

Lending Criteria

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High Level Eligibility Criteria

- The property the applicant wishes to purchase or re-mortgage must be located in the UK and be their main residence.
- The property must be of standard construction, in good condition and be used for residential purposes.
- Aged 18 and over with a maximum age of 75 on expiry of the mortgage term.
- Minimum term of 3 years up to a maximum of 40 years.
- All applicants must hold a UK Bank current account.
- Non EU nationals with permanent right of residency.
- Maximum of two applicants.
- Applications will be declined from prospective borrowers/existing customers who have:
 1. Bankruptcy
 2. Repossessions
 3. Satisfied or unsatisfied IVA
 4. Current arrears or missed mortgage payments
 5. Arrears or missed payments >3 down in the last 6 months on other individual debts identified via the credit search
 - Satisfied or Unsatisfied CCJ's:

Volume	Criteria
1	>£100 OR >50% LTV not considered
2	Not considered
3+	Not considered

- Satisfied or Unsatisfied Defaults:

Volume	Criteria
1	>£400 not considered
2	Totalling >£100 OR >70% LTV not considered
3+	Not considered

- Delinquencies:

Volume	Criteria
1	>£400 not considered
2	Totalling >£100 OR >70% LTV not considered
3+	Not considered

Any applications with reduced adverse information may still refer to an underwriter

- Minimum household gross income £20,000.
- A maximum Loan to Income multiple of 4.5 times gross annual income (post weightings*).
- Where LTV is 70% and under and income is £40,000 and over we will lend up to 4.75 x gross annual income.
- Minimum loan amount £40,000 up to a maximum of £1,000,000.
- The maximum LTV is dependent on the property type, product limit and total loan amount.
- The maximum LTV you can apply for is 95%. This is dependent on availability at the time of application. Products may change at any time and may not always be available at the LTV required.

* Weightings will be applied to secondary incomes. Please see 'Secondary income' for further details.

Amount of lending	Max LTV
Up to – £300,000	95%
£300,001 – £500,000	90%
£500,001 – £750,000	80%
£750,001 – £1,000,000	75%

Property Type	Max LTV
New Build House <2 years old	85%
New Build Flat <2 years old	75%
Concessionary Purchase	90%

- Capital & Interest repayment basis only.
- Mortgages will be provided on properties within the following UK Geographic Areas:
 1. England (excluding Scilly Isles)
 2. Wales
 3. Northern Ireland
 4. Scotland including the following Islands:
 - Bute, Lewis & Harris, Mainland Orkney, Mainland Shetland, Skye, Arran, Mull, Islay

Any Scottish Island not listed is unacceptable.

Additional Borrowing/Further Advance

Applicants who hold a residential mortgage with us and wish to borrow more, could borrow up to 95% of the value of their home. This is dependent on availability at the time of application. Products may change at any time and may not always be available at the LTV required.

Customers who wish to borrow more:

- Must have made six consecutive monthly payments to their mortgage
- The minimum amount applicants can borrow is £5,000 and fees may apply
- We'll need to check applicants can afford to repay any additional borrowing
- We'll need to check that the additional borrowing won't increase the total mortgage borrowing above our maximum loan to value or increase the mortgage term

Additional borrowing will increase the total amount owed, the interest payable and the applicants' monthly payments. Applications for additional borrowing must be made by telephone with one of our Mortgage Advisers.

Affordability

Consideration of all applications is based on the applicant's ability to repay the mortgage loan. Tesco Bank's lending decision and the calculation of the amount we will lend is based on a full affordability assessment. This determines whether the loan is affordable based on the applicants income, credit commitments and household expenditure. 100% of primary income and 60% of secondary income will be used. Please refer to our section on 'Income types' for acceptable sources of income and income weightings. The Income and ID Guide also provides information on the documents we accept to verify income.

Primary Income is income that is permanent, reliable, sustainable and regular. Secondary Income is income that, whilst not guaranteed, is nevertheless regular and sustainable.

Please note that applications will be subject to additional policy checks including maximum income multiples and debt to income ratios. The [affordability calculator](#) gives an illustration as to how much we will be willing to lend, subject to a full application and credit search.

Applicant details

Minimum and maximum age

Minimum age is 18 years at the time of the application.

Maximum age is 75 years at term end.

Lending into retirement (LIR)

We will consider an application where one or both borrowers are lending into retirement and their income is required to demonstrate affordability.

The maximum retirement age permitted is 70 years. The lending into retirement assessment will be based on the lower of applicant stated retirement age and 70 years.

Any request for a mortgage term that would result in an individual lending into retirement will be managed by one of the following approaches:

- i) Retirement is 10 years or more away AND the term of the loan requested will extend past retirement by up to 5 years, then verification that the applicant has a pension provision in place will be requested. This can be validated from a payslip showing employee pension contributions, a pension statement or evidence of non-contributory pensions.
- ii) Retirement is less than 10 years away OR the term of the loan requested will extend past retirement by over 5 years, then the applicant's ability to maintain mortgage repayments in retirement will be referred for manual underwriting assessment. The underwriter will request evidence of anticipated earnings in retirement and consider whether there is affordability for the mortgage over the whole term.

We may request further details or evidence to support any information provided on the application with regards to the plausibility of an applicant's retirement age.

Already in retirement

Only pension income that the applicant is already in receipt of at the time of the application, and that can be evidenced, should be used in the 'pension income' section of the application.

Foreign address history/BFPO

Applicants must have a permanent UK address or be members of HM Forces holding a British Forces Post Office (BFPO) address.

Applications can be considered from UK residents currently living outside of the UK if they can provide additional documentation such as employment contracts and they must also meet other policy requirements such as having UK bank accounts and residing in the property within the UK upon completion of the mortgage.

We do not accept applications with foreign currency or overseas earnings where this income is required for assessing affordability.

Nationality – Right to Reside/Non EEA Nationals

Applications from EEA nationals are acceptable, subject to standard checks.

If the applicant is a national of a non EEA country, a work/residency permit will always be requested.

The applicant's **permanent** right to reside in the UK must be confirmed. Acceptable documents from non EEA applicants to confirm this are:

- A letter from the Home Office confirming the applicant's right to remain in the UK.
- Indefinite/right of abode UK residency stamp in the applicant's passport. The residency permit is acceptable on an expired passport.
- An Identity Card for Foreign Nationals (ICFN) also known as a biometric residence permit (BRP), showing indefinite rights to remain.

