

BIRMINGHAM MIDSHIRES MORTGAGE CONDITIONS

2019

SOME IMPORTANT POINTS ABOUT HOW YOUR MORTGAGE WORKS

Your offer letter tells you:

- how much your mortgage loan is;
- what your interest rate is;
- what your mortgage term is;
- whether you have a repayment or interest-only mortgage;
- whether any early repayment charges apply; and
- how much your monthly payment is.

See chapters 1, 2 and 3

If you have an interest-only mortgage, your monthly payments are set at a level to pay only the interest you owe. So you'll need to make a lump-sum payment to repay everything you owe at the end of your mortgage term.

See chapter 1

Your first monthly payment might be bigger than your regular payments. This is because it may be in the month after we give you the mortgage loan, so it will include interest from the first month.

See chapter 1

We work out your interest charges on everything you owe on a daily basis and add each month's interest to your mortgage loan at the end of every month.

See chapter 2

If you have a repayment mortgage, your monthly payments are set at a level to pay off everything you owe by the end of your mortgage term.

See chapter 1

You may have to pay charges or costs. We tell you what these are, and when and how you need to pay them.

See chapter 3

You must make your monthly payment each month and on time. There may be times when we need to adjust your monthly payment.

See chapter 1

You must use the property as your main residence, unless we agree otherwise. You must insure it and keep it in good repair.

See chapters 6, 7 and 11

There may be different parts to your mortgage loan. They can have, for example, different interest rates or terms. We tell you how we manage your mortgage and monthly payments if it is made up of more than one part.

See chapter 5

You can make overpayments or pay off everything you owe before the end of your mortgage term, but you may have to pay an early repayment charge.

See chapters 4 and 5

If you break the agreement, your property will be at risk. We can take possession of your property and sell it to help repay what you owe.

See chapters 12 and 13

If you have a buy-to-let mortgage, we have additional rights under our conditions that apply in certain situations where you have more than one property.

See chapters 8, 12 and 13

We can increase lender variable rates, after giving you notice that we're going to do this, if there is:

- a change to our cost of lending;
- a change to laws and regulations;
- a change to our technology or systems.

See chapter 2

You must repay everything you owe by the end of your mortgage term including your mortgage loan, any costs and charges, and the interest on all of them.

See chapters 1, 2 and 3

BIRMINGHAM MIDSHIRES MORTGAGE CONDITIONS 2019 IMPORTANT INFORMATION

It's important that you read your mortgage conditions so you understand how your mortgage works. This booklet contains:



an outline of some of the most important points about your mortgage – this says where you can find particular information (pages 2 and 3);



our Mortgage Conditions – short chapters giving you details of what makes up the agreement for your mortgage, how the agreement will work and about the security you give (page 8);



for properties in Scotland: the **standard conditions** that apply by law. As far as the law allows, our Mortgage Conditions apply over the standard conditions if there is a conflict (page 51).

PLAIN
LANGUAGE
COMMISSION

CLEAR
ENGLISH
STANDARD

OUR MORTGAGE CONDITIONS



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INTRODUCTION – AGREEMENT FOR YOUR MORTGAGE

Your 'mortgage'

If you have a 'mortgage' with us, we give you a loan ('mortgage loan') and you give us security over your property.

What is your 'mortgage loan'?

Your 'mortgage loan' is the total of the money we lend you at the start of the agreement plus any money we lend you at other times under the agreement. It does not include interest, charges or costs.





What is the agreement for your mortgage loan made up of?

- **This booklet.**
- Any **offer letter** we give you for your mortgage loan. We give you an offer letter before we first give you your mortgage loan, and we may give you further offer letters later if we agree to make changes to the agreement.
- The **mortgage deed**. This covers the mortgage security we take over your property. The mortgage deed gives us security for repayment of everything you owe, including your mortgage loan and interest, charges and costs. It also gives us security for amounts you owe under other mortgage agreements with us. For properties in Scotland it is called a 'standard security', but to keep things simple, when we talk about a 'mortgage deed' in the agreement, we also mean the standard security.
- **Any other agreement** between you and us to do with your mortgage loan, for example, if we agree in writing to change the time period in which you must repay what you owe, without giving you a new offer letter.

The agreement lasts until you have paid us everything you owe under the agreement and we no longer have the mortgage over your property. If you break the agreement, your property may be at risk. We explain more about what we can do if you break the agreement in chapters 12 and 13.

We have tried to keep the agreement simple, but for the more complex areas you can ask a solicitor or licensed conveyancer to explain anything you don't understand. We supply the agreement in English, and communications between you and us will be in English.

Who is the agreement between?

- Us – Birmingham Midshires division of Bank of Scotland plc; and
- You – the person (or persons) named in the mortgage deed as 'the borrower' (or 'the debtor' if your property is in Scotland).

When we say 'us', 'we' or 'our' in this booklet, this means Birmingham Midshires division of Bank of Scotland plc, or anyone acting on our behalf, or any person we transfer some or all of our rights under the agreement to.

What if there is more than one borrower?

If more than one of you is borrowing from us, the agreement applies to all of you together and to each of you on your own. This means that we can, for example, require just one of you to make all payments due under the agreement, or require some or all of you to make the payments together.

Unless you tell us otherwise, if more than one of you is borrowing from us:

- we don't need to obtain agreement from all of you to make changes to the agreement. We may instead rely on one of you agreeing to any change as being agreement by all of you; and
- we may accept the signature, instruction or notice of one of you as being the signature, instruction or notice of all of you.

How we may use our rights and when we can change this agreement

We have rights in the agreement that help us protect our interests, such as making you take or not take certain action or giving you our permission or approval before you take certain action. Depending on the circumstances, we may choose whether or not to use a right or which right to use.

There are specific protections as to how and why we can make changes to the agreement. We explain how and why we can do this in chapters 1–3 and chapter 10.

Everywhere else, if there are no specific protections, we will act reasonably whenever we use one of our rights under the agreement.

For example, we will be acting reasonably if we use a right only as far as is needed to reduce the risk of:

- you not paying us what you owe on time;
- a negative impact to the mortgage or to our ability to rely on or enforce it; or
- the mortgage and other security no longer being sufficient to cover everything you owe, for example because of a fall in your property's value.

CHAPTER 1 – WHAT, WHEN AND HOW YOU WILL PAY

What you have to pay

You have to pay us back your mortgage loan, and pay us interest on it until you do.

You might also have to pay us:

- some charges and costs;
- interest on the interest we have already charged you and you have not yet paid; and
- interest on charges and costs that you owe and have not yet paid.

In this booklet, we refer to the total amount of your mortgage loan, costs, charges and interest as 'everything you owe'. If we are looking at everything you owe at a particular time, we refer to this as 'what you owe'. In both cases, this includes any arrears. You must pay us everything you owe by the end of your mortgage term.

What is your 'mortgage term'?

You have agreed to repay us everything you owe by the end of the period of time known as your 'mortgage term'. Your mortgage might be made up of different parts that could have different mortgage terms. Your offer letter tells you about them. We say more about mortgages with different parts in chapter 5.

We agree with you, usually in your offer letter:

- whether you have a 'repayment mortgage' or an 'interest-only mortgage' (or a mixture of both);
- your mortgage term (or terms);
- your monthly payments;
- the interest rate (or rates) on your mortgage; and
- any charges you have to pay.

What is a 'repayment mortgage'?

With a repayment mortgage, you pay an amount off everything you owe with each of your monthly payments.

What is an 'interest-only mortgage'?

With an interest-only mortgage, your monthly payment is to pay only the interest on what you owe but your monthly payment does not pay off your mortgage loan. This means you have to make other arrangements to pay off everything you owe by the end of your mortgage term.

There might be further costs you have to pay, which will be explained in chapter 3 and at points throughout this booklet.



The agreement can last a long time, so the levels of our interest rates, charges and costs, and your monthly payments, are likely to change in the future. Chapters 2 and 3 (and this chapter) give details of how and when they can change.

Your monthly payment amounts

Repayment mortgages

For 'repayment mortgages' you have to make monthly payments. We work out the level of your monthly payment amount so that everything you owe is repaid with interest by the end of your mortgage term.

Interest-only mortgages

For 'interest-only mortgages' you have to make monthly payments at a level that pays the interest only. At the end of your mortgage term, you must make a lump-sum payment to pay off everything else you owe, including repaying your mortgage loan.

Repayment mortgages and interest-only mortgages

For both 'repayment' and 'interest-only' mortgages, as far as we reasonably can, we work out your monthly payments so they will all be for the same amount except:

- your first monthly payment might be a higher amount. This is because it may be in the month after we give you your mortgage loan, so we may add the interest from the first month of your mortgage loan on to your first monthly payment;

For example



Someone takes a new mortgage loan on 10th June. We work out that the interest on their mortgage loan from 10th to 30th June is £250, and that their usual monthly payment amount will be £1,000.

