

CRITERIA GUIDE

Mortgages

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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.

Applicant criteria

Applicant Details	
Minimum age	21
Maximum age	80 at end of term. For joint applications the age of the oldest applicant is used. The term cannot extend beyond the applicant's stated retirement age. Maximum allowable stated retirement age of 75
Maximum applicants	2
Guarantors	Not accepted
First time buyers	Accepted
Marital status	Applications from married/civil partnership applicants must be in joint names

Maximum Allowable Adverse	
Defaults	None registered in the last 6 months. Subject to review of a DIP submission, we will consider accepting CCJs or Defaults that will have been registered for over 6 months at the point of mortgage offer On Pepper 24, 18, 12 and 6 products we will ignore 2 individual defaults (per application) up to and including £200.00 each where these defaults relate to utilities, communications or mail order providers. On Pepper 36 products we will ignore 1 individual defaults (per application) up to and including £200.00 each where these defaults relate to utilities, communications or mail order providers
CCJs	None registered in the last 6 months. Subject to review of a DIP submission, we will consider accepting CCJs or Defaults that will have been registered for over 6 months at the point of mortgage offer
Mortgage/ Secured loans	Arrears status of 0 in last 6 months None missed in the last 12 months
Unsecured commitments	Fixed Term - Fixed Term Agreements – No missed payments in the last 6 months Revolving credit - Missed payments considered
IVA/Bankruptcy	Bankruptcy Range Accepted when discharged more than 3 years ago Standard Range Accepted when discharged more than 6 years ago
Pay day loans	Accepted where the account closed more than 12 months ago
Repossessions	Accepted where repossession occurred more than 6 years ago

Please refer to the product guide for further details on each product level.

Nationality & Residency

Applicant Details	
Residential status	3 years UK residential address history required for all applicants
Visa Requirements	<p>Accepted subject to:</p> <ul style="list-style-type: none">• 3 years UK residency <p>One Applicant MUST have indefinite leave to remain. Additional applicants must have Indefinite leave to remain OR Right to Reside with acceptable visa type:</p> <ul style="list-style-type: none">• Tier 1 Entrepreneur Visa• Tier 2 Skilled worker Visa• Senior or Specialist Worker Visa• Health and Care Worker Visa• Family Visa <p>Visa's must have a minimum 12 months validity.</p> <p>Applicant's must have a minimum employment history of 24 months in the UK, where income is used in support of the application.</p>
Diplomatic immunity	Not accepted

Income Criteria

Income	
Minimum earned income	£18,000 per application
Foreign currency	Not accepted

Employed, Self-Employed & Retired															
Employed	<ul style="list-style-type: none"> • Minimum of 3 months in current job with 6 months' continuous employment • Day rate contractors accepted subject to being in a contract and able to demonstrate a minimum 12 months history. Calculate the income as the lower of 12 month average day rate amount or current contract day rate x 5 (days per week) x 46 (working weeks) • Contract employees considered provided 12 months employment with the same employer together with confirmation the contract will be renewed • 3 months payslips (or 6 weeks where paid weekly) and P60 where applicable • Payslip evidence of the last 2 years Bonus / Commission where paid annually or bi-annually or quarterly • Applicants in a probationary period not accepted • Zero hour contracts acceptable if a permanent position with 2 years+ at same employer and stable income levels • Income from seasonal/temporary work not considered • Directors with a shareholding of 25% or more will be underwritten as self-employed <table> <tr> <th>Income Type</th><th>Proportion Considered</th></tr> <tr> <td>Basic salary</td><td>100%</td></tr> <tr> <td>Car allowance</td><td>100%</td></tr> <tr> <td>Monthly Bonus / Commission</td><td>100%</td></tr> <tr> <td>Overtime</td><td>100%</td></tr> <tr> <td>Annual or Quarterly Bonus / Commission</td><td>50%</td></tr> <tr> <td>Rental</td><td>50%</td></tr> </table>	Income Type	Proportion Considered	Basic salary	100%	Car allowance	100%	Monthly Bonus / Commission	100%	Overtime	100%	Annual or Quarterly Bonus / Commission	50%	Rental	50%
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Basic salary	100%														
Car allowance	100%														
Monthly Bonus / Commission	100%														
Overtime	100%														
Annual or Quarterly Bonus / Commission	50%														
Rental	50%														
Self-Employed: Limited Company	<ul style="list-style-type: none"> • Last 2 years' Limited Company accounts, unless only 1 year available due to trading period. Minimum trading period of 12 months • 3 months' business account bank statements • SA302s will only be acceptable in addition to the full business accounts. SA302's are not acceptable proof of income on their own but will be requested where the accounts have been prepared by an accountant who does not appear on our list of accepted qualifications. We may also request them to confirm dividends which do not appear in the business accounts. <p>Additional remuneration considered where applicants own 100% of the company:</p> <ul style="list-style-type: none"> • Directors' car allowance • Directors' pension contributions • Use of home as an office • Private health insurance <p>Where additional remuneration is to be added back, finalised accounts will be required.</p> <p>For Company Directors who are a majority shareholder, their share of the most recent years' trading net profit can be considered.</p>														
Self-Employed: Sole Trader/Partnership	<ul style="list-style-type: none"> • Last 2 years' SA302s, unless only 1 year available due to trading period. Minimum trading period of 12 months • 3 months' business account bank statements • SA302s may be requested to support company accounts 														