Evidence of a right of permanent residence in the UK is acceptable for non EEA nationals.

If a non EEA national has a specified time limitation over their residency, for example leave to enter/remain until date, we are unable to lend.

Without original proof of right to residency or where the permission to stay has expired, the application will be declined.

The employment status must be confirmed as secure and the applicant must have been resident in the UK for at least 3 years or the application will be referred.

'Indefinite leave to remain' and 'indefinite leave to enter' are acceptable terminology on resident documents.

Residency

The applicant must have been resident in the UK for at least 3 years or the application will be referred. We will consider applications from members of the British Armed Forces where residency history may include overseas addresses.

Sole application for married couple

Where the application is in the name of a sole (married) applicant, but the applicant's spouse will also be residing in the property, an adult occupier form should be completed.

UK Bank Account

All payments must be made by direct debit from the applicants own UK bank account.

Bankruptcy, CCJ and defaults

Applications will be declined from prospective borrowers/existing customers who have:

1. Bankruptcy
2. Repossessions
3. Satisfied or unsatisfied IVA
4. Current arrears or missed mortgage payments
5. Arrears or missed payments >3 down in the last 6 months on other individual debts identified via the credit search
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- Delinquencies:

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2	Totalling >£100 OR >70% LTV not considered
3+	Not considered

BFPO/Armed forces

We will consider all applications from members of the British Armed Forces. Applicants can be members of HM Forces holding a British Forces Post Office (BFPO) address.

If the applicant intends to reside in the property long term, but will be letting it out in the short term whilst posted either in the UK or overseas we can consider this if:

- The property is not a former or current MoD property.
- The applicants can afford the mortgage and any accommodation costs if they stay elsewhere.
- Rental income from the property is not to be included in income to assess affordability (unless this is required to offset additional accommodation costs from living abroad).
- The letting policy is adhered to.

Forces Help to Buy Scheme (FHTB) is accepted and treated the same as any other credit commitment.

Credit search and not scored

All applications are credit scored. A 'soft footprint' credit search will be completed at Decision in Principle (DIP). The search will be upgraded to a 'hard footprint', and therefore show on the credit file, only once an Offer in Principle (OIP) search has been completed. Low scoring applications may be declined.

The following provides examples of the types of application that fall into our credit scores:

High Credit Score	Low Credit Score
Not over-indebted	No existing mortgage
An established clear credit history	Little to no credit history
Likely to have a lower LTV	Likely to have a high LTV
A well conducted existing mortgage	Adverse credit history
A record on the voters roll	No record on the voter's roll
Low credit utilisation	Lots of new credit accounts opened

Probationary period

Applicants who are on a permanent contract of employment, however are still subject to a probationary period with the employer, can be considered based on standard income verification checks (payslip(s) and bank statements).

Appeals – Application decisioning and valuation

Tesco Bank will consider appeals only on the basis that new information, which was not known or apparent at the time of the application, has become available.

Diplomatic immunity

We do not accept applications where either of the applicants benefit from diplomatic immunity e.g. embassy staff, high commissioners, employee of international organisations such as the UN.

Income and expenditure

Income deductions at source

Expenditure which is deducted at source by the employer should be declared on the application in accordance with the following guidelines:

Type of Deduction	Included in Affordability Assessment
Student Loans	Yes
Childcare Vouchers	Yes
Maintenance Payments	Yes
Car Payments	Yes
Attachment of Earnings Orders***	Yes
Season Ticket Loans	Yes
Other Loans From Employer	Yes
Salary Sacrifice to Purchase Goods e.g. Bicycle, Computer	Yes
Personal Pension Contributions	Yes, May Be Excluded* **
Pension Additional Voluntary Contributions (AVCs)	Yes, May Be Excluded* **
Life Cover	May Be Excluded*
Sharesave Schemes	May Be Excluded*
Salary Sacrifice to Purchase Additional Annual Leave	May Be Excluded*
Salary Sacrifice to Purchase Vouchers e.g. Retail, Restaurants	May Be Excluded*
Charitable Donations/Give As You Earn	May Be Excluded*
Subscriptions (Union, Clubs)	May Be Excluded*
Private Healthcare	May Be Excluded*
Mobile Telephone Costs	May Be Excluded*

* Where the applicant has confirmed the deduction is discretionary and would be reduced or cancelled in order to support the mortgage payment.

** In the case of pension contributions and AVCs, if the mortgage is Lending into Retirement (LIR) this payslip deduction should be included in the affordability assessment and we will not consider this acceptable for exclusion. However, in the event of multiple pension contributions, some may be excluded by an underwriter if not required to pass affordability.

*** Cases with an attachment of earnings order may be referred to underwriting.

Where an item has been declared as a deduction from salary, this should not be entered again as expenditure in the application.

Minimum income

The minimum accepted household gross per annum income is £20,000. Income will be verified using appropriate and independent sources.

Loan-to-income (LTI) caps

Our maximum lending amount is based on an affordability assessment which considers the applicant(s) income, credit commitments and outgoings.

The maximum loan we will offer, where there is affordability to do so, is 4.5 times gross annual household income (post-weightings*).

Where LTV is 70% and under and income is £40,000 and over we will lend up to 4.75 x gross annual income.

* Weightings will be applied to secondary incomes. Please see 'Secondary income' for further details.

Income Types

All income should be keyed in full.

We will require documentary evidence for the level of declared income necessary to support the mortgage.

Please refer to [income and ID guide](#) more details.

Flexible Benefits taken as cash

Flexible benefits that are additional to basic salary and taken as cash are acceptable providing this is a regular feature of pay and declared as an 'Employers Allowance'.

