



Mortgage Conditions 2018

VERSION 1.3

KEYSTONE PROPERTY FINANCE

42 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4AJ

Keystone Property Finance Limited

Mortgage Conditions 2018

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Section 1 – Definitions and Interpretation

1. Definitions

- 1.1 We are Keystone Property Finance Limited. References to “we”, “our” or “us” in these **mortgage conditions** include our successors and certain other persons including:
- (a) any **transferee**;
 - (b) anyone who is entitled to exercise our rights because of an amalgamation or take over;
 - (c) anyone who is entitled to exercise our rights because of a reorganisation of our group; and
 - (d) any other person who is for the time being entitled by law to the benefit of the **loan** or the **mortgage**.
- 1.2 References to “you”, “your” or “yourself” in these **mortgage conditions** are to each and every person named as the Borrower in the **mortgage deed** or, where the context allows, as guarantor in the Guarantee, and their respective successors. If there is more than one of you, each of you is responsible, jointly and individually, for the full **amount owed**.
- 1.3 Certain words and phrases used in these **mortgage conditions** have been given the special meanings which we set out below. The words and phrases defined below are printed in bold in these **mortgage conditions** for ease of reference.

“account”	The account we keep to record what you owe us under the agreement , and the payments you owe us and make to us under the agreement and any other money we receive to reduce the outstanding balance of the amount owed .
“additional borrowing”	Means an extra amount we lend you and which is secured by the mortgage .
“additional borrowing offer”	Means an offer from us to lend you an extra amount to be secured by the mortgage .
“agreement”	Means the agreement between you and us for the loan . The agreement includes the offer , mortgage deed , these mortgage conditions , the mortgage application and any other documents containing terms which form part of the contract between you and us under which the loan is made and secured.
“amount owed”	Means the total of the money which you owe us from time to time including: <ul style="list-style-type: none">(a) the loan; and(b) any unpaid interest, fees and expense

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“Bank of England base rate”	Means the Bank of England’s base rate of interest (or any other interest rate set by a UK-based financial base rate institution which we reasonably specify as comparable in the event that the Bank of England base rate should cease to exist or be published) which may vary from time to time.
“business day”	Means any day from Monday to Friday (inclusive), except bank and public holidays in England and Wales.
“completion” and/or “completed”	Means the date on which any loan is sent to you or your or our legal representative by CHAPS transfer.
“expenses”	Means those expenses listed in condition 10 of section 3.
“guarantee”	Means the document by which a guarantor agrees to discharge your obligations to us under the offer
“immediate family member”	Means your spouse, civil partner, parent (including step parents and in-laws), sibling, child, grandparent, or grandchild, aunt or uncle and also includes any person (whether or not of the opposite sex) whose relationship with you has the characteristics of a relationship between spouses.
“Interest”	Means the interest we charge on the amount owed or any parts of the amount owed .
“interest only loan”	Means a loan or that part of a loan under which each monthly payment does not include a repayment of the capital part of the amount owed . Instead, that monthly payment includes a payment towards the interest which you must pay on the loan .
“interest period”	Means the period of time prescribed from time to time by us in relation to the calculation of LIBOR and the prevailing interest attributable to the amount owed as provided for in the offer . The interest period runs from your payment day to and including the day prior to the following month’s payment day .
“interest rate”	Means the rate or rates of interest which we charge on the amount owed . The interest rate may change under conditions 3 or 4 of section 3 (as applicable). The interest rate is shown in the offer .

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“Libor”	<p>Means the ICE 3-month LIBOR rate quoted at or about 11.00am (London time) on the day prior to the quarter day:</p> <p>If Libor is not available from any of the above sources on the relevant quarter day, Libor will be another rate of interest which we reasonably decide represents a comparable rate of interest for three-month sterling deposits at or about 11.00am (London time) on that quarter day and we will give you written notice of our decision within 14 days.</p> <p>Libor will be rounded up using normal rounding principles and procedures to two decimal places.</p>
“loan”	Means the loan which we make, the amount of which is set out in the offer together with any other amount we may lend you now or in the future, such as additional borrowing , as set out in the additional borrowing offer .
“margin”	Means any margin which the offer provides is to be added to Libor or Bank of England base rate or standard variable rate to produce the interest rate .
“monthly payment”	Means the amount which you are required to pay each month, the initial amount of which is set out in the offer . We may change the monthly payment under condition 6 of section 3.
“mortgage”	Means our security over the property for the secured amount as described in the mortgage deed .
“mortgage account”	Means the account which we use to record the amount owed .
“mortgage application”	Means the application you make and any information you (or someone acting for you) give us so that we can complete your loan or lend you additional money.
“mortgage conditions”	Means the conditions set out in this booklet. A reference to a numbered condition is to that condition in this booklet.

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“mortgage deed”	Means the document by which you give us security over the property for the secured amount .
“mortgage term”	Means the period during which you must repay the amount owed as set out in the offer .
“offer”	Means the written offer by us to lend the loan to you. The offer consists of the offer letter which we sent to you and any special conditions which are attached to it and it includes these mortgage conditions . Any changes to the offer made by us in writing before the loan is completed are included, as are any changes which we notify to you in writing and which you agree after the loan is completed . The offer includes any additional borrowing offer .
“payment day”	Means the day in each month on which you are required to make a monthly payment as set out in the offer .
“prior approval”	Means our prior written approval to waive, modify or remove any mortgage condition applicable to an offer
“property”	Means the property set out in the mortgage deed or any part of it (including fixtures and fittings) and any alterations and additions to it.
“quarter day”	Means the 27th day of every March, June, September and December, or, if that day is not a business day , the next business day which follows it.
“rate period”	Means a period which starts at the beginning of the first payment day after a quarter day and finishes immediately before the second payment day after the next quarter day
“secured amount”	Means the amount owed , including any additional borrowing and any other money which you owe us under any agreement made before or after the date of the mortgage deed .
“standard variable rate”	Means the rate of interest we use as the basis for setting the interest rates we charge to our mortgage borrowers who pay interest at a rate which we are free to vary. We may change the standard variable rate under condition 4 of section 3.

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“tariff”	Means our tariff of mortgage charges as published by us from time to time. We may change the tariff under condition 10.5 of section 3
“transfer”	Includes a mortgage, agreement to sell, legal or equitable assignment, transfer, charge or other disposition or sale of our rights under the mortgage .
“transferee”	Means anyone who is entitled at law or in equity to exercise any of our rights under the loan or the mortgage as a result of a transfer by us or any transferee .

