

BUY-TO-LET

Mortgage Conditions

England and Wales



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1. Definitions and interpretation

1.1 In these Conditions:

Administrator means a person for the time being administering the Charge;

Borrower means the person specified as such in the Charge and shall include anyone claiming any right, estate or interest from or through a Borrower;

Borrowings mean all moneys borrowed, raised or secured by the Borrower (or where the Borrower is a limited company, by any Group Company) including but not limited to all liabilities under any guarantees or indemnities or liabilities (whether primary or secondary) incurred to discharge the obligations of any third party;

Buildings Insurance means any policy of insurance to the extent that it insures loss or damage to the Property or premises of which the Property forms part;

Business Day means a day (other than Saturday or Sunday) on which banks are open for business in London;

Charge means the charge or mortgage of the Property in favour of the Lender into which these Conditions have been incorporated and includes any further charge made pursuant to the Charge;

Delegate means any person appointed by the Lender or any Receiver pursuant to 27, and any person appointed as attorney of the Lender, Receiver or Delegate;

Expenses means all charges, costs or expenses which the Lender or, as appropriate, a Receiver makes, pays or incurs under or in connection with the Charge or the Loan, examples of which are set out in 16.4;

Group Company means where the Borrower is a limited company, the Borrower, any subsidiary or holding company of the Borrower at the date of the Offer or from time to time and any subsidiary at the date of the Offer or from time to time of the holding company of the Borrower;

Guarantee means any guarantee, indemnity or security given by a third party for the Mortgage Debt;

Guarantor means the third party giving a Guarantee;

Interest Period means a Quarter, unless specified otherwise in the Offer, or any changed period that may apply under 23;

Interest Rate means the rate of interest shown in the Offer or any changed rate that may apply under 5;

Lease means where the Property is leasehold, the lease under which the Borrower holds the Property;

Lender means the person specified as such in the Charge and shall include anyone claiming any right, estate or interest from or through the Lender;

Loan means any amount lent by the Lender to the Borrower pursuant to an Offer and includes any further advance to the Borrower and the Charge shall secure such further advances and constitute a continuing security accordingly;

LPA means the Law of Property Act 1925;

Mortgage Debt means all money from time to time due, owing or incurred to the Lender by the Borrower under the terms of the Offer or the Charge, including (without prejudice to the generality of the foregoing):

- (a) the Loan;
- (b) the Expenses and all other moneys and expenses incurred by the Lender under the Charge (including all legal and other costs and disbursements, stamp duties and Land Registry and other fees); and
- (c) all interest payable on such amounts in accordance with the Offer and/or these Conditions.

Occupier means a person paying Rental Income;

Occupational Lease means any Lease, tenancy or licence of the Property;

Offer means any offer of loan by which the Lender offered to make a Loan to the Borrower to be secured on the Property and includes any changes the Lender makes to the terms of offer before it lends;

Payment means the monthly payment specified in the Offer or any changed payment that may apply under 4;

Property means the property specified in the Charge and any part or parts of it;

Property Rights mean:

- (a) any shares or other membership rights which the Borrower at any time has or ought to have because the Borrower owns the Property;
- (b) the rights which the Borrower may at any time have under any guarantee, agreement, option or insurance policy relating to the Property, the way it was built or its condition;
- (c) the rights or claims which the Borrower may at any time have against any person in connection with any report, statement or valuation given in respect of the Property, or which affected the Borrower's decision to enter into the Charge;
- (d) where there is a Lease:
 - (i) any rights the Borrower may at any time have to acquire a new or extended Lease;
 - (ii) any rights the Borrower may at any time have to acquire the freehold of the Property or the building of which the Property is a part;
 - (iii) any rights or claims the Borrower may at any time have against an Occupier.

Quarter means each period running from 1 January to 31 March, 1 April to 30 June, 1 July to 30 September and 1 October to 31 December inclusive;

Receipt means any money received by the Lender (or where appropriate, the Borrower or Receiver) at any time:

- (a) as a Payment;
- (b) as Rental Income;
- (c) under the Property Rights;
- (d) under the Buildings Insurance;
- (e) on the sale or disposal of the Property;
- (f) as compensation for the compulsory purchase of the Property;
- (g) in any other way under or in connection with the Charge.

Receiver: a receiver and/or manager of any or all of the property charged as security for the Secured Amount;

Rental Income means the gross rents, licence fees and any other money, at any time, derived from the Property or any other property charged as security for the Secured Amount;

Secured Amount means all present and future moneys, obligations and liabilities owed by the Borrower to the Lender whether actual or contingent and whether jointly or severally as principal or surety, and in any other capacity including (without prejudice to the generality of the foregoing) the Mortgage Debt;

Term means with regard to any Loan, the period of time specified in the Offer for that Loan which shall commence at the date the Loan is made and, at the end of which, that Loan and all interest and other moneys connected with the Loan are (subject to compliance with these Conditions) to be repaid.

- 1.2 The definitions in 1.1 apply if not inconsistent with the subject or context in which they appear.
- 1.3 Any reference to an Act of Parliament or regulation includes any changes made to it.
- 1.4 The Charge includes the terms of the Offer. If there is any inconsistency between the Offer and these Conditions, subject to 5.8 the Offer (but not the general conditions to which it is subject) shall prevail.
- 1.5 Any consent required from the Lender under the Charge will only be valid if given in writing. The Lender may:-
 - 1.5.1 give consent on whatever terms it chooses;
 - 1.5.2 on giving the Borrower written notice, withdraw or change the terms of any consent.
- 1.6 Obligations of more than one person are joint and several.
- 1.7 The Charge will not extend or apply to a regulated agreement as defined by the Consumer Credit Act 1974.
- 1.8 In these Conditions the singular includes the plural and the masculine includes the feminine and vice versa. Where an expression includes more than one person it shall include any one or more of them.
- 1.9 Any reference to a person shall:
 - 1.9.1 be construed as a reference to any person, firm, company, corporation or any association or partnership (whether or not having separate legal personality) as well as a natural person;
 - 1.9.2 include references to that person's successors, transferees and assigns and any person claiming any right, estate or interest under or through him.
- 1.10 Holding company and subsidiary mean a "holding company" and "subsidiary" as defined in section 1159 of the Companies Act 2006 and a company shall be treated, for the purposes only of the membership requirement contained in subsections 1159(1) (b) and (c), as a member of another company even if its shares in that company are registered in the name of (i) a person (or its nominee) whether by way of security or in connection with the taking of security or (ii) its nominee.
- 1.11 References to a person being connected with another person shall be construed in accordance with sections 253 and 254 of the Companies Act 2006.
- 1.12 The headings used in these Conditions are for convenience only and do not affect their interpretation.
- 1.13 These Conditions are the Paragon Mortgage Conditions (second edition).

