Mortgage Supplementary Instructions for Solicitors

You are instructed to act for us in accordance with the UK Finance Mortgage Lenders' Handbook for England and Wales and our Part 2 replies as supplemented by these instructions and our letter of instruction.

You are instructed to pay careful attention to our requirements and report your findings to us diligently and provide all the information and documentation we require in the manner and within the timeframe specified to avoid unnecessary delays in the transaction. We will not release funds until all of our requirements have been satisfied. You have no authority to release funds unless our instructions have been complied with. You will hold all funds to our order in your client account and on trust for us.

1. The Loan

You must ensure that the Borrower understands fully the nature of the transaction, the Loan terms (our Offer, General and Special Conditions), and the basis upon which the Borrower charges the Property to us (the Legal Charge and Mortgage Conditions - see definition of 'Secured Amounts' in the Mortgage Conditions). This is of particular importance where the Borrower may have, either now or in the future, more than one loan with us or with Chetwood Financial Limited with obligations in his own name, jointly with others or as a guarantor for one or more parties.

You must advise the borrower that following completion of the mortgage, their mortgage will be transferred to Chetwood Financial Limited who will be responsible for servicing their mortgage, which includes setting interest rates, tariffs and charges and releasing any retentions. Chetwood Financial Limited may delegate such servicing to a third party supplier.

Where there is a Retention or Stage Payments specified in the Offer you must advise the Borrower that following completion of the mortgage, the Retention and Stage Payments will be retained and will only be released once the conditions set out in the Special Conditions have been satisfied.

Where the Borrower is a Limited Company or an LLP, personal guarantees are required from the persons named in the Offer. Where a guarantee is provided by a Limited Company, personal guarantees are also required in respect of its obligations from the persons named in the Offer.

Where the Loan will be secured against a property which is/or is to be let you must ensure that any tenancy agreement affecting the Property complies strictly with our Mortgage Conditions and the General and Special Conditions accompanying the Offer.

2. You and your firm

You must return these instructions if you have not signed a contract with us and are not on our panel.

You must quote our case reference on all correspondence.

You must abide by the terms of your panel appointment, in particular, with reference to the requirements relating to professional indemnity insurance.

You will make your complete file available for inspection by us should we so require at any time before or after completion of the loan.

You will keep the entire file(s) including the financial records and ledgers for a minimum period of six years from completion of the loan.

3. Reporting to us

a) You will promptly report any information or documentation which ought reasonably to be considered relevant or which might reasonably influence our decision to lend.

b) You will on request (whether before or within six years of completion of the loan) provide to us financial records and either the original or certified copy of the whole file (where you have kept a joint file) or a copy of each file (where you have kept a separate file for us and the Borrower). We are entitled to the entirety of the file(s) as the Borrower waives any duty of confidentiality or privilege which may otherwise exist in relation to the transaction as a whole.

3. Reporting to us (continued)

c) We require a minimum of five working days from the submission of your Certificate of Title (COT) before funds may be released for buy-to-let mortgages. For bridging lending, we will require a minimum of three working days. We are permitted to use our own form of COT under the Rules as the Property will not be used as a private residence for owner occupation.

d) The COT must not be submitted unless:-

i. the Property details in the title document agree substantially with those in the Mortgage Offer and our letter of instruction as supplemented by these instructions and there are no restrictions, covenants or other matters of an onerous nature affecting the Property.

ii. The Property address in the title documents matches the Property address in our documentation.

iii. you have in your possession originals of all of the documents which comprise our security including but not limited to:-

- the Mortgage Deed;
- the Deed of Guarantee;
- the Certificate(s) of Confirmation of Advice; and
- any additional security documents required pursuant to the Offer.

These must be executed by the parties personally and not under powers of attorney or other delegated authority.

iv. title to the Property is, or is to be, vested in the Borrower (or where there is more than one Borrower, in all of their names jointly) immediately prior to completion of the Loan.

v. you have ensured that each and any tenancy agreement affecting the Property is in accordance with our Mortgage Conditions and the General and Special Conditions accompanying the Offer.

4. Unacceptable property types

You must report if the Property falls within either Category A or Category B.

Category A properties are not acceptable to us as security and accordingly you must report your findings to us and return our papers to us.