2 Interpretation

- 2.1 If there are any differences between these **mortgage conditions** and the **offer**, the **offer** will always prevail.
- 2.2 Reference to a “month” means a calendar month and (unless stated otherwise) reference to a “day” means a calendar day.
- 2.3 The singular includes the plural and the masculine includes the feminine and vice versa.
- 2.4 Where a law is referred to, all changes to that law and any replacement of it are also included.
- 2.5 The headings used in these **mortgage conditions** are only for convenience and do not affect their interpretation.
- 2.6 The expressions “includes” and “including” do not limit the meaning of any other words.

Section 2 – The Offer

1. The **offer**

- 1.1 We and you agree to carry out our respective obligations in the **offer** if you accept it. To accept the **offer**, you must follow the instructions in the **offer**.
- 1.2 You must not alter the **offer**. If you want to change anything in the **offer** you must contact us. If we agree a change, we will send you a new offer. You can only accept the most recent **offer** which we have sent you.
- 1.3 We are not obliged to make any **loan** until you have accepted the **offer** and the requirements of this **agreement** have been met. This is subject also to withdrawal of the **offer** as set out in condition 10 of Section 2.
- 1.4 If the **interest rate** is a variable rate it may change on or before **completion** under conditions 3 or 4 of section 3. We will tell you about any change in one of the ways set out in condition 2 of section 6.

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2. The mortgage

2.1 Prior to **completion**, you must:

- (a) sign a mortgage deed giving us a first legal charge over the **property**; and
- (b) complete and return to us the direct debit mandate supplied with the **offer**.

Also, prior to **completion**, our legal representatives must approve the title which you have or will have to the **property** and make sure that the requirements set out in our instructions to our legal representatives are met. You should obtain advice from your own legal representative in respect of the title which you have or will have to the **property**.

2.2 Except where we agree otherwise, the security created by the **mortgage deed** is the only security which is allowed to exist over the **property at completion**. This means that any existing mortgage on the **property** must be paid off before the **mortgage is completed** unless we agree that a particular mortgage can be left outstanding.

3. Repayment of **interest only loan**

- 3.1 If you have an **interest only loan**, you should have a means of repayment that will give you enough money at the end of the **mortgage term** to repay the **amount owed** in full.
- 3.2 You alone are responsible for making sure that any means of repayment is suitable for this purpose and is in place from **completion** until the end of the **mortgage term**. You should review it regularly to make sure that it will enable you to pay the **amount owed** at the end of the **mortgage term**.
- 3.3 If you cannot pay the **amount owed** at the end of the **mortgage term** you will have to sell the **property** or we can appoint a receiver or ask a Court to order that we may take the **property** into possession and sell the **property** to raise funds towards your obligation to repay the **amount owed**.
- 3.4 You are also responsible for ensuring that you can repay the **amount owed** if you die or, where there is more than one of you, the last survivor of you dies. We strongly recommend that adequate life cover should be arranged to ensure that the **amount owed** can be repaid if this happens. This applies even where you do not have an **interest only loan**.

4. Arranging insurance for the **property**

- 4.1 You must arrange and maintain insurance for the property up to the end of the **mortgage term**. If you fail to do this, we may arrange insurance cover.
- 4.2 You must keep the **property** insured from the date of exchange of contracts in respect of the **property** unless you are:
 - (a) buying a **property** which is being built, in which case cover must run from the date when the building works are finished; or
 - (b) re-mortgaging, in which case cover must run from the date when the re- mortgage is **completed**.
- 4.3 Our requirements for insurance for the **property** are set out in section 4.

5. Occupation of the **property**

- 5.1 You must have vacant possession of the whole of the **property** at the time the **mortgage** is **completed** unless you have a buy to let mortgage and the **property** is occupied by a tenant in accordance with these **mortgage conditions** in which case you must have vacant possession except for occupation by that tenant.
- 5.2 The **property** must not be subject to a sale and rent back arrangement under which it is to be occupied by a person who transferred the **property** to you in return for a right to occupy the **property**.
- 5.3 You must not without prior approval occupy, or intend to occupy, the **property** at any point in the **mortgage term**. You also must not allow, or intend to allow, the **property** to be occupied by an **immediate family member** at any point in the **mortgage term**.

6. Valuation

- 6.1 If we have given you a copy of the mortgage valuation report carried out on our behalf, you should read it carefully. The purpose of any mortgage valuation report which has been carried out on our behalf is to help us to decide if the **property** is adequate security for the **loan**.
- 6.2 If we give you a copy of the mortgage valuation report, we give it to you for information only. No responsibility is implied or accepted by us or the valuer by reason of the valuer's inspection and report for either the value or condition of the **property**. We do not undertake to give advice as to the value or condition of the **property** and accept no liability for any such advice that may be given. The inspection carried out by the valuer was not a structural survey and there may be defects which such a survey would reveal. You should not rely on the mortgage valuation report for any purposes at all.
- 6.3 In view of the above, we strongly recommend that you obtain a detailed independent survey of the **property**.
- 6.4 The mortgage valuation report may indicate that certain repairs have to be carried out at the **property**. If the **offer** does not specify a particular time period within which these repairs must be carried out, you must carry out these repairs as soon as possible after **completion**. If the **offer** does specify a time period, you must carry out these repairs within that period.

7. Properties built or converted in the last 10 years

- 7.1 If the **property** is less than 10 years old or has been converted in the last 10 years, it must have the benefit of:
- (a) a home warranty indemnity insurance scheme acceptable to us; or
 - (b) a certificate from a suitably qualified professional consultant who confirms that he has appropriate experience in the design and/or monitoring of residential buildings. The professional consultant is to certify that:
 - he has supervised the building works;
 - the **property** generally has been constructed to a satisfactory standard and in general compliance with approved structural drawings and/or building regulations; and
 - he holds professional indemnity insurance to a minimum of £500,000

8. Fees and costs

8.1 You will not be entitled to a refund of the fees that you have already paid to us, your legal representative or your independent financial adviser if:

- (a) you do not accept the **offer**;
- (b) you accept the **offer** but withdraw prior to **completion**;
- (c) we withdraw the **offer** under condition 10.2 of this section 2 or
- (d) the **offer** expires.