Their first monthly payment is in July, and will be $£1,000 + £250 = £1,250$.

Then in August and each month after that, their monthly payment will be £1,000.

- your final monthly payment may be a higher or lower amount to take into account any overpayment or underpayment made on your mortgage or any amounts which were added to your mortgage and which you did not pay earlier.

This also applies if, as we explain later on in this chapter, we later change the monthly payment amount. When we work out the interest collected by a monthly payment, we will treat each full month as an equal twelfth part of the year. This means we will usually collect slightly less interest than you owe in months that are 31 days long, and slightly more than you owe in the other months.

When and how to make your monthly payments

You must make your monthly payments by direct debit on the same day every month. You can choose your monthly payment date as long as it is a day between the 1st and the 28th. Once you've chosen a date, you will need us to agree to change it.

Weekends or public holidays

We will only ask you to make your monthly payments on working days (as opposed to weekends and public holidays).

If your monthly payment date falls on a weekend or public holiday, you will need to pay on the next working day.

However, if the next working day would be in the next month, you will need to pay on the previous working day.

For example

Someone's monthly payment day is the 28th, and in February that falls on a Saturday. They will have to make their payment on Friday 27th February because the next Monday would be in March.



Your arrangements to pay off everything you owe, if you have an interest-only mortgage

If you have an 'interest-only mortgage', you have to repay everything you owe by the end of your mortgage term. This usually means you have to make a lump-sum payment at the end of your mortgage term. If you don't, your property will be at risk and it may have to be sold to repay what you owe.

We can ask you to show us what arrangements you have made to pay off everything you owe by the end of your mortgage term, and you must show us if we ask you. It's important that you keep checking that your arrangements are still on track.

It's your responsibility to make sure you have enough money to repay everything you owe at the end of your mortgage term.

Temporary stop or reduction to monthly payments

We may choose to allow you, temporarily, to stop making your monthly payments or to pay lower monthly payment amounts. If we do, then later we can do one or more of the following:

- Start your monthly payments again.
- Increase your monthly payment amounts to cover the payments you have not made.

We can also take other steps as described in chapters 12–14.

If you do not pay off everything you owe by the end of your mortgage term, your property will be at risk.

When we can change your monthly payments

Sometimes, we may need to adjust your monthly payment amounts so they can continue to be at the level needed:

- to pay off everything you owe other than any arrears by the end of your mortgage term, if you have a repayment mortgage; and
- to pay the interest on everything you owe if you have an interest-only mortgage.

We may do this if, for example:

- your interest rate changes;
- we change how we work out interest;
- you have to pay a new charge or cost;
- you make an overpayment, or you underpay;
- you are late making a payment or only pay part of it;
- we lend you more money;
- there is a change to your mortgage term;
- we have allowed a temporary stop or reduction to your monthly payments;
- you switch to or from an interest-only mortgage;
- it will help comply with any laws and regulations or help comply with any change in how those laws and regulations are applied or interpreted.

We may also make an extra change to your monthly payment every year to ensure it remains on track to pay off everything you owe, other than any arrears, by the end of your mortgage term.

We will give you notice when we change your monthly payments.

Differences to your monthly payment when you have arrears

What are 'arrears'?



By arrears, we mean the total of monthly payments and any parts of monthly payments that have become due under the mortgage agreement but, in breach of the agreement, remain unpaid.

For repayment mortgages, we don't include arrears in the balance we use to calculate your monthly payment. But we do include any interest that has built up on any arrears since we last changed your monthly payment.

For interest-only mortgages, we include the interest on arrears in your monthly payment. But we don't calculate your monthly payment to repay your arrears.

This means that for both repayment mortgages and interest-only mortgages, you need to make separate arrangements with us to pay the arrears.

You have to pay extra interest, and interest on interest, for arrears. Please see 'What we charge interest on' in chapter 2 for more about this.

Your arrangements to pay off everything you owe if you have mortgage arrears

You need to make sure you pay everything you owe, including any arrears and any unpaid interest, charges and costs. We may contact you to discuss your arrangements to repay any arrears. We will then need to agree with you how you will do this.

CHAPTER 2 – THE INTEREST YOU PAY

What we charge interest on

We charge interest on everything you owe (until you have paid it off) unless we tell you we are not charging interest on something. We charge interest for every day you owe us anything under the agreement.

We start charging interest:

- on any money we lend you from the day we lend it to you;
- on interest from the day after we add it to your mortgage loan; and
- on any charge and cost we add to your mortgage loan from the day we do so.

Interest is charged each month on everything you owe, including any arrears and any interest on arrears you haven't paid. This can include interest on the interest we have already charged you but you have not paid.

If you make a payment, it will reduce what you owe (and the amount we charge interest on) from the day we actually receive the money.

How we work out interest

For each month, we look at what you owe at the start of the month, and then at anything that we add to what you owe (such as a charge) or that you pay off (say through a monthly payment) during the month. We then calculate your interest for the month as follows:

- $(\text{what you owe at start of month}) \times (\text{yearly interest rate}) \times (\text{days in the month})$

Plus

- $(\text{any added amount}) \times (\text{yearly interest rate}) \times (\text{remaining days in month, including day of addition})$

Minus

- $(\text{any payment}) \times (\text{yearly interest rate}) \times (\text{remaining days in month, including day of your payment})$

We then divide that total figure by 365 (366 in a leap year). We calculate to four decimal places at each step and then round up the result to the nearest penny to give your interest charge for the month.

For example

Someone owes £100,000 at the start of the day on 1st June, and on 16th June they make a payment of £20,000. Their yearly interest rate is 6%. On that basis, we work out their interest for June as follows:

$$£100,000 \times 6\% \times 30 \text{ (the number of days in June)} = £180,000$$

$$£20,000 \times 6\% \times 15 \text{ (the number of days from 16th to 30th June)} = £18,000$$

$$£180,000 - £18,000 = £162,000$$

$$£162,000 \div 365 = £443.8356$$

Total interest charge for June =

£443.84

Sometimes we may change an interest rate at a point during a month. For details of when we might do this, see later in this chapter under the headings 'When we can change a lender variable rate' and 'Tracker Rates'. If we do change the rate after the start of the month, we work out the interest in the same way as set out above but we use the original rate until the date of the rate change, and use the new rate for the rest of the month.

When we add interest

We add the interest for each month to the amount you owe at the end of the last day of that month. We start charging you interest on the added interest from the first day of the next month.

For example

Someone owes £100,000 on 1st June, and the amount of interest charged for the whole of June is £400. They pay the expected monthly payment of £1,000 for June. We add the interest for June of £400 to the amount owed at the end of the day on 30th June. This means the new amount owed on 1st July is:

- Amount owed on 1st June = £100,000

Minus

- Amount of monthly payment paid = £1,000

Plus

- Amount of interest charged for June = £400

Total amount owed on 1st July = £99,400

This means we start to charge interest in July on the new amount owed of £99,400.

The type of interest rate you have

Your offer letter says what type of interest rate(s) will apply to your mortgage loan.

We agree with you:

- whether your interest rate is fixed or variable;
- when an interest rate will end, if it is only for part of your mortgage term; and
- whether you pay different rates on different parts of your mortgage loan.

We usually agree terms about your interest rate in your offer letter, which is what we assume when we refer to your offer letter in the rest of this chapter.

What happens when your fixed or variable rate ends

Your offer letter says how long your fixed or variable rate will last for and what will replace it when it ends.

Fixed rates

What is a fixed rate?

A fixed rate is an interest rate that does not go up or down – the interest rate remains the same for the period of time it is fixed.

Variable rates

What is a variable rate?

A variable rate is an interest rate that can change. A variable rate can go up and down.

There are different types of variable rate, for example lender variable and tracker rates.

If you have a variable rate, your interest rate could fall to 0% but never below this.

Lender variable rates

What is a lender variable rate?

A lender variable rate is a variable interest rate that we set and can decide to change.

Your offer letter says if one or more lender variable rates apply to your mortgage loan.

Please remember that:

- we can charge different lender variable rates for different customers;
- we can charge different lender variable rates on different parts of the same mortgage loan; and
- we can change our lender variable rates at any time, so the lender variable rates you are charged during your mortgage term might be different from the lender variable rates in your offer letter.

When we can change a lender variable rate

We can change a lender variable rate at any time, after giving you notice that we're going to do so.

When we give you notice that we're going to change a lender variable rate, we'll tell you what your new monthly payment will be. If the rate is increasing, we'll explain the reason for the change.

We can reduce the rate for any reason, but we'll only increase it in the following situations.

- *Change to our cost of lending:* We have costs in raising the money lent to our 'residential mortgage' customers. If those costs change, or we know they are about to change, we can change a lender variable rate in proportion to the change in costs.

