

finance for people

# General Conditions and Special Conditions

paragon  
*mortgages*



These conditions are divided into the following sections

Section 1 – General Conditions

Section 2 – Special Conditions (which apply if specified on the offer of loan)

## Section 1 – General Conditions (1998)

### **1. Purpose**

These General Conditions set out the basis upon which Paragon Mortgages Limited (“the lender”), makes any offer of loan and will apply in all instances unless specifically amended in the Special Conditions relating to the offer of loan. The Special Conditions which deal with the particular circumstances of individual loan applications may be stipulated on the offer of loan.

Where the offer of loan is made on a Scottish property the General and Special Conditions are to be interpreted so that expressions referring to English legal matters or documents will be deemed to refer to the Scottish equivalent.

### **2. The Applicant**

The expression “the applicant” shall include joint applicants (or a limited company, where appropriate). All applicants are liable individually and jointly and will sign the mortgage deed as joint borrowers.

### **3. Investment Property**

The expression “investment property” for the purposes of these conditions shall mean properties that may be let on or following completion of the loan.

### **4. Offer of Loan**

The lender may withdraw the offer of loan at any time, without giving notice to the applicant, even though the applicant may have signed the acceptance of offer, in particular (but not exclusively) where:

- The acceptance is not returned, duly completed, within one month from the date of the offer of loan.
- The loan is not advanced within 3 months of the offer of loan being issued.
- There is a change to the applicants status or any non disclosure of material facts.
- The direct debit mandate is not accepted by the paying bank.

If for any reason the loan is no longer required the applicant should notify the lender and the solicitor without delay.

In the event that the need arises to amend the offer of loan then, at the discretion of the lender, this may be notified to the applicant by either issuing a revised offer of loan or by an amendment in writing.

### **5. Acceptance of Offer**

The acceptance of offer form should be fully completed, signed by all applicants and returned within one month from the date of the offer of loan.

### **6. Payment of the Loan**

The loan will be advanced to the solicitor by telegraphic transfer one working day prior to the completion date notified. A telegraphic transfer fee will be payable by the applicant and will be deducted from the loan together with any further deductions stated on the offer of loan.

With purchases, the loan must be used for the purchase of the property. With remortgages, the loan must be used to repay all existing mortgages and/or charges except where there is an element of capital raising in which case the excess raised is payable to the applicant, subject to any Special Condition to the contrary.

### **7. Title**

7. In all cases:-

7.1 Title to the property is to be approved by the solicitor. This offer of loan is made subject to the applicant having or acquiring at completion of the loan, a good and marketable title to the property.

7.2 Title to the property must be vested in the name of the applicant and where there is more than one applicant, in the names of all of the applicants jointly prior to completion of the loan.

7.3 The applicant must execute a first legal charge over the property in favour of the lender and where appropriate, any ancillary documents.

7.4 The solicitor must send a certified copy of the legal charge to the land registry following completion of the loan as the lender requires the return of the original legal charge following registration of the same at the land registry.

7.5 The solicitor must report to the lender where it becomes apparent from an investigation of the deeds that the title to the property relates to / affects more than one offer of loan. Each discrete loan account must be completed with a legal charge / standard security over the property which must be comprised under a separate and distinct title number or will be so comprised upon registration at the Land Registry / Registers of Scotland.

7.6 The solicitor's specific attention is drawn to the CML lender's handbook on "Insolvency Consideration".

## **8. Property Insurance**

The lender will insure the buildings, as distinct from any contents, under a block buildings scheme unless the applicant elects in the acceptance of offer, to insure the property and contents under the comprehensive block insurance scheme, or a circumstance set out below applies.

Details of the appropriate block insurance scheme(s) accompany the offer of loan. The property will be insured in the joint names of the applicant and the lender for the reinstatement cost shown on the offer of loan and insurance will commence from the completion of the mortgage unless otherwise agreed in writing. If the applicant feels that the amount of cover is insufficient they should notify the lender.

Where it is a term of the lease that the landlord is entitled to arrange buildings insurance or written approval has been given by the lender for the applicant to insure the property, the solicitor must, on or prior to the request for the advance, provide the following details (or a copy of the policy schedule may be supplied) of the alternative index linked policy: Name of insurance company, policy number, renewal date, insured amount and confirmation that the insurer is a member of the Association of British Insurers. The policy must be in the insurers standard form of reinstatement contract and not be for less than the cover stated on the offer of loan. Furthermore, the solicitor must also confirm that on completion, the interest of the lender will be noted on the policy and that the insurer will be requested in writing, to notify the lender of any reduction to the amount insured or scope of the cover in force. Evidence of payment of the current annual premium may be required by the lender on request.

