



peppermoney

PRIME

Broker Packaging Guide

November 2023

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Call **02922 331 220** or visit
www.pepper.money to discover more

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Registered Office: 4 Capital Quarter, Tyndall Street, Cardiff, CF10 4BZ. Registered in England and Wales under Company Number 08698121.
Calls may be monitored or recorded for training, compliance and evidential purposes.

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Important

This document falls within the definition of "*broker document*" in the Pepper Money Broker Agreement (the **Broker Agreement**) between you (the broker) and us (Pepper Money). Expressions defined in the Broker Agreement have the same meaning in this document. This document is subject to and does not to any extent override or supersede the terms of the Broker Agreement and to the extent of any inconsistency the Broker Agreement prevails. This document does not create any obligations or duties on us (our obligations and duties are confined to those in the Broker Agreement) and, in particular, without limitation, this document does not oblige us to offer or provide a mortgage to any applicant.

Introduction

UK Mortgage Lending Limited (Pepper Money) specialises in the provision of tailored Regulated mortgage facilities. The type of mortgage contract offered will be secured against the residential property, as a second Charge following the first Mortgagee's prior Charge.

We are committed to being a responsible lender, ensuring that we act in the best interests of our customers. In doing so we fulfil our obligation, to our customers, of being open, honest and treating them fairly and ensuring that a good customer outcome is achieved.

If a second charge mortgage is deemed not to be in the interest of the borrowers, as a responsible lender we reserve the right to decline the application or ask for additional documents to support the application.

We retain (as part of our criteria) an absolute discretion as to:

- whether or not to accept an application, and
- whether to apply more restrictive, less restrictive or additional criteria than the criteria set out in this document

and we have no obligation or duty to provide information (including reasons) for our decisions.

All our second charge mortgages are provided subject to status, with lending only to customers who meet our strict acceptance criteria. This means that when a second charge mortgage application is received and appraised the information collected should show that –

- The customer can afford the product over the proposed repayment term.
- The product is appropriate to the customer's needs and objectives.
- It is the most suitable product from the range of products a firm has available within the scope of services it provides.

We will not discriminate against our customers because of their race, sex, disability, ethnic background or sexuality. We will not discriminate with regard to product eligibility or price by reference, whether direct or indirect, to any protected characteristics under the UK's equality legislation other than borrower age.

How you can contact us:

Wholesale Department

Enquiries / Referrals: 2ndcharge.referrals@pepper.money

New Packs: 2ndcharge.newcases@pepper.money

Pending: 2ndcharge.pending@pepper.money

Tel: 029 2233 1220

Customer Services (post completion)

Email: info@pepper.money Tel: 0333 014 3125

Technical Support

Email: support@pepper.money Tel: 029 2233 1234

Please ensure all correspondence is addressed to:

The Wholesale Department
Pepper Money
Capital Quarter No.4
1st Floor
Tyndall Street
Cardiff
CF10 4BQ

Financial Conduct Authority – Principles of Business

Pepper Money fully complies with the rules, guidance and principles set out by the Financial Conduct Authority (FCA) and has suitable business policies and procedures in place to ensure that we remain compliant at all times. To match our compliance commitments you must also comply with the FCA Principles of Business which are detailed below.

1 Integrity	you must conduct your business with integrity.
2 Skill, care and diligence	you must conduct your business with due skill, care and diligence.
3 Management and control	you must take reasonable care to organise and control your affairs responsibly and effectively, with adequate risk management systems.
4 Financial prudence	you must maintain adequate financial resources.
5 Market conduct	you must observe proper standards of market conduct.
6 Customers' interests	you must pay due regard to the interests of your <u>customers</u> and treat them fairly.
7 Communications with clients	you must pay due regard to the information needs of your <u>clients</u> , and communicate information to them in a way which is clear, fair and not misleading.
8 Conflicts of interest	you must manage conflicts of interest fairly, both between yourself and your <u>customers</u> and between a <u>customer</u> and another <u>client</u> .
9 Customers: relationships of trust	you must take reasonable care to ensure the suitability of your advice and discretionary decisions for any <u>customer</u> who is entitled to rely upon your judgment.
10 Clients' assets	you must arrange adequate protection for <u>clients'</u> assets when you are responsible for them.
11 Relations with regulators	you must deal with your regulators in an open and cooperative way, and must disclose to the FCA appropriately anything relating to the <u>firm</u> of which the FCA would reasonably expect notice.

The information contained in this Broker Packaging Guide details the minimum customer requirements needed to successfully qualify for a Pepper Money mortgage contract.

The Pepper Money Credit Second Charge Mortgage

Second Charge Mortgage Facilities, LTV, Fees

Minimum term – **3yrs** (except Interest Only products = 15yrs) Maximum term – **30yrs**

Fixed Rate products are available for 2, 3, 4 and 5 year periods (ERCs applicable)

Other than during a Fixed Rate Period the Interest Rate will be a variable rate that is, or is linked to the reference rate specified in the Offer and that we control. We may vary the Interest Rate by varying the reference rate in accordance with the Offer and Condition 4 of the General Mortgage Conditions. The reference rate will never be less than 0%. For further information please visit www.pepper.money/interest-rates

Prime Product

Mortgage limit: **£7,500 to £1,000,000 (inclusive of fees)**

Mortgage amounts to a maximum **£200,000 (inclusive of fees)** will be subject to a maximum LTV of **85%**

Mortgage amounts **£200,001 to a maximum of £500,000 (inclusive of fees)** will be subject to a maximum LTV of **75%**

Mortgage amounts **£500,001 to a maximum of £1,000,000 (inclusive of fees)** will be subject to a maximum LTV of **65%**

Prime - High LTV (XLTV) Product – 100% Max LTV

Mortgage limit: **£7,500 to £100,000 (inclusive of fees)**

Minimum valuation is £85,000

Loan terms available from 3yrs to 30yrs

ALL AMOUNTS OVER £200,000 (INCLUSIVE OF FEES) PRIME MUST BE PRE-APPROVED

Interest Only Products

Mortgage limit: **£20,000 to £250,000 (inclusive of fees)**

Available to **Prime** customers only with a maximum LTV of **65%**

Minimum term – **15yrs** Maximum term – **30yrs**

Product Options

- 5 Year Interest Only Fixed Rate Loan

Applicants must not be due to retire during the Interest Only period

Applicants must have NO CCJ's or Defaults

Early Repayment Charges

For the 5 years Fixed Rate products there is a 5% charge in year 1, 5% in year 2, 4% in year 3, 3% in year 4 and 2% in year 5

NB: Further Advances – the Interest Only product will not be available when the applicant has an existing Pepper Money Interest Only product – other Pepper Money products will be available

If an applicant has an existing Pepper Money loan which is not or has never been Interest Only, they may be eligible for the new Interest Only product

ALL AMOUNTS OVER £200,000 (INCLUSIVE OF FEES) MUST BE PRE-APPROVED

Discounted Products (variable product only)

1 and 2 years discount period are available on mortgages from £5,000 net to £200,000 inclusive of fees

3 and 5yrs discount period are available on mortgages from £5,000 net to £1m inclusive of fees

Our discounted products are available for all variable Prime borrowers that fall within the above limits.

A lender fee will be individually calculated for our 1 and 2 years discounted products

A £595 lender fee will be applicable for our 3 and 5 years discounted products

The discount will be applied to the Pepper Money variable rate, where eligible, and shown on our system.

ERCs will be applicable for the duration of the discounted period and will then revert to 0% for the remaining term of the mortgage.

Please refer to the property and LTV section for minimum and maximum property value information.

Lender Fees

Variable/Fixed/Discount

£5,000 - £200,000 - £595 fee minimum*

£200,001 - £350,000 - £1,295 fee

£350,001 - £1,000,000 - £1,995 fee

*Lender fee will vary with certain Discounted Products and will be shown on our system.