Category B properties may be acceptable. Please report your findings and await our further instructions.

a) Category A:

- Properties located other than in England or Wales.
- Properties where an existing charge will remain on the charges register whether postponed or not.
- Properties where a further charge will be registered as a subsequent charge on completion.
- Freehold flats and maisonettes.
- Leasehold properties where the unexpired term at the end of the mortgage term is less than 30 years.
- Properties designated as defective under any housing legislation.
- Property subject to agricultural and/or other planning restrictions.
- Properties subject to notice of mineral extraction, or previous mining subsidence and land fill.
- Properties being purchased under the Right-to-Buy Scheme.
- Properties that are shared-ownership.
- Self-build properties.
- Properties subject to restrictions relating to the sale or occupancy of the Property.
- Properties subject to options or rights of first refusal/pre-emption rights.
- Properties subject to a ransom strip or landlocked properties.
- Freehold Properties where the tenant's right of first refusal under Part 1 of the Landlord and Tenant Act 1987 applies.
- Freehold properties where the tenant's right to enfranchise under the Leasehold Reform Housing and Urban Development Act 1993 (as amended) applies.

4. Unacceptable property types (continued)

- Freehold properties where the tenant's right to manage under Part 2 of the Commonhold and Leasehold Reform Act 2002 applies.
- Where the seller or a previous owner or any member of their respective families remains or will remain in occupation of the Property.
- Where the Borrower is an individual and the Borrower and/or the Borrower's spouse or civil partner, a person (whether or not of the opposite sex) whose relationship with the Borrower has the characteristics of the relationship between husband and wife or the Borrower's parent, brother, sister, child, grandparent or grandchild occupy or intend to occupy the Property at any time.
- Where the Borrower is a limited company or LLP and any director, member, officer, shareholder, or employee or spouse or civil partner of any director, officer, shareholder or employee, a person (whether or not of the opposite sex) whose relationship with any director, member, officer, shareholder or employee has the characteristics of the relationship between husband and wife or any parent, brother, sister, child, grandparent or grandchild of any director, member, officer, shareholder or employee of the Borrower, occupy or intend to occupy the Property at any time.
- Properties with sitting tenants who took up occupation (or were granted a right to occupy) before 16 January 1989 (which would mean the tenant could enjoy protection or benefits under the Rent Act) or succeeded to the tenancy on the death of a person who was in occupation before 16 January 1989.
- Properties subject to occupation other than on terms permitted by us.
- Properties with possessory title where title is based on adverse possession affecting the whole title or a material part including the access to the Property.
- Freehold property where parts have been sold off on long leases.
- Commonhold titles.
- Grade I and Grade II asterisk listed buildings.
- Properties without either a valid Energy Performance Certificate which is of sufficient rating to let the Property in accordance with all legal requirements, or a valid listing on the Public Exemptions Register.
- New Build properties (built or converted in the last 10 years) without an acceptable warranty, or UK Finance compliant Professional Consultants Certificate (PCC) with accompanying Professional Indemnity Insurance.
- Properties where the flying freehold exceeds 20% of the total floor area.
- Uninsurable properties.
- Properties subject to a tenancy agreement that relates to tenants with diplomatic immunity or any form of rent guarantee scheme, vulnerable tenants (e.g. asylum seekers or those in need of or receipt of community care services) or any other tenancy agreement that does not comply with the requirements of the Mortgage Conditions.
- Properties subject to outstanding enforcement notices or Government/Authority grants.
- Unregistered land.
- Properties in a high-risk flood area.
- Leasehold property with outstanding or unreasonable ground rent or service charges.
- Properties subject to probate when the beneficiaries are not shown as proprietors at the land registry.
- Any property with cladding where the Valuer has requested sight of a valid External Wall Fire Safety report (EWS1), and the subsequent report has not confirmed a rating of A1, A2 or B1.
- For buy-to-let mortgages, properties where the Refurbishment Works require more than 90 days to complete.
- For buy-to-let mortgages, properties which are not lettable at completion or which will not be lettable following completion of the Refurbishment Works.
- For buy-to-let mortgages, properties where the Refurbishment Works require building control sign-off or cannot be signed off under a competent person scheme.
- For buy-to-let mortgages, properties where the Refurbishment Works require planning permission or consents and/or permitted development permission and/or change of use permission which has not been obtained prior to completion of the mortgage.
- Properties where the Refurbishment Works include works to remedy ongoing or progressive structural movement.

b) Category B:

- Leasehold property where notice has been served of a proposal to carry out major works.
- Properties in close proximity of a mine entry.
- Properties subject to chancel repairs/liability.