In the event that the lender does not arrange buildings insurance, the applicant must contribute towards the cost of the lender taking out contingency insurance in respect of any loss to the lender as a result of any inadequacy in the insurance arranged. The amount of the contribution will be stated on the offer of loan and deducted from the advance.

Where the lender insures the property, the premium will be paid by the applicant as part of the monthly payment. Any revision to the sum insured and the premium will be advised to the applicant in accordance with the mortgage conditions.

## **9. Interest and Monthly Payments**

The rate of interest applicable to the loan and the monthly payment are specified on the offer of loan and these may be varied from time to time in accordance with the mortgage conditions. The lender shall vary the interest rate for one or more of the following reasons:-

- (a) to reflect a change which has occurred, or which the lender reasonably thinks will occur, in the cost of funds used in its business;
- (b) to ensure that the whole of its business remains competitive, taking into account actual or expected changes in market conditions;
- (c) to ensure its business is run in a prudent manner;
- (d) to reflect a change in the law or a decision by a court;
- (e) to reflect regulatory requirements or guidance;
- (f) to reflect a transfer of its business or the loan to a company or person which has happened or is about to happen;
- (g) to maintain its return on the loan;
- (h) to reflect a change in the general practice of mortgage lenders;
- (i) for any other valid reason.

If any change in the rate of interest occurs after the offer of loan is issued, but prior to the completion of the loan, the lender may give the applicant notice of the change and any consequent change in payments.

Interest is charged from the date on which funds are transmitted to the solicitor but will cease to run where funds are returned to the lender by telegraphic transfer. No interest is charged where the solicitor returns the funds by telegraphic transfer within one working day of transmission by the lender.

The first payment (which includes any additional interest charged for the period prior to completion of the loan) will be collected on the eighth working day after completion. Subsequent payments will be charged in arrears on the last business day of each month but all payment dates may be varied at the discretion of the lender.

## **10. Direct Debit**

The monthly payments due from the applicant are to be made by direct debit which must be accepted by the paying bank prior to the request for the advance.

## **11. Condition no longer in use**

## **12. Security Assessment and Valuation Report or Security Assessment and Investment Valuation Report**

A copy of the Security Assessment and Valuation Report or Security Assessment and Investment Valuation Report obtained by the lender may be issued to the applicant as a courtesy. The report has been obtained for the sole benefit of the lender and will confer no rights on the applicant against the lender or the valuer. The report is not a survey and the duty of the valuer is limited to advising the lender as to the suitability of the property as security for the loan.

## **12. ...continued**

Neither the lender nor the valuer therefore accept responsibility for the workmanship, construction or condition of the property which are matters upon which the applicant must satisfy themselves. Any defects to which reference may be made on the offer of loan were apparent to the valuer when the inspection was made but the valuer was not requested to carry out a full structural survey nor to test the services. There may be defects in the property which would only be revealed by a full structural survey. The applicant is therefore strongly advised to arrange for a full structural survey to be carried out before entering into any commitment to purchase the property or take a loan secured on it and the lender cannot accept any responsibility for any loss or damage suffered by the applicant as a result of a failure to arrange such a survey.

Should completion of the loan not take place within 5 months from the original date of inspection by the valuer, a revaluation of the property will be required. The lender will contact the solicitor to ensure that the loan is still required and will then make arrangements for the revaluation. A revaluation fee (at the then current rate) will be payable either by deduction from the advance, or at the option of the lender, in advance.

## **13. Costs and Disbursements**

The applicant is responsible for all costs and disbursements incurred in connection with or arising out of the offer of loan (including those of the solicitor acting for the lender), whether or not the loan is completed.

## **14. Change in Personal Circumstances**

If prior to completion of the loan there are any changes to the personal circumstances of the applicant they must be communicated to the lender without delay.

## **15. Vacant Possession and Occupation**

The property shall not in whole or in part be let to or occupied by the applicant or any guarantor or any member of the family or associated subsidiary or parent company (as the case may be) of the applicant.

Unless the property is let in accordance with the offer of loan (see Special Condition 51) full vacant possession of the property must be obtained on completion of the loan.

Throughout the duration of the loan the applicant must not part with or share possession of the property other than in accordance with the offer of loan (see Special Condition 51 below)

## **16. Early Repayment**

The Special Conditions may provide that if the applicant wishes to repay all or part of the loan early, then an additional amount may be payable on the amount repaid or becoming payable.