9. Source of funds

9.1 Where you are purchasing the **property**, the purchase price of the **property** will be more than the amount of the **loan**. You must pay the balance of the purchase price from your own money and you must not borrow that balance (or any part of it) from anyone else.

9.2 If you are using money from the sale of another property to finance the purchase of the **property** you must complete the sale of that other property before the **mortgage** is **completed**.

10. Right of withdrawal

10.1 The **offer** will expire if the **loan** is not **completed** by the expiry date in the **offer**.

10.2 We may withdraw the **offer** prior to **completion** (whether or not you have accepted it) if any of the following things happen:

- (a) as a result of a material change in your ability to meet your obligations to us since the date of the **offer** which has a material impact on your ability to afford the **loan**;
- (b) as a result of a fall in the value of the **property** or any other security for the repayment of the **loan** since the date of the **offer**, you no longer meet reasonable lending criteria set by us; or
- (c) any information given to us about you, the **property** or any other matter relevant to our decision to make the **loan** turns out to be misleading or inaccurate in a respect which is serious and you knew or ought reasonably to have known that we had been provided with such misleading or inaccurate information.

10.3 If your circumstances change before **completion** in a respect which has a material bearing on any of the matters set out at condition 10.2(a) to (c) of this section 2, you must tell us at once.

10.4 If, for any reason, you no longer need the **loan** prior to completion, you should tell us and your legal representative at once.

11. Delay

11.1 If we relax any term of the **agreement** for you or we delay in enforcing any of our rights under the **agreement** this will not prevent us from enforcing them strictly at any time.

12. Indemnity

12.1 If a claim is made or a defence is raised against us because of something you do wrong or fail to do that you are supposed to do in relation to the **mortgage** we

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provide, or if you break the terms of the **agreement**, you must indemnify us. This means that you must pay us the full amount of our losses, liabilities, costs and payments (which would not have arisen otherwise) in any way to do with the claim, defence or breaking the **agreement**. This includes any **expenses** we have incurred.

13. The entire agreement

13.1 This **agreement** comprises all the terms agreed between you and us for the **loan**. As a result, it is very important that you read all parts of the **agreement** carefully to make sure that they reflect your understanding of the arrangement between you and us.

14. Additional borrowing

14.1 You may apply for **additional borrowing** at any time following the end of six months after the date we made the **loan** to you under the original **offer**.

14.2 If you apply for any **additional borrowing**, we will carry out a credit assessment and our prevailing underwriting conditions will apply. We have no obligation to grant any **additional borrowing** even if our underwriting conditions are met.

14.3 If we make an **additional borrowing offer**, these **mortgage conditions** will apply to that **additional borrowing**.

14.4 You will need to repay any **additional borrowing** made, together with **interest** charged on the **additional borrowing**, within the repayment period allowed for the **additional borrowing**.

Section 3 – Loan conditions

1. Repayment of the loan

1.1 You agree to repay the **loan** with **interest** at the **interest rate** by the **monthly payments** over the **mortgage term**. If you have an **interest only loan**, you agree to repay the **loan** no later than the last day of the **mortgage term**. In any event, you agree that the **amount owed** must be fully repaid by the end of the last day of the **mortgage term**.

1.2 We may change the **payment day** at any time for the following reasons:

- a) to incorporate reasonable changes in our business;
- b) to reflect changes in the practice of other mortgage lenders;
- c) to reflect technological changes.

We will give you not less than two months' notice in advance of any change we make to the **payment day**.

2. Interest

2.1 We will charge the **loan** to the **mortgage account** at **completion**.

2.2 **Interest** will be charged on amounts owing on the **mortgage account** from the date on which they are charged to the **mortgage account**.

2.3 The **interest rate** is a yearly rate but **interest** will accrue daily on the amount owed.

2.4 We will work out **interest** on the **amount owed** for each **interest period** and charge it to the **mortgage account** in that **interest period**. To do this, we will multiply the amounts owing on the **mortgage account** on the last calendar day of the preceding **interest period** by the **interest rate** (expressed as a fraction) and then multiply the result by the number of days in the **interest period** divided by the actual number of days in the current year.

- The **interest rate** used in this condition 2.4 will be the **interest rate** which applies on the first day of the **interest period** for which we are working out **interest**. We may charge **interest** to the **mortgage account** either in advance or in arrears and may change whether **interest** is charged to the **mortgage account** in advance or in arrears at any time to reflect changes in our procedures or systems. If we change the method of charging **interest** to the **mortgage account** we will give you not less than 1 months' notice in advance of any change being made.
- 2.5 If the **interest rate** changes during an **interest period** we will recalculate the **interest** charged under condition 2.4 of this section 3 using the new rate for the period from the date on which the change takes effect until the end of the **interest period** during which the change takes effect.
 - 2.6 We can charge **interest** under other conditions in addition to condition 2.4 and 2.5 of this section 3. Other conditions under which **interest** can be charged include conditions 2.7, 2.8, 2.9 and 9.2 of this section 3 and condition 2.1(e) of section 4.
 - 2.7 Any **interest** which is not paid by the end of the **interest period** in which it accrued will bear **interest** from the end of that **interest period** until it is paid.
 - 2.8 If you fail to pay any money to us when you are obliged to we will, without prejudice to our other rights, charge **interest** at the **interest rate** on that money from the date on which you should have paid it until it is paid.
 - 2.9 We will continue to charge **interest** on the **amount owed** at the **interest rate** after the end of the **mortgage term** and after any court order requiring you to pay the whole or any part of the **amount owed**.
- 3. Changes to Libor linked interest rate**
- 3.1 This condition 3 applies where the **interest rate** shown in the **offer** is **Libor** plus a **margin**.
 - 3.2 So long as the **interest rate** does not, at the beginning of a **rate period**, reach the floor specified in the **offer**, the following terms will apply:
 - (a) The **interest rate** for any **rate period** will be calculated under the definition of **Libor** and the **margin** for the whole of that **rate period**. It will change automatically to reflect any changes in **Libor** at the beginning of each **rate period**. Any change will take effect immediately.
 - (b) We will give you notice of each change in the **interest rate** at least 14 days before you have to make the first **monthly payment** which is worked out using the new rate.
 - (c) If **Libor** changes and the new **monthly payment** does not provide for the payment of **interest** at the new rate for the period between the new rate coming into force and the start of the month in which the changed **monthly payment** falls due, conditions 3.2(d) and (e) of this section 3 apply to **interest** in respect of any such period.
 - (d) If the **monthly payment** is changed because **Libor** has increased and the **monthly payment** you made in the previous month is not enough to pay off all the **interest** which accrued in that month and it will lead to an increase in the amount on which **interest** is charged from the beginning of the following month. If you wish to stop this happening we will be happy to tell you, on request, the amount of the shortfall so that you can pay it off.
 - (e) If the **monthly payment** is changed because **Libor** has decreased and the **monthly payment** you made in the previous month will be more than the amount required to pay off all the **interest** which accrued in that month then the excess will be treated as an early repayment of capital.
 - (f) The **margin** which is added to **Libor** will stay the same for the whole of the **mortgage term**.
 - 3.3 Nothing in condition 3.2 of this section 3 will result in the **interest rate** going below the floor specified in the **offer** and conditions 3.2(a) to (f) of this section 3 will not apply so long as the **interest rate** is at the level of that floor.

