society does not wish to lend to applicants who are still within a probationary period. Any applicant which has only been with their current employer for less than 6 months the Society will seek an employer's reference to confirm the permanency of the role.

## Professionals

The recently qualified Professional Mortgage is available to the following occupations:

Applicants will be able to borrow up to 6x their salary, applicants can be a qualified, practicing and registered: accountant, actuary, barrister, dentist, engineer, medical doctor, optometrist, pharmacist, solicitor, or vet.

Joint applications will also be considered too with nonprofessional second applicants able to borrow up to 4.5 x salary (in addition to the 6x salary of the professional applicant).

All definitions are subject to individual underwriting assessment. As the definition of engineer can vary then this will be open to further scrutiny and assessment by underwriters.

All lending needs to be affordable at completion and clarification of their career progression must be provided to support the lending decision.

The society will accept these mortgages on the rent a room basis – please refer to policy.

## Purpose of loan

The Society only has an appetite for residential and standalone BTL applications

For further borrowing please see additional borrowing

## Relative of the customer

The Society define a Relative of the customer as the following:

- Blood relative (rationale should detail who the blood relative is)
- Step-parent
- Child
- Spouse
- Guardian
- Partner

## Repayment Types

The following repayment methods are acceptable to the Society:

- Repayment
- Interest Only
- Part & part

## Rent a Room

The society will accept Rent a room applications and will be considered against the criteria outlined below.

- Allow up to a Maximum of 2 tenants being let but only use rental income from 1 (75% of gross amount to be used for affordability) up to a max of £7,500 per annum
- Minimum of £25,000 earned gross income (excluding the rental income), employed or self-employed.
- Maximum of 2 applicants without dependents residing in the property – applicant must reside in the property.
- The property must have at least 2 bedrooms
- Minimum loan of £100,000
- Maximum 80% LTV
- Allow short term letting where unit is self-contained
- Not available for Expat or shared ownership mortgages – please refer to policy

It is recommended that the applicant receives tax advice.

All tenants who intend to reside at the property will be required to join in a Deed of Consent.

## Retirement

The Society does not offer equity release mortgages.

**In Retirement** - The society deems 'in retirement' to be a mortgage term that starts after the applicant has confirmed they are retired, or if the applicant is already age 70 or above at the time of application.

Maximum LTV 70%

Retirement income must be documented and evidenced including 3 months most recent bank statements.

**Into Retirement** - The society deems 'into retirement' to be a mortgage term that goes beyond the applicants declared retirement date, or beyond the age of 70 (whichever comes first).

Maximum LTV 80%

If applicants intend to continue working past 70 this should be referred to UW to assess their ability to maintain level of income, under no circumstances will earned employed income be considered beyond the age of 75. Full consideration should be given to the type of job the applicant does and their ability to realistically continue to work beyond age 70 (i.e. Builder or heavy manual worker).

Evidence of both the current income and retirement income is required in order to evaluate affordability for Lending into Retirement applications. The affordability will be based on the lower of the current income or retirement income.

## Residency

Applicants address must be evidenced for the last 3 years.

Currently all applicants from outside of the EU will need to evidence their legal right to remain.

## Right to buy

The Society will consider applications for people wanting to buy their homes under 'Right-to-Buy' legislation.

The Society will lend 100% of the total purchase price, LTV will be limited to 80%. Where home improvements are being completed, maximum LTV of 90%.

Right to buy paperwork will be required for all applications.

## Second residential Property

The Society will accept applications for Second residential properties and will be considered on the following criteria.

- Minimum income £25,000
- Application will be based on earned income and must cover full affordability for both households (including Mortgage and expenditure).
- Maximum 70% LTV
- Property must not be let
- Available on Repayment and Interest only

## Security

No limits on age of property.

Home insurance must be in place for exchange of contracts.

## Self-build

The Society will only consider applications from Buildstore/Buildloan.

JBSP cases to be referred to underwriting for consideration prior to case submission.

## Self employed

DBS regard customers with a shareholding of 20% or more in a business as self-employed.

The business must have been in operation for 2 years, the customer must have held their 20%+ shareholding in the business for 2 years and been profitable in each of the 2 years – anything outside of this must be referred to an underwriter.

DBS will accept 100% of the income for self-employed customers using an average of the last 2 years net profit which is evidenced by:

- Accounts (management accounts are not acceptable).
- Accountant Certificate
- 2 years' worth of SA302's and the tax year overview **or** 2 years tax calculations and the corresponding tax year overviews

Where the net profit is decreasing DBS uses the lower figure provided the business is on track to make the same or increased profits in the net financial year (projection to be confirmed by the accountant).