Primary Income (100% used)	Secondary Income (60% used)
Gross Basic Income	Commission
Second Job	Bonus* (regular/annual) *We will only accept bonus paid within the last 12 months.
Self-employed (drawings, dividends, net profit)	Overtime (regular/fluctuating)
Pension	Carers Allowance
Employed Contractor Income	Disability Living Allowance/Personal Independence Payment
Self-employed Contractor Income	Attendance Allowance
Employers Allowances	Foster Carers Allowance
- Shift Allowance	Child Benefit
- Housing Allowance from employer	Working/Child Tax Credit
- Long term large town allowances	Maintenance Payments
- Car Allowance	Employment & Support Allowance
- Flexible benefits (cash)	
Rental Income	
Statutory Maternity Pay	

Unacceptable Income – the following income types are considered unacceptable:

Foreign currency or overseas earnings

Investment Income e.g. share dividends

Trust Income

3rd Party Income (spouse, partner, parent etc, excluding maintenance income)

Bursaries from Employers

Income Support

Incapacity Benefit

Job Seekers Allowance

Universal Credit (where not listed above)

Employment types

We accept the following employment types:

- Employed – including contractors employed under an umbrella company contract.
- Self-employed – the definition of self-employed covers:
 - Sole traders.
 - Partnerships (If applicant holds a 30% or greater shareholding then refer to the self-employed section).
 - Company Directors (If applicant holds a 30% or greater shareholding then refer to the self-employed section).
 - Self-employed Contractors. See Contractor Income – Self-Employed Applicants for detail on lending criteria.

Employment - Employed with Voluntary Breaks

We can potentially consider applications where an employee takes an unpaid employment break for a period greater than what would constitute a holiday, subject to employer's confirmation of return to work date, plus hours/salary on return, and confirmation that the break is a one-off occurrence. This is subject to meeting affordability throughout the employment break period. The property should remain the client's main residence, and they should not let out the property. If the customer intends to travel during their break we will require confirmation that home insurance policy covers the period of travel.

Minimum term of employment/self-employed

For employed applicants there is no minimum time with employer however we will require verification of 3 months earnings from a bank statement.

For self-employed applicants where they have been self-employed for less than 3 years this will be referred to an underwriter for consideration.

Maternity/paternity leave

The applicant(s) must demonstrate they have the means of repaying the mortgage during and/or after any known change to their circumstances.

Where an applicant will experience a reduction to income as a result of maternity/paternity leave this must be declared.

Where an applicant is already on maternity/paternity leave with a reduced level of income i.e. statutory maternity pay (SMP), then we can consider this for affordability purposes and input as maternity allowance.

Where an applicant is due to **return to work** following a period of maternity/paternity leave, then we can consider their prospective future earnings, providing this will be within the next 3 months. Evidence of the terms under which the applicant will return to work will be required including salary, position and hours.

If the above return to work criteria cannot be met then affordability must be assessed against the expected future (lower) level of income.

Where an applicant can however evidence a level of **savings** to cover any income gap over the period of maternity/paternity leave then this can be considered.

When an applicant is on or due to go on maternity/paternity leave the cost of any new dependent must be included within the affordability calculation.

Contractor income – Short term, fixed term or temporary (employed applicants)

Applications from employed contractors on short term, fixed term or temporary contracts can be considered, subject to evidence of regular contracting income over the preceding 12 month period.

To be keyed in the application with an employment status of 'contractor' and with gross annual income within the 'latest year' income field (previous year's earnings are not required).

Current contractual earnings only, which have been earned on a consistent basis over the period, will be used for affordability purposes.

Applications where there is a high reliance on 'temporary' contractor income may be considered. Evidence of continuous contractual earnings over the last 12 months can be from copies of contract(s) or P60, along with the latest 3 months payslips and bank statements.

Applicants who have an initial probationary period at the start of a 'permanent' contract are not included in the above and can be treated as permanent, with income verified as such.

Where tax is managed by setting up a limited company or contracted on a self-employed basis then treat as self-employed. Please see our self-employed section for further details.

Contractor income – Self employed applicants

For Self-employed contractors earning \geq £50,000 gross per annum and LTV \leq 90% (excluding fees) income can be considered based on contractual day rate multiplied by the number of days worked per week multiplied by a maximum of 46 weeks.

Minimum income relates to contractual earnings only i.e. to be considered the application must meet this before any other income sources are included. 46 weeks is the maximum that can be considered, and where less weeks are worked / intended to be worked then that lower figure should be used.

Contractual day rate used must be net of VAT, where applicable. Income should be provided gross of income tax and NI.

The following evidence will be required to verify earnings:

- Current contract and any previous contracts for last 12 month period
- Must have at least 4 weeks remaining, if less provide future contract
- At least one contract, current or historic, must be for 6 months or longer, which can include a renewal
- Last 3 months personal bank statements
- Additional expenditure items incurred must be declared and may be verified through bank statement checks if low e.g. car finance, travel or accommodation costs

Self-employed contractors can alternatively provide standard self-employed evidence over 2 years.

Enter into application form as self-employed contractor.

Job offer/not yet started

Positive future changes can be considered but must be factual, credible and capable of substantiation e.g. an applicant with a new contract of employment with a formal written offer of employment from the employer.

Self-employed

3 years self employed income should be declared with evidence of earnings typically required over the last 2 year period.

This can be declared and verified from either the business year end of the company or tax year end.

Please provide evidence of self-employed income via either SA302s and Tax Year Overviews, or Accountant's Certificates. We will also accept Full Accounts covering the last 2 years if these sources are unavailable. Online downloaded documents from HMRC are acceptable.

Limited company director

Where a director's shareholding is less than or equal to 30% we normally assess as employed. There may be occasions where it is acceptable to use earnings outside the salary e.g. share of profits, dividends.

However to do so, the application must be keyed on a self employed basis with 3 years income declared and evidence of earnings typically required over the last 2 year period.

Partnerships

For income verification of partnerships, it is necessary to identify the mortgage applicant's pre-tax earnings for the last 3 years. This could be either their net profit before tax, individual drawings from the business or individual share of profits. These will typically be verified over the last 2 years.

One year's accounts

We can consider applicants with less than 3 years evidence of income and 2 years accounts at an underwriter's discretion.

Typically, to be acceptable in this circumstance we will require a track record of earnings at a similar level in the applicant's profession. For example, a dentist with only two years self-employed trading but a history of employed earnings.

Second job

100% of basic contractual income from a second job is acceptable.

Umbrella companies

Applicants who are contractors employed under an umbrella company contract are acceptable. Evidence of continual contractual earnings over the last 12 months will be required and can be from the P60 or copies of contract(s) along with the last 3 months payslips and bank statements.

