Bath Building Society

Mortgages Explained

This leaflet answers some of the more common questions that you may have about how your mortgage works and the relationship between the Society and its borrowers. Please read it carefully. Our mortgage consultants will be happy to answer any further questions that you may have.

Mutuality

Bath Building Society is a mutual organisation. This means that we operate solely for the benefit of our borrowers and investors and not external shareholders. In addition to the financial benefit that this brings, it means that our customers are an integral part of our business. We have a flexible way of operating that does not rely upon computer generated decision making.

Code of Fairness

Fairness is one of our key values. We have a code of fairness that you will be provided with when you apply for a mortgage with us.

Society Membership

When you take a mortgage with the Society you become a member. Being a member means that you qualify to vote on borrowing members resolutions. This is further explained in the Society's rules (copy available on request).

The first person named on your mortgage is called the 'Representative Joint Borrower'. The Representative Joint Borrower is the only person named on a mortgage who is entitled to vote. The other parties to the mortgage do not have voting rights. You can choose the order in which joint borrowers are named on the mortgage. Full details of voting rights and the procedures for the Annual General Meeting can be found in the Society's Rules. Voting rights do not apply to customers of the Society's subsidiaries.

A mortgage is a big financial commitment. It is important that you know what a mortgage is, how it works and what the process of obtaining and running a mortgage involves. The following information is designed to help answer any questions you may have.

What is a Mortgage?

A mortgage is a loan obtained by using property as security. Very few of us can afford to buy our homes outright, so many of us at some stage in our lives will require a mortgage. Taking on such a large commitment is probably the most important financial decision you are ever likely to make.

What is a Remortgage?

A remortgage is where you move your existing mortgage to a new lender but you are not moving house. We will follow the same process for a remortgage as for a property purchase and the information below is applicable unless otherwise stated.

Who is responsible for a mortgage?

If you take out a mortgage on your own, then you are responsible for it. If you are taking out a mortgage with another person, then both of you are 'jointly and severally' responsible for it. This means that each borrower is individually responsible for ensuring the mortgage is paid satisfactorily.

If at any time during the mortgage term one of you wants to be released from your joint mortgage contract (due to separation, for example) then you must contact us. We will ask the remaining borrower to complete an application form so we can assess his or her status and decide if he or she can take sole responsibility for the mortgage.

If a party to your mortgage dies, the mortgage is automatically transferred into the name of the surviving borrower(s). We will need to see the death certificate.

Interest Rate Options

There are many different types of mortgage products available in the market place. Bath Building Society may offer one or more of these options, depending on the prevailing market conditions. Please see our current product range for further details. In general, mortgages offered in the market fall into the following categories:

- **Variable Rate Mortgages** - A variable rate mortgage has an interest rate that can fluctuate. If the mortgage interest rate falls then your monthly payment will reduce, but if it increases, then the monthly repayment will also increase. All lenders have a Standard Variable mortgage interest rate on which they base their variable mortgage products. The lender will decide when to increase or decrease this standard rate, usually (but not always) based on the movement of the Bank of England's Base Rate.

- **Fixed Rate Mortgages** - A fixed rate mortgage has an interest rate which stays the same for a set period of time. During the fixed rate period, your monthly repayments stay the same. Fixed rate mortgages may be taken out by people who need to budget or who believe general interest rates are likely to increase. However, if a lender's Standard Variable mortgage interest rate falls below the fixed rate level, you will still continue to pay at the fixed rate and will therefore pay more.

- **Capped Rate Mortgages** - A capped rate mortgage has an upper fixed limit for a specified period, known as a 'cap'. A variable interest rate applies to this type of mortgage. If the variable interest rate rises above the cap, you benefit by paying the capped rate. If the variable interest rate falls below the capped rate, you will benefit by paying the lower rate

Both fixed and capped rate mortgages can be more expensive to set up because they offer you a guaranteed interest rate above which your mortgage payments will not increase.

- **Collared Rate Mortgages** - A collared rate mortgage has a lower fixed limit for a specified period, known as a collar. A variable interest rate applies to this type of mortgage. If the variable interest rate drops below the collar, the interest rate that you will pay will remain at the level of the collar and will not fall below it whilst the collar is in place.