### **Sole Trader/ partnership**

- If net profits are increasing – Average share of net profits over past 2 years
- If net profits have decreased – The most recent year must be used.

### **Limited Company**

- Where the customer has 20% or more shareholding (if less the customer is treated as employed).
- In a limited company situation the customer is usually paid a salary, often referred to as Directors Remuneration. This can be taken into account as income and added to the customer's share of the profits after corporation tax.
- If net profits are increasing – Average of the share of profits after corporation tax plus the individual Directors Remuneration over the past 2 years.
- If net profits are decreasing – The most recent years share of profits after corporation tax plus the individual director's remuneration for that year.

Projections only to be used at the request of Underwriter and must be in the form of an accountants reference.



## Shared Ownership

Shared Ownership allows a buyer to purchase a share of a home (typically between 25% and 75%) whilst a Registered Provider (Housing Association) retains ownership of the remaining share. Must meet government eligibility guidelines.

The society will accept mortgage applications under the shared ownership scheme and will be subject to the following criteria:

- Up to 95% Loan to share. No fees can be added for 95% Loan to share applications
- Standard Credit History criteria only
- Maximum of 2 applicants
- All Mortgages must be on Capital and Repayment basis
- Minimum property value of £100,000
- Maximum Loan of £400,000
- Minimum 5% deposit (Excluding builders gifted deposits)
- Minimum Loan amount of £22,000
- The lease for the property must be in the form of the Homes & communities Agency's 2015 model lease (or later) and must contain the mortgage protection clause.
- The Landlord must be an approved registered provider of social housing (RSL).
- The monthly rental payment for the remaining share must be included in the affordability calculation as a financial commitment.

The following areas of policy are excluded from Shared ownership scheme:

- Additional borrowing is not permitted except for formal staircasing only
- Not available for BTL mortgages
- Not available for properties in Scotland
- Not available for Help to Buy schemes
- Not available for Second residential properties
- Not available for Joint borrower sole proprietor
- Not available for Right to Buy
- Not available for Self Build properties
- Investment income not an acceptable form of income
- Not available for Debt consolidation
- Not available for Discounted purchases
- Not available for Interest only mortgages

## Students lets

The Society has no appetite for student lets.

## Tenure

Approved categories	Restrictions
Freehold House	See max LTVs
Leasehold flats	Minimum unexpired lease should be 85 years from the inception of the mortgage.
Leasehold House	<p>Minimum unexpired lease should be 85 years from the inception of the mortgage.</p> <p>The minimum acceptable lease term on new build transactions will be 125 years for flats and 250 years for houses.</p> <p>The maximum acceptable starting ground rent on all new build leasehold properties will be limited to 0.1 per cent of the property's value</p> <p>The ground rent must be reasonable at all times during the lease term, with unreasonable multipliers such as doubling every five, ten or fifteen years not allowed. Escalation should instead be linked to a verified index, such as the Retail Price Index</p>
Tyneside flats	See max LTVs
Commonhold	See Max LTVS
Outright or Absolute Ownership	Scottish properties

## Tier 2 Visa

Tier 2 visa is a UK work visa and is issued to highly skilled workers from outside the European Economic Area and Switzerland, who have a job offer for a skilled job or a job in the Shortage List.

The Society will consider applications from customers on a tier 2 visa providing they have 12 months left to run until expiry at the point of application.

Cases for Tier 2 visas and spousal visas should be referred to underwriting and will be considered on a case by case basis.

## Two mortgages

There are instances where the Society would support applications for applicants with 2 mortgages however full affordability would be required for both properties. Aggregated borrowing would also need to be taken into consideration.

## Unsuitable Securities

The society will consider the following as unacceptable security:

- Properties where the commercial element is greater than 40%, this is based on the square footage rule. We are looking for the primary purpose of the property including land to be for residential use by the owner.
- Rural and Agricultural Properties with large acreage (typically 20 acres +) or working purposes such as Farms, with livestock or land contracted to others such as tenanted/rented for these purposes, or where there are agricultural restrictions
- Pubs, Guest Houses, Hotels or B&Bs with owner accommodation
- Residential properties in a predominantly commercial setting
- Mobile properties (no foundations), such as Floating homes, Caravans, Mobile homes

Further clarification can be obtained from the valuers guidance notes on unsuitable construction types.