Early Settlement

The customer(s) have the right to repay this second charge mortgage early, either fully or partially.

For full settlements, the charges are as detailed below:

Rate Type	Year 1	Year 2	Year 3	Year 4	Year 5
Variable*	0%	0%	0%	0%	0%
2 year Fixed/2 year Fixed Interest Only	3%	3%	0%	0%	0%
3 year Fixed/ Discounted 3 year	3%	3%	2%	0%	0%
4 year Fixed	4%	4%	3%	2%	0%
5 year Fixed/ Discounted 5 year/5 year Fixed Interest Only	5%	5%	4%	3%	2%

***Please note ERCs will apply for the duration of the discounted period on our variable Discounted Products. The ERCs applicable will match the discount provided for the 1 and 2 year discounted products and will be confirmed on our system for you.**

Further Advances

Should you wish to complete a further advance, for an existing Pepper Money customer, we will consider the additional borrowing subject to the conduct of the current Pepper Money account where at least six months satisfactory payments have been made prior to the application. For each such application, you must comply with the requirements in this document, subject to the following additional rules:

- The further advance must be for a minimum amount of £5000 “new money”.
- Maximum LTV, for the total Pepper Money Prime borrowing, including the further advance sum will be 100%, where available, for Prime deals.
- Our Lender Fee applicable to that product will apply to each new mortgage created that includes further advance funds.
- You must ensure that any ERCs applicable to the initial advance forms part of the advice process with the customer(s) prior to submission of the new mortgage.
- When considering your Broker fee please refer to the general Broker Fee guidelines, noted below.
- Where accounts previously consolidated by Pepper Money have been re-run or further significant borrowing has occurred, a full explanation must be obtained. This will be assessed and may affect our decision to lend.
- Not acceptable if currently on an Pepper Money Interest Only product.
- If you are completing a Further Advance and an ERC is applicable this will be payable in full if the product is switching between XLTV and any other product range. Further Advances remaining on the XLTV range will have the ERC waived where the new product has an ERC which is equal to or in excess of the current ERC period.
- It is your responsibility to source a redemption figure from us in order to ensure you are aware of the Total Amount Repayable including any Early Repayment Charges
- Brokers are also asked to consider the level of the Broker Fee charged, particularly when considering the amount of new monies being borrowed and assessing whether the outcome is appropriate for the customer.

For all business referred you will be responsible for all costs incurred arising from the set-up of the mortgage.

Broker Fees

Pepper Money believes that broker fees and their structure are a matter for the internal governance and compliance of each brokerage. We are also of the opinion that individual brokers, as regulated entities in their own right, are best placed to decide on the appropriateness of each fee charged. It is your responsibility to ensure that all fees charged should be fair, reasonable and not excessive.

When determining whether a charge is excessive, your considerations should include:

- the degree to which any charges are an abuse of the trust that the customer has placed in your firm.
- whether any conflicts of interest arise between potential broker fee levels and the need to offer the most suitable mortgage to customers, and how these can be managed by you to ensure a fair customer outcome.
- the amount of your charges for the services or products in question compared with charges for similar products or services on the market.
- the nature and extent of the disclosure of your fees and charges to the customer.

As part of Pepper Money's Broker due diligence review programme Pepper Money will check whether Broker's have a fee charging policy that forms the basis for setting fees for mortgage applications.

Broker Fees and Commission

Broker Fees and Commission will be paid twice weekly:

- Commission and Fees due for completions from Monday to Wednesday will be paid on Friday of that week.
- Commission and Fees due for completions on a Thursday and Friday will be paid on the Tuesday of the following week.
- Each payment date would move back by 1 day if impacted by a Bank Holidays.

You will receive a statement confirming your mortgage completions together with a breakdown of your payment. It is imperative that you inform us immediately, in writing, of any change to your bank details to ensure you receive your payments correctly. Please refer to your Pepper Money Broker Agreement for further details.

If commission exceeds £4,000 (capped at £10,000), the claw-back period will be extended to 12 months.

Security Discharge Fee

A charge of **£95** will be applied to cover the cost of discharging the mortgage following settlement.

For borrowers living in Scotland, an additional fee of **£220** will be payable for arranging the discharge of the security (to cover Scottish Land Registry charges).

Purpose of the Second Charge Mortgage

You must ensure that the purpose of the mortgage is clearly stated on the Pepper Money application form. We will lend for the majority of purposes including:

- To repay a family member
- To purchase a share in the freehold
- To extend the lease of the subject property
- Inheritance tax
- Funding the purchase of a residential investment property
- Income tax repayments
- School Fees

- Home Improvements
- Debt Consolidation

We will also consider lending for the following, subject to evidence and a review of the individual circumstances of the customers and pre-approval:

- Business purposes
- Matrimonial settlements
- Gift to family member

Where the mortgage is being used for debt consolidation, our normal practice is to make cheques payable to the lenders but send them to the customers for them to forward onto the relevant creditors. You must ensure that in each case all outstanding credit is declared and entered onto the relevant section within the mortgage application form. Details for consolidation must be consistent with the information provided by the Equifax credit search. Any material differences may require documentary evidence.

Please note that there are certain companies that will not accept cheques and must be paid by electronic bank transfer. Please ensure you provide copies of statements confirming the correct bank details when you submit the case. Currently, these are: Ratesetter, Uncle Buck, Zopa, Oakbrook Finance, American Express, Likely Loans and Next. This is not an exhaustive and definitive list and is subject to change.

There are certain companies where, due to daily interest, we will require a settlement figure on the day of completion. Currently, these are: Ratesetter, Zopa, Tesco loans and Creation loans. This is not an exhaustive and definitive list and is subject to change.

All outstanding credit to be cleared, must be paid in full. The only occasion where we will part-settle credit is where there is insufficient money remaining to do so in full. In this instance, we will clear what we can from the Pepper Money mortgage proceeds and add 3% of the remaining debt back into the system for affordability purposes. This will not apply to loans, HPs or Fixed Term accounts.

Where cash out is **£15,000** or above, in all cases, you must provide a comprehensive breakdown of this.

Where cash out is **£100,000** or above, you must provide a comprehensive breakdown of this. We will require quotes for the works being carried out and will request proof of planning permission (where applicable). If the quotes do not cover the full cash out amount, please ensure a full breakdown of remaining funds is provided.

Where cash out is for the purchase of a residential investment property we will NOT require proof of savings and a mortgage illustration if the applicant owns more than 4 rental properties. In this instance, we will request our Pepper BTL Property Schedule form to be completed and provided that the properties are self-funding we will not factor the additional mortgage costs into affordability.

Where background BTLs exist, we no longer require ASTs, Land Registry searches, or credit searches for the BTLs. If the credit search shows acceptable mortgage payment conduct, then we only require our BTL Property Schedule form to be completed to evidence the portfolio is self-funding. Where the portfolio is not self-funding, we will include the shortfall as expenditure in our affordability assessment.

Help to Buy Process

Pepper Money will accept applications where the purpose is to clear a Help to Buy charge. In these instances we will require to pay the funds to the applicants Solicitor dealing with the transaction. A settlement figure for the Help to Buy Loan and an undertaking from the Solicitor will be needed before any offer will be made.

When we receive the signed Mortgage Deed we will need confirmation from the solicitors they are in a position to receive the funds and complete on the transaction. We will not complete until we have this.

If the Help to Buy Loan is serviced by Target, the process is slightly different. Before offer we will require:

- Copy of the solicitors undertaking to Target
- Solicitors bank details for completion
- Copy of Targets redemption figure

We will then condition any offer to receive a copy of Targets Authority to Complete document as well as an up to date settlement figure before completion. Once those have been received, we will confirm with the Solicitor that they are in a position to complete.

Payment Instalments

First instalments are payable one month from the date of completion.

Payments by borrowers must be made by Direct Debit from a personal bank account only.