2. The Administrator

The Borrower acknowledges and agrees that:

- 2.1 the Lender may subcontract or delegate all, or any part, of the administration of the Charge, including the authority to exercise all or some of the Lender's powers and discretions, to an Administrator;
- 2.2 the Administrator shall have no liability for the obligations of the Lender under the Charge or otherwise.



3. Payment obligations

- 3.1 The Borrower must pay when due without being asked and without deduction, set-off or counterclaim:
 - 3.1.1 each Payment;
 - 3.1.2 the Expenses;
 - 3.1.3 all premiums on the Buildings Insurance (whether the Borrower or the Lender arranges cover);
 - 3.1.4 interest in accordance with these Conditions;
 - 3.1.5 the balance of the Secured Amount in accordance with its terms.
- 3.2 Unless the Offer states otherwise, the first Payment must be made within nine Business Days of the date the Loan is advanced and thereafter Payments will be made on the last Business Day of each month during the Term.
- 3.3 All Payments must be made by Direct Debit from the Borrower's account established and maintained in accordance with 6.1.2. The Lender may make a charge for each application for Direct Debit payment refused by the Borrower's bank.
- 3.4 The Charge is a continuing security for the Secured Amount. The Lender shall be under no obligation to discharge the Charge unless the Secured Amount has been paid in full.
- 3.5 In any event, the Borrower shall repay the Mortgage Debt in full at the end of the Term.
- 3.6 If on realisation of the Property the net proceeds are insufficient to repay the Mortgage Debt in full the Borrower will pay the shortfall immediately. The shortfall shall bear interest at the Interest Rate both before and after any judgement.

4. Payments

- 4.1 The Offer will state whether and when the Payments will consist of capital and interest, or interest only, or a combination of the two. If the Payments include capital, the Lender shall set them at such a level as will ensure that the amount of capital stated in the Offer is repaid at the end of the Term.
- 4.2 The Lender may by giving appropriate notice vary the Payment:-
 - 4.2.1 if there has been a change in the Interest Rate to take account of that change;
 - 4.2.2 to cover any Expenses or any interest on them;
 - 4.2.3 if the Lender makes a further advance or the Borrower repays part of the Loan early;
 - 4.2.4 if the Borrower makes a Payment of less than the amount due;
 - 4.2.5 if the Lender applies, changes or cancels any arrangement allowing the Borrower to delay repaying the Loan or any other amount owed by the Borrower to the Lender;
 - 4.2.6 to reflect any change in the number of Payments;
 - 4.2.7 if the Lender needs to provide for any other matter to ensure that the Mortgage Debt is repaid in full at the end of the Term;
 - 4.2.8 if the Borrower lets or grants rights in or to the Property contrary to these Conditions or the Offer (and any increase under this Condition shall not be taken to mean that the Lender agrees with the letting or grant which gave rise to the increase);
 - 4.2.9 if the cost to the Lender of borrowing funds increases or if it reasonably believes it is likely to do so;
 - 4.2.10 to maintain the Lender's return on the Loan;
 - 4.2.11 in the circumstances set out in 10.7;
 - 4.2.12 at any time after the Borrower has breached 6.2 or 6.3;
 - 4.2.13 at any time after the Borrower has breached 7.4;
 - 4.2.14 at any time after the Lender has exercised its right under 10.8 to require the Borrower to reduce the Mortgage Debt; or
 - 4.2.15 at any time after an Event of Default as set out in 9.4.6.7 has occurred.
- 4.3 Any increase in Payments under 4.2.12 - 4.2.15 shall be without prejudice to any other rights or remedies of the Lender and shall be for such amount and for such period as the Lender, acting reasonably, considers fair and necessary:
 - 4.3.1 in the case of an increase under 4.2.12, to cover or recover any additional maintenance, service or other charges incurred by the Lender (whether on its own account or on behalf of the Borrower) as a consequence of the Borrower's breach;
 - 4.3.2 in the case of an increase under 4.2.13 or 4.2.14 to reduce the Mortgage Debt to such a level that it is adequately secured by the Property (in its then current state or condition or as then being used); or
 - 4.3.3 in the case of an increase under 4.2.15, to reduce the Mortgage Debt to such a level that it is adequately secured by the Property (provided that the Lender will only increase Payments under 4.2.15 where in the opinion of the Lender the change of control has, or is likely to, materially adversely affect (i) the Borrower's ability to perform or otherwise comply with all or any of its obligations under the Charge or the Offer; or (ii) the business, operations, property, condition (financial or otherwise) or prospects of the Borrower, and in each case the reduced level of the Mortgage Debt is appropriate (by reference to the value of the Property) to reflect the Lender's view of increased risk to the Lender arising from that adverse effect).
- 4.4 The Lender will not increase the Payment under 4.2.12 - 4.2.15 where the Borrower is a consumer for the purposes of the Consumer Rights Act 2015.