What makes up our cost of lending



Our costs in raising the money lent to our 'residential mortgage' customers are made up of various things. Here are some examples:

- The interest we pay to people who deposit money with us, for example in current and savings accounts.
- The interest and other amounts we pay to other lenders and to other people for money we borrow from them.
- The cost of the money we raise from our own shareholders and of other money that makes up our capital. Our 'capital' is money we set aside so we have money to pay people if things ever go wrong with our business. The amount we need to set aside as capital is based on law and our regulators' requirements.

- *Change to laws and regulations:* We need to comply with laws and regulations that apply to us.
 - If there is a change in laws or regulations that mean we should change a lender variable rate, we will.
 - We can also change a lender variable rate if complying with a change in laws or regulations will cost us more. The change in rate will be in proportion to the change in cost.

- *Change to our technology or systems:* If there are changes in technology or systems that cause our costs to change, we can change a lender variable rate in proportion to the change in costs.

Sometimes we may change one lender variable rate at a different time or by a different amount to another lender variable rate.

What is a 'residential mortgage'?



This is where we take a mortgage over a property that is used as someone's home, or is intended to be used as a home. It could be either the customer's home or someone else's, for example someone the customer let the property to.

How we arrive at a new lender variable rate when things change

Lots of factors affect how we arrive at a new interest rate when things change. The Bank of England Bank Rate (often called 'base rate') is an important factor and you will see that your rate often moves in line with changes to that rate. But it might not always move in line with the Bank Rate because other factors affect the decision, for example:

- the need for us to strike a balance between rates given to customers who deposit money with us (for example in savings accounts) and those who borrow from us;
- changes in the rates that apply to funds we borrow from other banks; and
- changes in law, for example where that affects the levels of capital we are required to hold.

Tracker rates

What is a tracker rate?



A tracker rate is where your interest rate follows another rate that is not set by us. It will track that other rate by a 'margin'.

If the rate being tracked changes, we will also change your rate within 35 days to keep to the margin and we will give you notice before we do so. The 35 days will start from the date of the official publication of the change in rate.

If the rate being tracked, or the rate that replaces it, stops being set and we are unable to reasonably identify a replacement rate, we can choose a rate of interest that will be tracked. The rate we choose will be a rate we do not set.

For example



Say the interest rate tracks Bank of England base rate by a margin of +2% then, when the base rate is 2%, that interest rate would be 4%. If a base rate increase to 3% is published on, say, 10th June, we will raise that interest rate to 5% before 1st July.

Your offer letter says if you have a tracker rate, what your margin is, what rate it tracks and how long it lasts. The margin could be positive (for example, base rate +2%), negative (for example, base rate -1%) or even zero (if, for example, your interest rate is set at the same level as the base rate).

We will not change the margin. However, if the margin means your interest rate would fall below zero, your interest rate will be 0% instead.

Added rates

What is an added rate?



This is where we charge an additional interest rate on top of a fixed or variable rate (or rates) that you must pay on your mortgage loan.

We may charge you one or more added rates if:

- you agree to it in your offer letter; or
- an added rate becomes payable for the reasons in chapter 11 under the heading 'Extra interest or regular additional payments'. This added rate can apply if you let your property or change its use without our permission.

We can reduce or stop charging an added rate at any time. The total interest you pay may change if the rate that the added rate is added to changes.

We will give you notice before we charge an added rate.

CHAPTER 3 – OUR CHARGES AND OUR COSTS



As well as paying us interest on your mortgage loan, you may have to pay us charges and costs.

What are charges?

We may charge you for services we provide or activities we carry out at your request or with your agreement.

Charges are any:

- fees at the start of the agreement as described in your offer letter, for example a 'product fee';
- early repayment charges (see chapter 4);
- fees for when you agree to us making a change to the agreement (for example, changing the type of rate you pay, or a borrower, or your mortgage term);
- fees for us to agree to any new services.

We may also make a charge if you let your property, which we explain in more detail in chapter 11.

What are costs?

Costs are what you pay us for our expenses to do with the mortgage, your property or the agreement, apart from:

- our normal expenses for servicing our residential mortgages in general, where our customers are keeping to their agreements with us; or
- other expenses included in the charges we mention above.

You might have to pay a cost because of something you ask for or because you do not keep to your obligations under the agreement.

You will only have to pay for a cost of ours as far as the cost is reasonable.

It wouldn't be possible to list every type of cost, but some common examples are:

- The costs of taking legal or other action if you break our agreement, or if there is a dispute to do with the mortgage, your property or the agreement.
- The costs of us having to make payments to other people because you have not met your obligations to do with your property, for example, if we pay a service charge where you have failed to do so.
- The costs of taking steps such as inspecting, valuing or insuring your property, where our agreement allows us to take those steps.

Our standard costs

In many cases our costs are standard costs (but not all of them, as we explain later in this chapter).

We will give you information about our standard costs and regular updates about any additions or changes to them. If a standard cost is not covered by our latest information (or has since changed), we will tell you before you have to pay the cost.

How we set our standard costs

We work out each of our standard costs to be a reasonable amount as follows:

- Each is for all our costs for the activity, including both our own internal costs and costs we pay other people. We make a reasonable estimate of the expected average costs, and set each cost at the level of that average.
- As well as costs that are specific to the standard cost, our estimate can include, for example, a reasonable share of our costs in having and using resources (such as offices, staff and computer systems) that we also use for other purposes.

If our costs (whether internal or paid to other people) change, we can change our standard costs as described below.

How we can change our standard costs

We can reduce or cancel a standard cost at any time for any reason. We can also increase a standard cost or bring in a new one at any time, but only in the following situations.

Change to our costs: If our costs change, or we know they are about to change, we can change our standard cost in proportion to the change.

New or increased standard costs: If we have been giving you something for free or we bring in something new, we can start charging a standard cost for it. Similarly, we can increase our standard costs if we have not been fully passing on our costs.

Change to laws and regulations: We comply with laws and regulations. These might change, or we might know they are about to change.

- If a change in laws or regulations means we should change our standard costs, or the levels of our standard costs, we will do so.
- If there is a change to our cost of complying with laws and regulations, as a result of a change to them, we can also change our standard cost (including bringing in new standard costs) in proportion to the change in our cost.

If we change the level of a standard cost or bring in a new standard cost, we will give you notice before it becomes payable.

Where we do not have a standard cost

Where we do not have a standard cost, we will simply charge you a reasonable amount to cover our internal costs and any costs we pay to other people.

For example

Someone has a lease for their property and we end up having to pay the ground rent and service charges because they have not done so.

- If we do have a standard cost to cover our internal costs of dealing with those payments, they will have to pay this.
- However, our standard cost will not cover the amounts of the ground rent and service charge themselves. This is because we cannot estimate in advance what we might end up having to pay. So, they will have to pay us what we pay their landlord on top of any standard cost we may have.



When and how to pay our charges and costs

When must you pay a charge or a cost?

We may ask you to pay a charge before we provide the service or make a change to the agreement.

If we add a cost to your mortgage loan, we add it on the date it becomes payable.

- For a cost where we have to pay another person, it will be the date that we have paid that person.
- For any other cost, it will be the date that we have done the work covered by the cost.

We will tell you after we have added a cost to your mortgage loan.

What happens if we add a charge or cost to your mortgage loan

If we add a charge or cost to your mortgage loan, we may charge interest on it.

You will also have to pay a charge or cost that we add to your mortgage loan on the same basis as you repay your mortgage loan, unless we have agreed otherwise.

If your mortgage loan is in different parts

Different parts of your mortgage loan can have different interest rates, mortgage terms or repayment methods. We say more about mortgages with different parts (called sub-accounts) in chapter 5.

If we add a charge at the point you apply for a service, we will tell you which part of your mortgage we add it to.

At any other time, we add a charge or cost to a separate part (sub-account) of your mortgage. The term, interest rate, and type (whether it is a repayment or interest-only mortgage) of that separate part, will be the same as the first part of your mortgage loan.

If you repay the first part before any other parts of your mortgage loan, then the cost and charges part will be the same mortgage term, interest rate, and type as the next remaining part.

For example



Someone has a mortgage loan made up of two parts.

- Part 1 has a mortgage term of 5 years, an interest rate of 5% and is on repayment.
- Part 2 has a mortgage term of 15 years, an interest rate of 4%, and is on interest-only.

Say we add a cost under the same term and interest rate as Part 1, and this cost is not paid off in full when the loan on Part 1 is repaid. We will then charge the cost on the same terms as for Part 2 from then on.

CHAPTER 4 – EARLY REPAYMENT



Paying off early what you owe

At any time before the end of your mortgage term, you can choose to make an early repayment by either paying:

- everything you owe early (for example, if you remortgage or sell your property); or
- only part of what you owe early, by making a payment on top of your monthly payments.