Commitments – Credit commitments and short term remaining debt

Financial commitments to be provided within the application for the purpose of assessing affordability can include, but are not limited to, the following:

Type of Commitment	Declared Value
Personal Loans	Monthly payment
Short Term Loans	Monthly payment
Hire Purchase	Monthly payment
Mortgage	Monthly payment

Credit Card (including store cards, charge cards, mail order and budget accounts)	Balance
Overdraft	Balance

All current debt should be included and any agreed deferred payments.

Any **payments which will be repaid** either as part of the transaction or prior to completion of the mortgage should be declared as such within the application e.g. the current mortgage payment on a remortgage application.

Debt consolidation applications can be considered but the debt should always be included within the application. However by using the affordability calculator twice, firstly with all the debt included and then again with the debt to be repaid excluded, this will give an indication of how close the requested loan amount is to being affordable both with and without the debt. If the loan amount is affordable with all debt included, we may automatically accept the application.

Where affordability for the mortgage is contingent upon this debt being repaid we will typically assess the application by manual underwriting. However, depending on the level of debt being repaid we may automatically decline the application.

Underwriter discretion is used with consideration given to LTV, affordability and level of debt repayment.

Payments relating to **second homes or buy-to-lets** should be included, with any associated rental income captured as part of the application. Any shortfall or surplus in a commitment compared to rental income will be taken into consideration as appropriate within the affordability assessment.

Expenditure – Essential spend and basic quality of living

All regular expenditure must be declared.

This should include non-credit commitments that the applicant would be unable or unwilling to give up without a detrimental impact to their family or lifestyle.

The household is defined as the applicants applying for the mortgage and any people financially dependent upon them e.g. children, relatives, spouse of sole applicant.

Where appropriate the household expenditure must relate to the new property for example new council tax costs.

Any expenditure relating to the upkeep of other properties, such as a second home or buy-to-let, should also be included.

Any other known future changes to expenditure should be declared.

Type of Expenditure

Food & Drink, Alcohol & Tobacco

Transport

Council Tax

Utility and Other Household Bills (TV)

Household Goods and Services (furniture and appliances)

Ground Rent and Service Charges

Education, Childcare & Maintenance

Insurance & Pensions

Other – include any regular other expenditure e.g. holidays, recreation, pets

Spend not relating to the basic quality of life or considered essential should be excluded from the affordability assessment i.e. restaurants, as these costs could be reduced or cancelled with relative ease if the applicant were to get into payment difficulty. Unless the applicant deems these costs essential to their lifestyle.

Expenditure validation checks

In order to fully assess that the mortgage is affordable, the declared level of expenditure will be assessed through validation of bank statements and must be reasonable.

Bank statements – Checks on conduct and account behaviour

3 months personal bank statements will be requested for each applicant and should provide a means of verifying income (where applicable) and monthly expenditure. This may be from one account or a series of accounts as appropriate.

Bank statements should be in good order; where any charges, unpaid items, excessive gambling is present, we reserve the right to decline the application.

Online bank statements are acceptable providing they are in a PDF format, the applicant(s) name and account number are clearly shown and the statement date is displayed.

If different, the bank account where the monthly mortgage payment will be sourced must also be provided.

Income validity

Income verification is deemed to have expired after 6 months. When a mortgage offer is issued, income checks must be dated within this period or updated income documentation sought.

Bursary income

We do not accept bursary income.

Income from permanent health insurance (PHI) or income protection (IP)

We do not accept income sourced from health insurance/payment protection policies.

Lodger income

We do not accept rental income from lodgers.

Shift allowance

This is acceptable providing it is a permanent feature of pay.

Where it is required to support the mortgage we will request the most recent salary slip showing evidence of the allowance.

Supply teacher

See 'Contractor' income for further details.

Generally, where a supply teacher can evidence continuous employment over the last 12 months, then earnings can be taken into consideration.

To be keyed in the application with an employment status of 'contractor'. Provide gross annual income within the 'latest year' income field (previous year's earnings are not required).

We would require evidence of regular local authority contracting income over the preceding 12 month period from either a copy of the contract(s) or P60.

Trust income

We do not accept trust income.

Zero hour contracts

See 'Contractor' income.

Generally, where employed on a zero hour contract, providing we can evidence continuous employment over the last 12 months with the same employer, then the average earnings over this period can be taken into consideration.

To be keyed in the application with an employment status of 'contractor'. Provide gross annual income within the 'latest year' income field (previous year's earnings are not required).

Applications where there is a high reliance on temporary contractor income will be considered via manual underwriting.

We would require evidence of regular contracting income over the preceding 12 month period from either a copy of the contract(s) or P60.

We do not accept applications from people employed on a casual basis.

Property details

Overall construction

Properties must be of standard construction, be in a good state of repair and be readily mortgageable. Tesco Bank will be guided by the appointed surveyor in determining the suitability of the property for mortgage purposes.

Acceptable and unacceptable property types

Acceptable

Conventional Construction (solid wall construction and cavity wall construction)

Pre-cast reinforced concrete (PRC), providing repaired under PRC Homes Ltd repair scheme

New build or newly converted, subject to suitable warranty

Period Timber

Thatched roofs

Laing Easiform built after 1945

Wimpy no fines

Steel frame

Room used as a home office

For properties that are held on leasehold tenure there must be at least the term + 30yrs remaining on the lease (with minimum of 55 yrs remaining)

Large Panel Systems (LPS) for houses and maisonettes, not more than two stories high, subject to receipt of a satisfactory report from a structural engineer.

Unacceptable

Buy-to-let (BTL)

Shared equity

Right to Buy

Self-build

Properties being partly or wholly used for commercial purposes

Properties subject to a prior ranking charge

Second/Holiday homes

Floor area less than 30 metres squared

Houses in multiple occupation (HMOs)

Large panel systems (LPS) for either blocks of flats, or maisonettes over two stories high

Freehold flats or maisonettes

Where conventional buildings insurance cannot be arranged

Mobile Homes, Houseboats etc.

Timber frame, pre 1970 and not period timber

More than 20% units in a block mortgaged with Tesco Bank

Retentions

Timber or steel frames where walls have been insulated after original construction

100% timber construction properties (i.e. timber framed properties with an external cladding of timber)

Property affected by age restrictions (e.g. retirement properties)

Property affected by agricultural restrictions/other covenants/resale conditions

Case by Case Basis

Non-conventional construction

No mains electricity, water, drainage – subject to individual property and assessment by valuer

Flats above commercial property – we will not lend if the future saleability is affected

Flats with more than four floors in the block. Must be serviced by a lift and subject to individual property and assessment by valuer if the flat is situated above the fourth floor. Floor count excludes ground.