## **17. Property**

No structural alterations may be made to the property without the prior written consent of the lender.

## **18. Multiple Mortgages**

Subject always to the overriding effect of mortgage condition 1.7 (which prevents the mortgage securing a regulated agreement as defined by the Consumer Credit Act), the mortgage shall be security not only for the loan and other money it provides for but shall also secure all money which may be or become owing by the applicant to the lender on any account. The lender may at its discretion, refuse to release any property held as security for indebtedness of the applicant until all monies owing by the applicant to the lender have been paid (other than monies owing in respect of credit provided under a regulated agreement).

## **19. Further Borrowing**

No further mortgage of the property may be created by the applicant without the prior written consent of the lender.

## **20. Transfer of the Mortgage**

The lender reserves the right at any time to assign, transfer or put into trust any interest it may have in the loan or any security for its repayment.

## **21. Administration of the Mortgage**

The applicant may be required to pay charges for additional services relating to the administration of the mortgage, details of which accompany the offer of loan.

## **22. Avoidance of Fraud**

22.1 Prior to completion of the loan the solicitor must report to the lender where:-

22.1.1 the seller (or the applicant in the case of a remortgage) does not yet own the property, or has owned the property for less than 6 months or if the applicant is acquiring it under a sub-sale or other derivative transaction.

22.1.2 the applicant has acquired, or will acquire the property, other than on a bona fide arms length basis.

22.1.3 the solicitor's firm is acting for the seller.

## **22. ...continued**

The solicitor must establish and report to the lender all the details as to prices and the names and addresses of the parties involved in the various transactions.

22.2 The solicitor will report to the lender if under the terms of the contract / agreement with the seller:

22.2.1 the price payable differs to that stated in the offer of loan.

22.2.2 the applicant is to receive any discount, price reduction or cash payment or incentive or is buying through an investment syndicate or club.

22.2.3 the applicant is entitled to receive any chattels, or other items of value, including part exchange arrangements.

(Items of value could take many forms; conceivable examples are, payment of the applicant's mortgage, interest or buildings insurance premium for a period, the payment of the applicant's fees or disbursements by another or the leaving of part of the purchase money outstanding. Genuine fixtures form part of the property and need not be reported).

The lender may undertake audits from time to time on completed cases, to verify that prices have been correctly reported to us.

22.3 The solicitor will report to us if:

22.3.1 The solicitor becomes aware that the applicant is not providing the whole of the balance of the purchase price of the property (after deducting the amount of our advance) from the applicant's own resources, without recourse to further borrowing and all such funds will not be passing through the solicitor's accounts.

22.3.2 If any part of the purchase money other than a preliminary deposit not exceeding 1% of the purchase price held by an estate agent or builder, will not be paid through the solicitor's accounts or is being gifted.

(In particular if the applicant instructs the solicitor that part of the price has been or will be paid directly to the seller or a third party).

22.4 The solicitor will take any other appropriate steps recommended on the Law Society's green card warning on property fraud and will comply with the guidance on the Law Society's blue card relating to money laundering, and any other warning cards / guidance notes issued by the Law Society from time to time.

22.5 The solicitor will, if not familiar with the solicitors or licensed conveyancers acting for the seller or the applicant where the lender has separate representation, verify that they are known to the Law Society or the Council for Licensed Conveyancers as lawfully practising from that address which they give.

22.6 The applicant/s accept that the solicitor may disclose any information or documentation which the solicitor or lender considers relevant in the lender's decision to lend and will waive any duty of confidentiality or privilege which may otherwise exist in relation to this mortgage transaction. The file will be considered as jointly owned between the lender and the applicant/s and the complete file should be made available to the lender if so requested, at any stage.

22.7 If the Certificate of Title/ Report on Title is qualified in any way or the solicitor reports separately upon any of the above matters, the solicitor must ensure that receipt of his/her advice is acknowledged by the lender. The solicitor must not proceed to completion, until he/she has received confirmation from the lender as to either 1) what further action is required or that 2) the lender is content to proceed with the knowledge of the matters reported.

22.8 The lender will check details with fraud prevention agencies and if false or inaccurate information is given and the lender suspects fraud the lender will record this.

22.9 This section does not in any way limit the solicitor's Instructions and therefore if there are any other facts which would lead the solicitor to suspect fraud, these should be reported.