What is an ‘early repayment charge’?



We offer different types of mortgage loan products with different rates. With some of these, there might be a charge if you repay all or part of your mortgage loan within a certain period of time; we call these early repayment charges. Your offer letter gives details of any early repayment charges that apply to you.

Why do we make an early repayment charge?

We make this charge because when setting up the funds to provide mortgage loans to customers, we expect them to keep the money for the time agreed at the outset. There is a cost to us if they repay some or all of the mortgage loan sooner. The charge is designed to compensate us for this cost.

Charge for early repayment

Your offer letter tells you when you have to pay us an early repayment charge.

If it is payable, we will deduct it from the amount of your early repayment.

For example



Someone owes £100,000 and wishes to pay it off in full at a time when a 3% early repayment charge applies.

The early repayment charge would be $(3 \div 100) \times £100,000 = £3,000$.

So they would need to pay £100,000 + £3,000 = £103,000 to pay off their mortgage loan in full.

If you make an early repayment at some time during the month, you will also have to pay any interest that has been charged up to the day you make the early repayment.

If you make an early repayment of only part of what you owe and an early repayment charge applies, we will ask you to pay an early repayment charge just on that part – see the example in the next chapter.

If the charge is payable, it will not only be payable if you *choose* to make the early repayment, but also if you *have to* make the early repayment or we make it (chapter 14 explains when this might happen).

We may also ask you to pay an early repayment charge if you ask us to change the type of interest rate (or rates) you are paying, and we agree to the change.

CHAPTER 5 – MORTGAGE LOANS IN DIFFERENT PARTS AND HOW WE APPLY OVERPAYMENTS AND UNDERPAYMENTS



Mortgage loans in parts

Your mortgage loan may be a mixture of interest rates, terms and methods of repayment. If it is, we split your mortgage loan into different parts so we can manage it in the way we have agreed with you.

We often refer to these parts as 'sub-accounts'.

For example



A single mortgage loan for £250,000 could be made up of:

- one part, for £100,000, which has a fixed interest rate of 5%, and is on repayment;
- another part, for £150,000, which has a tracker rate of Bank of England base rate +2%, and is on interest-only.

How this could affect you

We tell you, usually in your offer letter, if your mortgage loan is in different parts.

If your mortgage loan is in different parts, each part has its own monthly payment.

Unless we agree otherwise, we add together the monthly payments for each part and ask you to pay a total amount.

We may agree a different arrangement with you to:

- make a single monthly payment for each part; or
- make separate monthly payments to cover any costs or charges you have to pay.

What happens when we receive your total monthly payment

When we receive your total monthly payment, we give each part of your mortgage loan the payment it is due.

Each part of your mortgage loan must receive the payment it is due each month before any extra payments can be made to any other part.

Overpayments and underpayments

There may be times when you choose to pay more, or you might pay less, than your monthly payment. We explain here what happens to each part of your mortgage loan if you overpay or underpay.

An 'overpayment' is when you choose to pay more than your regular monthly payment.

An 'underpayment' is where you pay less than you owe for your monthly payment. This may put you into arrears.

Overpayments and how we use them

You can make overpayments to your mortgage loan at any time by:

- arranging for us to collect an extra amount each month along with your monthly payment; or
- making a separate payment.

If we collect the extra payment along with your monthly payment, we apply it across all parts of your mortgage loan in the same way we apply your total monthly payment.

If you make a separate payment, you can choose which part of your mortgage loan you want the payment applied to, but only after you have paid off any mortgage arrears.

Remember that early repayment charges may apply (see chapter 4).

Underpayments

You must not underpay on your mortgage unless you have previously made overpayments of the same or greater amount.

You need to contact us to arrange to underpay. This is so we can tell you the amount of overpayments available for you to use.



For example

Someone has a mortgage loan with us that has two parts. Let's say their total monthly payment is £400, of which:

- £100 is the monthly payment on part 1;
- £300 is the monthly payment on part 2.

When we receive the total monthly payment, we split it and give each part the payment due.

When we work out the monthly payment, we calculate what percentage of the total monthly payment makes up each part:

Payment on part 1 (£100)

Total monthly payment (£400) \times 100 = 25%

Payment on part 2 (£300)

Total monthly payment (£400) \times 100 = 75%

The percentages we work out each time we set the monthly payments are used in the future if overpayments or underpayments apply.

Scenario A

They make an overpayment of £100 on top of their £400 monthly payment

We apply £25 of the overpayment to part 1. (Overpayment of £100 \times 25% = £25.)

We apply £75 of the overpayment to part 2. (Overpayment of £100 \times 75% = £75.)

Scenario B

They make an overpayment of £100, and an early repayment charge of £3 is payable on part 2.

We apply £25 of the overpayment to part 1. (Overpayment of £100 \times 25% = £25.)

We use £3 of the overpayment to pay the early repayment charge.

We apply £72 of the overpayment to part 2. (Overpayment of £100 \times 75% = £75 minus £3 = £72.)

Scenario C

They pay £300 instead of £400 for their monthly payment (an underpayment of £100).

We apply £75 of the payment to part 1. (Payment of £300 \times 25% = £75.)

We apply £225 of the payment to part 2. (Payment of £300 \times 75% = £225.)

CHAPTER 6 – INSURING YOUR PROPERTY

You must insure your property

You must always make sure that buildings insurance is in place for your property.

Sometimes you will not be able to insure your property yourself because someone else has the right to insure it – like your landlord if the property is leasehold. In that case, you must do all you reasonably can to make sure your landlord insures it.

The policy must be suitable to cover your property so that if something happens to it, the money from a claim will pay for it to be reinstated.

If we ask you and the insurance company allows you to, you must have your property insured in our joint names. If that is not possible, you must arrange for our interest in your property to be noted on the insurance policy.

What we can do

We may insure our interest or your interest (or both) in your property if:

- you are not insuring it (and we reasonably think nobody else has insured it either); or
- we reasonably believe the insurance is not suitable.

If we insure your property, we can add the cost to your mortgage loan and we can charge you interest on it.

We will keep any commission we get from any insurance we arrange.



The insurance policy and claims

You must take reasonable steps to make sure nothing happens that may harm the ability to make a claim under the insurance.

For example

If you do not pay the insurance premiums or do not give the insurer all the information they ask for, they might not have to pay out if you make a claim.



You must tell us straight away if any significant damage happens to your property and you will need to make a claim.

Any money from a claim must be used to repair or rebuild your property, unless we give you notice that it must be used to pay towards everything you owe. We will not do that unless we reasonably consider that using the money to repair or rebuild your property will not put it in good enough repair for its value to cover everything you owe.

If you get any money from a claim under any buildings insurance for your property, you must hold it all on 'trust' for us. This means you must keep it for us until it is used to repair or rebuild your property or to pay towards everything you owe.

Compensation Agency arrangements for properties in Northern Ireland

If your property is in Northern Ireland and the Compensation Agency agrees to pay compensation for any damage caused to your property, the same rules will apply as if you received money from an insurance company.

CHAPTER 7 – WHAT YOU HAVE TO DO AND WHAT YOU HAVE TO ASK OUR PERMISSION TO DO

What you must do regarding your property

You agree to the following.

- You must use your property as your only or main home. You must not let it out, unless we agree otherwise.
- If you have a buy-to-let mortgage, you or your family must not live in the property.
- You must keep your property in good repair and condition.
- You must carry out and complete any building or repair work if:
 - it is needed to keep your property in good repair; or
 - it is required by any laws and regulations that apply to the mortgage, your property or the agreement.
- You must make any payments regarding your property on time, for example ground rent or service charges.
- You must keep to any obligations you have regarding your property.

For example



If your property is leasehold, you must keep to the terms of the lease.

If you are sub-letting the property, you must make sure you have the landlord's consent.

If you do not keep to any of your obligations regarding your property, we may keep to them for you.

- You must tell us if you are going to become the owner of a new or increased interest in your property or in any land or building that includes your property.
 - You must give us (if we ask for it) a new mortgage over the new or increased interest.
 - You must get our approval to the terms of any new mortgage deed, and we may make our approval subject to conditions.

For example



You might have a lease and then get the chance to buy the freehold or extend the term of the lease.

- You must tell us (and provide any copies or other information we ask for) if you receive any notice, order, direction, licence, consent, grant, or permission to do with your property.

For example



You might receive a notice from your local authority telling you to stop using your property for running a business, or telling you it is going to make a change to the access road to your property.



When you must ask for our permission

You must get our permission before you do any of the following things regarding the whole of your property, or any part of it.