5. Interest

- 5.1 For any Interest Period the Lender will charge interest on:
- 5.1.1 the Mortgage Debt on the last day of the preceding Interest Period; and
 - 5.1.2 any amount advanced to, or becoming payable by, the Borrower during that Interest Period from the date it was advanced or became payable.
- 5.2 For the purposes of 5.1 an amount is advanced when the Lender releases it. Where only part of an intended advance has been made, interest shall not be charged on the part withheld until released.
- 5.3 Interest will accrue from day to day and, depending upon the date and frequency of Payments, may be paid in advance as all or part of a Payment.
- 5.4 Where there is a monthly Interest Period specified in the Offer then, for the purpose of calculating the amount of interest payable as part of each Payment, the Lender may assume that the Interest Period is exactly one twelfth of a year.
- 5.5 Interest will be charged at the Interest Rate (both before and after any court order the Lender may obtain against the Borrower for the Borrower to pay some or all of the Mortgage Debt).
- 5.6 Unless the Offer states otherwise and subject to 5.7, the Lender may, without notice to the Borrower and with effect from any date, increase or decrease the Interest Rate.
- 5.7 Where the Borrower is a consumer for the purposes of the Consumer Rights Acts 2015, the Lender may vary the Interest Rate for one or more of the following reasons:-
- 5.7.1 to reflect a change which has occurred, or which the Lender reasonably believes will occur, in the cost of funds it uses in its business;
 - 5.7.2 if there has been a change in LIBOR, the Bank of England base rate or in interest rate levels generally;
 - 5.7.3 if investment rates have been increased or decreased;
 - 5.7.4 to ensure that the Lender's business remains competitive, taking into account actual and expected changes in market conditions;
 - 5.7.5 to take account of a change in law, or decisions or guidance by a court, ombudsman, regulator or similar body;
 - 5.7.6 to reflect a change in the general practice of lenders;
 - 5.7.7 to reflect any change in the cost to the Lender of providing its services to the Borrower;
 - 5.7.8 to reflect any change in the value of the Property because of the way it is being used;
 - 5.7.9 if the Borrower lets or grants rights in or to the Property contrary to these Conditions or the Offer (and any increase under this Condition shall not be taken to mean that the Lender agrees with the letting or grant which gave rise to the increase);
 - 5.7.10 if the cost to the Lender of borrowing funds increases or it reasonably believes it is likely to do so; or
 - 5.7.11 to maintain the Lenders return on the loan.
- Provided that if any of the above reasons are found to be invalid, the Lender may still vary the Interest Rate for any of the remaining reasons or any other valid reason.
- 5.8 Regardless of any Interest Rate provision to the contrary in the Offer, the Lender may, subject to 5.9 and 5.10, increase the Interest Rate:
- 5.8.1 at any time after the Borrower has breached 6.2 or 6.3;
 - 5.8.2 at any time after the Borrower has breached 7.4;
 - 5.8.3 at any time after the Lender has exercised its right under 10.8 to require the Borrower to reduce the Mortgage Debt; or
 - 5.8.4 at any time after an Event of Default as set out in 9.4.6.7 has occurred.
- 5.9 The Lender may only increase the Interest Rate under 5.8 where it believes, acting reasonably, that the relevant breach or event giving rise to a right to increase has had, or is likely to have, a material adverse effect on (i) the Borrower's ability to perform or otherwise comply with all or any of its obligations under the Charge or the Offer; or (ii) the business, operations, property, condition (financial or otherwise) or prospects of the Borrower. If this is the case then any increase shall be for such amount and applied for such period as the Lender acting reasonably considers appropriate to compensate the Lender for, or reflect the increased risk to the Lender arising from, the adverse effect.
- 5.10 The Lender will not increase the Interest Rate under 5.8 where the Borrower is a consumer for the purposes of the Consumer Rights Act 2015.

6. Borrower's duties

- 6.1 General
- The Borrower must at all times:
- 6.1.1 comply with the Borrower's obligations contained or implied in:-
 - 6.1.1.1 the Charge; and
 - 6.1.1.2 the Offer (which shall be deemed incorporated in and part of the Charge as if set out in full herein);
 - 6.1.2 maintain a bank or other account approved by the Lender from which Payments may be collected by Direct Debit.

6.2 The Property

The Borrower must:

- 6.2.1 complete without delay, and to the Lender's satisfaction, any outstanding building or repair works in relation to the Property;
- 6.2.2 put and keep the Property in good repair and condition;
- 6.2.3 allow the Lender, or the Lender's agents or workmen, on reasonable prior notice (except in the case of emergency) to inspect the Property;
- 6.2.4 keep to any obligations which apply to or affect the Property under statutes, regulations, bye-laws and other legislation;
- 6.2.5 keep to all obligations, regulations, stipulations or agreements affecting the Property, including (where the Property is leasehold) any under the Lease;
- 6.2.6 arrange and maintain insurance in respect of the Borrower's public liability including, but not limited to, liability under the Defective Premises Act 1972;
- 6.2.7 comply with the requirements of any competent authority relating to the Property and serve promptly on the Lender a copy of any notice affecting the Property received from such an authority;
- 6.2.8 give to the Lender promptly on demand such information about the Property as the Lender may require;
- 6.2.9 obtain and maintain all licences and authorisations which may be required by any competent authority (including but not limited to licences and authorisations which may be required by reason of the Property being a House in Multiple Occupation) and supply a copy thereof promptly on demand by the Lender.

6.3 Outgoings

The Borrower must pay when due all rents, rates, taxes, charges or other outgoings which are the responsibility of the owner or Occupier of the Property or (where the Property is leasehold) the lessee under the Lease and, promptly when asked, provide the Lender with evidence of payment (provided that where any such rent or outgoings are payable to a person connected with the Borrower they shall be deemed paid or waived).

6.4 Notice to the Lender

The Borrower must:

- 6.4.1 promptly tell the Lender in writing if:
 - 6.4.1.1 the Borrower receives any order or notice affecting the Property;
 - 6.4.1.2 (where the Property is leasehold) the landlord under the Lease or any superior landlord takes steps to forfeit the Lease or re-enter the Property or threatens so to do;and, in either case, promptly take whatever steps the Lender may ask in order to protect the Lender's security under the Charge;
- 6.4.2 promptly tell the Lender in writing if the Borrower acquires:
 - 6.4.2.1 a new or extended Lease;
 - 6.4.2.2 the freehold of the Property, or the building of which the Property is a part, or any shares or membership rights in any entity which owns such a freehold;and, in either case, promptly when asked execute as security for the Secured Amount a charge over the interest the Borrower has acquired in whatever form the Lender considers appropriate;
- 6.4.3 promptly when asked give the Lender such information about the Property as the Lender may request.

6.5 Occupiers

If there is an Occupational Lease, the Borrower must:

- 6.5.1 keep to the Borrower's obligations under it;
- 6.5.2 ensure that the tenant complies with the tenants' obligations under it;
- 6.5.3 not vary, release, or waive any term of it.

6.6 Rental Income

The Borrower must, promptly when asked:

- 6.6.1 ensure that the Rental Income is paid direct to such bank account as the Lender may specify ("the Designated Account");
- 6.6.2 give written instructions to the Occupiers to pay the Rental Income into the Designated Account;
- 6.6.3 execute as security for the Secured Amount a Charge over, or in respect of, the Designated Account in such form as the Lender may consider appropriate;

6.7 Property Rights

- 6.7.1 the Borrower shall as security for the Secured Amount and subject to redemption of the Charge hold the Property Rights upon trust for the Lender;
- 6.7.2 the Borrower shall promptly if asked take such proceedings as the Lender may consider appropriate to exercise, enforce or recover any of the Property Rights.