- **Discounted Rate Mortgages** - A discounted rate mortgage has an interest rate which is a discount from the lenders Standard Variable mortgage interest rate, for a specified period of time. The discounted rate could be a set amount for a set term, or be 'stepped', for example a 2% discount in year one and a 1% discount in year two. The interest rate will fluctuate as the lender's Standard Variable mortgage rate moves up or down.

- **Flexible Mortgages** - These mortgages may allow overpayments, underpayments and payment holidays. Some may allow a 'draw-down' facility where there is an amount of further borrowing, agreed in advance, which can be drawn at any time up to the agreed limit.

- **Current Account Mortgages** - Some lenders may offer 'current account' mortgages, where your mortgage is combined with other traditional banking services within the same account.

- **Tracker Rate Mortgages** - Tracker rates are variable rate mortgages which are usually linked to the Bank of England's Base Rate rather than the individual lender's Standard Variable mortgage rate. The interest rate payable is usually a percentage above or below the Bank of England Base rate for a specified period of time.

What fees and charges are incurred in setting up a mortgage?

There are various costs associated with buying your home and setting up a mortgage which you need to be aware of. You may be required to pay some or all of these fees.

Fees payable to third parties

- **Legal Fees** - You will need a solicitor to carry out the 'conveyancing' of the property, that is all the legal work involved in transferring the ownership of the property to you. The Society also needs a solicitor to carry out the legal work involved in setting up your mortgage and registering the mortgage with the Land Registry. If you choose a solicitor who is acceptable to the Society, they can act on our behalf as well as yours. If not, the Society will instruct its own solicitor, but you will be responsible for the charges incurred. The solicitor's fees are usually paid on completion of the mortgage and must be paid from your own funds. (Fees for searches are usually paid up front.) From time to time we may offer a mortgage product that incorporates a 'free legals' benefit, where the Society will settle the bill for legal costs, up to a specified limit, direct with the solicitor. You may have a requirement to pay certain disbursements.

- **Stamp Duty** - You will pay a Government tax called Stamp Duty if the property you are buying costs more than £125,000. Stamp Duty is calculated as a percentage of the purchase price of the property. Currently, stamp duty is paid at the following rates:

Purchase Price	Rate of Stamp Duty	*Rate of Stamp Duty for First Time Buyers
£125,000 - £250,000	1%	0%
£250,001 - £500,000	3%	3%
£500,001 and above	4%	4%

* From 25th March 2010 to 25th March 2012, if you are a first time buyer, you may not have to pay Stamp Duty on the purchase of a property with a purchase price of up to £250,000. A First Time Buyer is defined as a person who has never owned a house or flat in the UK or anywhere else in the world. In order to qualify, all parties buying the property must be first time buyers.

Fees payable to the Society

You may have the choice of paying these fees up front or adding them to the loan. If you add them to the loan, the fees will incur interest over the term of your mortgage. Full details of the fees that apply to your mortgage can be found on your Key Facts Illustration.

Fees chargeable on or before completion

- **Administration Fee** - We will charge a fee to cover all the administration associated with assessing, underwriting and processing your application and setting up your mortgage account. This fee includes the cost of transfering the funds electronically to your solicitor on completion, and the cost of assessing your insurance arrangements should you choose not to take our insurance cover.
- **Arrangement Fee** - This fee is specific to the mortgage product selected. It will vary depending on the type of mortgage, for example, Residential, Buy for Uni or Buy to Let and also the Interest Rate Option selected.
- **Valuation Fee** - The Society will require a Mortgage Valuation Report on the property being offered as security for the mortgage. The actual fee required will depend on the purchase price or estimated value of the property. Some mortgage products may incorporate a facility to refund the cost of a mortgage valuation report up to a specified amount when the mortgage completes. The mortgage valuation report is a superficial inspection and report which is principally to advise the Society whether the property provides reasonable security for the mortgage advance. More detailed surveys are available. (See 'Valuation of your Property'.)
- **Collateral Valuation Fee** - This fee is only chargeable when you are taking out a mortgage which is secured against a second property as well as the mortgaged address. We will need to value the property being offered as additional security.
- **Higher Lending Charge** - The maximum loan that the Society will normally consider is 80% of the lower of the purchase price or the valuation. If you are borrowing more than this amount, the Society may apply a Higher Lending Charge. The amount of this charge will depend on the amount borrowed and the percentage loan to value. The charge is used to purchase indemnity insurance from an insurance company. This insurance allows us to lend a higher percentage of the property value by covering the increased risk of loss associated with this level of borrowing. You should note this insurance covers the Society, not you. If your mortgage goes into arrears and the property is repossessed, the sale proceeds may not be enough to cover the outstanding mortgage debt and the costs associated with the sale of the property. If this happens, we will call upon the insurer to make good our loss. Once the Society has been paid, the insurer can recover the loss from you.