4. Changes to **standard variable rate**

4.1 This condition 4 applies where the **interest rate** shown in the **offer** is the **standard variable rate**.

4.2 We may increase or reduce the **standard variable rate** for any one or more of the following reasons:

- (a) to respond proportionately to changes in the law or decisions of the Financial Ombudsman Service or similar body;
- (b) to meet regulatory requirements;
- (c) to reflect new or amended industry guidance and codes of practice which relate to standards of consumer protection;
- (d) to respond proportionately to changes in the Bank of England base rate or LIBOR; or
- (e) to proportionately reflect cost increases or reductions associated with carrying on our mortgage business, including the costs of funding that business.

4.3 We will give you prior written notice of each change in the **standard variable rate** at least 14 days before you have to make the first **monthly payment** which is worked out using the new rate.

5. Changes to **Bank of England base rate** linked rate

5.1 This condition 5 applies where the **interest rate** shown in the **offer** is **Bank of England base rate** plus a **margin**.

5.2 So long as the **interest rate** does not reach the floor specified in the **offer**, the following terms will apply:

- (a) The **interest rate** will be calculated under the definition of **Bank of England base rate** and the **margin**. It will change automatically to reflect changes in **Bank of England base rate**. Any change will take effect immediately.
- (b) We will give you notice of each change in the **interest rate** at least 14 days before you have to make the first **monthly payment** which is worked out using the new rate.
- (c) If **Bank of England base rate** changes and the new **monthly payment** does not provide for the payment of **interest** at the new rate for any period between the new rate coming into force and the start of the month in which the changed **monthly payment** falls due. Conditions 5.2(d) and 5.2(e) of this section 3 apply to **interest** in respect of any such period.
- (d) If the **monthly payment** is changed because **Bank of England base rate** has increased and the **monthly payment** you made in the previous month is not enough to pay off all the **interest** which accrued in that month and it will lead to an increase in the amount on which **interest** is charged from the beginning of the following month. If you wish to stop this happening we will be happy to tell you, on request the amount of the shortfall so that you can pay it off.
- (e) If the **monthly payment** is changed because **Bank of England base rate** has decreased and the **monthly payment** you made in the previous month will be more than the amount required to pay off all the **interest** which accrued in that month and the excess will be treated as an early repayment of capital.
- (f) The **margin** which is added to **Bank of England base rate** will stay the same for the whole of the mortgage term.

5.3 Nothing in condition 5.2 of this section 3 will result in the **interest rate** going below the floor specified in the **offer** and conditions 5.2(a) to (f) of this section 3 will not apply so long as the **interest rate** is at the level of that floor.

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6. Monthly payments

- 6.1 You will make a **monthly payment** to us on each **payment day** except where the **payment day** is not a **business day**. In this event:
- (a) if the **payment day** is the last day of the month, the **monthly payment** will be due on the last **business day** before the **payment day**;
 - (b) if the **payment day** is not the last day of the month but there is no **business day** after the **payment day** in the same month, the **monthly payment** will be due on the last **business day** before the **payment day**;
 - (c) in any other case, the **monthly payment** will be due on the first **business day** after the **payment day** in the same month as the **payment day**.
- 6.2 You will make each **monthly payment** in full. If any **monthly payment** is refused we can charge a reasonable fee for each refusal. This fee is set out in our **tariff**.
- 6.3 Any money which you pay to us will be treated as received by us only when we receive the money in cleared funds.
- 6.4 Where we arrange insurance for the **property** the **monthly payment** will include an amount in respect of the insurance premium and insurance premium tax.
- 6.5 If you do not have an **interest only loan**, each **monthly payment** will include a part repayment of the capital part of the **amount owed** and a payment of **interest** on the **amount owed** for the relevant **interest period**. In these circumstances, we will calculate the **monthly payment** to ensure that the capital is repaid over the **mortgage term**.
- 6.6 If you have an **interest only loan**, each **monthly payment** will include a payment of **interest** on the **amount owed** for the relevant **interest period** and will not include any repayment of the capital part of the **amount owed**.
- 6.7 For the purpose of calculating the **monthly payment** we may assume that each month is an equal 12th part of the year.
- 6.8 After **completion**, we may require you to make an extra payment to pay off the **interest** which accrues between **completion** and your first **monthly payment**. We will write to you to let you know the exact amount involved after **completion** and recover it at the same time as your first **monthly payment**.

7. Changes to the monthly payment

- 7.1 The amount of the initial **monthly payment** is set out in the **offer**. After **completion**, and from time to time, we may work out the amount of a new **monthly payment** to take account of the following:
- (a) changes to the **interest rate**;
 - (b) changes to the **amount owed**;
 - (c) changes to the terms of the **mortgage** made with your agreement;
 - (d) the withdrawal or granting of any concession;
 - (e) to make sure that the **amount owed** is fully repaid with **interest** by the end of the **mortgage term**. Circumstances in which this clause may become operative include, but are not limited to, recalculation of a **monthly payment** to take account of any **expenses** added to the **amount owed** to ensure that the **amount owed** will be repaid during the **mortgage term**. We will not use this clause to unilaterally convert an **interest only loan** to a repayment mortgage; and
 - (f) changes to the amount of any insurance premium and insurance premium tax.
- 7.2 If we work out the amount of a new **monthly payment**, we will still be entitled to demand immediate payment of any arrears of **monthly payments** and other money which is due at the time of the recalculation. The recalculation will not be a rescheduling of the **amount owed** or any part of it or mean that we are agreeing not to take any action we could take under the **mortgage**.
- 7.3 We will tell you of any changes to the **monthly payment** (including the amount of the new **monthly payment**) in one of the ways listed in section 6. The notice will be given a reasonable time (which will be at least 14 days) before the new **monthly payment** is due.