- Sell your property, give your property away or transfer the ownership of your property in any other way. You do not need our permission if you pay off everything you owe before or at the time you do this.
- Give someone else security over your property if we do not provide the whole of the amount your offer letter says you can borrow at the start of your mortgage term.
- Let your property or change the terms of any tenancy agreement. We may ask you to pay the rent towards everything you owe as a condition of giving our permission.

You will not need further permission if any new letting or any change is still covered by any permission we have already given you.

- Give up possession of your property or give someone (for example, a paying lodger) a right to occupy all or part of your property. For buy-to-let properties, we give you permission at the start of the agreement.
- Change how your property is used or apply to any planning authority for consent to change its use.
- Make any significant changes to your property that affect its structure or that add to it (for example, building an extension or converting a basement).
- Deal with any claim for compensation for the loss of, or reduction in, the value of your property or if an authority takes ownership of your property.

For example



You might be offered compensation by your local authority because of major works it is doing that affect your property, for example a road-widening scheme. You must get our permission before you give up any compensation or negotiate or agree to an amount of compensation.

If we give our permission, we may give it on the basis of conditions you must keep to.

What is a 'tenancy agreement'?



A tenancy agreement is an agreement that allows someone (the 'tenant') to occupy a property.

CHAPTER 8 – OUR SECURITY AND WHAT IT COVERS

What is 'security'?



Security usually means rights you give us over things you own (an example of this could be your property). It gives us extra cover in case you do not keep to your obligations under the agreement.

Security over property is often given by signing a mortgage deed (or standard security in Scotland). We then need to make the security effective, for example registering it at a government department.

We can enforce the security if you do not keep to your obligations. This means we can use our rights under the security, for example the right to sell your property.

Our security over your property is not only security for everything you owe under this agreement.

It also covers all other money you owe us under any other mortgage agreement that:

- you have (or have had) with us; or
- you have with us in future,

while we still have the security over your property.

For example



If another property mortgaged to us is sold and there is not enough money to fully repay the money owed under that mortgage agreement, we can transfer the amount you still owe us to this mortgage agreement.

This only applies to a mortgage agreement on another property used as someone's home (yours or someone else's, for example where you have let your property), or if it was intended to be used as someone's home.

It also covers any money that any borrower owes us under another mortgage agreement we made with any of you jointly with anyone else. This is the case even if the borrowers under this agreement and the other mortgage agreement are not the same.



For example



A husband and wife could be borrowers under this mortgage agreement to buy a property that they are going to use as a holiday home. The wife could also borrow from us with her business partner to buy a property that is to be let to tenants under another mortgage agreement. In that case, the security under this agreement would also cover what the wife owes under the other agreement.

We can keep our security until everything you owe under the agreement, and any other mortgage agreements mentioned above, has been paid in full.

The security you give us does not apply to any money you owe us under an agreement that is regulated as a 'regulated credit agreement' by the Financial Services and Markets Act 2000 and the Consumer Credit Act 1974 unless that agreement itself says the security also covers the lending under that agreement.

What do the Financial Services and Markets Act 2000 and the Consumer Credit Act 1974 do?



These Acts set out rules on who can provide mortgages and other loans and how. There are also special rules about security for loans.

CHAPTER 9 – CONTACTING YOU

How we can contact each other

Where the agreement requires us to 'give you notice' of something, then (unless laws and regulations say differently) we will give you notice by writing to you.

We may do this for example, by

- sending an email to an email address you've given us; or
- writing to you at your property (or the last address you gave us).

We may agree that an email from you will count as notice. If so, we will tell you first. Otherwise, you must give us notice by writing to us by post.

Changing how we might contact you in future

In future as technology develops, we may be able to contact you in other ways as long as laws or regulations allow us to do so. For example, we may:

- post information in Internet Banking or your Internet Banking secure inbox, if you've registered for Internet Banking and agreed to receive online statements and paperless correspondence; or
- contact you using SMS, online notifications or any other appropriate messaging service that laws and regulations would allow for.

We'll tell you first before we do this.



When our notice will apply from

When we contact you, it may be to say that you must or can do something or that we (or someone acting for us) are doing something.

At the same time we may give you notice of a future date from which something (for example, a change to an interest rate) will apply, or by which you or we need to take action. If we do not give a future date, then (unless laws and regulations say differently) the date will be:

- the third day after the day we post it (unless we write to an address outside the United Kingdom, when the notice will apply from the 8th day after the day we post it); or
- the day we email you (unless we find out through our computer systems that the email did not reach you on that day).

If any of these days is a public holiday or on a weekend, that day will not count.

For example



Say we send you a notice by email on a Tuesday, it will apply from that Tuesday.

Say we post a notice to you on a Tuesday, it will apply from Friday in that same week.

Say we post it on a Friday and the following Monday is a public holiday, it will apply from the following Thursday.

Say we post it on Tuesday 1st February to you at an address outside the United Kingdom and there are no public holidays coming up, it will apply from Thursday 10th February.

CHAPTER 10 – CHANGES TO THE AGREEMENT



In chapter 2, we told you how and why we may change your interest rates.

In this chapter, and in the rest of chapters 1–3, we explain how we may change the other areas of the agreement.

We may make a change that we reasonably think will not be to your disadvantage for any reason.

We may also make a change that could be to your disadvantage in any of the following circumstances:

- To help comply with any laws and regulations or to help comply with any change in how those laws and regulations, are applied or interpreted.
- To reflect an improvement in any service or facility we provide regarding the mortgage or the agreement.
- To introduce a new service or facility.
- To enable us to make reasonable changes to how we manage your mortgage account as a result of changes in the banking or financial system.

We will give you at least 30 days' notice before making the change.

CHAPTER 11 – LETTING YOUR PROPERTY OR CHANGING ITS USE IF YOU DO NOT HAVE A BUY-TO-LET MORTGAGE



This chapter applies if you let your property or change its use but it does not apply to a buy-to-let mortgage loan. If you have a buy-to-let mortgage loan, the terms and conditions are set out separately in your offer letter.

What is ‘letting your property’ or ‘changing its use’?



Letting your property is where you allow someone else (often called a ‘tenant’) to live in your property instead of you, or where you charge someone rent to share your property with you.

A change of use is where you use your property differently to how you told us you would use it when you originally applied for your mortgage loan (or at another time if we have agreed to a change of use before). For example, this could be where you change from just using it as your home to also using it wholly or partly for a business.

You must ask our permission if you want to let your property.

Where we give you permission to let your property

If we give you permission to let your property, letting your property will be subject to the conditions we set when we give you the permission. These may include additional charges for that consent.

If we allow you to let your property, you must comply with any legal obligations that apply to a landlord letting a property.

Where we do not give you permission to let your property

The rest of this chapter applies where we have not given you permission to let your property. This might be because you failed to ask us for permission or we refused permission. Remember that if you let your property without our permission, you will have broken the agreement.

Extra interest or regular additional payments

If you let your property or change its use without our permission or we reasonably believe you have done so based on the information we hold, we can:

- charge you interest on top of another rate you are paying so that there is an added rate (see chapter 2 for more about added rates); or
- charge you a regular additional payment.

We can backdate the extra interest or additional payments to when you originally let your property or changed its use, or to when we reasonably believe you did so.

We will tell you if you have to pay extra interest or additional payments and if we are backdating the extra interest or additional payments.

Amount of extra interest or regular additional payments

If you have to pay extra interest or additional payments, this will be to bring you reasonably in line with the extra you would have had to pay if you had asked for, and we had given, permission to you for the letting or change of use before it started.

We work this out by looking at what we would charge someone with a broadly similar agreement to yours who had asked for permission to a letting or change of use.

We do this as at the time we first apply the extra interest or additional payment.

We'll tell you the rate of the extra interest or the amount of the regular additional payments when we first apply it to your mortgage.

Ending the letting or change of use

If you write to tell us you've stopped letting your property or you've changed its use to what it was before, we'll stop charging any further extra interest or additional payments.

CHAPTER 12 – WHEN YOU NEED TO REPAY IMMEDIATELY



When you will need to repay immediately

These are the scenarios when you will have to pay off everything you owe immediately. If your mortgage is made up of different parts, you must pay off all parts of your mortgage at once.

- Paying late. This only applies if:
 - you are more than one month late in paying any money you owe under the agreement and the total arrears are equal to two monthly payments or more;
 - you have not paid everything you owe by the end of your mortgage term for your whole mortgage loan; or for any part of your mortgage loan, where it has different mortgage terms for different parts.

This does not apply if you are keeping to an arrangement where we have allowed you to pay late.

For example



- Someone has a mortgage loan made up of two parts.
- Part 1 has a mortgage term of 15 years with an amount owing of £100,000, and Part 2 has a mortgage term of 5 years with an amount owing of £50,000.
- After 5 years if everything owed on Part 2 has not been fully repaid, everything still owing for both Part 1 and 2 will become immediately repayable.