Electronic Payment Transfer is available for customers to have their cash-out funds transferred directly to their bank account. There is no additional charge for this process. Alternatively, the customer may receive the cash-out funds in the form of a cheque.

Flexible Features – Overpayments

The customer(s) are able to make overpayments or lump sum payments of part at any time, without penalty. Provided the overpayment or lump sum payments of part is more than the monthly payment they will have the option to either:

- a) keep future payments the same and reduce the remaining term or
- b) reduce future payments and keep the remaining term the same.

Applicants

Age

Minimum age – **21** (**25** for self-employed)

Maximum age at the end of the term:

- If using the applicant's income for affordability – **max age is 70**
- If using pensions or if case would pass Lending into retirement rules – **max age is 75**

All applicants must be below the age of 65 at the time the application is loaded. Please refer to the 'Lending into Retirement' section for further information. In the instances where customers will not meet our normal age criteria Pepper Money will review these applications, for pre-approval, on a case by case basis.

Proof of Residency

You must provide a minimum residential history of the most recent 3 years for all applicant(s). Where a customer is found on the voters roll for the current year to present, we will not require proof of address history. Where the customer is not found on the voters roll, proof of residency must be provided for the latest year. The evidence/proof of residency must include the customer(s) name, address and be dated for the relevant period required. Online statements are acceptable.

Applicant Status

The maximum number of borrowers permitted per application is **two**.

We accept sole applications for a married or civil partnered couple where the spouse or partner isn't on the mortgage or land registry providing a Consent Deed is signed. Where you are submitting a joint application you must ensure that each applicant signs and completes all documents relevant to the application. Although the spouse or partner is not required to obtain independent legal advice they must be informed of their right to do so, prior to signing the Consent Deed.

Where an applicant is divorced, you must ensure that this is indicated as we may require evidence that the other party has no remaining rights to the property.

Where an applicant is separated, you must ensure that this is indicated as we may require sight of a Deed of Separation.

We have the right to decline or reject any application where we suspect our second charge mortgage was applied for fraudulently or where we suspect any suspicious or illegal activity has taken place.

Customer Due Diligence (CDD) and Know Your Customer (KYC)

As per the Money Laundering Regulations 2007 and other applicable laws and regulations, you must identify the applicant(s) and verify their identity on the basis of documents, data or information obtained from a reliable and independent source.

We use Equifax to ensure customer identity verification and authentication services that minimise the risk of fraudulent applications and subsequent losses that will satisfy our requirements for CDD / KYC.

If an applicant fails the Equifax EID process, we will require suitable evidence (as detailed below) of Proof of Identity and Proof of Address in each instance.

Proof of Identity

If an applicant fails the Equifax EID, **1** of the following will be required:

- Current UK/EEA/EU signed passport
- EEA Member State identification card
- Current FULL UK/EEA/EU driving licence
- UK shotgun or Firearms Certificate with Photo ID
- Blue disabled driver's pass

If the applicant is unable to provide a document from the table above, **2** documents are required. We require 1 from each of the columns in the table shown below to confirm identity:-

Government issued documents	Other documents
<ul style="list-style-type: none">• Current FULL UK driving license• HM Forces ID card• Recent evidence of entitlement to a state or local authority funded benefit (including housing/council tax benefit, tax credit)• Recent evidence of entitlement to a local authority educational or other grant)• State pension notification letter confirming the right to benefit	<ul style="list-style-type: none">• Most recent mortgage statement• Local authority council tax bill or statement for current year• Utility bill in last 3 months (excluding mobile phone bills or copies printed from the internet)• Bank account/Credit/debit card statement in last 3 months (not printed from the internet)• TV licence letter or direct debit schedule• Recent local authority tax bill

Proof of Address

If an applicant fails the Equifax EID, **1** of the following will be required:

- Current FULL UK driving license
- Benefits or pensions notification letter confirming the right to benefit or account statement showing pension credit (dated within 12 months)
- Most recent mortgage statement (no internet statement allowed)
- Local authority tax bill/council tax bill for current year
- Utility bill in last 3 months (excluding mobile phone bills or copies printed from the internet)
- Bank account/Credit/debit card statement in last 3 months (no internet statement allowed)
- TV licence letter or direct debit schedule

The same document cannot be used to verify both the identity and the address.

All documentation apart from non-EU passports and non-EU identity cards can be certified by an FCA regulated broker or an FCA regulated sub broker introducing to a broker on the Pepper Money panel.

For identity and proof of address documents, copies must be certified that original document(s) have been seen and signed and dated by the FCA regulated broker or sub broker as outlined above. All non EU applicants **must** submit an original valid passport with their application and also include evidence of permanent right to reside in the UK. All EU applicants must provide evidence of their settled or pre-settled status.

Applicant Credit History

You must ensure that all applications are properly entered onto the Pepper Money system. Equifax will complete a credit score on each applicant. Applications over 90 days old will need to be re-scored and be subject to a further credit search.

You must ensure that all maiden names and any previous civil partner surnames are entered into the system and that all other previous names are declared.

Undischarged bankrupts or applicant(s) with an existing Individual Voluntary Arrangement (**IVA**) are not acceptable. If an applicant is a discharged bankrupt or has a discharged IVA, you must contact us and provide details before submitting the application.

Payday Loans, Home Credit and Gambling Debt

Where you or us have reason to suspect that any applicant has a payday loan, home lending credit or gambling debt or payment obligations, you must provide further details in order to allow us to review the case as a whole and make an informed decision. If we decide to approve the application, we are likely to include a condition that the proceeds of the second charge mortgage are applied in clearing each such debt or liability.

Employment and Income (including Lending into Retirement)

Employment

Employed Applicants

You must obtain details and evidence of each applicant's employment history throughout at least the past twelve months.

For the primary source of employed income only (will not apply to additional jobs):

You will need to refer any cases where an applicant has had more than two employers within the last twelve months.

You must ensure that each applicant is UK based and subject to UK taxes.

For each employed applicant you must obtain and submit at least **two** of the most recent consecutive monthly or 6 weeks' worth of weekly payslips. Payslips should be dated within the last 2 months at the point of application.

Family Firms - where the applicant is employed by a family firm, independent evidence of income is required, we will consider a letter from the firm's company accountant along with two non-handwritten payslips where paid monthly or six non-handwritten payslips where paid weekly, but unfiltered bank statements may also be needed. The most recent payslip submitted must be dated within two months of the Pepper Money second charge mortgage application.

Where a payslip is handwritten, word processed or manually produced, you must obtain and submit a current full month unfiltered bank statement or P60 (not hand written) which supports the relevant payments. Employers' references are also acceptable as back-up.

Where an applicant's current employment started less than **one month** ago, you must contact us with details in advance of submitting any application and the applicant must be able to demonstrate continuity of employment.

If an applicant is within an employment probation period, you must obtain at least **two** of the most recent consecutive monthly or 6 weeks' worth of weekly payslips along with a payslip / P60 / P45 from the previous employment and the full employment history throughout the twelve months prior to the start of the probationary period. The most recent payslip submitted must be dated within two months of the Pepper Money second charge mortgage application.

Applicants that fall under any of the following are not eligible:

- Temporary contracts
- Seasonal employment
- Supply teachers
- Applications based solely on benefits

Where an application is based solely on pension income, you must refer to Pepper Money for pre-acceptance (*please refer to our Lending Into Retirement section, for further details*).

Self-Employed Applicants

Our normal practice is to treat as self-employed all sole traders, sub-contractors and any applicant who owns 35% or more share capital in the firm/business. Each self-employed applicant must have been trading for two years in his/her current role.

Self Employed property investors/developers/consultants are not automatically acceptable and must be referred in every instance.

If the applicant is an Accountant and produces his own accounts, we will require independent verification of income via SA302's (as above). In some instances, we will consider a letter from a Senior Partner of the Accounting firm (This can only be agreed on referral).