22.10 For corporate borrowers, please also refer to Instructions to Solicitors Corporate Borrower, B4 Avoidance of Fraud.

## **23. New Declaration/Use of Information**

### **DECLARATION**

#### **General**

By signing the mortgage application form and Acceptance of Loan the applicant confirms that:

- a) the information given in his/her mortgage application form is true and not misleading and that the applicant will notify the lender promptly of any changes that may occur before the mortgage is completed;
- b) the lender may make all enquiries the lender feels appropriate (including with the Inland Revenue, any credit reference agency or any past/present employer, accountant, lender or bank) for deciding whether to proceed with this application and which the lender considers to be necessary for confirmation, credit assessment and account management;
- c) if the lender provides the applicant with a copy of, or extract from, the lender's Security Assessment and Valuation Report or Security Assessment and Investment Valuation Report the lender makes no representation or warranty (expressed or implied) nor accepts any liability or responsibility in respect of its contents;

### **23. ...continued**

- d) any payments in respect of the mortgage are made for and on behalf of all parties to it;
- e) any additional security insurance arrangements are for the lender's benefit only and that the applicant has no right or claim in relation to them;

#### **Applications by Limited Companies**

Where the applicant is a limited company, in addition to (a) - (e) above, in the applicant's capacity as a director of the applicant company and a guarantor the applicant confirms that:-

- f) they are the only director of the company or each of the persons who signed the mortgage application form and Acceptance of Loan is a director and together they are the only directors;
- g) the company has the power to borrow the advance applied for and to mortgage the property(ies) set out in the application as security.

#### **Use of information**

In considering each individual application the lender will search the applicant's record at one or more credit reference agencies. They will add to your record details of the lender's search and each application and this will be seen by other organisations that make searches. Information held about the applicant by the credit reference agencies may already be linked to records relating to one or more of the applicant's partners. For the purposes of this application the applicant may be treated as financially linked and this application will be assessed with reference to any "associated" records.

If the applicant is a joint applicant or if the applicant has told us of some other financial association with another person the applicant must be sure that he/she is entitled to:

- disclose information about his/her's joint applicant and anyone referred to by him/her.
- authorise the lender to search, link or record information at credit reference agencies about the applicant and anyone referred to by the applicant.

An "association" between joint applicants and between the applicant and anyone the applicant tells the lender is his/her financial partner will be created at credit reference agencies. This will link the applicant's financial records, each of which will be taken into account in all future applications by the applicant or their financial associates. This will continue until a disassociation is successfully filed at the credit reference agencies.

The lender will also add to the applicant's record with one or more of the credit reference agencies details of the applicant's mortgage with the lender, the payments the applicant makes under it, any default or failure to keep to its terms and any change of address the applicant fails to tell the lender about where a payment is overdue.

It is important that the applicant gives the lender accurate information. The lender will check the applicant's details with fraud prevention agencies and if the applicant gives the lender false or inaccurate information and the lender suspects fraud, the lender will record this.

If the lender is unable to accept this application the lender may pass it, including details of the personal information the applicant has given the lender, on to other members of the lender's group, or another intermediary or lender who may also search the applicant's records at credit reference agencies. The record of these searches will also be kept and seen by other organisations that make searches. Another lender in considering the applicant's application may also use automated systems and carry out the checks which are referred to above for the purposes set out below.

The applicant's records will be shared with other organisations and used by the lender and them to:-

- help make decisions about credit and credit related services, for the applicant and members of his/her household;
- help make decisions on motor, household, credit, life and other insurance proposals and insurance claims, for the applicant and members of his/her household;
- trace debtors, recover debt, prevent fraud and to manage the applicant's accounts or insurance policies;
- check the applicant's identity to prevent money laundering unless the applicant furnishes the lender with other satisfactory proof of identity.

For these purposes they or the lender may make further searches. These searches may be added to the applicant's record and shared with others.

The lender, the credit reference agencies and the fraud prevention agencies will also use the records for statistical analysis about credit, insurance and fraud. The lender may also use information about the applicant to carry out market research.

In addition the lender may disclose details held on their records about the applicant, this mortgage or the conduct of the applicant's account with the lender to:-

- any actual or prospective insurer under this mortgage who may use them to help decide whether or not to offer

### **23. ...continued**

cover, in fraud prevention and processing claims;

- any actual or prospective purchaser of this mortgage who will use them for statistical analysis.

Please telephone the lender on freephone 0800 375720 if the applicant wants to have details of those credit reference and fraud prevention agencies from whom the lender obtains and to whom the lender passes information about the applicant. The applicant has a legal right to these details.