- If you do not keep to any of your obligations under the agreement and we reasonably consider that this puts our interests in your property or under the mortgage or the agreement at risk in a material way.

For example



Not keeping to other obligations might include:

- if the property is leasehold, failing to pay any ground rent or service charge on time;
 - doing major structural alterations without planning permission, such as knocking down walls between two properties or turning one house into multiple flats.
- Another lender with any security over your property – or with any security over any other property you own over which we have security – appoints a receiver, takes possession of your property, does any of the things set out in chapter 13 under the heading 'The actions we can take' or takes steps to do so.
 - You have given us false or misleading information and we reasonably believe this has significantly affected our decision to lend to you.
 - There is a problem with the mortgage over your property or with a guarantee (if we asked you to get one).

This only applies if, for legal reasons:

- the security or any rights or other interest we have in your property are not binding on your property or on any interest in your property; or
- we cannot enforce any guarantee of your obligations under the agreement. (A guarantee is where someone commits to meeting your obligations if you do not meet them.)
- We reasonably believe you are involved in fraud or other serious criminal activity.
- Your property (or a material part of it) is compulsorily purchased – for example a local authority forces you to sell it to them.
- If your property is not your private residence – for example, you rent it out – and you do not keep to any of your obligations under any other mortgage agreement you have with us, and:
 - we become entitled to use rights under that other mortgage agreement that are the same or broadly the same as our rights under chapter 12; and
 - this agreement is also security for money you owe under that other mortgage agreement you have with us on another property.

For example

Say you have two mortgage loans with us for two properties that are let and this mortgage is also security for the money you owe on the other property. If you do not keep up with your payments on your other mortgage loan, we can appoint a receiver under this agreement to collect the rent and help pay what you owe on the other mortgage loan.

- A bankruptcy order – called a 'sequestration order' in Scotland – is made against you.
- You enter into a 'voluntary arrangement' – called a 'trust deed' in Scotland – with anyone you owe money to, or you are going to do so.

What is a 'voluntary arrangement'?

An arrangement that is supervised by a person qualified to deal with it (known as an 'insolvency practitioner') under which someone you owe money to agrees to accept only part of the money or accepts a late payment.

- Your property is in England, Wales, or Northern Ireland and you apply for an 'interim order'.

What is an 'interim order'?

It's a court order that gives you temporary protection from claims by somebody you owe money to. It gives you time to put together an offer to that person so you can make a formal arrangement for repayment. The arrangement is supervised by a person qualified to deal with it (known as an 'insolvency practitioner'). Under the arrangement, the person you owe money to agrees to accept only part of the money or accepts a late payment.

CHAPTER 13 – OUR RIGHT TO TAKE POSSESSION OF YOUR PROPERTY OR DEAL WITH IT IN OTHER WAYS



Our right to take possession or deal with your property

If you have to pay off everything you owe immediately for a reason in chapter 12, we can take the actions set out in this chapter.

We can also take the actions shown in this chapter if you agree we can.

Actions we can take

- We may make you leave your property so we can take possession of it. We might have to get a court order before we can do this.

What does taking possession of your property mean?



It means we take over control of your property from you. If you are in occupation, you have to leave your property. If you do not leave, you will be considered to be occupying your property wrongly, as a 'trespasser'.

- We may let your property on any reasonable terms.
- We may sell your property, even if we have not taken possession of it, and use the money from the sale to pay what you owe us under the agreement.

What happens if we sell your property?



- We must sell it for the best price we can reasonably get.
- We will use any money we (or a receiver) obtain from the sale to pay what you owe us including any costs associated with the sale. If any money is left over, we must pay it to anybody we know has a right to it such as another lender with a mortgage on your property.
- If we sell your property for less than everything you owe, you must still pay us the difference and we will continue to charge interest on it until you do. This also applies if we allow you to sell your property for less than everything you owe.

Certain sections of Acts of Parliament include restrictions that we are allowed to say do not apply to the agreement. On that basis, the following sections of Acts of Parliament do not apply.

- If your property is in England or Wales, Section 103 of the Law of Property Act 1925.
- If your property is in Northern Ireland, Sections 17 and 20 of the Conveyancing and Law of Property Act 1881.

These both say we cannot use our power to sell your property until certain conditions have been met. If we did not stop them applying, these Acts would mean, for example, that if we issued a notice asking you to make a payment, we would have to give you three months to make the payment before exercising our right to sell.

- We may use the other powers given to mortgage lenders under Acts of Parliament and other laws and regulations.

What are the relevant Acts of Parliament?



The main Acts of Parliament that apply are:

- If your property is in England or Wales, the Law of Property Act 1925.
- If your property is in Scotland, the Conveyancing and Feudal Reform (Scotland) Act 1970 (as amended).
- If your property is in Northern Ireland, the Conveyancing and Law of Property Act 1881 and The Conveyancing Act 1911.

What powers do the relevant laws and regulations give us?

These powers include the ability to take a surrender of leases and to insure your property. This is in addition to our ability to take possession of your property, let it or sell it.

- We may use the same powers which a receiver has under laws and regulations or which we set out in chapter 14 under the heading 'Powers of a receiver'. We may use them even if a receiver has been appointed.

Our rights to deal with buy-to-let properties

This section applies in addition to all other rights in the agreement.

It covers any buy-to-let mortgage agreement you have, or have had, with us or that you have with us in future.

A buy-to-let property must not be occupied by you or your family.

What is buy-to-let?



Buy-to-let is where you borrow money to allow you to own a property that is or will be let to tenants.

- We can appoint someone to manage buy-to-let properties together or separately. This means, for example, we can appoint a receiver to manage all your buy-to-let properties even if not all of them are in arrears.
- If we sell or a receiver sells your buy-to-let property:
 - if there is not enough money to fully repay the money you owe us under this agreement, we can transfer the amount you owe us to another buy-to-let mortgage agreement you have with us or that you may have with us in future; or
 - if there is money left over, after the money you owe us under this agreement has been repaid, we can use that money to repay money you owe on any other buy-to-let mortgage agreement you have, or have had with us.
- If you have arrears on this agreement, we may insist you repay all buy-to-let mortgage agreements you have with us that are in arrears if you want to repay one of them. This is known as our 'right of consolidation'.
- To allow us to exercise the right of consolidation, the restriction in Section 93 of the Law of Property Act 1925 or Section 17 of the Conveyancing and Law of Property Act 1881 (if the property is in Northern Ireland) does not apply to the agreement. This means we can rely on the right of consolidation mentioned above.

Our right to enter your property

We may ask people to come into your property for a reason to do with the agreement.

For example



We might ask one of our employees or a valuer or surveyor to inspect your property or we might ask a builder to do some work you should have done.

You must allow them in. We will give you notice before we send them unless we cannot contact you or it is an emergency.

When they come into your property, it does not mean we are a mortgage lender in possession of your property, or that we have accepted the legal responsibilities of a mortgage lender in possession of your property.

How we can deal with things left in your property

If we take possession of your property, we may remove, store, sell or dispose of anything you leave at your property (including animals). We will do this as your 'agent'. You will have to pay our costs of doing this.

Some differences if your property is in Scotland

In Scotland different rules apply to the enforcement of our standard security, recovering the rent or selling your property.

The Conveyancing and Feudal Reform (Scotland) Act 1970 (as amended) governs the law relating to standard securities and their enforcement. This sets out what notices we must serve and in what circumstances we need to make a successful court application.

CHAPTER 14 – ACTING ON YOUR BEHALF

Making us your attorney

To help us use the rights you have given us over the things you own, you appoint us to be your attorney. This allows us to do things like signing documents instead of you.

We will be your attorney until all the money you owe that is secured by the mortgage has been paid off in full. This includes everything you owe under this agreement and any other amounts secured by the mortgage.

What is an 'attorney'?



'Attorney' broadly means someone legally entitled to act on someone else's behalf.

This means we can do a number of things in your name and on your behalf, but only those that are described in this chapter. The attorney's acts will bind you as though you had done them yourself.

- If there is more than one of you, when acting as your attorney we will act for all of you together and each of you separately.
- If we ask you to, you will confirm anything done by us as your attorney while acting under this chapter.

Our powers as your attorney

As your attorney, we may do any of the following in your name as your agent:

- Sell your property. We must, however, sell it for the best price we can reasonably get.
- Allow any person who holds the lease to your property to give up the lease on any reasonable terms.
- Manage your property and do anything else we are reasonably allowed to do as a result of managing your property.
- Carry out any repairs, alterations, improvements, building or development on your property if necessary and apply for any related planning permission, consent or approval.
- Employ and pay agents to carry out work on our behalf.
- Insure your property for any amounts and against any risks and through any insurance agency we see fit.
- Use your rights to make any claim or do anything else regarding:
 - your property; or
 - any insurance, guarantee or compensation regarding your property, the mortgage or the agreement.