7. What the Borrower must not do

Dealings with the Property

- 7.1 The Borrower must not without first obtaining the Lender's consent (see 1.5):
- 7.1.1 sell, mortgage, charge or dispose of any interest in the Property;
 - 7.1.2 grant or create, or permit the grant or creation of, any new rights over or in the Property;

Occupation of Property

- 7.2
- 7.2.1 where the Borrower is a natural person, neither the Borrower nor any related person (which includes the Borrower's spouse, civil partner, parent, grandparents, siblings, children or grandchildren) may occupy the Property at any time;
 - 7.2.2 where the Borrower is a corporate entity, no director, Guarantor or shareholder or related person (which includes the respective spouses, civil partners, parents, grandparents, siblings, children or grandchildren) of any such director, Guarantor or shareholder, or any subsidiary or holding company of the Borrower may occupy the Property at any time.
- 7.3 The Borrower must not without first obtaining the Lender's consent (see 1.5):
- 7.3.1 grant any lease, licence or tenancy of the Property or in any way part with possession of the Property or share possession of it with anyone else other than in accordance with the Offer;
 - 7.3.2 allow any of the Borrower's employees or agents to occupy the Property for any reason.

The Property

- 7.4 The Borrower must not without first obtaining the Lender's consent (see 1.5):
- 7.4.1 alter or make any structural alterations or additions to the Property;
 - 7.4.2 apply for or obtain an improvement or similar grant in respect of the Property;
 - 7.4.3 allow the Property to be used for anything other than residential occupation;
 - 7.4.4 allow anything to be done at the Property which would be treated as a change of use or development under any planning legislation that may apply from time to time;
 - 7.4.5 negotiate or settle any claim for the compulsory purchase of the Property.
- 7.5 The Borrower must not use the Property, or permit it to be used, for any immoral or illegal purpose.

Land Registry

- 7.6 If any notice (whether agreed or unilateral) or other entry is registered against the title to the Property the Borrower shall immediately provide the Lender with full particulars of the circumstances relating to such notice or entry. If the Lender requests, the Borrower shall immediately and at its own expense take such steps as the Lender may require to ensure that the notice or entry is withdrawn, cancelled or removed as appropriate.

Provision of Information

- 7.7 The Borrower shall:
- 7.7.1 promptly on the request of the Lender supply such information about the financial condition, business and operations of the Borrower as the Lender may request; and
 - 7.7.2 be available for interview by the Lender, or at the reasonable request of the Lender attend the offices of the Lender, for discussions concerning the financial condition, business and operations of the Borrower.
- 7.8 If the Lender is obliged for any reason to comply with "know your customer" or similar identification procedures in circumstances where the necessary documentation is not already available to it, the Borrower shall promptly on the request of the Lender supply or procure the supply of such documentation and other evidence, as is reasonably requested in order for the Lender to carry out and be satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations.

8. Buildings Insurance

- 8.1 Provided the Borrower first obtains the Lender's consent (see 1.5), the Borrower may arrange Buildings Insurance.
- 8.2 If the Borrower arranges Buildings Insurance the Borrower must:
- 8.2.1 take out and maintain a comprehensive index-linked policy which:
 - 8.2.1.1 notes the interest of the Lender in the cover provided;
 - 8.2.1.2 is with a member of the Association of British Insurers or an insurer authorised and regulated in the United Kingdom by the Prudential Regulation Authority;
 - 8.2.1.3 as a minimum provides cover for the full cost of rebuilding the Property;
 - 8.2.2 pay all premiums when due;
 - 8.2.3 keep to the terms that the Lender may impose in its consent under 8.1 and abide by the terms and conditions of the policy and advise the insurer and the Lender immediately of any material facts (including, but not limited to, periods of unoccupancy) which might affect the continuity of full and unrestricted cover on the Property.
- 8.3 If there is any inconsistency between 8.2 and the terms of the Lender's consent under 8.1, the consent shall prevail.



- 8.4 If:
 - 8.4.1 the Borrower does not arrange Buildings Insurance; or
 - 8.4.2 if the Borrower does arrange it but does not keep to the terms of the policy or to any term of the Lender's consent under 8.1; then the Lender may (but need not) arrange Buildings Insurance.
- 8.5 If the Lender arranges Buildings Insurance:
 - 8.5.1 the Lender may choose:
 - 8.5.1.1 the insurer;
 - 8.5.1.2 the risks to be covered;
 - 8.5.1.3 the amount of cover;
 - 8.5.1.4 whether the Lender alone will be the insured or whether the Borrower (and anyone else) will be named as a joint insured or noted on the policy.
 - 8.5.2 the Borrower must pay all premiums (see 3.1.3);
 - 8.5.3 the Lender may (but need not) include the premiums for the Buildings Insurance (and, if appropriate, any contents or other insurance linked to the Loan) in the Payment;
 - 8.5.4 the Lender may keep for its own benefit any commission or other benefit it receives for placing the Buildings Insurance with the insurer.
- 8.6 Regardless of who arranges Buildings Insurance (including where there is a Lease and the landlord insures):
 - 8.6.1 the Borrower will hold any money the Borrower receives under the Buildings Insurance on trust for the Lender;
 - 8.6.2 the Borrower must not do anything, or allow anything to be done, which might:
 - 8.6.2.1 reduce the cover or increase the premiums under the policy;
 - 8.6.2.2 allow the insurer to cancel the policy or withhold a payment under it; or
 - 8.6.2.3 in any other way adversely affect the validity of the policy.
 - 8.6.3 the Borrower must promptly tell the Lender in writing if the Borrower becomes aware of anything which might cause any of the things listed in 8.6.2 to happen.
 - 8.6.4 the Borrower may not, without the prior consent in writing of the Lender, negotiate or settle any cash or other claim with the insurer. Any settlement negotiated with the insurer must require the insurer to pay any cash settlement to the Lender (which the Lender may apply as a Receipt).
 - 8.6.5 the Lender may settle all claims with the insurer to the extent that they relate to the Property.
 - 8.6.6 any Payment under the policy received by the Lender will be a Receipt and dealt with in accordance with 17.