The applicant has a right to receive a copy of the information the lender holds about him/her if he/she applies to the lender in writing. A fee will be payable.

### **Securitisation**

The applicant confirms that the lender may securitise any mortgage or guarantee that he/she or the company may have with the lender. The applicant understands that securitisation typically involves the lender transferring all or some of the rights and duties that go with the mortgage or guarantee to an investor who normally asks the lender to carry on administering them as though the lender's own. So that, for example, following securitisation the lender would normally continue to collect payments and should the applicant experience any difficulties in making payments, or have any other queries, the applicant should contact the lender.

### **BACS Advanced Notice Waiver Agreement**

By signing the Direct Debit instruction the applicants:

a) Agree to waive the BACS 10 working day written advance notice requirement.

b) Acknowledge that (1) the first part month payment will be collected by direct debit from his/her/their bank/building society account and thereafter on agreed collection date(s) following completion of the mortgage and (2) the lender may initiate specific direct debit(s) should the need arise following his/her/their agreement which may be made by telephone or written contact.

### **24. References and credit reference agency searches within 6 months**

Solicitors and applicants to note that all references and credit reference agency searches obtained in support of this application must be less than 6 months old at completion. In cases where the references and/ or credit reference agency searches are over 6 months old the lender will obtain new references/ credit reference agency searches, which upon receipt must be satisfactory to the lender, prior to release of funds.

### **25. Annual Review**

The lender reserves the right to require the applicant to attend an annual review of the performance of the applicant's property portfolio.

### **26. Power of Attorney**

A power of attorney must not be used in connection with the execution of the lender's documentation including but not limited to the legal charge and any supporting deeds of guarantee.

### **27. If property is new or converted or less than 10 years old**

The property must have the benefit of either the National House Building Council (NHBC), the Zurich Municipal Newbuild Scheme or Premier Guarantee. Other alternatives must be submitted to us for approval on an individual basis.

### **28. Property consents and/or approvals**

The solicitor is to ensure that all necessary consents and/or approvals, whether or not detailed in the Security Assessment and Valuation Report or Security Assessment and Investment Valuation necessary for the immediate occupation of the property (in accordance with special condition 51), have been obtained and all relevant regulatory legislation complied with where the property includes multiple units or multiple occupation.

### **29. Tenure Confirmation**

The valuation figure provided in the Security Assessment and Valuation Report or Security Assessment and Investment Valuation Report has been based on the tenure stated on the offer of loan. The solicitor must advise the lender immediately of any deviation to this tenure. It may be necessary to refer this matter to the valuer to ensure there is no effect on the valuation figure and therefore, the loan available.

### **30. Freehold interest/long lease**

The lender cannot lend on properties where the property is subject to either the tenant's right of first refusal under Part 1 of the Landlord and Tenant Act 1987 or where the tenant's have the right to enfranchisement.

Where the property comprises a freehold interest and part(s) have been sold off on long leases, the solicitor's must confirm:-

1. That the long leaseholders do not have the right of first refusal as contained in Part 1 Landlord and Tenant Act 1987.

**30. ...continued**

2. That the long leaseholders do not have the right to enfranchisement.
3. That the long leases are bona fide arms length leases, and do not adversely affect our security.
4. The insurance arrangements for the property.

The solicitor should ensure that the applicant is made aware of the lender's requirement and that the condition remains for the duration of the mortgage term. Should the applicant wish to sell off flats or part of the security in future, any such proposal must be referred to the lender in the first instance to ensure that any such proposal meets our criteria.

## Section 2 – Special Conditions (which apply if specified on the offer of loan)

### 50. Condition no longer in use.

### 51. Lettings – Tenancy Requirements

#### 51.1 Acceptable Tenancies

51.1.1 Only two categories of tenancy are acceptable to the lender. In broad terms, provided the applicant complies with this condition the property may be let to:-

(a) individuals; or

(b) a 'corporate body' listed in section C – that is to a housing association, a local housing authority, a limited company or an educational institute.

51.1.2 Section A is a general section that will apply in all cases regardless of the type of tenant who is to occupy the property.

If the applicant wishes to let the property to one or more individuals the applicant must comply with section A and section B.

If the applicant wishes to let the property to a corporate body the applicant must comply with section A and section C.

If the applicant wishes to let part of the property to one or more individuals and part to a corporate body the applicant must comply with section A and both section B and section C.