## Valuations

Valuations are required for all purchases and re-mortgage.

For further borrowing, valuations will be required on all cases where the LTV exceeds 60%

## Warranty

Properties must be covered by a warranty provided by NHBC, Premier, LABC, Build-Zone, Inspection, Protek, Q Assure, AEDIS or Castle 10 (or similar scheme approved by the CM or Executive) or Architect / Chartered Building Surveyor / Building Project Manager certificated, if constructed in the last 10 years. Anything outside of this should be referred to HoU/UM.

## Appendix A

<b>Out of Policy Lending</b>
<b>LTV</b>
Residential over 90% LTV (before fees) out of Area
Residential over 95% LTV (including fees) in Area
Residential London 80% LTV
Residential expat 80% LTV
BTL over 75% LTV
BTL London above 60% LTV
BTL expat 75% LTV
Non-standard over 80% LTV max loan £500k
Non-standard over 70% LTV max loan £750k
Credit repair over 70% LTV - max loan £500k
Extra support of 65% LTV - max loan £300k
Foreign currency over 80%LTV
Foster care income over 80% LTV
London – Ex-local authority over 60% LTV
London - flats above commercial above 60%
London - Studio flat over 60% LTV
Holiday Let above 75%
Second Residential Mortgage above 70% LTV
Interest only above 70% LTV
Interest Only (Sale of Property) Above 65% LTV
Rent a room above 80% LTV
In retirement above 70% LTV
Into retirement above 80%
New build properties over 90% LTV
<b>LTI</b>
Over 4.5 to 5 times excl professionals
Over 5 to 5.5 times excl professionals
Over 5.5 to 6 times excl professionals
Over 6 times professionals only
<b>Affordability</b>
Surplus under £0.00
Foreign currency not in criteria
Foreign currency self-employed not incorporated in the UK
Credit history (as per table in lending criteria)
Unsatisfied credit (other than DMP)
<b>Security</b>
Construction type (including PRC) -Valuer Guidance Notes
Studio flats outside London
Portfolio landlords (over 4 properties)
Flats above commercial outside of London
Ex local authority flats in the London area over 4 storeys
Ex-local authority flats outside of the London area
Live/work units

Property outside England, Wales and Scotland
Unsuitable properties as noted within the A-Z criteria
Minimum Criteria
Debt consolidation over £30k (Not including the HTB equity loan)
Interest only loan applicant age over 86
Aggregated borrowing in excess of £1.75m
Interest only repayment strategies
Loan amount above £1m

## Glossary

**Missed Payments** – Credit bureaus don't consider a payment late/missed until it is 30 days past due. So while your mortgage holder or credit card issuer may charge you extra for paying three weeks after the due date, your credit score should be none the worse for it.

**Mortgage Arrears** – are where one or more month's mortgage payment have been missed

**Payday Loans** – A relatively small loan which is taken for usually a small period of time. For example a loan taken out with the expectation of this loan being paid back in the near future.

**Default** – Where a borrower is past the contractual payment due date by more than 90 days and the firm reasonably considers that the borrower is unlikely to pay or otherwise fulfil its credit obligations to the firm.

**County Court Judgement (CCJ)** – is a type of court order in England, Wales and Northern Ireland that has be registered against an individual if they have failed to repay money they owe.

**Payment / Debt Management Plans (DMP)** - a non-statutory agreement between a customer and one or more of the customer's lenders the aim of which is to discharge or liquidate the customer's debts, by making regular payments to a third party which administers the plan and distributes the money to the lenders.

**Individual Voluntary Arrangement (IVA)** – An individual voluntary arrangement (IVA) is a formal and legally binding agreement between a customer and their creditors to pay back debts over a period of time

**Bankruptcy** – Bankruptcy is a legal status that usually lasts for a year and can be a way of clearing debts you can't pay. When you're bankrupt, your non-essential assets (property and possessions) and excess income are used to pay off your creditors (those you owe money to).

**Repossession** – Where a borrower is unable to repay their mortgage and the only alternative left is to take the property under possession to relieve the customer of financial difficulties.

**Furlough scheme** – A temporary Government backed scheme whereby the Government contributes up to 80% of an employee's usual salary, up to a maximum of £2,500 per month. Please refer to GOV.UK website for further details.

**Payment deferrals** – Monthly payments are paused and delayed, however daily interest is not. Payments will have to be repaid at some point during the life of the finance agreement.