Other income sources	
Pension income	State retirement pension (SRP) – latest annual pension statement or award letter Private pension – latest annual pension statement or award letter
Secondary/additional income	Employment/self-employment income from a maximum of 2 sources per applicant considered. Benefits and maintenance may be included as additional income. Maintenance & benefit detail as described under “Documentation” on page 9
Unacceptable Income	We cannot currently accept income that is solely from UK land & property, or investment income. For other unacceptable income types, please speak to us.

Residential Loan Criteria	
Maximum LTV	<ul style="list-style-type: none"> Up to £1 million available to 75% LTV Up to £750,000 available to 85% LTV
Maximum term	40 years
Minimum term	5 years and 1 month
Minimum loan	£25,001
Maximum loan	<ul style="list-style-type: none"> Up to £1 million available to 75% LTV Up to £750,000 available to 85% LTV
Maximum lending with Pepper	<ul style="list-style-type: none"> Maximum lending of £4m per applicant, including any joint loans the applicants are party to. This can be a mixture of residential and BTL
Remortgage applications	<ul style="list-style-type: none"> Accepted where applicant has been the registered owner for the last 6 months at application
Repayment	<ul style="list-style-type: none"> Capital & interest Interest only to 60% LTV, supported by an acceptable repayment strategy. This can include sale of main residence where the equity in the property is suitable to downsize in the local area
Portable	Products are not portable
Offer validity	90 days
Application validity	45 days
Let to buy	Accepted
Right to acquire	Not accepted
Concessionary Purchase	<ul style="list-style-type: none"> Family Concessionary Purchase applications accepted where seller is purchasing from a close family member. Landlord Concessionary Purchase accepted where the applicant currently resides in the property that is to be purchased. Up to 100% Loan to Purchase Price (including fees) and 75% LTV.

Deposit Criteria	
Evidence of deposit	Required on all purchase applications
Applicants savings	Accepted
Capital raising remortgage	Accepted
Inheritance	Accepted
Divorce Settlement	Accepted
Cash gifted deposit	<p>Gifted deposits are acceptable from the following:</p> <ul style="list-style-type: none"> • Parent/Step-Parent/Parent-in-Law • Sibling • Child/Step-Child/Son-in-Law/Daughter-in-Law • Aunt/Uncle • Grandparent/Grandchild
Builder's Deposit	Acceptable up to 5% of Purchase Price on New Build properties
Unacceptable sources	<ul style="list-style-type: none"> • Unsecured borrowing • Vendor deposit

Property Criteria

General Criteria	
New build definition	<p>A property is to be considered new if it is a first sale by the builder.</p> <p>However, properties which have not sold on physical completion will be considered on an individual basis.</p>
Minimum property value	£70,000
Locations considered	England, Wales & Isle of Wight
Retentions	Not offered
Acceptable property	<ul style="list-style-type: none"> • Houses: Private and ex Local Authority or social housing • Flats & Maisonettes: Private and ex Local Authority. For Local Authority, restrictions may apply dependent on block size and location.

Alternative Construction	
Timber framed construction	<p>Modern timber framed properties clad with masonry are considered as acceptable.</p> <p>Timber framed properties which are not deemed to be of a modern type clad with masonry will be reviewed on an individual basis and will be considered on their merits.</p>
Flying freeholds	Flying freeholds will only be considered up to 20% of the total floor area.
Coal mining and other forms of extraction	Any properties with a coal mining or metalliferous mining entry/feature within 20m of any building will not be considered.
Electromagnetic fields	Any properties within 100m of above ground high voltage electrical supply apparatus will not be considered.
Contaminated land	Where there is potential for contaminated land, a pass certificate must be available from an appropriate body.
Japanese knotweed	Where a property has Japanese knotweed (or any other invasive weed) located within or immediately adjacent to the site defined in accordance with the latest RICS guidance, will not be considered.
Solar panels	Properties where solar panels have been installed and are subject to a lease agreement may be considered. An amendment to the lease may be required.