4. Unacceptable property types (continued)

- Properties subject to environmental issues.
- Properties with more than 1 acre of land.
- Properties subject to a company tenancy agreement.
- Properties subject to a licence agreement that relates to a holiday let or other acceptable short-term let.
- Properties where there is a contract re-assignment (where the original off-plan purchaser sells before completion of the build) where it is the first re-assignment.

5. Avoidance of Fraud

We expect you to keep abreast of professional guidance and practice notes issued by UK Finance and the Solicitors Regulations Authority. You are instructed to be vigilant and to undertake a full assessment of the transaction as a whole and report your findings to us promptly and diligently. The buy-to-let/bridging market may be prone to arrangements/schemes whereby the Borrower may not be entitled to the beneficial interest in the Property or acts as a nominee for a third party or whereby there is a difference between the sum payable to acquire the Property compared with the price stated in each of the Offer, the contract and the assurance/transfer deed to the Borrower.

a) In all cases you must report to us if the Borrower holds or will on completion hold the Property as trustee or nominee for a third party.

b) We require you to report details of the name of the seller and registered proprietor where they differ (including details of any relationship between the parties).

c) You will report to us if the Offer is made on the basis of a remortgage and our Loan is to be used for any purpose other than for the repayment of any existing charge secured against the Property. Where there is an element of capital raising, excess funds may be paid to the Borrower subject to any conditions specified in the Offer. You will report to us if excess funds are to be used for any purpose other than as specified in the Offer.

d) You will report to us if the Offer is made for the purpose of a purchase and our Loan is to be used for any purpose other than for the purchase of the Property specified in the Offer.

e) You will report to us (with details you know as to prices and the names and addresses of the parties involved in the various transactions) if:-

- **i.** the purpose to which our loan is being applied appears unlawful;
- **ii.** the seller (or the Borrower in the case of a remortgage) is not the owner or the registered proprietor or has owned or been the registered proprietor of the Property for less than six months;
- **iii.** the Borrower is acquiring the Property under:- (i) a sale and sub-sale (ii) where the Property is leasehold, the creation and simultaneous assignment of a leasehold interest (iii) the grant or assignment of a leasehold interest at the direction of a party other than the seller or (iv) a back-to-back or other derivative transaction;
- **iv.** a seller or a previous owner or any member of their respective families is to remain in occupation on or after the date of completion of the mortgage;
- **v.** the seller is related to or connected with the Borrower;
- **vi.** the seller is, or at any time in the preceding six months has been, a guarantor or director or shareholder or member or officer of the Borrower;
- **vii.** the Borrower or any Guarantor is, or at any time in the preceding six months has been a director, shareholder, member or officer of the seller;
- **viii.** the same individual or company is, or at any time in the preceding six months has been, a director, shareholder, member or officer of the seller and the Borrower whether concurrently or not;
- **ix.** the Borrower has acquired, or will acquire, the Property other than on a bona fide arm's length basis;
- **x.** there is any kind of collusive behaviour between the seller and the Borrower and/or third party;
- **xi.** you or your firm are also acting for the seller or acting in accordance with instructions received from a party other than the Borrower;
- **xii.** you are acting for both us and the seller; or
- **xiii.** you, anyone in your firm or your firm is connected to the Borrower or the seller.

5. Avoidance of Fraud (continued)

f) Terms relating to the acquisition of the Property:

Unless instructed otherwise, you will report to us if:-

i. there is a discrepancy between the sum payable to acquire the Property, the price stated in the Offer, the price stated in the contract/agreed terms of sale and the price to be recorded in the assurance/transfer deed to the Borrower;

ii. the Borrower or any other party is to receive any discount, price reduction or cash incentive, contribution towards any mortgage payments or loans, or guaranteed rental income whether from the seller or a third party, that is not stated in the Offer;

iii. there is any provision of any funds or benefit to the Borrower by the seller or at the seller's direction by another party connected with the transaction;

iv. there is any apparent direct payment of any sum by the Borrower to the seller or any third party;

v. the Borrower is buying through or from an investment syndicate or club or any form of amateur or professional person acting as a locator of properties; or

vi. the Borrower is entitled to receive any chattels or other items of value including part exchange arrangements or deferment of any part of the purchase price.