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8. Early repayment

- 8.1 You may repay all or any part of the **amount owed** at any time before the end of the **mortgage term** subject to clause 8.4.
- 8.2 Any payment will be credited to your **mortgage account** on the day it is received by us.
- 8.3 If a part repayment is of £1,000 or more and you tell us that you want to make a part repayment of the **loan** we will recalculate your **monthly payment**.
- 8.4 If you repay all or any part of the **loan** before the end of the **mortgage term**, you must pay:
- (a) any early repayment charge which the **offer** requires you to pay on an early repayment; and
 - (b) our **expenses** in connection with the early repayment.

9. Application of payments

- 9.1 Subject to condition 9.2 of this section 3, we can apply any payment made by you which is less than the full amount due against any part of the **amount owed** which we decide.
- 9.2 Where you fall into arrears, unless we agree otherwise with you, we will ensure that any payments received from you are allocated first towards paying off the balance of the arrears (excluding any **interest** or **expenses** on that balance).

10. Expenses

- 10.1 You must pay us the following **expenses** (which may include legal, surveying or other professional fees we pay) within 14 days of the day we ask you to pay them:
- a) all reasonable costs, charges and fees as they arise (whether we demand them or not) which we reasonably incur in connection with the **agreement**;
 - b) The costs we reasonably incur in any legal action relating to the **agreement**;
 - c) The costs we reasonably incur in enforcing any of our legal rights under the **agreement**;
 - d) The costs we reasonably incur in putting right any failure by you to keep to the **agreement**; and
 - e) Any administration costs we reasonably incur in doing any work connected with the **agreement**, (including costs arising from finding you and communicating with you, collecting amounts you owe and enforcing the **mortgage deed**) and which are not covered by our fees.

All **expenses** will be added to the **amount owed** and will bear **interest** at the **interest rate** from the date they are added to the **amount owed**. You can contact us to arrange payment of **expenses** at any time, if you wish to avoid increasing the **amount owed** or incurring **interest** on the **expenses**.

- 10.2 If we have to pay any **expenses** to third parties, we will give notice to you within a reasonable time of our becoming obliged to pay the **expenses** stating the amount of the **expenses**, the nature of the service supplied by the third party and the date on which we have to or had to pay the **expenses**.
- 10.3 All **expenses** will be charged to the **mortgage account** and form part of the **amount owed**. They will bear **interest** at the **interest rate** as follows:
- (a) where **expenses** have been paid by us to a third party, they will bear **interest** from the date on which we pay them to the third party; and
 - (b) where we recover our internal **expenses** by the imposition of an administration fee, the fee will bear **interest** from the date on which it was charged to the **mortgage account**.

- 10.4 If we make a written demand for payment of any **expenses**, you must pay them to us immediately.
- 10.5 We may change our **tariff** by adding or removing fees or changing the amount of existing fees for any one or more of the following reasons:

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- (a) to respond proportionately to changes in the law or decisions of the Financial Ombudsman Service or similar body;
 - (b) to meet regulatory requirements;
 - (c) to reflect new or amended industry guidance and codes of practice which relate to standards of consumer protection;
 - (d) to respond proportionately to inflation;
 - (e) to proportionately reflect cost increases or reductions we incur in carrying out the activity to which a fee relates; or
 - (f) to enable us to recover costs which we incur in providing a service or facility relating to the **mortgage** which is new or which we previously provided without separate charge.
- 10.6 Where we change our **tariff** under condition 10.5 of this section 3 we will give you prior written notice 14 days before the change comes into effect.
- 10.7 We will give you a copy of our current **tariff** at any time on request. We will also send you a copy of our **tariff** every year.
- 11. Buy to let terms**
- 11.1 You must take reasonable steps to let the **property** within three months of **completion** of the initial **loan**.
- 11.2 You must not without prior approval occupy, or intend to occupy, the **property** at any point in the **mortgage term**. You also must not allow, or intend to allow, the **property** to be occupied by an **immediate family member** at any point in the **mortgage term**.
- 12. Requirements for tenancy terms**
- 12.1 Tenancies in respect of the **property** must comply with the following terms:
- (a) any tenancy of the **property** created before 1 March 1997 must be an Assured Shorthold Tenancy as defined in the Housing Act 1988 and be for a term of not less than six months;
 - (b) any tenancy created after 28 February 1997 must in all respects comply with the Housing Act 1996 as an Assured Shorthold Tenancy;
 - (c) you must produce evidence to our legal representative, before buying the **property**, that all provisions of Part 1 of the Landlord and Tenant Act 1987 and the Housing Act 1996 have been complied with by the seller or you as appropriate;
 - (d) any tenancy must be for residential purposes only;
 - (e) any tenancy must not confer any security of tenure on the tenant(s) beyond the end of the contractual term;
 - (f) any tenancy must not be for more than thirty-six months;
 - (g) references about ability to pay the rent and character must be obtained for proposed tenant(s) and must be made available when we ask for them;
 - (h) any tenancy agreement must be in a form normally used for residential agreements and must contain no terms which would adversely affect our interest as mortgagee;
 - (i) no sub-letting is allowed
- 13. Tenants**
- 13.1 The following are not permitted to be tenants in respect of the **property**:
- (a) you and **immediate family members**;
 - (b) protected or regulated tenants;
 - (c) asylum seekers and
 - (d) persons who could claim diplomatic immunity.

Section 4 – Insurance

1. Buildings insurance

- 1.1 The insurance of the **property** will be arranged by you at your expense through an agency of your choice unless the **property** is held under a lease and another party to the lease (usually the landlord) is obliged to insure the **property**. If this exception applies, you or the other party to the lease will insure the **property** (described as “independent insurance” in this section). If you arrange independent insurance of the **property**, you will make sure that it meets the requirements set out in condition 2 of this section 4.
- 1.2 You will not do or allow anything to be done on the **property** which may prejudice the insurance whoever arranges it.
- 1.3 Where buildings insurance is taken out, the following requirements must be met:
 - (a) the insurance must be kept in force until you have repaid the **secured amount**;
 - (b) it must cover the risks normally covered by our insurers (as outlined in the **offer**);
 - (c) the amount of cover must be for the full reinstatement value of the **property**, be index-linked and be reviewed annually; and
 - (d) a copy of the policy schedule must be sent to us for our records and a copy of the latest renewal receipt must be supplied to us whenever requested.
- 1.4 If you change your buildings insurance provider and the cover is therefore later rearranged with another insurer or under a different policy, the requirements of condition 1.3 of this section 4 must still be met and a new approval must be obtained from us.
- 1.5 We reserve the right to take over arrangement of the insurance of the **property** at any time if we consider that the amount or type of cover is inadequate or if the policy is cancelled or lapses.