Japanese knotweed – subject to individual property and assessment by valuer

Property in poor condition – subject to individual property and assessment by valuer

Mining/Radon gas area – subject to individual property and assessment by valuer

Flooding – Must have building insurance without special conditions and area not prone to flooding on a regular basis

Valuation issues e.g. structural problems, subsidence, specialist report required etc.
Subject to individual property and assessment by valuer

Buy-to-let

We do not currently lend on a buy-to-let basis.

Commercial property – bed and breakfast, live-work units, home office, etc.

The property must be used solely for domestic residential purposes. Underwriters may consider where there is some incidental commercial use which is limited to one room as a home office or for business purposes but no customers will be visiting the property.

Precast reinforced concrete

Precast reinforced concrete (PRC), where the property has been repaired under the PRC (Homes) Ltd repair scheme, is acceptable.

Right to buy

We do not lend on right to buy properties.

Shared equity

We will not lend if the property is subject to a shared ownership/equity arrangement.

Self build

We will not lend on self build properties.

Retentions

We do not accept retentions.

Flats – Maximum floors in block

Flats up to and including the fourth storey are acceptable.

- Flats over four storeys are unacceptable for ex local authority flats.
- Flats over four storeys for non ex local authority flats must be serviced by a lift.

Please note that for counting the number of storeys, the ground floor is zero. Lower ground and basement floors are excluded from the count.

Local authority flats or maisonettes must have a minimum 60% of units in owner occupation. Maximum Tesco Bank exposure on any block of flats is 20% of all units.

Floor area

We do not lend where the internal floor area of the property is less than 30 square metres.

Flying freehold

We can potentially accept properties where a flying freehold* exists, subject to the flying freehold affecting no more than 15% of the property. These applications will be considered on a case by case basis, subject to valuation.

*A flying freehold exists where part of an upper floor of a property extends over a lower floor of an adjoining property. Common examples are a semi-detached property with a room situated above a shared passageway, or a balcony extending over a neighbouring property.

Non-habitable/habitable requirements

Properties that are not habitable are not acceptable.

Valuation issues – Structural problems, subsidence, specialist report required, etc.

Further specialist reports may be required dependant on the advice provided by our valuer.

If the applicant wishes to progress the mortgage application, they should instruct a suitably qualified specialist and are liable for the costs.

The report will be sent to the valuer to review and provide further comment on the suitability of the security for our mortgage purposes.

Tesco Bank do not provide conditional offers. Any work required must be carried out prior to mortgage offer.

Above or near commercial premises

Where the property is situated above or near commercial premises, the suitability of the property for mortgage purposes will be assessed by the valuer.

Where the property is readily marketable and mortgageable we will consider lending. We may be unable to lend where the property is situated above or near such premises as fast food outlets, public houses etc.

Maximum number of units in building

The maximum exposure on blocks of flats is 20% of all units.

Geographic eligibility

Tesco Bank will only lend on properties within the following UK Geographic Areas:

- England (excluding Scilly Isles)
- Wales
- Northern Ireland
- Scotland including the following Islands:
 - Bute
 - Lewis & Harris
 - Mainland Orkney
 - Mainland Shetland
 - Skye
 - Arran
 - Mull
 - Islay

Any Scottish island not listed is unacceptable.

Mortgage facilities will not be offered on properties situated in any area that is not subject to the jurisdiction of the Law of England & Wales, Scotland or Northern Ireland. Accordingly, properties located in the Isle of Man or the Channel Islands are not acceptable.

Flooding/flood plains

If a property has repeatedly been subject to flooding or if there is any restriction on the level of insurance cover available then it is unlikely that we will lend.

Leasehold/tenure

Freehold, absolute ownership (Scotland) and leasehold tenures on residential property suitable for owner occupation are accepted.

Freehold flats are not allowed unless the applicant owns the freehold of the whole building (subject to leases of any other flats in the building).

For leasehold properties the lease must have at least 30 years left to run at the end of the required mortgage repayment term (subject to minimum unexpired term of 55 years).

Where the property is a New Build, the minimum leasehold term is 125 years for Flats and 250 years for Houses.

Buildings insurance

It is a condition of all Tesco Bank mortgages that appropriate buildings insurance cover is held over the security property for the duration of the mortgage repayment term.

The buildings insurance cover must be on conventional terms, policy loadings are not acceptable e.g. excessive risk of flooding.

New build/newly converted/self-build

New Build is defined as properties which are newly built within the last 2 years or newly converted* within the last 2 years.

The maximum LTV on new build properties is restricted as follows:

Property Type	Max LTV
New Build Flat	75%
New Build House	85%

The maximum exposure on any development is 20% of all units.

Incentives from the builder are acceptable provided the valuer has receipt of the UKF disclosure of incentives form, to a maximum of 5% of the property value as standard. Where financial incentives are > 5% of the property value, the property will be considered on a case by case basis.

Requirement for the acting surveyor to confirm the property has been satisfactorily completed and that an acceptable new build warranty is in place.

Re-inspections are not required as standard. If the property has not reached a suitable stage in its build a re-inspection may be undertaken prior to completion if recommended by the valuer (for example, if there are <5 properties in a development).

Leasehold New Build properties must have a minimum leasehold term of 125 years for Flats and 250 years for Houses.

*Newly converted can include, but is not limited to:

- Conversion of existing non-residential property, e.g. an existing mill converted into flats.
- Refurbished property e.g. an existing residential property divided into smaller units, or the reverse.

We do not lend on self-build projects.

The offer is valid for 180 days. Six month offer extensions are available subject to updated searches, documentation and confirmation of valuation.

A dedicated telephone service is available for New Build enquiries. Contact us on 0345 051 8465**

Lines are open Monday to Friday 8am–6pm.

** This number may be included as part of any inclusive call minutes provided by your phone operator.

Ground Rent

Where properties are subject to Ground Rents, these must increase at an acceptable level (i.e. in line with Retail Price Index, or doubling no more frequently than every 25 years).

Warranties/Professional Consultants Certificate (PCC)

Ten year warranty cover under one of the following schemes is required if the property is new build/newly converted within the last two years.