(Items of value could take many forms. Possible examples are payment of, or contribution towards, any mortgage or loan, interest or buildings insurance premium for a period, the payment of fees or disbursements by another or leaving part of the purchase money outstanding. Genuine fixtures form part of the Property and need not be reported).

g) Purchase Moneys

You will report to us if:-

i. the Borrower is not providing the whole of the balance of the purchase price of the Property (after deducting the amount of our advance) from the Borrower's own resources, without recourse to further borrowing;

ii. if any part of the purchase money that is being gifted is not stated in the Offer; or

iii. if any part of the purchase money will not be paid through your account (in particular, if you are instructed that part of the price has been or will be paid directly to the seller or a third party).

6. Corporate borrowers

Where the Borrower is a limited company or an LLP, the following provisions apply:-

a) Particulars of the deed of charge must be submitted to Companies House within 21 days of creation of the deed of charge.

For guidance on filling in Companies House form MR01, please see below: -

Deed of charge:

Question 5 – Fixed charge or Fixed Security - Answer Yes

Question 6 – Floating charge - Answer No

Question 7 – Negative Pledge - Answer Yes

b) You must ensure that the Borrower is a company or LLP registered in England and Wales. Borrowers registered in any other jurisdiction are unacceptable. If your enquiries reveal that the Borrower is a company or LLP not registered in England and Wales please inform us immediately and return our papers to us.

c) You must make a search against the Borrower at Companies House, including the Memorandum and Articles of Association/ Memorandum of Association or its partnership agreement (where it is an LLP), to verify:-

i. that no notice of appointment of a liquidator, administrator, administrative receiver or receiver have been filed and that no resolution has been passed to wind up the Borrower;

ii. that the Borrower has the power under its Memorandum and Articles of Association or its partnership agreement (where it is an LLP) to carry on its existing business;

iii. that the purpose for which the advance is being made is consistent with the Borrower's main objects set out in the Memorandum and Articles of Association/Memorandum of Association or its partnership agreement (where it is an LLP);

iv. that the Borrower has the power under its Memorandum and Articles of Association/Memorandum of Association or its partnership agreement (where it is an LLP) to borrow for that purpose, to grant security over the property and give any guarantees or indemnities contemplated by the Finance Documents (as defined in the Mortgage Conditions);

v. how the powers to borrow and give security are to be exercised;

6. Corporate borrowers (continued)

- **vi.** whether the Property is subject to a floating or other charge; (If it is subject to a floating charge you must report this to us, but in any event obtain any consents required (e.g. where the Borrower has given a negative pledge) and obtain a letter of non-crystallisation with effect at the date we complete our mortgage. All consents and letters of non-crystallisation must be included with the deeds);
- **vii.** that there are no directors or members who are not named as Guarantors. In some instances, the named Guarantors may not be directors of a limited company borrower as shareholders or other officers of the limited company Borrower may be required to act as Guarantors;

d) The search at Companies House must be dated not more than one business day prior to the mortgage being completed.

e) You must not complete the mortgage unless:-

- **i.** a winding up search has been carried out against the Borrower on the morning of completion of the mortgage;
- **ii.** a meeting of the board of directors or members (as applicable) of the Borrower has confirmed that the mortgage would not cause any borrowing or similar limit binding to be exceeded, resolved to approve the transaction contemplated by the Offer and authorised a designated person or persons to sign all relevant documents and notices;
- **iii.** you are satisfied that the board meeting or meeting of the members (as applicable) in (ii) was duly convened and quorate in accordance with the Borrower's Articles of Association/Memorandum of Association or its partnership agreement (where it is an LLP); and
- **iv.** generally, you are satisfied that in entering into and performing the transaction contemplated by the Offer the Borrower will be acting intra vires and will not be in conflict with its constitutional documents.

f) You must report to us immediately if at any time prior to completion any of the following occur:-

- **i.** a notice of intention to appoint an administrator or a receiver is served, an application to appoint an administrator is made or a petition is presented (or resolution passed by the Borrower) for a winding-up or dissolution or a provisional liquidator is appointed, or a liquidator or administrator is appointed, or a receiver or manager is appointed, or any analogous steps are taken;
- **ii.** a scheme, composition or arrangement is made or proposed with the Borrower's creditors or a meeting of its creditors has been called or is proposed; or
- **iii.** the Borrower is or becomes insolvent or is otherwise unable to pay its debts.