All Accountant's Certificates should be sent to and received directly from the acting accountant and not directly to the applicant(s).

If a set accounts are over 12 months old and the acting Accountant cannot produce a projection, we cannot work solely off 3 months unfiltered bank statements. In such cases the applicant should be encouraged to provide their accountant with the information to complete their accounts.

Income from a limited company *(If an applicant has an interest in more than one Limited Company, then the following requirements are needed for each business)*

We require:

- An Accountant's certificate; or
- Two years' audited accounts with Accountant verification, plus 3 months unfiltered Business bank statements where the most recent accounting period ended before 31st March of the current calendar year

***SA302s and the accompanying Tax Overviews are not acceptable in their own right for Limited Companies but can be used to support any salary that is taken or to prove additional income such as rental income** (NB If the rental income is derived from a Limited Company, the above applies)*

Income from an unincorporated business (Sole trader or partnership)

- Accountant's certificate; or
- Two Years HMRC tax calculations (SA302) or tax assessments produced by commercial software (must be stamped) with the corresponding Tax Year Overviews
- 3 months unfiltered Business bank statements will be required if the latest SA302 is greater than 9 months old. In many instances, due to when an SA302 is produced, 3 months unfiltered Business Bank Statements will be required

To ensure you correctly package your deal please ensure you adhere with the following instruction:

We will accept our completed Accountants Certificate provided it is completed and signed by a member of a recognised accounting body (see below list).

- The certificate must be on a Pepper Money template and completed fully – this should be downloaded from the documents section in SWAN
- The certificate must be stamped by the accountancy firm or accompanied by written confirmation on the firm's letter head.

Accountants who are not qualified or do not work for a firm that is a member of a professional accounting body:

If you supply an Accountant's Certificate from a non-qualified accountant, you will also be asked to supply two years SA302's and if either are greater than 9 months old, 3 months unfiltered bank statements will be required.

SA302's

The following details must be visible on the online Tax Calculation:

- HMRC logo
- Unique Tax Reference (UTR)
- Customer's name, Tax year and the following wording: -
"This is a copy of information held on your official online SA tax account with HMRC", and "Submission is 100% complete."

The following details must be visible for customers who submit paper based Tax returns:

- The paper based tax calculation form must say SA302 in the bottom left hand corner of page one
- The full Tax Calculation will always appear on page three. If the customer's information on page One about payments becoming due to does not run to two pages then there will be no page two, the calculation always starts on page three
- A copy of the Tax Overview should also be provided as above

Tax assessments produced by commercial software

These are acceptable provide they are stamped by the accountant (or a letter on headed paper is provided). These must show the following:

- Unique Tax Reference (UTR)
- Customer's name
- Tax Year

Tax year overviews

The following details must be visible on the online Tax Year Overview: -

- HMRC logo
- Unique Tax Reference (UTR)
- The Statement "this is a copy of information held on your official online Self-Assessment tax account with HMRC"
- The Tax year (to allow cross reference with the Tax Calculation)
- For each Tax year, the "Income Tax and National Insurance Due" must exactly match the corresponding Tax Calculation document

Requirements for Accountant's verification

Qualified Accountants are those who:

- a. Are a member of a professional body which is listed for you; or
- b. Are signing on behalf of a professional firm that is approved in accordance with Pepper Money's confirmed list

Professional Body	Designatory Letters	Qualification
Association of Authorised Public Accountants	AAPA or FCCA	AAPA
Association of Accounting Technicians	MAAT or FMAAT	AAT
Association of Chartered Certified Accountants	ACCA or FCCA	ACCA
Association of the Institute of Chartered Accountants in England and Wales	ACA or FCA	ACA
Chartered Institute of Management Accountants	ACMA or FCMA	CIMA
Chartered Institute of Public Finance Accountancy	CPFA	CIPFA
Chartered Institute of Taxation	CTA or FTII	CTA
Institute of Chartered Accountants in England & Wales	ICAEW	ICAEW ACA FCA
Institute of Chartered Accountants in Ireland	ICAI	CA
Institute of Chartered Accountants in Scotland	CA	CA
Institute of Financial Accountants	AFA or FFA	IFA
The Association of International Accountants	FAIA or AMIA	AIA

If an applicant is a self-employed taxi driver, the applicant must be the owner and driver of the taxi and you must obtain and submit documentary evidence of proof of registration from the local authority and a copy of the applicant's car insurance.

Self-Employed – Professionally Qualified

If an applicant has been trading for one year and is professionally qualified in any of the following professions, you may class them as “Professional Self-employed”.

- Accounting
- Architect
- Dentistry
- Law
- Medicine
- Optometry
- Pharmacist
- Veterinary

The evidential standards and timescales for self-employed customers detailed above for limited and unincorporated companies will apply for professional self-employed also. A sole trader cannot verify their own income.

By referral SA302s (may be used even for those in a larger limited company) or a reference/letter from a senior partner or accountant confirming income can also be considered.

Income Assessment

Self-Employed Applicants

SA302's (sole trader & partnerships)

- We will use the latest years' earnings provided the latest SA302s are no more than 9 months old and where there is a clear upward trend in income.

If the SA302s are more than 9 months old, we will require a projection or 3 months' worth of unfiltered business bank statements to be able to consider using the latest years' earnings.

Or

- If the latest year is lower, we will use this figure provided a sufficient explanation for the decreasing income is provided

Limited Companies & Accountants References

- We will use the latest years' earnings provided the latest accounts are no more than 9 months old and where there is a clear upward trend in income (considering the dividends against shareholding and overall profit)
- If the accounts are more than 9 months old, we will require a projection or 3 months' worth of unfiltered business bank statements to be able to consider the use of the latest years' income (considering the dividends against shareholding and overall profit)

Or

- If the latest year is lower, we will use the lower provided a sufficient explanation for the decreasing income is provided (considering the dividends against shareholding and overall profit)

Employed Applicants and Additional Incomes

You must calculate income using the applicant(s) gross annual salary.

You may include a maximum of **50%** of the following additional income:

- Child Maintenance (Court Ordered) - we will need evidence of the court order and latest 6 months' unfiltered bank statements (at point of application) to evidence payments
- Child Maintenance (Non-Court Ordered) - we will require unfiltered bank statements (latest 6 months' at the point of application) and 1 unfiltered statement from previous year (dated within 12 months)
- Overtime/Bonuses - regular variable income components will be calculated by deducting an applicant's guaranteed elements (basic, housing allowance, inner city weighting, car allowance etc) from either the year to date figure (and annualising same) or the most recent P60. For an annual bonus, we would expect to receive evidence of at least the last two annual bonuses and either take an average or the lower figure if more recent. To consider using any variable component we would expect to have at least a six month track record in the current role
- Foster care allowance
- Carer's allowance
- Investment income - after deduction of maintenance expenditure, agency fees and mortgage repayments. This

must be evidenced by SA302s.

You may include a maximum of **100%** of the following additional income:

- Pension income– but if this is the only source of income you must discuss with us before submitting an application.
- Car allowance
- Shift allowance
- “City” weighting
- Working tax credit / Family tax credit – award letter to be provided in all instances
- Invalidation/disability benefits/PIP (Personal Independence Payment) – award letter to be provided in all instances
- Universal Credit - Can only be used where the benefit is a replacement for Child and Working Tax Credits. Require last 3 monthly Universal Credit statements with the lowest figure being taken, all income declared to HMRC will be cross referenced with the pay slips.

Child related income and benefits will only be acceptable for children who are below 14 years of age at the time of application. Child Benefit is calculated automatically by the SWAN system.

YTD income can be used from tax month three onwards (i.e. June).

For applicant’s whose income is predominantly commission-based, we will accept **100%** provided a suitable track record is obtained. Applicants will be required to submit the last year’s P60 to demonstrate this track record and where commission makes up less than 50% of the applicant’s total income, only 50% of commission earned will be accepted.