**Section A** – This section will apply in **all** cases regardless of the type of tenant.

### A1 Completion

On completion of the mortgage either the applicant must have vacant possession of the whole of the property or there must be verified acceptable sitting tenants (see clause A2 below). There can be no other occupiers at completion (for example; the applicant or members of the applicant's family)

### A2 Sitting Tenants

A2.1 If the applicant is to acquire or remortgage the property with sitting tenants at completion the lender will not advance the loan until the report on title has been received from the solicitor acting confirming, amongst other things, that the sitting tenants concerned are acceptable tenants.

A2.2 The lender will not advance the loan if any sitting tenant:-

(a) took up occupation (or was granted a right to occupy) before 16 January 1989 (which would mean the tenant could enjoy protection or benefits under the Rent Act); or

(b) succeeded to (that is took over) the tenancy on the death of a person who was in occupation before 16 January 1989.

### A3 Notices

A3.1 Condition 18.1 of the mortgage conditions is amended. The lender will give notices not at the address of the property but at the correspondence address as shown in the loan application form (or, if the applicant is a limited company, at the registered office) or any other address subsequently provided (and acknowledged by the lender) as a correspondence address.

A3.2 The applicant will show any tenancy agreements, notices given to or by tenants or proof of rental payments promptly on request by the lender.

### A4 Consent to Let and Occupation

A4.1 After completion of the mortgage the applicant may only let the property in accordance with this condition.

A4.2 Where the applicant is an individual, neither the applicant nor any related person (which includes the applicant's spouse, parents, grandparents, siblings, children or grandchildren) may occupy the property at any time.

Where the applicant is a corporate entity, neither the directors, guarantors or shareholders nor any related persons (which includes their respective spouses, parents, grandparents, siblings, children or grandchildren) nor any associated subsidiary or parent company or the applicant may occupy the property at any time.

**Section B** – This section applies if the applicant wishes to let the property (or part of it) to one or more individuals.

### **B1 Assured Shortholds**

- B1.1 The applicant may only let the property under (in England and Wales) assured shorthold tenancies as defined by Section 19A of the Housing Act 1988 or (in Scotland) short assured tenancies as defined by Section 32 of the Housing (Scotland) Act 1988 (“the Acts”).
- B1.2 Each tenancy agreement must:–
- (a) be in writing;
  - (b) be either a monthly periodic tenancy (that is rent is payable monthly and the tenancy runs indefinitely from one monthly rental period to the next) or be for a fixed term of at least six but not more than twelve months.
  - (c) prohibit the tenant from both taking in lodgers or otherwise parting with or sharing possession of the property or from using it as anything other than a residential dwelling;
  - (d) not contain any provision to the effect that the tenancy is not an assured shorthold or (in Scotland) short assured.

### **B2 Single/Multiple Occupation**

- B2.1 The applicant may let the property in one of two ways:–
- (a) as a whole under a single tenancy (this may be to one tenant or a number of joint tenants); or
  - (b) under a number of separate tenancies provided each tenancy qualifies as a let of a separate dwelling under the Acts (the solicitor can advise the applicant on this point) and, if accommodation is shared, paragraph B2.2 must be complied with.
- B2.2 Where tenants have their own separate accommodation (for example a bedroom and living room) but also have to share accommodation (for example a bathroom and kitchen) with others then each tenancy must include:–
- (a) an exclusive right to occupy specific separate accommodation consisting of at least a bedroom; and
  - (b) a right to use the shared accommodation.

**Section C** – This section applies if the applicant wishes to let the property (or part of it) to a corporate body.

### **C1 Acceptable Corporate Tenants**

- C1.1 The applicant may only let the property to one of the following (referred to in this section as an ‘acceptable corporate tenant’):–
- (a) a limited company incorporated under the Companies Acts with its registered office in England, Wales or Scotland;
  - (b) an educational institute, that is:–
    - a university
    - a university college
    - a publicly funded further education or higher education college;
  - (c) a housing association registered under the Housing Association Act 1985;
  - (d) a local housing authority

### **C2 Terms of Approved Lease**

- C2.1 The applicant may only let the property to an acceptable corporate tenant under a fixed term lease for a term of:–
- (a) no more than 3 years where the tenant is a limited company or an educational institute;
  - (b) no more than 5 years where the tenant is a housing association or a local housing authority.
- C2.2 In addition to C2.1, any lease to an acceptable corporate tenant must:–
- (a) require the property to be used as a residential dwelling only;
  - (b) prohibit the tenant from occupying it or from using it for any business purpose;
  - (c) prohibit the tenant from parting with possession of the property or allowing any person to occupy it other than an individual or individuals whose rights of occupation do not extend beyond the term granted to the acceptable corporate tenant.