Tenure	
Freehold	Houses only. No freehold flats.
Leasehold	The lease must have a minimum unexpired term of 85 years at the time of completion
Commonhold	Not accepted

Property Reports	
Structural reports	<p>Reports may be accepted from members of the following bodies:</p> <ul style="list-style-type: none"> • The Institution of Structural Engineers (www.istructe.org.uk) • The Institution of Civil Engineers (www.ice.org.uk) <p>The report must be referred to the valuer for comment. If the report is not addressed to the applicant, written confirmation must be obtained from the originator that its contents may be relied upon by the applicant(s).</p> <p>We will not lend on any property with either ongoing movement or where monitoring is required, where this is identified by either the valuer, or where evident in the structural engineer's report.</p> <p>The valuer may request additional reports from specific governing bodies.</p>
Specialist reports	<p>We may require specialists' reports. These most commonly will be:</p> <ul style="list-style-type: none"> • Timber and damp, electrical, trees, cavity wall ties; • Mining report (as these are obtained by the solicitors, a special condition is imposed at offer); • Any such reports should be prepared by a reputable firm and should be forwarded to us for review and referral to the valuer. <p>The valuer may request additional reports from specific governing bodies.</p>

Unacceptable Property	
General	<ul style="list-style-type: none"> • New build properties without suitable warranty • Properties suffering on-going structural movement or insurance claims • Grade I & grade II* listed properties • Back to back/cluster homes • Properties located within 20m of a mine entry/feature • Properties within 100m of above ground high voltage electrical supply apparatus (excluding small substations) • Properties subject to compulsory purchase orders • Large flying freeholds (greater than 20% of floor area) • Japanese knotweed located within or immediately adjacent to the site, defined in accordance with the latest RICS guidance • Properties without an internal WC, bathroom or kitchen • Properties subject to any onerous occupancy restrictions, including agricultural • Shared equity schemes (only acceptable if applicant will own 100% of the interest on completion) • Properties subject to enforcement notices • Crofting properties/land • Self-build properties • Properties with a commercial element • Non-standard construction
Flats/Maisonettes	<ul style="list-style-type: none"> • New build flats/maisonettes • Flats with a gross external floor area less than 35m² • Studio flats • Freehold flats • Balcony access
Non-standard construction	<ul style="list-style-type: none"> • Pre-cast reinforced concrete (PRC) • Cast-in-Situ concrete • Metal framed construction • Single skin • Large panel systems (LPS) • Modern methods of construction (MMC)
Flooding	Properties at significant risk of flooding or that cannot be suitably insured will not be considered.
Restrictive covenants	<p>We are unable to consider any property with a restricted occupancy clause within the planning permission. For example, it can only be occupied for a maximum of 11 months in any one year.</p> <p>Similarly, property that can only be used for retirement or sheltered accommodation is not accepted. This is the same for any property where a planning restriction (e.g. agricultural restriction) effectively limits a property's appeal on the open market.</p> <p>Please note: for new builds we do consider Section 106 planning obligations.</p> <p>We are unable to consider properties within a pre-emption period.</p>

Documentation

Application Requirements					
Full mortgage application	<p>Original fully signed and dated declaration.</p> <p>Signed and dated direct debit mandate.</p>				
Proof of deposit (purchase)	<p>Applicants' bank statements.</p> <p>Interest waiver letter from donor where gifted deposit.</p>				
Use of funds (remortgage with a further advance)	<p>Breakdown of use of funds, after any debts have been discharged.</p> <p>Account details and balance of any debts to be repaid.</p>				
Proof of address & identification	<p>1. Any 2 documents from Table 1 or</p> <p>2. 1 document from each table</p> <table> <tr> <th>Table 1</th><th>Table 2</th></tr> <tr> <td> <ul style="list-style-type: none"> Valid passport Valid photo card driving licence (full or provisional) National identity card Firearms certificate or shotgun licence Identity card issued by the Electoral Office for Northern Ireland </td><td> <ul style="list-style-type: none"> Valid (old style) full UK driving licence Recent evidence of benefit entitlement Instrument of a court appointment Current council tax demand letter or statement Non internet generated bank statements and utility bills </td></tr> </table>	Table 1	Table 2	<ul style="list-style-type: none"> Valid passport Valid photo card driving licence (full or provisional) National identity card Firearms certificate or shotgun licence Identity card issued by the Electoral Office for Northern Ireland 	<ul style="list-style-type: none"> Valid (old style) full UK driving licence Recent evidence of benefit entitlement Instrument of a court appointment Current council tax demand letter or statement Non internet generated bank statements and utility bills
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Proof of Visa	<p>Visa Types Acceptable:</p> <ul style="list-style-type: none"> Tier 1 Entrepreneur Visa Tier 2 Skilled worker Visa Senior or Specialist Worker Visa Health and Care Worker Visa Family Visa <p>Visa's must have a minimum 12 months validity</p>				
Proof of income – employed	<p>Paid monthly – Latest 3 consecutive months and P60 where applicable</p> <p>Paid weekly – Latest 6 consecutive weeks and P60 where applicable</p> <p>Bonus / Commission – Where paid annually or bi-annually or quarterly - latest 2 years payslip evidence</p>				
Proof of income – self-employed	<p>Sole Trader – Minimum 1 years' SA302s with 3 months' business bank statements</p> <p>Company Director – Minimum 1 years Limited Company accounts and SA302s, with 3 months' business bank statements</p>				
Expenditure	<ul style="list-style-type: none"> 3 months bank statements required for First Time Buyer, Pepper 12 or Pepper 6 Residential applications 2 months bank statements required for all other Residential application types 				