2. Insurance arranged by us

2.1 If we arrange the insurance:

- (a) We will decide on the amount of cover and risks to be insured and need not make sure that the cover is adequate for your purposes.
- (b) The amount of cover will be adjusted automatically to reflect general movements in the insurance market and changes in building costs.
- (c) If the **property** is being built or altered, we will arrange limited cover. Full cover will be put in place once we are satisfied that the **property** is completed or the alterations have been carried out.
- (d) You may ask us in writing for increased cover or extra risks to be insured. If such cover is available, we will insure the **property** for the increased amount and/or against the extra risks as soon as possible. We may allow you to arrange insurance for the increased amount of cover and/or insure against extra risks where we are not able to provide this for you. If we consent to this, we must also consent to your choice of insurer.
- (e) You will pay the insurance premium to us on the date set by us from time to time. If you do not pay the insurance premium when it is due, we may pay the premium on your behalf, in which case you must pay the amount of the premium to us on demand. Any unpaid premium will form part of the **amount owed** and will bear **interest** at the **interest rate** from the day on which you should have paid it until it is paid.
- (f) We will not account to you for any commission received on any insurance effected through our agency. We will tell you about any such commission if you ask us.

- 2.2 We will collect the premiums for any insurance which we arrange as part of the **monthly payment** every month on the **payment day**. A full month's premium will be collected for the month in which **completion** takes place.

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3. Proceeds and claims
- 3.1 You will hold any money received under any insurance policy affecting the **property** as trustee for us.
- 3.2 If you or we receive any money under an insurance policy of the **property**, we may decide whether to use the money to make good the loss or damage for which the money was received or to use it to repay all or any part of the **secured amount**.
- 3.3 We will be entitled to settle and adjust all claims with the insurers regardless of whether the insurance is arranged by us or is independent insurance.

Section 5 – The mortgage

1. What is secured
- 1.1 The **mortgage** secures the repayment of the **amount owed** and the rest of the **secured amount**.
- 1.2 After you have paid the **amount owed**, we will not discharge the **mortgage deed** or release any other property we hold as security until you have also repaid the rest of the **secured amount**.
- 1.3 Until you have repaid the **amount owed**, we will not release any property which we hold as security for any other money you owe us.
- 1.4 As continuing security for the **amount owed** and the rest of the **secured amount**, you charge to us:
 - (a) any rights you have under any agreement or guarantee relating to the **property**;
 - (b) any rights you have to claim damages in relation to the **property** (such as a claim arising from a misrepresentation about the value of the **property** or against someone who has damaged the **property**);
 - (c) any rights you have to shares in a management or residents' company or similar association because of your interest in the **property**;
 - (d) all easements and rights which benefit the **property**;
 - (e) any right you may have to compensation or insurance money payable in respect of the **property**;
 - (f) any right you may have to extend the term of any lease of the **property** or to take a new lease or acquire the freehold or other such interest in the **property**; and
 - (g) any leasehold or freehold interest in the **property** which you acquire after the date of the **mortgage deed**.
- 1.5 You will take any action in respect of the rights set out in condition 1.4 of this section 5 which we reasonably request you to. In particular you will sign a document assigning any of these rights to us as security for the **secured amount**, if we request you to. This document will be prepared by us and will include these **mortgage conditions**.
- 1.6 If, on sale of the property, whether on realisation of our security or otherwise, the net proceeds are not enough to repay all or the **amount owed** and the rest of the **secured amount**, you will pay the shortfall to us. You must pay the shortfall even if we have given a deed of discharge.
2. Covenants
- 2.1 You agree that:
 - (a) you will keep the **property** in good repair and condition to our reasonable satisfaction;
 - (b) you will keep all the utilities on the **property** and any heating system in good working order;
 - (c) you will allow us or our agents to go into the **property** at any reasonable time to inspect

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- it and/or to carry out work which we have requested you to do and which you have failed to do within a reasonable time;
- (d) if you receive any notices about the **property** (for example, a notice from a local planning authority or a remediation notice under the Environmental Protection Act 1990 or your landlord) you will send us a copy and/or take all reasonable steps to keep to the requirements of the notice and our reasonable requirements about the notice within a reasonable time;
 - (e) you will keep to all covenants and laws which affect the **property** or its use;
 - (f) you will pay all taxes and other money payable for the **property** on time and produce the receipts to us if we ask you to; and
 - (g) if the **property** is leasehold:
 - you will send us a copy of any notice which you give under the Leasehold Reform Act 1967 or under the Leasehold Reform and Urban Developments Act 1993;
 - you will inform us of any proposal to convert the leasehold title to commonhold;

if the term of the lease of the **property** is extended or if you acquire the freehold of the **property**, you will sign a new mortgage deed including these **mortgage conditions** giving us a legal charge over the extended term or the freehold interest if we ask you to.

2.2 You agree not to do any of the following without first obtaining our written consent:

- (a) alter the structure of the **property** or add anything to it or demolish all or any part of the **property** or change its use. Where necessary, you must also obtain the approval of the local planning authority to the changes;
- (b) grant or agree to grant any lease, tenancy or licence of the **property** save for an Assured Shorthold Tenancy agreement which complies with conditions 11 to 13 of section 3. Any right you have under the Law of Property Act 1925 to grant leases does not apply;
- (c) create or allow to exist any security over the **property** without first seeking our consent;
- (d) share or part with possession of the **property** other than for letting in accordance with this **agreement**;
- (e) if the **property** is leasehold, surrender the lease, agree to any changes in its terms or break any of its terms, including but not limited to the payment of ground rent and/or service charges, so as to allow the landlord to forfeit the lease;
- (f) if the **property** is subject to a lease, accept or grant a surrender of that lease or agree to change any of its terms;
- (g) use the **property** for non-residential purposes other than for letting in accordance with section 3.
- (h) allow any person other than you to be registered as the proprietor of the **property**; or
- (i) knowingly cause or allow the **property** to become contaminated land under Pt IIA of the Environmental Protection Act 1990.

