

# Residential Criteria Guide

September 2019



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Applicant Criteria	
Applicant Details	
Minimum age	21
Maximum age	75 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 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	
CCJs/Defaults	None in last 6 months No more than 2 in months 7 to 12
Mortgage arrears	Arrears status of 0 in last 6 months None missed in the last 12 months
Unsecured arrears	<b>Fixed term</b> - None in the last 6 months <b>Revolving credit</b> - Missed payments considered On Pepper 24, 18, 12 and 6 products <b>we will ignore</b> 2 individual defaults (per application) up to and including £150.00 each where these defaults relate to <b>utilities, communications or mail order providers</b> . This <b>does not apply</b> to our Debt Management Plan products.
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)	<b>DMP range</b> For active DMPs or those satisfied in the last 12 months a separate product range is available. The following criteria applies: <ul style="list-style-type: none"> <li>• Must have been active for a minimum of 12 months</li> <li>• Must be able to provide proof of satisfactory payments from DMP provider</li> <li>• If active, doesn't have to be repaid at completion</li> <li>• For remortgages, capital raising can be considered to clear the DMP</li> <li>• No more than 1 active DMP per application</li> </ul> <b>Standard range</b> <ul style="list-style-type: none"> <li>• Accepted if satisfied over 12 months ago</li> </ul>
Please refer to the product guide for further details on each product level	

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Nationality & Residency	
<b>Residential status</b>	3 years UK residential address history required for all applicants
<b>EU Nationals</b>	Accepted subject to: <ul style="list-style-type: none"><li>• 3 years UK residency</li><li>• 3 years continuous UK employment history</li></ul>
<b>Non EU Nationals</b>	Accepted subject to: <ul style="list-style-type: none"><li>• 3 years UK residency</li><li>• 3 years continuous UK employment history</li><li>• Indefinite rights to remain</li></ul>
<b>Diplomatic immunity</b>	Not accepted

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## Income Criteria

### Income

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

## Employed, Self-Employed & Retired

### Employed

- Minimum of 6 months in current job with 12 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 with 3 months' bank statements and last P60
- 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

Income Type	Proportion Considered
Basic salary	100%
Car allowance	100%
Weekly & monthly bonuses	100%
Quarterly & annual bonuses	50% with 2 years evidence*
Overtime	Considered on case by case basis
Commission	Considered on case by case basis
*Enter 100% on the online application and confirm the payment frequency	

### Self-Employed: Sole Trader/Partnership

- Minimum of 1 year's accounts
  - 3 months' business account bank statements
  - SA302 accepted
- Additional remuneration considered where applicants own 100% of the company:
- Directors car allowance
  - Directors pension contributions
  - Use of home as an office
  - Private health insurance
- Where additional remuneration is to be added back, finalised accounts will be required

### Self-Employed: Company Director

- Minimum of 1 year's accounts
- 3 months' business account bank statements
- SA302s may be requested to support company accounts

### Retired

Private pension accepted

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## Other Income Sources

<b>Pension income</b>	<b>State retirement pension (SRP)</b> - latest annual statement of pension <b>Private pension</b> - latest payslip from pension provider or letter from pension provider with 3 months' bank account statements showing credits
<b>Secondary/additional income</b>	Employment/self-employment income from a maximum of 2 sources per applicant considered. Benefits and maintenance may be included as additional income

## Loan Criteria

<b>Maximum LTV</b>	<ul style="list-style-type: none"><li>• 85% for Capital &amp; Interest applications; 60% for Interest only applications</li><li>• Up to £750,000 available to 85% LTV</li><li>• Up to £1 million available to 75% LTV</li></ul>
<b>Maximum term</b>	35 years
<b>Minimum term</b>	5 years
<b>Minimum loan</b>	£25,001
<b>Maximum loan</b>	<ul style="list-style-type: none"><li>• £1 million (including fees)</li><li>• Up to £750,000 available to 85% LTV</li><li>• Up to £1 million available to 75% LTV</li></ul>
<b>Number of mortgages with Pepper</b>	<ul style="list-style-type: none"><li>• Maximum of 3 per applicant including any joint loans the applicants are party to</li><li>• Can be a mixture of Buy to Let and Residential loans</li></ul>
<b>Remortgage applications</b>	<ul style="list-style-type: none"><li>• Accepted where applicant has been the registered owner for the last 6 months at application</li></ul>
<b>Repayment</b>	<ul style="list-style-type: none"><li>• Capital &amp; interest</li><li>• Interest only to 60% LTV, supported by an acceptable repayment strategy</li></ul>
<b>Portable</b>	Products are not portable
<b>Offer validity</b>	90 days
<b>Let to buy</b>	Accepted
<b>Right to buy</b>	Not accepted