For example



We might need to bring or continue court proceedings on your behalf connected to a claim you were making to do with your property.

- Sell any of the items that are part of your property on their own or together with your property.
- Remove, destroy, dispose of, store or sell any furniture or goods you fail to remove from your property.
- Pay any costs and expenses as reasonably required.
- Exercise all powers and authorities we can exercise under the agreement. You agree we may confer any powers and authorities that we could give if we were the owner of your property.
- If your property is leasehold, agree to change or vary the terms of the lease or surrender it or arrange a new lease (or both).
- If we agree a new lease, our security for the mortgage will automatically transfer to the new lease. We may arrange whatever formal legal charge on it we may require.
- Buy out anyone else's interest in your property.
- Transfer any share or membership right in any management company or residents' association or society or commonhold association (or other similar organisation) connected with your property of which you are a member.

- Use any rights you may have as a member of any of those organisations.
- Ask for the cancellation and reissue of any certificate regarding any share or membership right you have in any of those organisations.
- Take action to meet any laws and regulations regarding your property.

For example



We might need to take action to ensure your property complies with fire-safety requirements.

- If we find out that the mortgage deed is not binding on your property, take steps to remedy this.
- Sign any forms or documents needed for your property.

For example



We may need to sign forms to do with Stamp Duty Land Tax, Land Registry or Registers of Scotland matters.

- Do anything else reasonably required to do with the mortgage, your property or the agreement.
- Do anything else you have to do under the agreement and any related security.
- Appoint a receiver.

Our right to appoint a receiver

If you must pay off everything you owe immediately (which you may have to do in the situations described in chapter 14) we may appoint a receiver for the whole of your property or any part of it. This does not apply if your property is in Scotland.

What does a receiver do?



Broadly speaking, a receiver is someone we can appoint to manage your property and to sell or rent it out, and to receive rent and other income payable regarding the property (among other things). Although we would appoint the receiver, they would act for you (not us) and you would have to pay for the receiver.

We have the right to appoint any person (or persons) as a receiver to manage your property. We must make the appointment in writing. The receiver may be our employee or anyone else we choose. We have the right to decide what the receiver will be paid, to change the receiver at any time and to appoint another one if we believe this is reasonable.

To help us use the rights you have given us over the things you own, you appoint the receiver to be your attorney. This allows the receiver to do things like signing documents instead of you.

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.

This means the receiver can do a number of things in your name and on your behalf, but only those described in this chapter. The receiver's acts will bind you as though you had done them. You are responsible for these acts.

You cannot cancel the receiver's appointment.

If there is more than one of you, when acting as your agent the receiver will act for all of you together and each of you separately.

If the receiver asks you to, you must confirm anything done by the receiver as your attorney while acting under this chapter.

Your appointment of the receiver as your attorney is separate from appointing us as your attorney.

Powers of a receiver

The receiver may do any of the following in your name as agent:

- Use any or all of the powers of a receiver appointed under the Law of Property Act 1925 (for example to demand and collect rent) or the Conveyancing and Law of Property Act 1881 if the property is in Northern Ireland.
- Make arrangements with any current or former tenant or occupier of your property or to enforce their obligations.

For example

The receiver may need to collect unpaid rent from a tenant.



- Take possession of your property.
- Take action to surrender or terminate any tenancy or to get possession of your property (or any part of it) and grant new leases of your property.
- Sell your property on such terms as the receiver sees fit. However, the receiver must sell it for the best price they can reasonably get.

- Receive any money payable to you regarding:
 - your property;
 - any right to your property or claim over it; or
 - any insurance, guarantee or compensation regarding your property, the mortgage or the agreement.
- Choose whether or not to use any money they receive to pay off interest on your mortgage loan before paying off the mortgage loan itself and any charges and costs.

The receiver also has any or all of our powers as your attorney, as set out in this chapter.

If there is more than one receiver at the same time, each of them may exercise all the powers individually.

A receiver cannot appoint another receiver.

CHAPTER 15 – OUR RIGHT TO TRANSFER OUR RIGHTS IN THE MORTGAGE AND THE AGREEMENT



We may transfer to someone else some or all of our rights in the agreement for your mortgage loan and the security you give us for your mortgage loan.

We might do this, for example, if we transfer our rights in the mortgage and the agreement with you to a third party so they can benefit from the income from the amounts you pay under the agreement. If we transfer our rights in this way, then while we retain the right to manage your mortgage loan and set the interest rate, charges and costs, we do not have to tell you a transfer has taken place.

However, we will tell you if we no longer keep the right to set interest rates, charges and costs.

If we want to transfer our rights, we will only do so if the person we transfer those rights to agrees with us to use them in line with a policy we have approved before the transfer. The person we transfer the rights to may change that approved policy if we agree the change. The approved policy and any change to it will not be less favourable to you than the policy we were following at the time we agree that approved policy, or if there is any change to it, at the time of that change.

What does this mean for you?



If we transfer our rights to someone else, you must do everything you have to do under the agreement for them, instead of for us. For example, if you must pay them instead of us, we will tell you.

If we intend to transfer some or all of our rights, we may share the following information with the person we are discussing or transferring our rights to:

- Any information or documents you gave us when you applied for any mortgage loan, including any relevant updates to that information.
- Any other information or documents we hold about the property, the mortgage loan or agreement, or information about the way you have performed your obligations under the agreement.

CHAPTER 16 – OTHER CONDITIONS



This chapter sets out important conditions that do not fit in the other chapters. They give you more details about the agreement.

If the offer letter says we will lend you the money by instalments, or if we keep back part of your mortgage loan, and you have not kept to all your obligations under the agreement, we may refuse to pay the instalments or to release the money kept back.

When we talk about 'laws and regulations', this includes all laws, rules, codes of practice, decisions, recommendations and requirements laid down by any court, regulator, government authority or agency or similar body.

Any reference to legislation in this booklet includes any statutory instrument (for example, regulations and rules) made under relevant legislation and any changes to the legislation or the statutory instrument. Where we refer to the 'law' or to 'laws', this includes any legislation that applies.

If we cannot enforce any part of the agreement, this does not affect our right to enforce the rest of the agreement.

If we choose not to enforce any part of the agreement, or delay enforcing it, this will not affect our right to enforce the same part later (or on a separate occasion) or the rest of the agreement.

For example



Say you do not pay us and we have the right to ask the court to allow us to take possession but we do not ask them then, we can still ask them later.

If we get a court order to make you pay us what you owe, we will continue to charge interest at the rate you should have been paying just before the order. That rate will continue to be fixed or variable on the same basis.

For example



Say a court says one of the terms of a condition is not fair, so we cannot use our rights under that term, we can still use our rights under the rest of that condition and under other conditions.

We will not be liable to you for any direct or indirect loss you suffer (for example any loss of profit) if we are unable to provide any service or fulfil any obligation under the agreement for reasons beyond our reasonable control.

You agree to sign any document we may need to safeguard the mortgage or our other security or to protect our interests in your property. We will prepare any documents at your cost.

The Contracts (Rights of Third Parties) Act 1999 and the Contract (Third Party Rights) Scotland Act 2017 do not apply to this agreement. An exception to this is that if we transfer any of our rights under the mortgage and the agreement, the person we transfer to will be able to use the rights we have transferred.

What does the Contract (Rights of Third Parties) Act 1999 do?



This Act allows people who have not signed up to an agreement to use rights given under that agreement. We include this term to make sure other people who have not signed up to the agreement cannot use any rights under it. This Act does not apply in Scotland.

The agreement is governed by the laws and regulations of the country in which your property is situated. The laws and regulations of that country will also decide any legal questions about our relations with you before the agreement is entered into.

If there is a conflict between different parts of the agreement then, so far as laws and regulations allow:

- the part of this booklet called 'Our Mortgage Conditions' will apply over the 'standard conditions' at the end of the booklet (in any case, the 'standard conditions' only apply if your property is in Scotland);
- your offer letter and any other agreement you make with us to do with your mortgage loan will apply over anything in this booklet; and
- any other agreement you make with us to do with your mortgage loan will apply over your offer letter and anything in this booklet.

STANDARD CONDITIONS

The Clear English Standard does not apply to the 'Standard Conditions'.

For properties in Scotland, the law states that there are certain conditions which apply to mortgages. These are called the 'standard conditions' and they are contained in Schedule 3 to the Conveyancing and Feudal Reform (Scotland) Act 1970 (as amended). We have included the standard conditions below. The part of this booklet called 'Our Mortgage Conditions' makes some changes to these standard conditions.

For example



Standard condition 5 states a debtor's insurance obligations. Chapter 7 of this booklet tells you about your insurance obligations. These may differ. For example, chapter 7 says you must hold any money you get from a claim under any buildings insurance for your property on 'trust' for us.