- NHBC.
- Building Life Plans.
- Build Zone.
- Castle 10 New Home – provided by Checkmate.
- LABC New home warranty.
- Premier Guarantee.
- Zurich Municipal – provided there is already a warranty in place.
- CRL Management Ltd. (CRL).
- The Q Policy for Residential Properties.
- The Q Policy for Bespoke Properties (detached only).
- International Construction Warranties (ICW).
- One Guarantee.
- Aedis Warranties Ltd.

Architect/Surveyor Certificates are also acceptable provided the UKF Professional Consultants Certificate is completed, the consultant holds one or more of the acceptable qualifications listed within the UKFML handbook, and there is adequate Professional Indemnity Insurance (PII) cover in place.

Flat/annex

Properties with an annex are acceptable as long as they are used as part of the main accommodation such as a granny annexe, teenagers den, games room, etc. However, they are not acceptable if they are used for commercial purposes such as holiday lets or have separate service meters to the main house. Each case will be looked at on individual merit and be subject to assessment by the valuer.

Any known occupants of the granny flat/annex must sign an occupier consent form. In certain circumstances we may insist upon the occupant seeking independent legal advice and/or indemnity insurance obtained by the occupant.

Houses in Multiple Occupation (HMOs)

We do not lend on properties in multiple occupation (HMOs).

Flats or maisonettes of Large Panel Systems (LPS)

Large panel systems (LPS) can be considered for houses or maisonettes that are not more than two stories high, subject to a satisfactory report from a structural engineer. LPS is unacceptable for flats.

Freehold flats and maisonettes

We do not lend on freehold flats unless the borrower owns the freehold of the whole building (subject to leases of any other flats in the building).

Majority flat roof

We can potentially accept applications on properties that have a majority flat roof, where the roof is made from copper, lead, zinc, asphalt or mineralised felt. These applications will be considered on a case by case basis, subject to valuation.

Mobile homes/houseboats

We do not lend on mobile homes or houseboats.

Commonhold properties

We do not lend on commonhold property.

Second home/holiday home

We do not lend on second homes or holiday homes.

Consent to let

We do not allow applications where the initial intention is to let the mortgaged property. However, we recognise that the applicants circumstances may change over the course of the mortgage repayment term (for example British Armed Forces personnel may be posted overseas).

Applications from existing customers who wish to let their mortgaged property will be considered subject to checks on the tenancy agreement and account performance. The maximum period of consent provided is 2 years (excluding British Armed Forces personnel, where extensions may be approved while still serving).

Holiday lets

We do not lend where the property will be used as a holiday let.

Renting out a room/Airbnb

We do not permit a customer to rent out part of their property.

Home for dependent

The purchase of a property as a residence for a child or relative is unacceptable.

All applicants named on the mortgage must occupy the property as their main residence.

Japanese knotweed

Assessed by the surveyor on a case by case basis. Properties previously treated are acceptable provided evidence of the work being carried out by a contractor either registered with the Property Care Association (PCA) or of a similar level of expertise and experience.

Deck access

We can accept applications relating to a property with deck access (subject to valuation), if they relate to good quality developments with no mortgageability/saleability restrictions.

Ex local authority

Local authority blocks of flats or maisonettes must have a minimum 60% of units in owner occupation. We can potentially lend on ex local authority houses/bungalows as long as this is not on a right to buy basis, i.e. we will not lend where a property was sold at a discounted price with a clawback clause attached.

Agricultural ties/restrictive covenants

Because of the very limited re-sale market for properties with restrictive covenants, Tesco Bank are unable to accept such properties as suitable security for mortgage purposes.

Mundic block

We can potentially accept applications on Mundic block construction properties. These applications will be considered on a case by case basis, following RICS requirements where appropriate.

No mains, electricity, water supply or drainage

Typically, we will not provide mortgage funding over properties that lack basic services.

Properties in rural areas may have some form of alternative drainage system e.g. in the form of a septic tank, and the surveyor will comment on the adequacy of the relevant drainage system.

Solar panels

If the property has solar panels, this can be considered subject to surveyors comments. Where a property is subject to a registered lease of roof space for solar panels acceptability will be dependent on marketability/value of the property and whether the panels can be removed.

Studio flats

Studio flats are acceptable for lending purposes providing all other aspects of our criteria are met. See minimum floor area.

Unconventional construction – Thatched roofs, metal roofs, etc

We may consider unconventional constructions, however we will be guided by the surveyor as to the suitability of the property for mortgage purposes, and that it is readily marketable and mortgageable. For properties with thatched roofs, the roof must be in a good condition and be appropriate for the area in which the property is situated.

Modern Methods of Construction

References to steel frame construction / concrete frame construction or structure are allowable if finished in the traditional manner of cavity masonry / rendered finish (subject to other published criteria regarding these construction types). References to features such as (but not limited to) timber walls, insulated panels, or brick slips are not acceptable. If cladding is referenced, the valuer must be satisfied that current safety standards are met.

Steel framed property

Steel framed houses are acceptable if readily marketable and mortgageable.

Property with acreage/significant amount of land

We can consider lending on properties with a significant amount of land, on the conditions that all land is held on a single legal title, the property is not encumbered with non-standard occupancy restrictions or planning requirements, and the land is not used for commercial or business activities.

Period timber

Period timber framed properties are acceptable providing they are readily marketable and mortgageable.

Timber framed property

We do not accept timber framed dwellings built prior to 1970. Properties built after 1970 but without brick/rendered block external facings are considered on their individual merits.

Period timber framed properties are acceptable, subject to surveyors comments, providing the property is readily marketable and mortgageable.

Timber or steel frame where walls have been insulated after original construction

We do not accept timber or steel framed properties where the walls have been insulated after the original construction.

Laing Easiform built after 1945

Laing Easiform (a concrete system with horizontally placed reinforcement) if built after 1945 is acceptable.

Wimpey No-fines

Wimpey No-fines (a concrete construction without fine aggregate in the concrete mix) is acceptable.

Unencumbered property

We will lend on an unencumbered property where the applicant is seeking to raise finance against the security of the property to meet the cost of home improvements or for other acceptable purposes e.g. funding the purchase of second/holiday homes (excluding self build projects within the boundaries of the property we hold as security), buy-to-let in the UK or abroad, or the purchase of an investment property.