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Deposit Criteria	
Evidence of deposit	Required on all purchase applications
Applicants savings	Considered
Capital raising remortgage	Considered
Inheritance	Accepted
Cash gifted deposit	Gifted deposits are considered from the following: <ul style="list-style-type: none"><li>• Parent/Step-Parent/Parent-in-Law</li><li>• Sibling</li><li>• Child/Step-Child/Son-in-Law/Daughter-in-Law</li><li>• Aunt/Uncle</li><li>• Grandparent/Grandchild</li></ul>
Unacceptable sources	<ul style="list-style-type: none"><li>• Builders deposit</li><li>• Unsecured borrowing</li><li>• Vendor deposit</li></ul>

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

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Alternative Construction	
<b>Timber framed construction</b>	Modern timber framed properties clad with masonry are considered as acceptable 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
<b>Flying freeholds</b>	Flying freeholds will only be considered up to 20% of the total property area
<b>Coal mining and other forms of extraction</b>	Any properties with a coal mining or metalliferous mining entry/feature within 20m of any building will not be considered
<b>Electromagnetic fields</b>	Any properties within 100m of above ground high voltage electrical supply apparatus will not be considered
<b>Contaminated land</b>	Where there is potential for contaminated land, a pass certificate must be available from an appropriate body
<b>Japanese knotweed</b>	Where a property has Japanese knotweed (or any other invasive weed) located within or immediately adjacent to the site defined as category 4, 3 or 2 in RICS paper IP 27/2012 will not be considered
<b>Solar panels</b>	Properties where solar panels have been installed and are subject to a lease agreement will not be considered If the solar panels are owned outright, the application will be reviewed on a case by case basis

Tenure	
<b>Freehold</b>	Houses only accepted
<b>Leasehold</b>	The lease must have a minimum unexpired term of 85 years at the time of completion
<b>Commonhold</b>	Not considered

Property Reports	
<b>Structural reports</b>	Reports may be accepted from members of the following bodies: <ul style="list-style-type: none"><li>• The Institution of Structural Engineers (<a href="http://www.istructe.org.uk">www.istructe.org.uk</a>)</li><li>• The Institution of Civil Engineers (<a href="http://www.ice.org.uk">www.ice.org.uk</a>)</li></ul> 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) 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 The valuer may request additional reports from specific governing bodies
<b>Specialist reports</b>	We may require specialists' reports. These most commonly will be: <ul style="list-style-type: none"><li>• Timber and damp, electrical, trees, cavity wall ties;</li><li>• Mining report (as these are obtained by the solicitors, a special condition is imposed at offer);</li><li>• Any such reports should be prepared by a reputable firm and should be forwarded to us for review and referral to the valuer.</li></ul> The valuer may request additional reports from specific governing bodies