<p>Other sources of income</p>	<p>Child Benefit – Latest bank statement showing credit of Child Benefit (must be payable for at least next 5 years)</p> <p>Working or Child Tax Credits – Latest full Working or Child Tax Credit award notice, all pages, with receipt evidenced within bank statement. Must be payable for at least next 5 years</p> <p>Maintenance – A copy of the maintenance agreement, received under a Court Order, a CSA assessment or a written private agreement drawn up between the separating parties and 6 months' bank statements as evidence of payment.</p> <p>State Pension – Latest annual pension statement or award letter</p> <p>Pension Credits – Latest annual pension statement or award letter</p> <p>Universal Credit – 3 months' Universal Credit statements confirming breakdown</p> <p>Disability Living Allowance – Latest Award Notice and must be payable for at least next 5 years</p> <p>Carers Allowance – Latest Award Notice</p> <p>Private Pension – Latest annual statement of pension/due on retirement or Latest payslip from pension provider or Latest letter from pension provider confirming pension due on retirement</p> <p>Foster Care Allowance – Remittance Advices from the relevant authority for the previous six months and SA302 for the most recent tax submission</p>
<p>Rental/mortgage history</p>	<p>Where the applicant is currently renting, we will ask to see proof of their last 12 months' rental payments. This can be through their AST, in addition to bank statements or reference from a letting agent. For current homeowners, where their mortgage is not available on Equifax, we will require the latest 12 months' mortgage statement</p>

Right to Buy Criteria

Right to Buy Maximum Allowable Adverse	
Defaults	None registered in last 24 months
CCJs	None registered in last 24 months
Mortgage arrears	No missed payments in 24 months Arrears status of 0 in the last 6 months
Unsecured arrears	Fixed Term - Fixed Term Agreements – No missed payments in the last 6 months Revolving credit - Missed payments considered
IVA/Bankruptcy	Accepted where applicants have been discharged 6 or more years ago
Pay day loans	Accepted where the account closed more than 12 months ago
Repossessions	Accepted where repossession occurred more than 6 years ago
Debt management plans (DMP)	Standard range • Accepted if satisfied over 12 months ago

Please refer to the product guide for further details on each product level.

Right to Buy Loan Criteria	
Maximum LTV	Available to 100% Loan to Purchase Price (including fees) and 75% LTV
Maximum term	35 years
Minimum term	5 years and 1 month
Maximum Loan	Up to £750,000
Remortgage applications	Right to Buy remortgage applications are not acceptable during the pre-emption period
Right to Acquire	Not accepted
Locations considered	England & Isle of Wight
Acceptable property	Houses only
Section 125 Agreement/Right to Buy Offer Agreement	For all Right to Buy applications, the customers' section 125 agreement/Right to Buy offer agreement from the council, demonstrating that they have the Right to Buy
Repayment	Interest Only is not available for Right to Buy applications

Shared Ownership Criteria

Shared Ownership Maximum Allowable Adverse	
Defaults	None registered in last 24 months
CCJs	None registered in last 24 months
Mortgage arrears	No missed payments in 24 months Arrears status of 0 in the last 6 months
Unsecured arrears	Fixed Term - Fixed Term Agreements – No missed payments in the last 6 months Revolving credit - Missed payments considered
IVA/Bankruptcy	Accepted where applicants have been discharged 6 or more years ago
Pay day loans	Accepted where the account closed more than 12 months ago
Repossessions	Accepted where repossession occurred more than 6 years ago
Debt management plans (DMP)	Standard range • Accepted if satisfied over 12 months ago

Please refer to the product guide for further details on each product level.