9. When the Mortgage Debt becomes repayable

- 9.1 Each of the events or circumstances set out in 9.4 is an Event of Default.
- 9.2 If an Event of Default occurs then unless and until such Event of Default has been remedied to the satisfaction of the Lender or waived in writing by the Lender the Lender may, by giving written notice to the Borrower, declare all or part of the Mortgage Debt:
 - 9.2.1 immediately due and payable; or
 - 9.2.2 repayable on demand.
- 9.3 If the Lender gives notice under 9.2.1 then the Mortgage Debt shall be immediately due and payable by the Borrower.
- 9.4 An Event of Default shall occur if:
 - 9.4.1 the Borrower:
 - 9.4.1.1 fails to make a payment under 3.1 on the date it is due; or
 - 9.4.1.2 fails to pay on the due date any other money, or discharge any other obligation or liability (including under any guarantee or indemnity) payable by the Borrower from time to time to the Lender;

in either case unless the failure is caused solely by an administrative error or technical problem and payment is made within three Business Days of its due date.
 - 9.4.2 the Borrower fails (other than a failure to pay under 9.4.1.1) to keep to the terms of the Charge and (if the Lender acting reasonably considers that the default is capable of remedy) such default is not remedied within 14 days of the earlier of:
 - 9.4.2.1 the Lender notifying the Borrower of the default and remedy required; and
 - 9.4.2.2 the Borrower becoming aware of the default;
 - 9.4.3 the Borrower (or where the Borrower is a limited company, any Group Company) defaults under any loan agreement, guarantee, debenture, trust deed or other document or obligation relating to Borrowings;
 - 9.4.4 the Borrower stops or suspends payment of any of the Borrower's debts, or is unable to, or admits, the Borrower's inability to pay the Borrower's debts as they fall due;



- 9.4.5 the Borrower commences negotiations, or enters into any composition or arrangement, with one or more of the Borrower's creditors with a view to rescheduling any of the Borrower's indebtedness (by reason of actual or anticipated financial difficulties);
- 9.4.6 the Borrower being a limited company:
 - 9.4.6.1 any action, proceeding, procedure or step is taken for the cessation or disposal of all, or a substantial part, of its business, or there is a threat to do so;
 - 9.4.6.2 any action, proceeding, procedure or step is taken for the winding up, dissolution, administration or reorganisation (whether by way of voluntary arrangement, scheme of arrangement or otherwise) of the Borrower;
 - 9.4.6.3 any action, proceeding, procedure or step is taken for the appointment of a liquidator, receiver (including an administrative receiver) or administrator of the Borrower or over any of its assets;
 - 9.4.6.4 is subject to proceedings relating to insolvency, distress, administration or the relief of creditors;
 - 9.4.6.5 stops or suspends payment of any of its debts, or is unable to, or admits its inability to, pay its debts as they fall due; or
 - 9.4.6.6 the value of its assets is less than its liabilities, taking into account contingent and prospective liabilities;
 - 9.4.6.7 control (as defined in section 435(10) of the Insolvency Act 1986) (which shall be read as though references in paragraph (b) to one third were references to one fifth), or the power to take control, of the Borrower is acquired by any person or company or group of associates (as defined in such section) not having control of the Borrower at the date of the Charge (unless with the Lender's prior consent);
- 9.4.7 the Borrower, being a natural person, dies, proposes a voluntary arrangement under the Insolvency Act 1986, or has a bankruptcy order made against him/her under the said Act or petitions the court for his/her own bankruptcy;
- 9.4.8 the Borrower suffers any distress, attachment, sequestration or execution to be levied on the Property or other of the Borrower's assets;
- 9.4.9 any judgement against the Borrower remains unpaid for more than seven days;
- 9.4.10 any of the foregoing events occur in relation to a Guarantor without the Lender's prior consent or any Guarantor is in default under any guarantee or indemnity or financial agreement or obligation, whether or not with the Lender;
- 9.4.11 any provision of a Guarantee becomes disputed, void, voidable, invalid or unenforceable;
- 9.4.12 where a Guarantor is a natural person, the Guarantor dies or becomes (or in Scotland is deemed to be) bankrupt;
- 9.4.13 a court of competent jurisdiction makes an order or direction at the request of the police, HM Revenue and Customs or any other regulatory or prosecuting authority restraining or directing dealings with the Property or the Loan or requiring the Lender to disclose any information concerning its dealings with the Borrower;
- 9.4.14 the Property is compulsorily purchased, or any building on the Property is demolished or damaged reducing the value of the Property;
- 9.4.15 there is any material mis-statement in, or omission from, information given by the Borrower to the Lender which, if known to the Lender would have affected the Lender's decision to make the Loan;
- 9.4.16 the value of the Property is, in the Lender's opinion, less than the Mortgage Debt;
- 9.4.17 an event occurs or circumstances exist which in the reasonable opinion of the Lender is or are likely materially and adversely to affect the Borrower's ability to perform all or any of the Borrower's obligations under or otherwise comply with the terms of these Conditions, the Charge or the Offer or any of them.

10. The Lender's rights and remedies

- 10.1 On the date the Borrower's first Payment is due, the Mortgage Debt shall be treated as due for the purposes of the LPA.
- 10.2 At any time after the Mortgage Debt has become immediately due and payable, the Lender may (but need not):
 - 10.2.1 take possession of the Property;
 - 10.2.2 appoint a Receiver over all or any part of the Property on the terms set out in 11;
 - 10.2.3 sell all or any part of the Property (whether or not the Lender has taken possession of it);
 - 10.2.4 exercise the same powers as are given to a Receiver by the Charge or the LPA;
 - 10.2.5 exercise the powers given to the Lender as mortgagee by the LPA or the Charge without the restrictions imposed by the LPA.
- 10.3 The Lender may, any time after exercising its power under 10.2.1, give back possession of the Property (or any part of it).
- 10.4 If the Lender takes possession of the Property it may (as the agent and at the expense of the Borrower) remove, store, sell or generally deal with any furniture, goods or animals which the Borrower has not removed from the Property.
- 10.5 Regardless of whether the Mortgage Debt has become due and payable the Lender may (but need not):
 - 10.5.1 rectify any failure by the Borrower to keep to the terms of the Charge (and without limiting the general nature of this clause, the Lender may pay any outgoings otherwise payable by the Borrower under 6.3 but which remain unpaid and which when paid by the Lender shall be Expenses and added to the Mortgage Debt);
 - 10.5.2 on reasonable notice (except in an emergency) enter the Property to:
 - 10.5.2.1 inspect it; or