Mining/radon gas area

Properties in an area affected by mining activities or radon gas can be considered subject to the surveyors comments on marketability.

A specialist report may be required.

Mineral rights

Where Tesco Bank receive notice of the intention to register mines and mineral rights, the following steps should be taken:

- If the last transaction/transfer of ownership relating to the property happened on or before 13 October 2013, then the rights will vest with the manor (as there has been no opportunity for the rights to have been lost).
- If the last transaction/transfer of ownership relating to the property occurred after 13 October 2013, and the rights are explicitly stated in the title deeds as belonging to the manor, the rights will vest with the manor.
- If the last transaction/transfer of ownership relating to the property occurred after 13 October 2013, and the rights are not explicitly stated in the title deeds as belonging to the manor, the rights will (by default) vest with our customer, and the application for registration of mineral rights should be challenged. Seek advice from Tesco Bank Credit Risk and Legal departments, and also undertake the following steps:
 - If an existing account notification from the Land Registry, flag so that no additional borrowing in the future is permitted without a physical valuation.
 - If a new application indemnity insurance should be sought.

Re-types (Scottish cases)

We will accept a transcript of a Scottish Home Report mortgage valuation subject to this being no more than 3 months old and the relevant surveyor being a member of the Tesco Bank panel. If these criteria cannot be satisfied then a new valuation will be required.

Two kitchens

Each case will be looked at on individual merits and be subject to assessment by the valuer.

Bed and breakfast

We do not lend where the property will be used as a bed and breakfast.

Granny flat

Each case will be looked at on individual merit and be subject to assessment by the surveyor.

Any known occupants of the granny flat/annex must sign an occupier consent form. In certain circumstances we may insist upon the occupant seeking independent legal advice, and/or insurance obtained by the occupant.

Tied accommodation (e.g. vicar, teacher)

Applicants who reside in tied accommodation e.g. teacher, vicar etc. but wish to buy a house with the intention to reside there in the future are not acceptable.

However, if the applicant is planning on leaving the tied accommodation to live in the property immediately, then this is acceptable and should be treated in the same manner as a standard residential house purchase.

Mortgage details

Purpose of mortgage

We will only lend for the purposes of purchasing or remortgaging of the applicant(s) main residence.

Minimum term/maximum term

The minimum term is 3 years and the maximum term is 40 years.

Minimum loan/maximum loan

The minimum loan is £40,000 and the maximum loan is £1,000,000.

Maximum loan by LTV

The following table denotes the maximum loan amounts per LTV. This is dependant on availability at the time of application. Products may change at any time and may not always be available at the LTV required.

Amount of lending	Max LTV
Up to - £300,000	95%
£300,001 - £500,000	90%
£500,001 - £750,000	80%
£750,001 - £1,000,000	75%

Maximum loan by LTV for new build

New build properties are defined as one of the following:

1. Newly built within the last 2 years
2. Newly converted within the last 2 years

The maximum LTV permitted on new build properties is:

Amount of lending	Max LTV
New Build House <2 years old	85%
New Build Flat <2 years old	75%

Maximum applicants

Maximum of two applicants.

Source of deposit

Evidence of source of deposit may be requested. The following sources are generally acceptable:

- Savings.
- Inheritance.
- Equity from sale of current property.
- Equity raised from another property that is owned – acceptable providing the commitment is included.
- Family gifted deposit (non repayable) providing family member is not the vendor – we may request confirmation that the gift will not be repaid.

Please note - Family donor must be from the list below, if not from this list please contact us.

- Parent/child or vice versa
- Grandparent/grandchild or vice versa
- Sibling(s)/sibling
- Spouse/spouse
- Step parent/child/siblings
- Parent/child/siblings in law

- Aunt or uncle/niece or nephew
- Cousin(s)/cousin
- Family sourced deposit (repayable) providing family member is not the vendor – the level of monthly repayment should be included as a commitment in the application for affordability purposes. If repayment is with the sale of property enter monthly amount as £0.
- Builders Incentives – see new build section.
- Repayment of a limited company director’s loan, provided the repayment is a non-repayable transfer of cash assets from company to applicant. Company accountants must confirm that there is no detriment to the company by removal of the funds. If liquidation of assets is required the deposit is not acceptable.

The following sources of deposit are not acceptable:

- Vendor gifted deposit or cashback (not house builder). This includes where the vendor is a family member.
- Personal loans or credit cards.

We do not accept a deposit where the person providing it will have any rights or interest over the property but is not named on the mortgage. If the person providing the deposit will be living in the property, but is not named on the mortgage then an adult occupier consent form must be completed and indemnity insurance sought.

All deposits must come from a UK Bank Account.

Debt consolidation

See credit commitments & short term debt.

Repayment type

We only lend on a Capital and Interest repayment basis.

Second charge

Tesco Bank currently accept remortgage applications to fully repay a Help to Buy Equity Loan under the Homes England or Help to Buy (Wales) Ltd schemes.

Tesco Bank do not accept mortgage applications in any other circumstances where a second charge is secured on your property.

Credit history/credit search

- Applications will be declined from prospective borrowers/existing customers who have:
 1. Bankruptcy
 2. Repossessions
 3. Satisfied or unsatisfied IVA
 4. Current arrears or missed mortgage payments
 5. Arrears or missed payments >3 down in the last 6 months on other individual debts identified via the credit search
 - Satisfied or Unsatisfied CCJ's:

Volume	Criteria
1	>£100 OR >50% LTV not considered
2	Not considered
3+	Not considered

- Satisfied or Unsatisfied Defaults:

Volume	Criteria
1	>£400 not considered
2	Totalling >£100 OR >70% LTV not considered
3+	Not considered

- Delinquencies:

Volume	Criteria
1	>£400 not considered
2	Totalling >£100 OR >70% LTV not considered
3+	Not considered

Financial associate credit score

A financial association exists where a joint financial account is present, or has been present, or a joint application for credit has been made.

Where a decision to lend is affected solely by financially associated data, we will not automatically decline without underwriter review and consideration of the circumstances.

Impaired/adverse credit

See bankruptcy, CCJ and defaults.

Help to buy

Tesco Bank currently accept remortgage applications to fully repay a Help to Buy Equity Loan under the Homes England or Help to Buy (Wales) Ltd schemes.