Where using foster care income, the applicants will not be in receipt of Child Benefit for those children. If the children are below 14 years of age, we will need to deduct child benefit from the affordability calculation.

Second job income is acceptable up to 100% provided:

- The total hours worked across both roles are sustainable long-term
- The two roles are of a similar nature (i.e. the applicant is a nurse for example)
- The applicant has been in receipt of the income for at least 6 months, not in a probationary period
- Each position is permanent and is not seasonal employment

Maternity benefit will be considered. Where the applicant is returning to work within two months, we will look to use the basic annual salary subject to evidence of the return to work date agreed with the employer and confirmation of returning salary.

When reviewing employed income, we will not ordinarily take into account any pension contributions as these contributions are considered to be discretionary expenditure.

Pension contributions will be taken into account if the pension income is required to support the Second Charge Mortgage either at application stage or during the term of the loan. We will also include contributions if a lump sum repayment is required to redeem either the First or Second Charge Mortgage.

Lending into Retirement

For a retired applicant, you may include:

- income from a state and/or private pension; and
- lump sum pension payments if they cover the second charge mortgage balance at the point of retirement.

You must not include inheritance, downsizing, savings or investments.

You must ask each applicant to confirm his/her planned retirement age “Customers Planned Retirement Age” (**CPRA**). Where the CPRA exceeds 70 years of age, you must use 70 years as the CPRA. Where the CPRA is not known, you should use the applicable State Retirement Age. Professions where retirement happens earlier than state retirement age (i.e. Police, Fire Fighters etc.) should confirm if they intend to continue working in a new position post retirement. These applications can be submitted in the normal way.

Where the maturity date of the proposed second charge mortgage is after the date of the CPRA and the customer **will not be** retiring within the next 10 years or more, you must ensure that one of the following requirements is met:

- The customer must prove the existence of a pension through clear pension deductions on their payslip.
- A letter from a qualified Accountant, Actuary or Pension provider confirming projected pension value.
- The customer must prove the existence of a pension by providing copies of pension statements.

Where the maturity date of the proposed second charge mortgage is after the date of the CPRA and the customer **will be** retiring within the next 10 years or less, you must ensure that one or more of the following requirements must be met for the relevant type of pension(s):

State Retirement Pension:

- Annual statement of expected pension due on retirement. This can be requested by telephoning 0845 3000 168 or online at www.thepensionservice.gov.uk
- Letter confirming expected pension income from the Department for Work and Pensions (DWP).

Private Pension:

- Annual statement of expected pension due on retirement (including pension projection)
- Letter from pension provider confirming expected pension due on retirement.
- A letter from a qualified Accountant, Actuary or Pension provider confirming projected pension value.

Company/Occupational Pensions:

- Annual statement of pension due on retirement.
- Letter from employer / pension provider confirming expected pension due on retirement.
- A letter from a qualified Accountant, Actuary or Pension provider confirming projected pension value.

For a list of the professional accountant qualifications acceptable to Pepper Money, please refer to the self-employed applicants section above.

Pension contributions will be taken into account for affordability if the pension income is required to support the Second Charge Mortgage either at application stage or during the term of the loan. We will also include contributions if a lump sum repayment is required to redeem either the First or Second Charge Mortgage.

Affordability, Suitability and Sustainability

Pepper Money assesses each second charge mortgage application against a set of detailed criteria, allowing us to maintain a consistent approach in our lending decisions. In fulfilling our obligations to lend responsibly and to treat customers fairly if a second charge mortgage is deemed not to be in the interest of the customers, as a responsible lender we reserve the right to decline the application or ask for additional documents to support the application. This means that when a second charge mortgage application is received and appraised the information collected should show that –

- The customer can afford the product over the proposed repayment term.
- The product is appropriate to the customer's needs and objectives.
- It is the most suitable product from the range of products a firm has available within the scope of services it provides.

Being able to satisfactorily assess a customer's affordability, to be able to repay both the sums borrowed and the associated interest, is a critical consideration factor within the overall customer application process leading to the provision of a good customer outcome.

When assessing whether a customer will be able to pay the sums due Pepper Money will take full account of –

- The income of the customer, net of income tax and national insurance
- The customer's committed expenditure and
- The basic essential expenditure and quality of living costs of the customer's household
- Loan to Income calculation – any case that exceeds '6' must be referred for approval

To calculate LTI, you will need:

- Outstanding mortgage balance
- Pepper Money's loan amount (inc. fees)
- Gross annual income

e.g. O/s mortgage balance = £70k, Pepper Money loan £20k + £1k fee + £595 lender fee, Income £30k

$£70k + £20k + £1k + £595 = £91,595$ divided by $£30k = 3.05$ LTI

For the purposes of completing a detailed assessment, affordability should be viewed looking at –

- The current overall financial position (initial affordability). The review of initial affordability will depend on the current net income and outgoings once the proposed mortgage is in place. In some instances, items of discretionary spending could be identified that a customer could consider reducing substantially or eliminating altogether to make the proposed mortgage payments more affordable. If it is identified that a change in budgeting priorities is required to support the suitability of any recommendation this detail needs to be noted within the suitability documentation.

Loans and HPs with <6 months to run can generally be ignored unless the overall profile of the application causes concern about the applicant managing that commitment for the remainder of its term. Particular attention should be given to cases with lower residual incomes and/or low declared expenditure.

Brokers should ensure that all forms of income are declared to assist in the assessment of their applications.

Pepper Money reserve the right to challenge the plausibility of any declared expenditure and will, where appropriate, request further evidence to support this. The evidence requested may include, but is not limited to –

- Full unfiltered Bank Statements for each of the applicant(s) accounts

- Utility Bills
- Other invoices/account statements

First Document Pack Issue

When you have discussed a proposed mortgage contract with a customer and they have confirmed their intent to proceed the first document pack can be issued to the customer(s).

The first document pack will be made up as follows –

- Mortgage Illustration – this document provides a detailed illustration of the proposed mortgage that has been recommended to and initially accepted by the customer as a suitable product.
- Pepper Money Application Form - this document will detail the information provided, by the customer, during the fact find conversation and must be completed in full.
- Direct Debit Mandate

Binding Offer Issue and Reflection Period

In issuing the Binding Offer Pepper Money confirms that the proposed second charge mortgage contract has been successfully underwritten and will proceed on the basis of the detail contained in the Binding Offer. The provision, to the customer, of the Binding Offer then triggers the commencement of the 'reflection period' during which the customer has at least seven days to consider the binding offer. In addition to the binding offer document, the following papers will be issued for the customer's attention.

- Mortgage Deed / Standard Security. The customer(s) will need to sign this legally binding document, obtain witness signatures and return the Deed direct to Pepper Money. Completion and return of this document, both signed and witnessed, will act as written confirmation that the customer is in agreement to proceed with the mortgage, detailed in the Binding Offer. Applicants must be present when the Mortgage Deed or Standard Security is witnessed. The witness must be fully known to the applicant(s) and must be a permanent UK resident at the time of witnessing the signatures. The witness must NOT be a relative of the applicant(s) or reside in the security address.
- General Mortgage Conditions. This booklet details the specific conditions relating to the second charge mortgage.
- Waiver of reflection period. In some instances, Pepper Money recognises that customers will wish to proceed with their mortgage contract before the natural expiry of the reflection period. If the Deed / Security is returned to Pepper Money within the reflection period we will proceed and assume the customer has withdrawn from this.
- Tariff of Fees leaflet. Confirmation for the customer, for information purposes, of the scenarios when fees will be applied to an account.
- Complaints process leaflet. Confirmation for the customer, for information purposes, of how a customer can register a complaint and how the Pepper Money Complaints procedure operates as a framework for reviewing all logged complaints.

For all documents, requiring customer signatures, you must ensure that each signature written across all submitted documents matches accordingly. We may request part or all documentation to be re-signed if we feel there is inconsistency across these documents.