- 10.5.2.2 carry out any work which the Borrower has failed to do and which, in the Lender's opinion, is needed to protect its security.
- 10.6 Nothing in 10.4 shall make the Charge a bill of sale and nothing in 10.5.2 shall make the Lender mortgagee in possession.
- 10.7 If an Event of Default occurs and the Loan is in whole or in part an interest only loan (that is the Payments comprise interest only) then if and for so long as it may give a notice under 9.2 the Lender may by written notice to the Borrower convert the Loan to a repayment loan (such that the Payments shall be increased to ensure that the Mortgage Debt is repaid in full at the end of the Term).
- 10.8 The Lender may, by 14 days' prior written notice, require the Borrower to pay the amount necessary to reduce the Mortgage Debt to the level at which, in the reasonable opinion of the Lender, it is adequately secured by the Property. At any time when determining whether the Mortgage Debt is adequately secured by the Property the Lender may take into account, amongst other things:
- 10.8.1 the actual or proposed values for the Mortgage Debt and the Property at the time of the most recent Offer;
- 10.8.2 the values at that time of any other Borrowings from the Lender or from any holding company of the Lender or from any subsidiary of that holding company and any properties charged as security for those Borrowings;
- 10.8.3 the loan to property value ratio requirements then being imposed by the Lender in relation to loans of the type comprising the Mortgage Debt and to secured loans generally.

11. Receiver

- 11.1 The Lender may:
- 11.1.1 appoint any person, including one of its employees, as a Receiver;
- 11.1.2 appoint more than one person as Receiver and, where it does, it may give them power to act jointly or separately;
- 11.1.3 set the remuneration to be paid to a Receiver;
- 11.1.4 give directions to a Receiver as to how money received is to be used or applied.
- 11.2 A Receiver may be appointed and removed in writing.
- 11.3 Any Receiver appointed by the Lender shall:
- 11.3.1 so far as the law allows be the agent of the Borrower;
- 11.3.2 not be liable as mortgagee in possession in respect of the Property;
- 11.3.3 (in addition to any powers under the LPA) have the power to do the things set out in 11.4 in each case:
- 11.3.3.1 to the extent;
- 11.3.3.2 in the amount;
- 11.3.3.3 on the terms (including but not limited to terms as to remuneration); and
- 11.3.3.4 by the manner or means;
- the Receiver considers appropriate.
- 11.4 A Receiver appointed by the Lender may (but need not) do any of the following things in the Borrower's name:
- 11.4.1 take possession of, or collect and get in all or any part of, the Property, the Rental Income and any other asset charged by the Charge and for that purpose take any proceedings as he shall think fit;
- 11.4.2 start or complete any building works in relation to the Property (and apply for any consents or licences which are needed for that purpose);
- 11.4.3 manage, develop or reconstruct the Property in any way the Receiver considers beneficial (and apply for any consents or licences which in the view of the Receiver are needed for that purpose);
- 11.4.4 raise or borrow money for any purpose the Receiver considers beneficial;
- 11.4.5 carry out repairs or improvements to the Property;
- 11.4.6 insure the Property;
- 11.4.7 sell, transfer, let, assign or dispose of the Property in whole or in part;
- 11.4.8 grant or create rights in or over the Property in whole or in part;
- 11.4.9 grant, vary, terminate or accept surrenders of Occupational Leases;
- 11.4.10 provide facilities or services for the Occupiers, and generally to manage the Property in such a manner as he shall think fit (and apply for any consents or licences which in the view of the Receiver are needed for that purpose);
- 11.4.11 where the Property is leasehold vary the terms of or surrender the Lease and/or take a new Lease of the Property or any part thereof on such terms as he shall think fit and/or acquire (whether on his own, in conjunction with others, or by a company in which he holds or acquires shares) either an extension to the Lease or the freehold of the Property or any interest in the Property and (so that any such new Lease or extended Lease or the freehold of the Property or any such interest in the Property (as the case may be) shall become charged to the Lender on the terms of the Charge so far as applicable) execute a formal legal charge over any such new Lease or extended Lease or the freehold of the Property or any such interest in the Property (as the case may be) in favour of the Lender in such form as it may require;

- 11.4.12 whether or not the Property is comprised in a Lease, where there is a management company or association which deals in any way with the management of the Property, the building of which the Property forms part or the amenities of either the Property or such building, execute a stock transfer form or other transfer in respect of any shares in or other certificate or membership of such management company or association held from time to time by the Borrower to any person to whom the Property may be conveyed, transferred or assigned and in the meantime exercise all of the rights of the Borrower in connection with such management company or association;
- 11.4.13 employ and pay managers, agents and contractors for any of the purposes above;
- 11.4.14 take, defend or discontinue whatever proceedings the Receiver considers appropriate to:
 - 11.4.14.1 collect in the Rental Income or enforce, protect or recover the Property Rights;
 - 11.4.14.2 remove an unauthorised person from the Property.
- 11.4.15 make any exchange or arrangement which is needed to fix the boundaries of the Property or settle a boundary dispute.
- 11.4.16 execute any document or do any other thing that the Receiver considers will assist in the exercise of any of the powers set out above.

12. The Lender's Liability to the Borrower

Neither the Lender nor a Receiver shall be liable to the Borrower or to any other person for any loss, damages, liabilities or expenses arising from or connected with:

- 12.1 any realisation of the assets charged by the Charge;
- 12.2 any act, or failure to act, by the Lender, a Receiver, Delegate or an agent or employee of the Lender, or a Receiver or Delegate, except to the extent that it is caused by fraud or negligence by the Lender, a Receiver or an agent or employee of the Lender or a Receiver.

13. Exclusion of Certain Rights

The Borrower has no rights under:

- 13.1 section 93 of the LPA (which would have restricted the right of the Lender to consolidate this Charge with any other security in existence at any time);
- 13.2 section 99 of the LPA (which would have given the Borrower the statutory right to let the Property);
- 13.3 section 100 of the LPA (which would have given the Borrower the statutory right to accept the surrender of Occupational Leases).

14. Instalment Loans and retentions

The Lender may refuse to release any Loan, retention or instalment, or to make any further advance, if the Borrower has failed to keep to the terms of the Charge, or if any precondition to release included in the Offer (or otherwise agreed with the Borrower) is not met.