Fees chargeable during the life of your mortgage

- **General Administration Fees** - Throughout the life of your mortgage, there may be further fees payable for work undertaken which is outside the basic administration of your mortgage account. A tariff of these charges accompanies this document. You will be provided with a further copy if any of these fees change during the lifetime of your mortgage.
- **Early Repayment Charges** - You can redeem your mortgage at any time during the mortgage term. We will charge interest up to the date of receipt of cleared funds, generally four working days after the date you repay the mortgage. If you redeem your mortgage early, in full or in part, there may be an additional charge to compensate us for

the mortgage not running its full term. This charge is called an ‘Early Repayment Charge’. Early repayment charges are usually attached to preferential interest rates. If there is an early repayment charge attached to your mortgage, this will be detailed in your Key Facts Illustration and your Mortgage Offer.

How do I apply for a mortgage?

We will make an appointment for you to see one of our qualified Mortgage Consultants. This can be at one of our branches, at your home or in some cases the interview may be conducted over the telephone. The consultant will explain the process and will take some basic details from you. You will be able to discuss your requirements and the options available to you. You will be given an Initial Disclosure Document (IDD), which details the service we offer and what you can expect from us in general terms. Once we have asked questions about your circumstances and preferences, you will be given a Key Facts Illustration (KFI) for a product considered suitable from our range. The KFI gives detailed information specific to you, about the level of advice or information you have been given and the recommendation (if any) that has been made. It will also give full details of any fees that we will charge, the monthly repayments which you will need to make and the total cost of your mortgage.

Only when you are happy that you have understood the information in the KFI regarding your proposed mortgage and it is completely correct, will you make a formal application for a mortgage by completing the application form. There are no fees to pay until this point. You can complete the form at the interview, or take it away with you to complete. Alternatively you can make another appointment with your consultant to complete the form with you.

When you submit the application form, you will need to pay any fees, such as the valuation fee, which are due at this stage. These will have been detailed in the KFI if they are applicable. Your application will be assessed by our underwriters (see *‘what do you consider when assessing my application?’*) and a Valuer will be instructed to carry out a valuation of your property (see *’Valuation of your property’*).

If your application is accepted, you will be issued with two copies of a Mortgage Offer which sets out the Terms and Conditions of your mortgage. You should read this document carefully as it details the terms under which we will make the mortgage advance. A copy of this offer will also be sent to your solicitor. To accept this offer, all applicants and any guarantors must sign the Mortgage Offer and return a copy to us.

Your solicitor will carry out the necessary legal checks and when everything is ready, we will release the funds to the solicitor who will complete your purchase or remortgage (see ‘Legal Fees’).

How much can I borrow?

This will depend on our underwriters assessment of what you can afford based on your individual circumstances. Every application is assessed individually by an underwriter *(see ‘what do you consider when assessing my application?’)*.

What do you consider when assessing my application?

- **Income** - Like most lenders, we base the amount we will lend on a multiple of basic salary minus deductions for financial commitments. We may decide to include some of your overtime, bonuses, car allowance or commission. For self-employed applicants, we generally take an average of the last 3 years net profit. In some circumstances we carry out an individual income and expenditure analysis.

- **Financial Commitments** - We will look at your outgoings to ensure that you are not over-committed. We will include loans, credit cards, hire purchase, maintenance payments, school, nursery and childminding fees and any other mortgages you hold. We will make a deduction from your income to represent your annual payment to these commitments.
- **Employment Status** - We need to ensure that you are in stable employment. We will look at the type of work you do, your length of service, the type of contract you have, (whether permanent, fixed term or temporary), the stability of the industry you work in and whether you have any employment gaps.
- **Deposit** - We will look at the amount of money you are putting into the purchase yourself. We assess the loan you have applied for as a percentage of the value of the property you are buying. This is known as the 'Loan to Value' (LTV) of your mortgage. The bigger the amount of your deposit, the lower the LTV will be. For remortgages, we will look at the equity in your property in the same way.
- **Credit History** - We will look at your credit history to see how you have conducted any financial agreements you may hold or have held in the past. We will also consider your payment history of any previous mortgage you have held, payment of rent to a landlord, payment of credit cards and other loans and we will carry out a credit search. **We do not credit score.**