## **52. Condition no longer in use**

### **53. Postal Address**

The solicitor must provide the full postal address of the property, inclusive of postcode, on or prior to the request for the advance.

### **54. Full Retention – Property Under Construction/Conversion**

No part of the loan will be released until the property has been completed to the satisfaction of the lender and reinspected by the valuer. Once the property is completed the solicitor should contact the lender to arrange a reinspection for which a minimum of 10 working days notice is required. A reinspection fee (at the then current rate) will be payable either by deduction from the advance or, at the option of the lender, in advance. Please note, full buildings insurance cover will not be effected until this condition is satisfied.

## **55. Condition no longer in use**

### **56. Full Retention – Property Requiring Essential Repairs**

No part of the loan will be released until all works detailed in section 6b)i) of the Security Assessment and Valuation Report or Security Assessment and Investment Valuation Report have been carried out to the satisfaction of the lender and reinspected by the valuer. Once the works have been completed the solicitor should contact the lender to arrange a reinspection for which a minimum of 10 working days notice is required. A reinspection fee (at the then current rate) will be payable either by deduction from the advance or, at the option of the lender, in advance. Please note, full buildings insurance cover will not be effected until this condition is satisfied.

## **57. Condition no longer in use**

## **58. Condition no longer in use**

### **59. Tree Specialist Report – Buildings Insurance**

It is a condition of the block insurers that the applicant must obtain a tree specialist report in respect of the trees detailed in the Security Assessment and Valuation Report or Security Assessment and Investment Valuation Report. All necessary recommendations are to be carried out, under the guidance of a tree specialist, to prevent damage through tree root encroachment to the property.

### **60. Tree Specialist Report**

A tree specialist report must be obtained by the applicant as detailed in the Security Assessment and Valuation Report or Security Assessment and Investment Valuation Report. All recommendations are to be carried out within 6 months of completion.

### **61. Owners of Trees on Notice**

The solicitor is to obtain an undertaking from the applicant confirming they will put the owners of the trees detailed in the Security Assessment and Valuation Report or Security Assessment and Investment Valuation Report on written notice with regard to their responsibility for the maintenance and management of the trees to avoid any future growth damage to the property. The solicitor is to lodge this undertaking with the title deeds.

### **62. Electrical Report**

This offer of loan is subject to the property having an electrical inspection by a qualified electrician to the latest NICEIC regulations. The contractor's report must be received prior to the request for the advance and may be referred to the valuer for his comments before proceeding further.

### **63. Mining Search**

This offer of loan is subject to the solicitor obtaining a satisfactory Coal Mining Search. The search must be forwarded for consideration as soon as it becomes available and, in any event, prior to the request for the advance.

## **64. Condition no longer in use**

### **65. Garage and/or Parking Space**

The solicitor is to ensure that the garage and/or parking space which is located on a separate site forms part of the proposed security.

## **66. Condition no longer in use**

## **67. Condition no longer in use**

### **68. Upper or Top Floor Flats (Scotland)**

The solicitor must ensure that the roof is maintainable by all the owners of the building of which it forms part in equitable proportions in terms of the titles.

### **69. Condition no longer in use**

### **70. Agricultural Restrictions**

The solicitor is to ensure that the property is not subject to any agricultural restrictions or covenants.

### **71. Septic Tank**

This offer of loan is subject to the solicitor ensuring that the necessary rights of access exist to the septic tank or cesspool.

### **72. Vehicular Access**

This offer of loan is subject to the solicitor ensuring that satisfactory vehicular access to the property exists and there are no onerous liabilities in this respect.

### **73. Condition no longer in use**

### **74. Direct Debit Mandate**

This offer of loan is subject to the receipt by the lender of a fully completed direct debit mandate which must be accepted by the paying bank prior to the request for the advance.

### **75. Interest Only**

This is an interest only loan and there is no part repayment of principal in the monthly payments. Assuming all obligations are met under the mortgage, the full amount of the loan will be outstanding and repayable at the end of the mortgage term. It is the responsibility of the applicant to ensure that adequate arrangements have been made to repay this loan in full at the end of the mortgage term.

### **76. Condition no longer in use**

### **77. Condition no longer in use**

### **78. Administration Fee**

The administration fee as detailed in the offer of loan will be added to the mortgage on completion of the loan.