15. Redemption or Additional Payments

- 15.1 Subject always to paying any fee or charge prescribed by the Offer, or where the Offer specifies otherwise, the Borrower may repay (whether by way of a lump sum or increased monthly payment) all or part of the Mortgage Debt at any time before it is due and owing. The minimum additional or early repayment amount is £1,000 except where the balance on the Borrower's account is (or with the repayment would be) less than £1,000, in which case the Mortgage Debt may only be repaid in full.
- 15.2 The Lender may charge the Borrower a fee for discharging or redeeming any part of its security (see 16.4.8).

16. Expenses

- 16.1 The Borrower must pay all Expenses on a full indemnity basis.
- 16.2 Expenses:
 - 16.2.1 shall be included in the Mortgage Debt from the time when made or incurred (and, as a consequence, carry interest under 5);
 - 16.2.2 shall be secured by the Charge;
 - 16.2.3 may be included in the Payment;
- 16.3 To the extent allowed by law the Borrower agrees not to require any legal costs to be assessed.
- 16.4 Expenses include (but are not limited to) the charges, costs or expenses (including all professional fees, disbursements, Value Added Tax and/or similar tax) the Lender or, as appropriate, a Receiver or the Administrator may incur in doing the following:
 - 16.4.1 administering the Charge;
 - 16.4.2 telephoning or writing to the Borrower or a Guarantor to remind the Borrower or the Guarantor that a Payment has not been made;
 - 16.4.3 taking steps, including court action, to:
 - 16.4.3.1 obtain payment of any amount owed by the Borrower under the Charge;

- 16.4.3.2 realise or collect in the assets charged by the Charge;
- 16.4.3.3 perfect, protect or enforce the Lender's security under the Charge;
- 16.4.3.4 exercise the Lender's or, as appropriate, the Receiver's rights and powers under the Charge;
- 16.4.4 finding the Borrower or a Guarantor if the Borrower or the Guarantor have changed address;
- 16.4.5 arranging or maintaining Buildings Insurance;
- 16.4.6 performing the Borrower's obligations under the Charge or remedying any failure by the Borrower to keep to the terms of the Charge;
- 16.4.7 handling any Payment which has not been made by Direct Debit or which has been refused by the Borrower's bank;
- 16.4.8 discharging or transferring the Charge;
- 16.4.9 dealing with any request that the Borrower or a Guarantor or a third party may make of the Lender.
- 16.5 When calculating Expenses the Lender may include a reasonable sum for the time and services of the Lender's or, as appropriate, the Receiver's or Administrator's, employees or agents.
- 16.6 The Lender, any Receiver and any Delegate, and their respective employees and agents, shall be indemnified on a full indemnity basis out of the property charged by the Charge in respect of all actions, liabilities and expenses incurred or suffered in or as a result of:
 - 16.6.1 the exercise, or purported exercise, of any of the powers, authorities or discretions vested in them under the Charge;
 - 16.6.2 any matter or thing done, or omitted to be done, in relation to the property charged by this Charge under those powers; or
 - 16.6.3 any default or delay by the Borrower in performing any of its obligations under the Charge.

17. Receipts

- 17.1 The Borrower will hold all Receipts on trust for the Lender (but nothing under this clause will make the Lender mortgagee in possession).
- 17.2 The Lender will use Receipts to reduce or pay off the Secured Amount, or if the Lender considers it appropriate, in remedying any defect or damage to the Property.
- 17.3 Any Receipt used to reduce the Secured Amount will be used to pay off the Secured Amount in such order and proportions as the Lender, in its absolute discretion, considers appropriate.
- 17.4 Neither the Lender, any Receiver or any Delegate shall be bound (whether by virtue of section 109(8) of the LPA, which is varied accordingly, or otherwise) to pay, or appropriate, any Receipt or payment, first towards interest rather than principal or otherwise in any particular order between any Secured Amount.

18. Further Provisions

- 18.1 The Charge shall be in addition to, and independent of, every other security or guarantee which the Lender may hold as security for any Secured Amount at any time. No prior security held by the Lender over the whole or any part of the property charged by the Charge shall merge in the security created by the Charge.
- 18.2 The Charge shall remain in full force and effect as a continuing security for the Secured Amount despite any settlement of account or intermediate Payment or other matter or thing unless and until the Lender discharges the Charge in writing.
- 18.3 Any release, discharge or settlement between the Borrower and the Lender shall be deemed conditional on no payment or security received by the Lender in respect of the Secured Amount being avoided, reduced or ordered to be refunded pursuant to any law relating to insolvency, bankruptcy, winding-up, administration, receivership or otherwise. Despite any such release, discharge or settlement:
 - 18.3.1 the Lender or its nominee may retain the Charge and the security created by or pursuant to it, including all certificates and documents relating to the whole or any part of the property charged by it, for such period as the Lender deems necessary to provide the Lender with security against any such avoidance, reduction or order for refund; and
 - 18.3.2 the Lender may recover the value or amount of such security or payment from the Borrower subsequently as if such release, discharge or settlement had not occurred.
- 18.4 A certificate or determination by the Lender as to any amount for the time being due to it from the Borrower shall (in the absence of any manifest error) be conclusive evidence of the amount due.
- 18.5 The rights and powers of the Lender conferred by the Charge are cumulative, may be exercised as often as the Lender considers appropriate, and are in addition to its rights and powers under the general law.
- 18.6 Any waiver or variation of any right by the Lender (whether arising under the charge or under the general law) shall only be effective if it is in writing and signed by the Lender and applies only in the circumstances for which it was given and shall not prevent the Lender from subsequently relying on the relevant provision.
- 18.7 No act or course of conduct or negotiation by or on behalf of the Lender shall in any way preclude the Lender from exercising any right or power under the Charge or constitute a suspension or variation of any such right or power.
- 18.8 No delay or failure to exercise any right or power under the Charge shall operate as a waiver.
- 18.9 No single or partial exercise of any right under the Charge shall prevent any other or further exercise of that or any other right.
- 18.10 The invalidity, unenforceability or illegality of any provision (or part of a provision) of the Charge under the laws of any jurisdiction shall not affect the validity, enforceability or legality of the other provisions. If any invalid, unenforceable or illegal provision would be valid, enforceable or legal if some part of it were deleted, the provision shall apply with any modification necessary to give effect to the commercial intention of the parties.