2.3 We may charge a fee for considering your request for consent, whether or not we give consent.

2.4 You will bear the cost of complying with your obligations under conditions 2.1 and 2.2 of this section 5.

2.5 If you do not comply with your obligations under conditions 2.1 or 2.2 of this section 5, we can do anything which you should have done under these **mortgage conditions** on your behalf. If we do, you will be responsible for any **expenses** we have to pay.

3. Events on which the **amount owed** becomes payable and enforcing our rights

3.1 We will have the power to sell the **property** given to us by section 101 of the Law of Property Act 1925. This power will be available to us from the date of the **mortgage deed** but we will only use it if any of the events set out in condition 3.2 of this section 5 happen.

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3.2 If any of the following happens, we can demand that you immediately repay the **amount owed**:

- (a) if you are late in paying any part of the **secured amount**
 - which has fallen due and is at least equal in amount to two **monthly payments**;
 - and you have failed to pay us the amount which is due within a reasonable time of us making a written demand for payment of it;
- (b) you breach any of your other obligations to us under this **agreement** or any other agreement applying to any part of the **secured amount** in a respect which is serious and you have failed to remedy the breach within a reasonable time of us giving you written notice of it;
- (c) you die;
- (d) you lack mental capacity;
- (e) a bankruptcy order is made against you or you apply for an interim order or enter into any composition or arrangement with or for the benefit of creditors generally;
- (f) the **property** is compulsorily purchased or requisitioned;
- (g) the **mortgage** has been obtained as a result of your fraud;
- (h) the **mortgage deed** is no longer valid or legally binding for any reason;
- (i) you (or someone on your behalf) give us wrong information or failed to give information when you applied for the **loan**, and that information has had or would have had a significant negative effect on our decision to lend or continue to lend to you; or
- (k) if you breach your obligations under conditions 11 to 13 of section 3.
- (l) If you are a limited liability company or partnership:
 - (i) there is a change of control, as defined by Section 416 of the Income and Corporation Taxes Act 1988, where we reasonably anticipate that it will have a material effect on your ability to perform your obligations under the **mortgage**;
 - (ii) you resolve or have an order made against you for you to be wound up;
 - (iii) you have a receiver, manager or administrative receiver appointed, or a receiving order or administration order is made for the benefit of or on behalf of a creditor in respect of its business, assets or property or any part thereof;
 - (iv) you make any arrangement or composition, including a Voluntary Arrangement under the Insolvency Act 1986, with or for the benefit of a creditor;
 - (v) you become unable to pay or have no reasonable prospect of being able to pay your debts or have a distress levied against you;
 - (vi) you fail to satisfy a statutory demand served on you under Section 12(1)(a), Section 268(1)(a) or Section 222 of the Insolvency Act 1986, as appropriate; or
 - (vii) you call or cause to be called, apply or have application made for, a meeting of your creditors or any class or creditor;
 - (viii) you are struck off the company register for any reason; or
 - (ix) you change the constitution of your company or any Director or other Board Members resigns.

3.3 If conditions 3.2(c), (d) or (e) of this section 5 applies and you are in full compliance with all your obligations under the **mortgage**, you will not be obliged to pay any early repayment charge which the **offer** would otherwise require you to pay (despite condition 2.1 of section 1).

3.4 Once any of the events set out in condition 3.2 of this section 5 has occurred, we may do any of the following things:

- (a) seek a court order requiring you to give us possession of the **property** and/or pay us the **amount owed**;
- (b) sell, agree to sell or grant an option over the **property** and any other security for the **secured amount** on any terms we reasonably decide using the power of sale conferred by the Law of Property Act 1925 as varied by these **mortgage conditions** (but the restrictions on the power of sale in Section 103 of that Act will not apply);
- (c) vary the terms of, end, renew or accept surrenders of leases or tenancies of the **property**:
 - with or without a premium or other compensation or consideration, including the payment of money to a lessee or tenant on a surrender;
 - with any rights relating to other parts of the **property**; and
 - containing any covenants on the part of us or anyone else.
- (d) make any arrangements or compromises which we think fit about any lease of the **property**, any other security for the **secured amount**, any covenants, conditions or restrictions relating to the **property** or anything else;
- (e) grant or agree to grant a lease or tenancy of the whole or any part of the **property** (and the restrictions on granting leases in section 99 of the Law of Property Act 1925 do not apply to us);
- (f) exercise all the other powers conferred on mortgagees by the Law of Property Act 1925;
- (g) as your agent, remove, store, sell, rent or in any other way deal with any of your furniture or goods or those of any other person staying in the **property** after we have given written notice to you requiring them to be removed. We will not be responsible for any loss or damage caused by exercising this power unless we failed to take reasonable care in dealing with the furniture or goods; or
- (h) appoint a receiver as set out in condition 4 of this section 5.

4. Appointment of receivers

4.1 If any of the events set out in condition 3.2 of this section 5 has occurred, we may appoint in writing one or more persons to be a receiver of all or any part of the **property** and any other security for the **secured amount**.

4.2 Where we appoint more than one receiver they may be given power to act either together or on their own.

4.3 We may, from time to time, agree the charges of any receiver and may remove the receiver and appoint someone else.

4.4 The receiver will act as your agent and only you are responsible for their costs and actions. You are also liable for any contracts they make or enter into. The receiver may do any of the following in your name and as your agent:

- a) have any or all of the powers of a receiver appointed under the Law of Property Act 1925;
- b) enter and repossess the **property**;
- c) sell the **property**;
- d) carry out any repairs, alterations and improvements to the **property**;
- e) let the **property** on any reasonable terms;
- f) allow any person who holds the lease to the **property** to give up the lease on any reasonable terms;

- g) manage the **property**, and do anything else arising as a result of managing the **property** which a receiver may or can do legally as your agent;
- h) insure the **property** for any amounts and against any risks and through any agency as we see fit;
- i) sell any of the fixtures on their own or together with the **property**;
- j) remove, store, sell, save or otherwise get rid of any furniture or goods you fail to remove from the **property**;
- k) pay any **interest** and **expenses**;
- l) take any action in your name or otherwise as may seem appropriate;
- m) exercise all powers and authorities which we shall think fit to exercise. You agree that we may confer any powers and authorities which we could give if we were the actual beneficial owner of the **property**; or
- n) do anything else the law allows in connection with the **property**.