It is your responsibility to check the mortgage offer produced matches your advice. This includes (but not limited to), product, fees and loan amount. *It is not possible to amend these details after completion.*

If there is any issue with an offer you need to contact the Pepper Money office as soon as possible to allow us to rectify.

Underwriting Requirements

In terms of assessing affordability, to successfully complete an initial analysis of an individual customer's income and expenditure details Pepper Money will, in the first instance, apply ONS average expenditure data against each application received, factoring in specific information such as the number of dependents and whether the customer(s) are liable for committed expenditure items such as maintenance payments and / or student loan repayments.

When submitting the customer details, including the information noted above, to gain an initial AIP and indication of the level of underwriting to be applied, it is important that additional information has been gathered from the customer to confirm –

- Income details for primary employment and, where applicable, other jobs along with details of other income sources.
- The customers planned retirement age.
- Whether the customer is liable for any unusually high monthly expenditure items.
- Whether the customer is aware of any foreseeable changes to their current levels of income and expenditure.
- Maintenance / Child Support payments.
- The number of dependents residing at the security address.
- Student Loan Repayment information.
- Childcare.
- Repayment vehicle details should the customer have an interest only first mortgage.
- Property type including number of bedrooms.
- Pension projection details, in the event that the applicant(s) proposed retirement date is within 10 years.

In the event that the information returned, concerning either the customer's planned retirement age, unusually high monthly expenditure items or foreseeable changes to current levels or income and / or expenditure, will affect the initial decision and associated underwriting level it will be incumbent upon the authorised Broker to notify Pepper Money of this additional information at application stage. Failure to do so will potentially result in the application moving to a different underwriting stream, once the case has been submitted for underwriting and pay out.

In terms of affordability an application will be deemed to have passed Pepper Money's criteria on the basis of the residual income sum being greater than zero following deductions, from the customer's net income, for basic essential expenditure, quality of living costs and the customers committed expenditure which is made up of the customers current first mortgage payment, the proposed Pepper Money mortgage payment and any unconsolidated debts.

Verifiable Expenditure Items

Pepper Money recognises that, for the purposes of referring applications, the only lower expenditure items that can be in scope for assessment are those where formal documentary evidence can be supplied to confirm a lower figure. These items are detailed below –

- Utilities (water, gas, electricity – please note if the applicant(s) do not pay by direct debit, satisfactory bills will be required to evidence seasonal expenditure)
- Council Tax
- Telephone (land line and mobile)
- Insurances (buildings, contents, car, life)
- Settled credit – this will apply in the isolated instances where a customer's credit file has, at the time of the search, not been updated to confirm a recently settled item of credit. Monthly payments for items of current loans, HPs or Fixed Term Agreements with 6 months or less remaining, will automatically be excluded from the Pepper Money affordability assessment calculation.

In confirming the items noted above, where documentary evidence is available, Pepper Money understands that each customer application will be unique and that there may be lower expenditure items, over and above those noted above, that an introducing Broker may wish to bring to Pepper Money's attention as part of the referral process. In these instances a mandated Pepper Money underwriter will review the enquiry and, where satisfied that the application can proceed, specify the evidence to be provided. Typically, for referrals concerning expenditure other than those noted above, this will require 1 to 3 month's unfiltered bank statements, as a means of confirming ongoing lower expenditure payment patterns.

We base our council tax expenditure over a 12 month period as stated on our Income and Expenditure form. If during the course of processing the council tax figure is amended to reflect a 12 month period, we will require written confirmation from the applicant(s) that they are aware and understand that we have based their affordability on their council tax payments being over a 12 month period.

Supporting Documentation

For employed applicants you must ensure that we are provided with the following documents with every case submitted –

- Signed Pepper Money Application Form (including, where appropriate, a detailed breakdown of the credit accounts to be consolidated from the mortgage proceeds).
- Signed Direct Debit Mandate.
- Signed Monthly Expenditure Form
- Two of the most recent consecutive monthly or 6 weeks' worth of weekly payslips and the most recent payslip must be dated within 2 months at the point of application
- Acceptable evidence of name and address ID, as detailed in the Customer Due Diligence section of this document, if proof is not available through the EID process.
- We will accept copies of all documents other than the Mortgage Deed/Standard Security, Independent Legal Advice Certificate (ILA), Non EU passports

For self-employed applicants you must ensure that we are provided with the following documents with every case submitted –

- Signed Pepper Money Application Form (including, where appropriate, a detailed breakdown of the credit accounts to be consolidated from the mortgage proceeds).
- Signed Direct Debit Mandate.
- Signed Monthly Expenditure Form
- For each applicant that is self-employed, you must obtain and submit a Pepper Money Accountant's Certificate confirming, among other things, the last two year's profit and loss and current projected details. Each self-employed applicant must have been trading for two years in his / her current role.
- Acceptable evidence of name and address ID, as detailed in the Customer Due Diligence section of this document, if proof is not available through the EID process.
- We will accept copies of all documents other than the Mortgage Deed/Standard Security, Independent Legal Advice Certificate (ILA), Non EU passports

For application submissions where a party to the second charge mortgage is retired, proof of income from a state and / or private pension; and lump sum pension payments are required to evidence if they will cover the second charge mortgage balance at the point of retirement.

We have a vast selection of documents that you may download from the Pepper Money system "document library" to assist you with the processing of applications.

Please refer to the notes below concerning additional documentation requirements in the event that the proposed papers are outside our normal income and ID criteria.

Non Benefitting Party

When submitting a mortgage application, in all instances where a person who is a party to the mortgage but has no financial benefit for the mortgage proceeds, you must obtain an original signed Independent Legal Advice (ILA) form that has been witnessed and signed by a Solicitor who, in doing so, confirms that the applicant has understood fully the implications of taking out the mortgage and the risks associated. It is the responsibility of the solicitor to agree the method that they wish to adopt in providing the advice. At the time of visiting the Solicitor with the ILA form, the person who is the non-benefiting mortgage party, must also take the Binding Offer, Mortgage Deed or Standard Security and the Application Form for review and witness.

Proof of ID

- a) All non EU applicants **must** submit an original valid passport with their application and also include evidence of their permanent right to reside in the UK.
- b) All EU applicants **must** submit proof of their settled or pre-settled status
- c) All evidence submitted, excluding passports, must state the security address and full name of the customer. Separate proof of ID (name and address) must be provided for each applicant.

Mortgage Information

Existing/Prior Charges

In the first instance, we will attempt to validate satisfactory mortgage conduct by assessing the credit report. Where credit report data exists, we will not require any further evidence as standard.

Where we are unable to evidence mortgage conduct via the credit report, we will require the following:

A mortgage history profile from any known credit reference agency, BSQ/mortgage questionnaire or mortgage statement as well as unfiltered bank statements to evidence payment history.

A concurrent mortgage payment history of six months must be evidenced on each case. You must ensure that this is up to date and no older than 90 days at completion of the second charge mortgage.

Pepper Money will only provide a second charge. We can only take a third charge when the first and second charges are with the same lender and the second charge relates to a further advance or the second charge relates to security to a local authority for claw back of [right-to-buy] discount.

In each case where a restriction has been registered by the first mortgagee you must obtain and submit an unconditional consent from the first mortgagee in favour of UK Mortgage Lending Ltd in relation to the Pepper Money mortgage.

You should check the following points prior to sending a First Mortgage Consent to us

- We must have the Name and Job Title of the person who signed the document
- Consent is not acceptable where the individual who has signed has PP'd for the signatory
- If a loan amount is mentioned within the document, this needs to be accurate and based on the gross loan
- Where there is more than one Title number then all should show on the consent
- Documents should not be marked as "draft" or "confidential"

We will not be able to lend behind any mortgage lender where they require us to sign a Deed of Postponement/Priority which has the following or similar clause:

"The Lender and Second Lender undertake not to assign or transfer the Lender's Mortgage or the Second Lender's Mortgage to any other person without first procuring that that person enters into a deed with the Lender or the Second Lender upon the same terms as this deed"

In each case where a priority is registered against the property you must obtain and submit a letter of no further interest from the relevant priority holder.