7. Guarantor requirements

Where our loan is to be guaranteed by a guarantor the following provisions apply:-

a) By signing the COT you confirm that for each Guarantor who is an individual you are in possession of a Certificate of Confirmation of Advice duly endorsed, dated and signed by the solicitor who has given the advice.

- **i.** Guarantors must receive advice from a solicitor who can provide independent legal advice. Such independent advice may be given to a Guarantor by you, a solicitor within your practice or a different office of your practice or any associated practice where you are satisfied under the Solicitors Code of Conduct that as the Guarantor will be a client of the advising solicitor there is no conflict or no significant risk of conflict between the interests of the Borrower and the Guarantor or any other Guarantors for whom you may act.
- **ii.** The solicitor giving the advice must sign and endorse the Certificate of Confirmation of Advice.
- **iii.** A legal executive or licensed/registered conveyancer may not give such advice. Subject to the Solicitors Code of Conduct on conflict, the same solicitor may advise one or more Guarantors.

b) The Deed of Guarantee must be signed by each Guarantor who is an individual personally. The Deed of Guarantee may not be executed by an attorney or any other person acting for or on behalf of the guarantor.

c) The Deed of Guarantee should be dated the same date as the corresponding Mortgage Deed.

d) Guarantors who are individuals must be interviewed personally by the solicitor giving the advice (in the absence of any other Guarantor or person interested in or connected to the transaction), who must advise him:-

- **i.** of the proposed transaction and the risks for him/her in accordance with the guidelines from the House of Lords in their decision Royal Bank of Scotland -v- Etridge (No 2)[2002] 2AC 773;
- **ii.** that the purpose of many of the provisions of the Guarantee is to negate rights and protections which he/she might otherwise have enjoyed under the law so that in effect he/she is put as closely as possible in the position of being equally liable for the Borrower's obligations to us;

7. Guarantor requirements (continued)

iii. of the amount of the loan;

iv. that all moneys due to us from the Borrower under or in connection with the corresponding mortgage will be covered by the Guarantee including but not limited to any further advance, product switch and costs;

v. that there is no cap on the Guarantor's liability and that there is no option to terminate liability;

vi. that if the Guarantor is giving the Guarantee on the assumption that other Guarantors will be giving, and be bound by, the Guarantee then he will still be liable for the full debt due from the Borrower even if the other Guarantors do not enter into the Guarantee or, if they do, they are not bound or are released by us;

vii. that if there are other Guarantors, the Guarantor will be jointly and severally liable with them and we have an absolute discretion in deciding which of them we pursue, when and for what amounts;

viii. that we do not have to exhaust any remedies against the Borrower or the other Guarantors before claiming against him under the Guarantee and that whilst money is outstanding to us from the Borrower the Guarantor cannot take or enforce any security from or against the Borrower;

ix. that the Guarantee includes an indemnity so that the Guarantor's obligations are valid even if the obligations of the Borrower are not;

x. that the Guarantee will bind the Guarantor's estate;

xi. any other matter which the solicitor considers the Guarantor should consider having regard to the circumstances of the transaction and his personal circumstances.

e) We may agree to accept a waiver of independent legal advice from the Guarantor in certain limited circumstances. We will notify you if this is the case.

8. Freehold/Leasehold arrangements

a) Your attention is drawn to the list of unacceptable property types listed in Section 4 of these Supplemental Instructions and Guidance Notes. Please note:-

i. we do not lend on freehold flats;

ii. we may be prepared to lend if a small or immaterial part of the Property comprises, or is affected by, a flying freehold subject to your complying with the requirements in the UK Finance Mortgage Lenders' Handbook and our Part 2.

b) We will not accept as security any title where the Borrower has granted a lease to himself.

c) We will not accept as security any leasehold property where a limited company or LLP Borrower may breach any 'private residency/dwelling' or user clause.

9. Refurbishment Works

Where there are Refurbishment Works (as defined in the Mortgage Offer) being carried out:

a) You must ensure that there is appropriate buildings insurance for the Property in place which includes appropriate cover for any period of non-occupation of the Property whilst the Refurbishment Works are being carried out.

b) You must ensure that there is appropriate insurance in place in respect of the Refurbishment Works which must be for at least the value of the works being carried out.

c) You must ensure that the main contractor (if any) who will be carrying out the Refurbishment Works has adequate public liability and employer's liability insurance in place.