19. Notices

- 19.1 The Lender may give notice to the Borrower by:
- 19.1.1 advertising in three national daily newspapers and any notice given in this way will be treated as having been given on the first day upon which it first appeared in all three newspapers;
 - 19.1.2 by ordinary prepaid post addressed to the Borrower (and if there is more than one of them to the first two named Borrowers appearing in the records of the Lender) at the correspondence address as shown in the Loan application form (or if the Borrower is a limited company at the registered office) or any other address subsequently provided to (and acknowledged by) the Lender in writing as a correspondence address and any notice sent by post shall be deemed to be received on the second Business Day after posting; or
 - 19.1.3 any other method allowed by law.
- 19.2 Any notice the Lender may give will come into effect on the date stated in it or, if no date is stated, on the date it is received.

20. Power of Attorney

- 20.1 By way of security the Borrower irrevocably appoints the Lender, every Receiver and every Delegate separately to be the attorney of the Borrower and in its name on its behalf and as its act and deed to execute any documents and do any acts and things which:
- 20.1.1 the Borrower is required to execute and do under the Charge; and
 - 20.1.2 any such attorney may deem proper or desirable in exercising any of the powers, authorities and discretions conferred by the Charge or by law on the Lender, any Receiver or any Delegate.
- 20.2 The Borrower ratifies and confirms, and agrees to ratify and confirm, anything which any of its attorneys may do in the proper and lawful exercise, or purported exercise, of all or any of the powers, authorities and discretions referred to in this clause.
- 20.3 The Borrower may not revoke the power in 20.1 until the Secured Amount has been repaid in full.

21. Transfer

- 21.1 The Lender may transfer or deal with its interest in the Loan and/or Charge in any way and as freely as the Lender wishes without prior notice to the Borrower and without obtaining the Borrower's consent. In particular, the Lender may transfer all or some of its rights and the Borrower's duties that go with the Loan and Charge to another person. The terms of the Loan and/or Charge will remain as they were prior to any such transfer and the Borrower agrees to be bound to any person to whom the Lender may transfer any rights in the same way and to the same extent as bound to the Lender.
- 21.2 This power to transfer the Loan and/or Charge includes the power for the Lender to offer the Loan and Charge (either alone or as part of a group of mortgages) as security for borrowing by the Lender.
- 21.3 The Borrower agrees that the Lender may pass any information or documents relating to the Loan and/or Charge to any potential transferee, subject to the transferee keeping such information confidential.

22. Further Assurance

The Borrower must, promptly when asked, do all things (including the execution and delivery of deeds or documents) that the Lender may require to:

- 22.1 perfect or protect the Charge;
- 22.2 secure the Secured Amount (including granting further security over the property charged under the Charge);
- 22.3 exercise any right or power the Lender or any Receiver may have under the Charge or any other security granted under 22.2.

23. Variations

- 23.1 By giving the Borrower at least seven days' notice the Lender may vary:
- 23.1.1 the date upon which the Payment is made;
 - 23.1.2 the Term;
 - 23.1.3 the frequency with which the Payments are to be made;
 - 23.1.4 the number of Payments to be made in any Interest Period;
 - 23.1.5 the Interest Period;
 - 23.1.6 these Conditions or any conditions which supplement them (including the Expenses) for any of the following reasons:
 - 23.1.6.1 where the Lender considers it will make the Conditions easier to understand or fairer;
 - 23.1.6.2 to allow the Lender to administer the Loan or the Charge more efficiently or at less costs;
 - 23.1.6.3 to reflect market conditions or general banking or mortgage administration practice;
 - 23.1.6.4 to reflect any change in the cost to the Lender of providing its services to the Borrower;
 - 23.1.6.5 to take account of a decision by a court, ombudsman, regulator or similar body;

23.1.6.6 because of changes to the law, codes of practice or the way in which the Lender is regulated; or

23.1.6.7 because of changes in technology.

23.2 The Lender may make a variation under this clause at any time, or times, whether or not a similar variation is made to arrangements with other borrowers.

23.3 Variations under this clause will be notified by the Lender in accordance with 19.

23.4 The Borrower must, promptly when asked, give the Lender whatever mandates or authorities it requires to implement a variation.

24. Disclosure of Information

The Borrower irrevocably authorises the Lender to pass on to:

24.1 any person who introduced the Borrower to the Lender;

24.2 any credit reference agency;

24.3 any potential or actual transferee of any interest of the Lender in the Charge and/or the Loan (including the transferee's advisers, insurers or assigns);

24.4 the Administrator; and

24.5 any holding company of the Lender or subsidiary of that holding company;

such information concerning the Borrower, the Property, the Buildings Insurance or the conduct of the Borrower's account with the Lender as the Lender shall think fit.

25. Errors and Omissions

25.1 If the Lender makes a mistake, or there is an omission in any statement or information given to the Borrower in connection with any amount secured by the Charge, such a mistake or omission, whether made during the Term or after discharge of the Charge, shall not prejudicially affect any security of the Lender.

25.2 The Borrower shall not be freed from any liabilities under the Charge when the Lender executes or delivers a statutory receipt or instrument of discharge in respect of the Charge if it is subsequently discovered that the amount required for redemption was under-calculated or under-stated by mistake.

26. Management Companies

26.1 If the Borrower holds a share in a management or resident's company or similar association because of the Borrower's interest in the Property, the Borrower will deposit with the Lender any share certificate together with a signed share transfer form with the name of the transferee left blank.

26.2 The Lender will be entitled to do any of the following things on the Borrower's behalf:

26.2.1 transfer the share to any person to whom the Lender may have sold the Property under its power of sale and receive any consideration for that transfer;

26.2.2 exercise any voting rights as a result of the Lender having taken possession of the Property.

27. Delegation

Each of the Lender and any Receiver may delegate (either generally or specifically) by power of attorney or in any other manner to any person any right, power, authority or discretion conferred on it by the Charge (including the power of attorney granted under 20). Any such delegation may be made upon such terms and conditions (including the power to sub-delegate) as the Lender or any Receiver shall think fit. Neither the Lender nor any Receiver shall be in any way liable or responsible to the Borrower for any loss or liability arising from any act, default, omission or misconduct on the part of any Delegate.

28. Law

28.1 These Conditions are governed by English law. The Borrower agrees that the English courts have exclusive jurisdiction.