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Unacceptable Property	
<b>General</b>	<ul style="list-style-type: none"> <li>• New build properties without suitable warranty</li> <li>• Properties suffering on-going structural movement or insurance claims</li> <li>• Grade I &amp; grade II* listed properties</li> <li>• Back to back/cluster homes</li> <li>• Properties located within 20m of a mine entry/feature</li> <li>• Properties within 100m of above ground high voltage electrical supply apparatus (excluding small substations)</li> <li>• Properties subject to compulsory purchase orders</li> <li>• Large flying freeholds (greater than 20% of floor area)</li> <li>• Japanese knotweed located within or immediately adjacent to the site, defined as category 4, 3 or 2 in RICS paper IP 27/2012</li> <li>• Properties without an internal WC, bathroom or kitchen</li> <li>• Properties subject to any onerous occupancy restrictions, including agricultural</li> <li>• Shared ownership/shared equity schemes (only acceptable if applicant will own 100% of the interest on completion)</li> <li>• Properties subject to enforcement notices</li> <li>• Crofting properties/land</li> <li>• Self-build properties</li> <li>• Properties with a commercial element</li> <li>• Non-standard construction</li> </ul>
<b>Flats/Maisonettes</b>	<ul style="list-style-type: none"> <li>• Flats in Local Authority or ex Local Authority owned blocks</li> <li>• New build flats/maisonettes</li> <li>• Flats with a gross external floor area less than 35m<sup>2</sup></li> <li>• Flats above commercial premises</li> <li>• Studio flats</li> <li>• Freehold flats</li> <li>• Balcony access</li> </ul>
<b>Non-standard construction</b>	<ul style="list-style-type: none"> <li>• Pre-cast reinforced concrete (PRC)</li> <li>• Cast-in-Situ concrete</li> <li>• Metal framed construction</li> <li>• Single skin</li> <li>• Large panel systems (LPS)</li> <li>• Modern methods of construction (MMC)</li> </ul>
<b>Flooding</b>	Properties at significant risk of flooding or that cannot be suitably insured will not be considered
<b>Restrictive covenants</b>	<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>



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Documentation					
Application Requirements					
<b>Full mortgage application</b>	Original fully signed and dated declaration Signed and dated direct debit mandate				
<b>Proof of deposit (purchase)</b>	Applicants bank statements Interest waiver letter from donor where gifted deposit				
<b>Use of funds (remortgage with a further advance)</b>	Breakdown of use of funds, after any debts have been discharged Account details and balance of any debts to be repaid				
<b>Proof of address &amp; identification</b>	1. Any 2 documents from Table 1 or 2. 1 document from each table				
	<table border="1"> <thead> <tr> <th>Table 1</th> <th>Table 2</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>Valid passport</li> <li>Valid photo card driving licence (full or provisional)</li> <li>National identity card</li> <li>Firearms certificate or shotgun licence</li> <li>Identity card issued by the Electoral Office for Northern Ireland</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Valid (old style) full UK driving licence</li> <li>Recent evidence of benefit entitlement</li> <li>Instrument of a court appointment</li> <li>Current council tax demand letter or statement</li> <li>Non internet generated bank statements and utility bills</li> </ul> </td> </tr> </tbody> </table>	Table 1	Table 2	<ul style="list-style-type: none"> <li>Valid passport</li> <li>Valid photo card driving licence (full or provisional)</li> <li>National identity card</li> <li>Firearms certificate or shotgun licence</li> <li>Identity card issued by the Electoral Office for Northern Ireland</li> </ul>	<ul style="list-style-type: none"> <li>Valid (old style) full UK driving licence</li> <li>Recent evidence of benefit entitlement</li> <li>Instrument of a court appointment</li> <li>Current council tax demand letter or statement</li> <li>Non internet generated bank statements and utility bills</li> </ul>
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<b>Proof of income – employed</b>	<p><b>Paid monthly</b> – Latest 3 consecutive months with P60 and bank statements</p> <p><b>Paid weekly</b> – Latest 6 consecutive weeks with P60 and bank statements</p> <p>Bonus or commission acceptable provided that it is paid weekly/monthly</p> <p>Quarterly and annual bonus &amp; commission acceptable at 50% provided evidence of 2 years previous payments is received</p>				
<b>Proof of income – self-employed</b>	<p><b>Sole Trader</b> – Minimum 1 year’s accounts or SA302s with 3 months’ business bank statements</p> <p><b>Company Director</b> – Minimum 1 year’s accounts with 3 months’ business bank statements</p>				
<b>Other sources of income</b>	<p><b>Child Benefit</b> – Latest notice with bank statements (must be payable for at least the next 5 years)</p> <p><b>Working or Child Tax Credits</b> – Full award notice with bank statements</p> <p><b>Maintenance</b> – 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><b>State Pension</b> – Latest annual statement of pension/due on retirement</p> <p><b>Pension Credits</b> – Latest Pension Credit Award Notice</p> <p><b>Private Pension</b> – 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>				
<b>Rental/mortgage history</b>	Tenancy Agreement with 12 months bank statements confirming rental payments Last 3 years mortgage statement				