4.5 The money the receiver receives will be used as follows:

- a) to pay the receiver's expenses;
- b) to pay the receiver's fees at the rate we agree with the receiver from time to time; and
- c) to pay off the rest of the **amount owed**.

The receiver does not have to use the money he receives to pay off **interest** before repaying the **loan** or otherwise to pay off the **amount owed** in any particular order.

5. Guarantors

5.1 Where **you** are a company or other corporate entity **we** require that each director and/or persons with significant control gives a personal guarantee to **us** in **our** standard form on a joint and several basis in respect of **your** liabilities to **us**.

6. Management Companies

6.1 If you hold a share in a management or resident's company or similar association because of your interest in the **property**, you will deposit any share certificate with us together with a signed share transfer form with the name of the transferee left blank.

6.2 We will be entitled to do any of the following things on your behalf:

- (a) transfer the share to any person to whom we have sold the **property** under our power of sale and receive any consideration for that transfer;
- (b) exercise any voting rights as a result of our having taken possession of the **property**.

7. Power of Attorney

7.1 For the purposes of securing our interest in the **property**, you appoint us and any receiver appointed by us to be your attorney. The attorney will be legally entitled to do things on your behalf and the attorney's acts will bind you as though you had done them yourself.

7.2 You agree to sign any document and do anything else which we reasonably request you to do in order to:

- (a) perfect or improve any security created or intended to be created for the repayment of the **secured amount**;
- (b) help the exercise or the proposed exercise by us of any of our powers under the **mortgage**; and
- (c) protect, manage or sell the **property** or any other security for the repayment of the **secured amount**.

7.3 Under the power of attorney, we may execute any document or do anything which you are required to do under these **mortgage conditions**.

7.4 We will be entitled to delegate our power of attorney to third parties where this is reasonably

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- necessary to help the exercise of our powers under this security.
- 7.5 We will not be liable for anything which is done under the power of attorney unless we have failed to use reasonable care in exercising the power.
- 7.6 You may not revoke this power of attorney until the **secured amount** has been fully repaid and the **mortgage** released.

Section 6 – General

1. Our power to **transfer**

- 1.1 We can make a **transfer**, in whole or in part, of our rights under the **loan** and/or the **mortgage** at any time.
- 1.2 You have consented to **transfers** in the declaration and acceptance of offer and we can make a **transfer** using our rights in law or in equity without any further consent from, or notice to you.
- 1.3 We may provide to any actual or potential **transferee** of the **mortgage** any information or papers about you, the **loan**, the **mortgage**, the **property** and any other security held by us or the conduct of the account between you and us.
- 1.4 You agree that we may provide information about your (i) **mortgage application** and any supporting documentation, (ii) **mortgage**, **loan** and any related security, (iii) any other information relating to the **property**, (iv) the history and conduct of your **account**, (v) the results of any statistical, monitoring or quality analysis activity that we may carry out on your **account** from time to time and (vi) any other relevant information, (a) to any such person or organisation who does, or we believe wishes to, enter into any **transfer** with us or who does or wishes to fund or otherwise be involved in any **transfer**; (b) to any purchaser or potential purchaser of our rights under the loan and/or the mortgage or any person who does or wishes to fund or otherwise be involved in any such purchase; and (c) to us or any previous **transferee**. We may provide that information at any time on, prior to or after any actual or potential **transfer** under condition 1.1, of this section 6. You understand that we may provide such information to any such person or organisation including, but not limited to, credit reference agencies for the purpose of quality analysis.
- 1.5 You agree that any **transferee** at law of the **loan** or **mortgage** may change the **tariff** applicable to your **loan** and may set the **standard variable rate of interest** (if any) charged on the **loan** independently of the rate set by us and any previous **transferee**.

2. Notices and contact details

- 2.1 If these **mortgage conditions** require notice to be given by us to you, this may be given by first or second-class post addressed to you at the most recent correspondence address which you have given us. All notices given by post will be treated as having been received two **business days** after posting (if sent first class) or three **business days** after posting (if sent second class).
- 2.2 Where your correspondence address, email or telephone number change, you must immediately provide us with the new details in writing.
- 2.3 The **mortgage** is supplied to you in English. We agree with you to communicate in English for the duration of the **mortgage term**.

3. Mistakes

- 3.1 If we materially miscalculate the amount payable by you to us or make any other material mistake about the mortgage this will not affect any of our rights, including

- our ability to claim the right amount from you either before or after the mortgage has been released with **interest** at the **interest rate** until repayment.
- 3.2 A receipt or letter saying the mortgage has been repaid in full will not prevent you from being personally liable if it is later found out that the amount of the amount owed was understated by mistake.
- 3.3 This does not affect any legal rights which you have as a result of the amount owed being understated.
- 4. Forbearance and separate terms**
- 4.1 If we decide to relax any of the terms of the **mortgage** or not to enforce any of our rights, powers or remedies this will not affect our rights, powers or remedies in any way.
- 4.2 If you break any of the terms of the **mortgage** and we agree to take no action, we will still be able to take action if you break those terms in the future.
- 4.3 Each term in these **mortgage conditions** is separate from the others. If we cannot legally enforce any particular term this will not stop us from enforcing the other terms.
- 4.4 No-one will have any rights under the **mortgage** under the Contracts (Rights of Third Parties) Act 1999.
- 5. Personal Data**
- 5.1 We will use any personal information you provide to us, or that we obtain or generate in connection with our dealings with you in the ways we have set out in the application form.
- 6. Law and jurisdiction**
- 6.1 The laws of the United Kingdom are taken by us as a basis for the establishment of relations with you prior to the conclusion of the agreement embodied in the **mortgage**. This **agreement** is governed by English law. You agree that the courts of England and Wales have exclusive jurisdiction in relation to any claims or disputes, whether contractual or non-contractual.
- 6.2 If you wish to make a complaint you may do so in the first instance to us. If you are unhappy with our response, you can pursue your complaint with the Financial Ombudsman Service which can be contacted by post at Exchange Tower, Harbour Exchange, London E14 9SR, online at <https://help.financial-ombudsman.org.uk/help> or by telephone on 0300 123 9123 / 0800 023 4567.