### **79. Transfer into Sole Name**

The solicitor must ensure that the property is conveyed into the sole name of the applicant on completion of the loan.

### **80. Non Block Buildings Insurance**

As buildings insurance is not being arranged by the lender the solicitor must, on or prior to the request for the advance, provide the following details (or a copy of the policy schedule may be supplied) of the alternative index linked policy: Name of insurance company, policy number, renewal date, insured amount and confirmation that the insurer is a member of the Association of British Insurers. The policy must be in the insurers standard form of reinstatement contract and not be for less than the cover stated in the offer of loan. Furthermore, the solicitor must also confirm that on completion, the interest of the lender will be noted on the policy and that the insurer will be requested in writing, to notify the lender of any reduction to the amount insured or scope of the cover in force. The applicant must contribute towards the cost of the lender taking out contingency insurance, the amount of which will be stated on the offer of loan and deducted from the advance.

### **81. Radon Gas**

The solicitor is to ensure that the applicant is aware of the requirement to monitor the levels of radon gas in accordance with procedures laid down by the National Radiological Protection Board and complying with any recommendations / requirements that the NRPB may make.

### **82. Part commercial**

Solicitors should note that:-

a) The lender requires a charge over the whole of the property, although for valuation purposes the lender has taken account of the residential component of the property only.

b) As a consequence of (a) whilst these instructions apply to the property as a whole (such that the lender requires a good and marketable title to the property as a whole) special condition 51 (lettings - tenancy requirements) applies only to the residential component of the property. Unless we specifically ask the solicitor is not required to report on the user or the occupation of the commercial component.

Any changes to the use or occupation of the commercial component after completion of the loan are not permitted without the prior consent of the lender in writing. The lender reserves the right to reinspect the property (a reinspection fee at the then current rate will be payable).

### **83. HMO Condition**

The property may fall within the definition of a House in Multiple Occupation under S345 Housing Act 1985 and may in due course require a license to be operated as an HMO when Part 2 of the Housing Act 2004 comes into force. It is assumed for the purposes of the valuation that the property complies with all relevant legislation contained in the Act particularly in relation to S604 (Fitness for Habitation) and S352 (Means of Escape and Fire Precautions). Solicitors to verify and provide a copy of the Registration Certificate if applicable.

### **84. HMO Condition (Scottish Properties)**

Solicitors must confirm that where the property comprises a house or flat which 3 or more unrelated adults share as an HMO, it is licensed in accordance with the requirements of the Civil Government (Scotland) Act 1982 (Licensing of Houses in Multiple Occupation) Order 2000.

### **85. Part Retention**

The retention specified in the offer of loan will be made from the advance until the works detailed in section 6b of the Security Assessment and Valuation Report or Security Assessment and Investment Valuation Report have been carried out to the satisfaction of the lender and reinspected by the valuer. Once the works have been completed, the solicitor or the applicant should contact the lender to arrange a reinspection, for which a minimum of 10 working days notice is required. A reinspection fee (at the then current rate) will be payable and either deducted from the advance (if the reinspection is prior to completion), added to the loan, or at the discretion of the lender paid in advance. Please note the works should be completed within a period of 6 months following completion of the loan. On reinspection, should the property not be valued at the same, or more than, the figure shown on this offer of loan, the retention amount released may be restricted accordingly.

### **86. Limited Refurbishment - Retention**

The retention specified in the offer of loan will be made from the advance until the works proposed by the applicant to the property are carried out to the satisfaction of the lender. The valuation figure shown on the offer of loan is the after works figure adopted by the valuer and reflects the proposed works. Once the works have been completed, the solicitor or the applicant should contact the lender to arrange a reinspection, for which a minimum of 10 working days is required. A reinspection fee (at the then current rate) will be payable and either deducted from the advance (if the reinspection is prior to completion), added to the loan, or at the discretion of the lender paid in advance. Please note the works should be completed within a period of 6 months following completion of the loan. On reinspection, should the property not be valued at the same, or more than, the figure shown on this offer of loan, the retention amount released may be restricted accordingly.





**Paragon Mortgages Limited** St Catherine's Court Herbert Road Solihull West Midlands B91 3QE  
Telephone: 0845 849 4040 Fax: 0845 849 4041 e-mail: [mortgages@paragon-group.co.uk](mailto:mortgages@paragon-group.co.uk) [www.paragon-mortgages.co.uk](http://www.paragon-mortgages.co.uk)  
Registered in England N<sup>o</sup>: 2337854