Where the fixed rate term of the first mortgage is input as 5 or more years, we will require evidence of the mortgage product.

Mortgage Arrears

Where an applicant has any missed mortgage payment (including in respect of any existing second charges) you must obtain and submit an explanation from the applicant.

It is a condition of our mortgage that all outstanding mortgage arrears must be cleared on or before advance of our mortgage.

We reserve the right to decline an application based on the payment profile of the mortgage account(s).

Flexible and Open Plan Mortgages

Where a restriction has been registered on the Land Registry and the first mortgagee is obliged to make further advances, you need to obtain and submit one of the following:

- confirmation in writing from the first mortgagee of the maximum sum they are obliged to lend
- a completed Deed of Postponement from the first mortgagee confirming the maximum mortgage balance
- written confirmation that any further advances that might be considered will rank behind our charge

NB For all Scottish applications where the first charge is registered to one of the companies listed below, we will require either a DOP, Maximum Liability figure or confirmation from the first mortgage lender that the mortgage is not "open plan" or "flexible".

- Virgin/RBS One Account
- Nationwide
- Woolwich/Barclays
- Clydesdale
- Santander

BSQ/Mortgage References

If the mortgage profile appears on the credit search, you do not need to include a BSQ unless one of the following also applies:

- there are more than one current mortgage accounts
- the mortgage is flexible/open plan
- no payment is confirmed on the search
- the payment profile is inconclusive i.e. no clear consecutive payment history
- the payment profile is erratic with a history of adverse

NB. Where the mortgage balance or the customers' estimated valuation differs, in either direction, from the initial figure submitted, the deal may be subject to a re-price.

Land Registry

Disponer Certificates

Where the Land Registry has the following (or similar) restriction:

No disposition of the registered estate by the proprietor of the registered estate is to be registered without a certificate signed by a conveyancer that the conveyancer is satisfied that the person who executed the document submitted for registration as disponor is the same person as the proprietor.

We will require the applicants to get a Solicitor to complete a Disponer Certificate to be returned with the Mortgage Deed. The Certificate should have the following wording on the below example, be on the Solicitors headed paper and signed by the individual Solicitor:

Date: 01/01/2023

Title Number: ABC1234

Property: 123, Any Street, Any Town, AB1 2CD

Lender: UK Mortgage Lending Ltd

I the undersigned, as solicitor for (apps names), certify that I am satisfied that the person who has executed the Mortgage Deed submitted for registration as disponor is the same person as the proprietors of registered title ABC1234.

Signed by

Name: John Smith

Job Title: Solicitor

Tenants In Common

Pepper Money are not able to process an application where a Tenants in Common restriction is present on the Land Registry Search.

The restriction at Land Registry is as follows:

RESTRICTION: No disposition by a sole proprietor or the registered estate (except a trust corporation) under which capital money arises is to be registered unless authorised by an order of the court

The only exception to this is where both applicants are proprietors on the Land Registry **and** are both party to the loan.

If you have any queries around the acceptability of this please refer to our Referrals team.

Minor Amendments Form

A Minor Amendments Form is required where a change is needed on the Land Registry. The form needs to follow the below example with the items in **bold** amended to the applicants' circumstances. Please note the form must be signed by all parties to the loan.

01/01/23

HM Land Registry

Title Number : **ABC1234**

Property: **123 Any Street, Anytown, AB1 2CD**

Lender: **UK Mortgage Lending Limited**

I/we **James John Smith and Helen Louise Doe** authorise UK Mortgage Lending Limited and/or their solicitors Robertsons Legal Limited to:

- make minor amendments to transaction documentation lodged for registration at HM Land Registry and initial those amendments on our behalf; and
- apply to update the proprietorship register where a variation in name has been identified and appropriate evidence to account for the variation accompanies this application.

Signed

James John Smith

Dated

Signed

Helen Louise Doe

Dated

Valuations

A valuation will not be required by you for the majority of Pepper Money cases.

In the instances where a valuation will be required you must ensure that –

- Valuations are carried out to a reliable standard, to satisfy both the authorised Broker and Pepper's minimum requirements.

- The surveyor selected, to complete the property valuation, meets the standard laid down by RICS. The surveyor(s) you refer to must, at all times, be professionally competent and sufficiently independent to be impartial and objective.

The Pepper Money system will indicate whether or not you need to obtain a valuation and in the event a valuation is required, the Pepper Money system will indicate the type required, in each case as follows:

Price Guaranteed – No Valuation Required

Price subject to a maximum LTV X% - Drive by

Price subject to a maximum LTV X% - Full Valuation Required

Where the property has been purchased within the last six months, you must obtain a drive-by or full valuation in each such case.

The type of valuation required may change dependant on the second charge mortgage details. **We reserve the right to request an alternative method of valuation, to that generated by our system, at our discretion.**

Where 'No Valuation Required' is displayed, there is no requirement to submit a valuation with the packaged case.

Where 'Drive by' or 'Full Valuation Required' is displayed a Valuation must be arranged through Pure Panel Management Ltd., Metropolis Surveyors or Gateway Surveyors.

Pure Panel Management Ltd, 5 Diamond Court, Kingston Park, Newcastle Upon Tyne, NE3 2EN.

Tel: 0191 2142459

Fax: 0191 2142450

E-mail: info@pure-pm.com

Metropolis Surveyors, Crown House, 25 Turners Hill, Cheshunt, Herts, EN8 8NJ

Tel: 01992 785007 / 0844 8800968

Fax: 01992 785022

E-mail: info@metropolis-surveyors.com

Gateway Surveyors Ltd, Weston House, Bradgate Park View, Chellaston, Derby, DE73 5UJ

Tel: 01332 693100

Fax: 01332 691156

E-mail: info@gatewaysurveyors.co.uk

If a Full Valuation or a Drive by Valuation are required, you must ensure that the following are complied with:

- Each valuation report must be completed on Pepper Money's standard valuation forms and instructed by the broker who has submitted the application to us.
- Photographs are included in each drive-by valuation.
- The valuation normally remains valid for 90 days from the date of inspection.
- The valuer's office must be within a 25 mile radius of the property being surveyed. You must ensure that our approval is obtained for each valuation carried out over this limit.
- Coal mining reports will not be required, however, you must ensure that a Damp, Timber or Electrical report(s) is/are obtained and submitted when specifically requested by the valuer.
- A Structural Engineers Report is obtained and submitted when requested by the valuer.

- If the property is deemed to be in a flood risk area, we may request sight of buildings insurance specifically including flood cover.

If an amended valuation is submitted, you must ensure that details of all changes, including reason for amendment, are provided by the valuer.

The Property and LTV

Minimum property value: **£100,000** (Prime), **£85,000** (XLTV)

Maximum property value: **£1 million** or **£1.5 million (Greater London area only)** to a maximum of **100% LTV, where applicable.**

Any property valued up to and over **£1.5 million will be acceptable subject to a maximum LTV of 75%.**

For the above purpose you must treat the following postcode areas as Greater London:

WD, EN, HA, UB, TW, KT, N, NW, W, WC, SW, SM, CR, E, EC, SE, BR, IG, RM, DA

If an application falls outside the above criteria, please contact us and provide details and discuss with us before submitting an application.

You must ensure that the property is (a) a residential home, (b) owner occupied, and (c) in England, Wales and mainland Scotland, and (d) that each applicant is resident at the security property.

Where the property is in the Scottish Islands, the maximum LTV is **65%**. In each such case, the property must not be a "croft" and a full valuation must be provided.

Ex-council properties still within the pre-emption period are eligible. You do not have to factor the outstanding discount into the LTV calculations. NB High LTV products are not available under these circumstances.