We do not currently offer mortgages for any other Government Help to Buy scheme.

Buy-to-let

We do not lend on buy-to-let (BTL) properties.

Buy-to-let in background

All existing mortgage debt must be declared and treated as an ongoing credit commitment. Any essential expenditure related to the property must also be declared. Rental income from buy-to-let (BTL) properties can be included within the affordability assessment.

First time buyers

We lend to first time buyers.

Short period at address

We can accept mortgage applications where the applicant has lived at address for < 6 months, where one of the following scenarios applies:

- Customer has recently moved and ported their existing mortgage with another lender, and now wishes to move their mortgage to Tesco Bank;
- Customer used their own funds to purchase the house and now wishes to release funds against the unencumbered property - acceptance is subject to confirmation (from solicitors) of source of funds for original purchase;
- Customer used a bridging loan to purchase the house and now wishes to mortgage the property. The property should be the customer's main residence;
- Customer has inherited a property and now wishes to release funds against the unencumbered property - these applications can be considered if probate has completed, the property is registered at Land Registry prior to completion, and our clients' names are on the title. Applicant(s) must reside in the property at the date of application. Acceptance is subject to confirmation of inheritance from solicitors.

Short period of ownership

We can accept applications for purchases where the current owner of the property to be purchased has owned it for < 6 months and one of the following scenarios applies:

- Current owner took the property as a part exchange on a previous sale;
- Customer is a lender that has repossessed the property being sold from the previous owner.

Thin file applicants

Entering the customers complete address history will ensure the bureau will capture the customer's full credit history. Applications with a limited credit history may be referred for manual underwriting.

Guarantor/non-resident applicants

We do not offer guarantor mortgages.

An application is not acceptable where the financial support of a third party or a non-resident applicant is required.

Offset

We do not offer offset mortgages.

Interest only

We do not offer interest only mortgages.

Right to buy

We do not lend on right to buy properties.

Offer validity period

The Decision in Principle (DIP) and Offer in Principle (OIP) are each valid for 90 days.

The formal offer is valid for 180 days. Six month offer extensions are available subject to updated searches, documentation and confirmation of valuation.

Shared equity

We do not lend on shared equity schemes where the borrower(s) will not have exclusive ownership of the property.

Shared ownership

We do not lend on shared ownership schemes.

Capital raising

We will consider remortgage applications up to our product maximum LTV where the loan is for capital raising purposes.

We do not consider applications where the purpose of the additional funds is for commercial use to fund a business (except where used to purchase a property for buy-to-let) or for speculative purposes. We do not lend where there is a requirement to discharge a Second Charge.

Concessionary purchase/undervalue transactions

We lend against the lower of purchase price or market valuation to a maximum of 90%.

The property being purchased must be the applicant(s) main residence.

There must be an existing relationship between the vendor and purchaser, with the following considered acceptable:

- Parent/child or vice versa
- Sibling(s)/sibling
- Spouse/spouse
- Sitting tenant and landlord (providing resident in property for minimum of 1 year).

All transactions must provide vacant possession on completion. If the vendor will continue to reside in the property but is not named in the mortgage, an adult occupier consent form must be completed and indemnity insurance sought.

The property must not be a new build (see new build policy and incentivised sales).

A full valuation will be required in all instances, including Scotland, and the application will be subject to the prevailing conveyancer due diligence and checks in accordance with the UKFML handbook. Independent Legal Advice is required to be obtained by both vendor and purchaser.

Adding/Removing/Replacing a party on the mortgage

There are many different scenarios which could occur under this banner for example, the incoming borrower is not contributing any funds and will gain the equity in the property, or the removing party intends to still reside in the property. In all scenarios of this nature the customer must obtain indemnity insurance if the removing/replaced party intends to remain in the property then an adult occupier consent form must be completed.

Contract reassignment

We will not lend for the purposes of contract reassignment (where a third party secures an uncompleted property from builder and sells the contract on), due to the financial risk and due diligence requirements involved.

Expatriate mortgages

We do not offer mortgages to expats.

HomeBuy Direct

We do not participate in the HomeBuy Direct scheme.

Interest only repayment vehicles

We do not offer interest only loans.

Islamic mortgages

We do not offer Islamic mortgages.

Let-to-buy (onward residential)

We do not offer mortgages where the intention is to let our property.

House purchase applications for onward purchase can be considered, subject to affordability.

Where the mortgage is already with Tesco Bank this would not be acceptable, as we will only consider a maximum of one mortgage per applicant.

The continuing debt should be keyed as an ongoing financial commitment. Evidence of rental income may be required from an ARLA (or equivalent) letting agent letter or signed tenancy agreement, and either a BTL mortgage formal offer or a CTL from the current lender.

Intermediaries own (or close relatives) application

Intermediaries must make us aware of any applications placed where they have a close relationship with the borrower(s) e.g. their immediate family, ex-spouse etc.

Where the application is their own mortgage, this must be placed through the direct channel.

Documentation

Online (Internet) printed documentation

Online payslips are acceptable providing they are:

- In PDF format that is physically printed from their employer's website.
- Name and employers name must be detailed.
- Pay date and method of payment detailed.

Online bank statements are acceptable providing they are:

- In PDF format that is physically printed from the bank's website.
- The applicant(s) name and account number are clearly shown.
- The statement date is displayed.

Accountant's report

Accountant's reports provided per the Tesco Bank template are acceptable as a means of verifying earnings for a self-employed applicant.

See self-employed section for further information on supporting documentation requirements in full.

Accountant qualifications

Accountants signing and verifying applicant accounts must be a member of suitable professional body i.e.:

- Institute of Chartered Accountants, C.A., A.C.A. or F.C.A.
- Institute of Chartered Accountants in Scotland, I.C.A.S. or F.C.A.S.
- Institute of Chartered Accountants in Ireland or I.C.A.I.
- Chartered Association of Certified Accountants, A.C.C.A. or F.C.C.A.
- Chartered institute of Taxation, A.T.I.I. or F.T.I.I.
- Association of Authorised Public Accounts, A.A.P.A., or F.A.P.A.
- Chartered Institute of Managements Accountants, C.I.M.A., A.C.M.A. or F.C.M.A.
- Association of Accounting Technicians, M.A.A.T. or F.M.A.A.T.
- Association of International Accountants, A.A.I.A. or F.A.I.A.