NOTE: THIS SCHEDULE ONLY APPLIES IF THE PROPERTY IS IN SCOTLAND

Conveyancing and Feudal Reform (Scotland) Act 1970 (as amended)

Schedule 3

The standard conditions

1. Maintenance and repair

It shall be an obligation on the debtor:

- (a) to maintain the security subjects in good and sufficient repair to the reasonable satisfaction of the creditor;
- (b) to permit, after seven clear days notice in writing, the creditor or his agent to enter upon the security subjects at all reasonable times to examine the condition thereof;
- (c) to make all necessary repairs and make good all defects in pursuance of his obligation under head (a) of this condition within such reasonable period as the creditor may require by notice in writing.

2. Completion of buildings etc. and prohibition of alterations etc.

It shall be an obligation on the debtor:

- (a) to complete, as soon as may be practicable, any unfinished buildings and works forming part of the security subjects to the reasonable satisfaction of the creditor;
- (b) not to demolish, alter or add to any buildings or works forming part of the security subjects, except in accordance with the terms of a prior written consent of the creditor and in compliance with any consent, licence or approval required by law;

- (c) to exhibit to the creditor at his request evidence of that consent, licence or approval.

3. Observance of conditions in title, payment of duties, charges etc., and general compliance with requirements of law relating to security subjects

It shall be an obligation on the debtor:

- (a) to observe any condition or perform any obligation in respect of the security subjects lawfully binding on him in relation to the security subjects;
- (b) to make due and punctual payment of any ground burden, teind, stipend, or standard charge, and any rates, taxes and other public burdens, and any other payments exigible in respect of the security subjects;
- (c) to comply with any requirement imposed upon him in relation to the security subjects by virtue of any enactment.

4. Planning notices, etc.

It shall be an obligation on the debtor:

- (a) where he has received any notice or order, issued or made by virtue of the Town and Country Planning (Scotland) Acts 1947 to 1969 or any amendment thereof, or any proposal so made for the making or issuing of any such notice or order, or any other notice or document affecting or likely to affect the security subjects, to give to the creditor, within fourteen days of the receipt of that notice, order or proposal, full particulars thereof;
- (b) to take, as soon as practicable, all reasonable or necessary steps to comply with such a notice or order or, as the case may be, duly to object thereto;

- (c) in the event of the creditor so requiring, to object or to join with the creditor in objecting to any such notice or order or in making representations against any proposal therefor.

5. Insurance

It shall be an obligation on the debtor:

- (a) to insure the security subjects or, at the option of the creditor, to permit the creditor to insure the security subjects in the names of the creditor and the debtor to the extent of the market value thereof against the risk of fire and other such risks as the creditor may reasonably require;
- (b) to deposit any policy of insurance effected by the debtor for the aforesaid purpose with the creditor;
- (c) to pay any premium due in respect of any such policy and, where the creditor so requests, to exhibit a receipt therefor not later than the fourteenth day, after the renewal date of the policy;
- (d) to intimate to the creditor, within fourteen days of the occurrence, any occurrence which may give rise to a claim under the policy, and to authorise the creditor to negotiate the settlement of the claim;
- (e) without prejudice to any obligation to the contrary enforceable against him, to comply with any reasonable requirement of the creditor as to the application of any sum received in respect of such a claim;
- (f) to refrain from any act or omission which would invalidate the policy.

6. Restriction on letting

It shall be an obligation on the debtor not to let, or agree to let, the security subjects, or any part thereof, without the prior consent in writing of the creditor, and 'to let' in this condition includes to sub-let.

7. General power of creditor to perform obligations etc. on failure of debtor and power to charge debtor

- (1) The creditor shall be entitled to perform any obligation imposed by the standard conditions on the debtor, which the debtor has failed to perform.
- (2) Where it is necessary for the performance of any obligation as aforesaid, the creditor may, after giving seven clear days notice in writing to the debtor, enter upon the security subjects at all reasonable times.
- (3) All expenses and charges (including any interest thereon), reasonably incurred by the creditor in the exercise of a right conferred by this condition, shall be recoverable from the debtor and shall be deemed to be secured by the security subjects under the standard security, and the rate of any such interest shall be the rate in force at the relevant time in respect of advances secured by the security, or, where no such rate is prescribed, shall be the bank rate in force at the relevant time.

8. Calling-up

The creditor shall be entitled, subject to the terms of the security and to any requirement of law, to call-up a standard security in the manner prescribed by section 19 of this Act.

9. Default

- (1) The debtor shall be held to be in default in any of the following circumstances, that is to say:
 - (a) where a calling-up notice in respect of the security has been served and has not been complied with;
 - (b) where there has been a failure to comply with any other requirement arising out of the security;
 - (c) where the proprietor of the security subjects has become insolvent.
- (2) For the purposes of this condition, the proprietor shall be taken to be insolvent if:
 - (a) he has become notour bankrupt, or he has executed a trust deed for behoof of, or has made a composition contract or arrangement with, his creditors.
 - (b) he has died and a judicial factor has been appointed under section 11A of the Judicial Factors (Scotland) Act 1889 to divide his insolvent estate among his creditors, or his estate falls to be administered in accordance with an order under section 421 of the Insolvency Act 1986;

- (c) where the proprietor is a company, a winding-up order has been made with respect to it, or a resolution for voluntary winding-up (other than a members' voluntary winding-up) has been passed with respect to it, or a receiver or manager of its undertaking has been duly appointed, or possession has been taken, by or on behalf of the holders of any debentures secured by a floating charge, of any property of the company comprised in or subject to the charge.

10. Rights of creditor on default

- (1) Where the debtor is in default, the creditor may, without prejudice to his exercising any other remedy arising from the contract to which the standard security relates, exercise, in accordance with the provisions of Part II of this Act and of any other enactment applying to standard securities, such of the remedies specified in the following sub-paragraphs of this standard condition as he may consider appropriate.
- (2) He may proceed to sell the security subjects or any part thereof.
- (3) He may enter into possession of the security subjects and may receive or recover the rents of those subjects or any part thereof.
- (4) Where he has entered into possession as aforesaid, he may let the security subjects or any part thereof.

- (5) Where he has entered into possession as aforesaid there shall be transferred to him all the rights of the debtor in relation to the granting of leases or rights of occupancy over the security subjects and to the management and maintenance of those subjects.
- (6) He may effect all repairs and may make good such defects as are necessary to maintain the security subjects in good and sufficient repair, and may effect such reconstruction, alteration and improvement on the subjects as would be expected of a prudent proprietor to maintain the market value of the subjects, and for the aforesaid purposes may enter on the subjects at all reasonable times.
- (7) He may apply to the court for a decree of foreclosure.

11. Exercise of right of redemption

- (1) The debtor shall be entitled to exercise his right (if any) to redeem the security on giving notice of his intention so to do, being a notice in writing (hereinafter referred to as a 'notice of redemption').
- (2) Nothing in the provisions of this Act shall preclude a creditor from waiving the necessity for a notice of redemption, or from agreeing to a period of notice of less than that to which he is entitled.
- (3) (a) A notice of redemption may be delivered to the creditor or sent by registered post or recorded delivery to him at his last known address, and an acknowledgement signed by the creditor, or his agent

or a certificate of postage by the person giving the notice accompanied by the postal receipt shall be sufficient evidence of such notice having been given.

- (b) If the address of the creditor is not known, or if the packet containing the notice of redemption is returned to the sender with intimation that it could not be delivered, a notice of redemption may be sent to the Extractor of the Court of Session and an acknowledgement of receipt by him shall be sufficient evidence of such notice having been given.
- (c) A notice of redemption sent by post shall be held to have been given on the day next after the day of posting.
- (4) When a notice of redemption states that a specified amount will be repaid, and it is subsequently ascertained that the whole amount due to be repaid is more or less than the amount specified in the notice, the notice shall nevertheless be effective as a notice of repayment of the amount due as subsequently ascertained.
- (5) Where the debtor has exercised a right to redeem, and has made payment of the whole amount due, or has performed the whole obligations of the debtor under the contract to which the security relates, the creditor shall grant a discharge in the terms prescribed in section 17 of this Act.

- 12. The debtor shall be personally liable to the creditor for the whole expenses of the preparation and execution of the standard security and any variation, restriction and discharge thereof and, where any of those deeds are recorded, the recording thereof, and all expenses reasonably incurred by the creditor in calling-up the security and realising or attempting to realise the security subjects, or any part thereof, and exercising any other powers conferred upon him by the security.

Interpretation

In this Schedule, where the debtor is not the proprietor of the security subjects, 'debtor' means 'proprietor', except:

- (a) in standard conditions 9(1), 10(1) and 12, and
- (b) in standard condition 11, where 'debtor' includes the proprietor.

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