Leasehold properties are eligible but must have an unexpired term of **40 years** remaining at the end of the second charge mortgage term.

If the property has both leasehold and freehold titles, our charge will be taken over both.

If the property is for sale when the valuation is completed, you must obtain and submit a written confirmation from [each] estate agent involved, that the property has now been removed from the market.

A comprehensive, although not exhaustive, list of acceptable and unacceptable property types is listed here for you:

Acceptable Property Types

Traditional Construction using traditional materials

Modern Flats – Framed and Clad

Hardwood timber framed period houses

Modern softwood timber framed houses and flats

Cross wall construction using traditional materials

Poured concrete systems – Wimpey No Fines, Laing Easi-form (post 1945) and Mowlem

Ex Prefabricated Reinforced Concrete houses (PRC) - Completion Certificate must be provided:

Designated PRC houses and bungalows repaired under PRC Homes Ltd Repair Scheme or Non-Traditional Homes Appraisal Scheme Category 5 (as confirmed by a NTHAS Structural Engineer) - providing all adjoining properties have also been repaired. To be acceptable there must be either a PRC Homes Ltd Certificate or confirmation by a civil or structural engineer that the repair scheme was licensed by PRC Homes Ltd prior to its demise in September 1996. Recent repair schemes completed to PRC or NTHAS specification may be acceptable where there is either an insurance backed warranty or certification of the repair by a civil or structural engineer subject to key requirements also being satisfied.

Acceptable subject to a Structural Engineers Report and satisfactory comments on saleability and demand from the valuer

- Softwood timber framed houses of period design and character
- Lightweight steel frames – brick, reconstituted stone or rendered block external cladding
- Modern Methods of Construction (MMC)
- Large Panel System houses
- High alumina cement
- Pre 1950 concrete constructed properties in Cornwall
- Pre 1950 concrete constructed properties in parts of Devon
- Asbestos

Unacceptable Property Types

- Freehold flats and maisonettes in England and Wales
- Leasehold flats and maisonettes in Scotland
- Flat Roof Properties (will review upon referral)
- Ex Local Authority flats and maisonettes if the flat is in a block over 4 storeys in height or with more than 50 units in the block (will review upon referral) - Valuer to provide photographs as part of the full valuation report
- Shared Ownership or similar schemes
- Commercial Properties
- Grade 1 listed properties
- Flats over or attached to commercial properties (will review upon referral)
- Tyneside flats
- BISF
- Laing Easi-form pre 1945
- Properties deemed defective under the Housing Defects Act 1984 and Housing Act 1985
- Properties valued at less than £100,000 (Prime) or £85,000 (XLTV)
- Vacant properties
- Properties with agricultural restrictions

Security Calls – Employment Checks and Speak-withs

There are two methods which Pepper Money can employ to verify an applicants income:

Via a Job Check (telephone call or email) or Employment Reference letter.

Job Checks:

We will carry out a job check on applications which fit one or more of the following criteria:

- Where cash out to the customer is £100,000 (or above) and the LTV exceeds 75%;
- There is sick pay on the payslip equivalent to more than 7 days;
- There is reason to believe the employer is making redundancies

A verification call will also be made on all cases where we have a letter from the employer detailing information around the applicants employment (employment reference letter).

We reserve the right to carry out an employment verification call on any application should we deem it necessary, even if it would not normally be carried out. As a responsible lender, if we deem the call to be unsatisfactory, we will look to verify the applicant(s) employment in a different manner

It is vitally important that employment telephone numbers are provided on every case and input within SWAN. A case cannot complete without a valid number being present.

At the final stage of the second charge mortgage process, our normal practice is to carry out “speak-withs” with all applicants. We can carry out these on the work, home or mobile numbers. The call will include reference to some details relating to, amongst others, identity, affordability, purpose of the mortgage, customer understanding and the mortgage. We will not proceed with a mortgage unless and until such a "speak with" call has been carried out. Each call will take approximately 7 minutes so please ensure customers are aware of this prior to passing them through to us.

Underwriting Discretion

Pepper Money recognises that there will be occasions where second charge mortgage applications may not meet our standard lending criteria but do still represent a good overall risk to the business. In the instances where this occurs Pepper Money has the capability to review and, where appropriate, provide an approval in principle for applications to proceed subject to meeting the individual approval details given. In the instances where you wish to submit a case to us that falls outside our standard lending criteria please email the mortgage application details and reasons for requesting approval to proceed outside our standard lending criteria to 2ndcharge.referrals@pepper.money

In addition, we retain (as part of our criteria) an absolute discretion as to:

- Whether or not to accept an application.
- Whether to apply more restrictive, less restrictive or additional criteria than the criteria set out in this document
- Having no obligation or duty to provide information (including reasons) for our decisions.

Vulnerable Borrowers

Any individual with limitations in mental capacity and / or financial literacy can be described as a “Vulnerable Borrower”. Whether that person has the ability to understand, remember and weigh up relevant information will determine whether they are able to make a responsible decision based on that information.

You must adhere to the guidance published by the FCA that is noted within their vulnerable customer guidance.

You must have and maintain at all times adequate policies and procedures in place to deal with Vulnerable Borrowers in the correct manner without discrimination or unfair treatment.

Where you have any reason to believe that an applicant has a mental capacity or financial literacy limitation, the applicant should not be regarded as being unable to make a decision unless reasonable steps have been taken first to assist without success. You must always provide assistance to these applicants in clear language to help them make decisions, rather than immediately declining their application. In all instances, you must ensure that you obtain “expressed consent” from the customer(s) to record and pass over to us any information concerning vulnerability.

Where we become concerned that an applicant may not have the mental capacity and ability to understand the second charge mortgage illustration or implications of this illustration, we may require independent legal advice (ILA). All such cases identified by you must be referred to Pepper Money at the initial stage of application with full details noted of any additional steps you have already taken to assist customer understanding.

You must ensure that any health issues that may be relevant to the consideration of the second charge mortgage application are detailed and signed by the borrowers on the application form accordingly.

If we deem independent advice necessary, you must arrange for the Pepper Money ILA form to be signed by both the applicant and an independent solicitor. You must also arrange for the Pepper Money Mortgage Deed or Standard Security to be signed at this time and witnessed by the solicitor and for the Pepper Money Binding Offer document and Application Form to be present at this time and for all details contained within these documents to be conveyed to each applicant ensuring that he/she fully understands the implications of taking out a second charge mortgage.

Our Solicitors' Details

Pepper Money use the services of two solicitors in the UK:

- England And Wales applications – **Robertsons Solicitors**, 6 Park Place, Cardiff, CF10 3RS
Tel: 02920 385170 / 02920 381811 Fax: 02920 381817 Email: peppermoney@robsols.co.uk
- Scotland applications – **Wilson McKendrick Solicitors Limited**, Queens House, 29 St Vincent Place, Glasgow G1 2DT
Tel 0141 222 7954 Fax: 0141 404 2642

You must obtain a Scottish search **direct** from Wilson McKendrick for every Scottish case via: search@wilsonmckendrick.co.uk.

Wilson McKendrick will also provide you with a completed Pepper Money Standard Security. You will need to send this to Pepper Money for us to issue to the applicant(s) along with the Binding Offer. Please note that you must provide the full name of any witness who lists any abbreviations of their name(s).

Open Banking

Open Banking have partnered with AccountScore to provide applicants with the opportunity to share their banking data with Pepper Money where applicable.

When bank statements are requested to evidence any type of income or expenditure you may send the following link to the applicant(s) which will give Pepper Money access to the last 3 months banking transactions:

<https://peppermoney.consents.online>

This link can be accessed via desktop, tablet or mobile.

A mobile journey can be seen by using the link below.

<https://projects.invisionapp.com/share/RBQ931VA94C#/screens/343914280>

We will continue to accept scanned bank statements if that is the applicants preference.