Shared Ownership Loan Criteria	
Maximum LTV	Available to 95% Loan to Purchase Price (excluding fees) and 75% LTV
Maximum term	35 years
Minimum term	5 years and 1 month
Maximum loan	Up to £500,000
Acceptable property	<ul style="list-style-type: none"> Houses: Private and ex Local Authority or social housing Flats & Maisonettes: Private only
Repayment	Interest Only is not available for Shared Ownership applications
Locations considered	England & Isle of Wight
Rent Payable	The rent payable must be no more than 3% of the value of the property in the ownership of the provider
Ownership	The property being purchased must be able to be staircased to 100% private ownership
Leasing	The completing Solicitor must confirm that the lease meets our requirements, including that it contains all fundamental clauses, the lease must contain a mortgage protection clause in the same form as clause 6 of the Model Lease (Houses)/clause 8 of the Model Lease (Flats)
Memorandum of Sale/Offer Letter	<p>A Memorandum of Sale or Offer Letter from the Housing Association will be required for Purchase applications.</p> <p>Evidence from the Housing Association of ownership percentage will be required for Remortgage applications. The original Memorandum of Sale is acceptable.</p>
Rent/Service Charge(s)	The Rent, maintenance and service charge must be included as a commitment on the application.
Vendor	Acceptable subject to the vendor being a registered Housing Association or Registered Social Landlord

Help to Buy Criteria

Help to Buy Maximum Allowable Adverse	
Defaults	None registered in last 24 months
CCJs	None registered in last 24 months
Mortgage/Secured loans	Arrears status of 0 in last 6 months No missed payments over the last 24 months
Unsecured commitments	Fixed Term - Fixed Term Agreements – No missed payments in the last 6 months Revolving credit - Missed payments considered
Pay day loans	Accepted where the account closed more than 12 months ago
Repossessions	Accepted where repossession occurred more than 6 years ago

Please refer to the product guide for further details on each product level.

Help to Buy Loan Criteria					
Maximum LTV	75%				
Maximum term	35 years				
Minimum term	5 years and 1 month				
Maximum property value	<table> <tr> <th>Region</th><th>Maximum Property Price</th></tr> <tr> <td>Wales</td><td>£300,000</td></tr> </table>	Region	Maximum Property Price	Wales	£300,000
Region	Maximum Property Price				
Wales	£300,000				
Capital Raising	<p>Pepper Money will only accept capital raising on Help to Buy for the following reasons:</p> <ul style="list-style-type: none"> Repay Help to Buy equity loan Transfer of Equity Home Improvement <p>For a Help to Buy remortgage; it is the responsibility of the Intermediary to ensure that the application is eligible and compliant with the rules of the Help to Buy scheme administrator; for more information your customer should visit:</p> <p>For England – www.myfirsthome.org.uk For Wales – www.gov.wales/help-buy-wales/repaying-shared-equity-loan</p>				
Purchase locations considered	Wales				
Remortgage locations considered	England, Wales & Isle of Wight				
Acceptable property	Houses: Private and ex Local Authority or social housing				
Evidence of deposit	Required on all purchase applications, the applicants must fund 5% from their own funds				
Minimum EPC rating	Help to Buy Wales: From the 1 April all homes sold through the scheme will need to meet a minimum EPC of B				
Repayment	Interest only is not available for Help to Buy applications				

First Homes Criteria

First Homes Maximum Allowable Adverse	
Defaults	None registered in last 24 months
CCJs	None registered in last 24 months
Mortgage arrears	No missed payments in 24 months Arrears status of 0 in the last 6 months
Unsecured arrears	Fixed Term - Fixed Term Agreements – No missed payments in the last 6 months Revolving credit - Missed payments considered
IVA/Bankruptcy	Accepted where applicants have been discharged 6 or more years ago
Pay day loans	Accepted where the account closed more than 12 months ago
Repossessions	Accepted where repossession occurred more than 6 years ago
Debt management plans (DMP)	Standard range • Accepted if satisfied over 12 months ago

Please refer to the product guide for further details on each product level.

First Homes Loan Criteria	
Maximum LTV	Available to 95% Loan to Purchase Price for houses and 90% for flats (including fees) and 70% LTV
Maximum term	35 years
Minimum term	5 years and 1 month
Maximum Loan	Up to £750,000
Remortgage applications	First Homes remortgage applications are not acceptable
Locations considered	England only
Authority to Proceed	For all First Homes applications, the customers Authority to Proceed document from the local authority
Repayment	Interest Only is not available for First Homes applications