Credit Searches: A credit search is carried out by asking a Credit Reference Agency for information about you. The reply we receive relates to financial information registered at current and previous addresses. The credit search will show County Court Judgements, Property repossessions, Bankruptcies, Individual Voluntary Arrangements and Defaults as well as current and historic credit agreements and details of other searches that have been carried out against your name. The Credit Reference Agency will keep details of the search we make. As part of our agreement with the Credit Reference Agency, we release payment information, both positive and negative, to the agency about our borrowers on a monthly basis. The data we supply can be used by other lenders and may be taken into account in any future applications for credit that you make.

Credit Scoring: This is an automated system that gives you a rating based on certain criteria. This is not always a true indication of the risk that a borrower represents to a lender. We prefer to base our lending decision on an individual assessment of your application.

Once we have completed our assessment of all the above information and the valuation report has been received, we are able to form an overall picture of your application and we will base our decision on this information.

Valuation of your property

We require a mortgage valuation report on your property in order to decide whether your property is suitable security for a mortgage and if so, how much we can lend to you. In addition to this basic valuation, we are able to offer more comprehensive surveys of your property.

- **Mortgage Valuation Report** - The premises will be inspected by an experienced Valuer and the general state of repair will be taken into account in the valuation. The report does not set out to provide a detailed or building survey and it is therefore quite possible that there are factors or faults present which would only be revealed by a more detailed inspection. Liability for such eventualities will not be accepted by the Society or the Valuer.

You must not rely on this report as evidence that the property is suitable for your purpose as the report is for the purpose of the Society making a loan. A survey report is always recommended.

Survey Reports

The form of report offered will depend upon the type and age of property which you are buying. The different types of Survey Reports are described below. Inspections will be carried out only by fully qualified members of the Royal Institute of Chartered Surveyors. These reports are specifically intended to identify major defaults or defects in a property which could affect its value. Nevertheless, you must be aware that the report is not an insurance policy and is subject to common sense restrictions depending on the degree of accessibility of the structure. For instance, whilst cupboards will be inspected, the Surveyor will not remove or interfere with the contents unless there is a sound reason to suspect a problem. Surveyors will try and lift loose floorboards where a problem is suspected, but will not disturb or lift fitted or nailed carpets, nor will they carry out exposure works which could damage the property. Where a roof void is insulated, they will only lift small isolated sections of the insulation to look beneath it.

- **Building Survey** - This type of report is suitable for all types of property in any condition. It can be custom made to the client's individual needs. The report provides an assessment of the construction/condition of the property and technical advice on problems and on remedial works. The scope may be varied but in general, a careful inspection will be made of all visible parts of the property including the roof void where practicable. Detailed checks for dampness will be made, exposed and accessible timberwork will be checked, the structural stability of the fabric will be critically examined and any apparent design faults noted.
  Our Surveyors can arrange for detailed testing of plumbing, sanitary, heating, electrical, and drainage services to be prepared by specialists, but if this service is not required, they will comment on the visible parts of the services without making tests. This form of report is more comprehensive than a Homebuyer Survey and Valuation and the Society recommends that it should be undertaken wherever possible as protection against the problems and liabilities which may not be evident to the inexperienced.
  The Building Survey is subject to Conditions of Engagement which will be sent to you by the Surveyor.

- **Homebuyer Survey and Valuation** - This concise report covers the building internally and externally, the services and the site. It focuses on the defects and other problems which in the judgement of the Surveyor are urgent or significant, but it also covers:

  - The general condition and particular features of the property.
  - Particular points which should be referred to your legal advisors.
  - Other relevant considerations concerning, for example, safety, the location, the environment, or perhaps insurance.

  Matters which are judged to be not urgent or not significant are in general NOT included in the report, but the Surveyor will mention matters judged to be both helpful and constructive.
  The Homebuyers Survey and Valuation report is subject to Conditions of Engagement which will be sent to you by the Surveyor.

How is the mortgage repaid?

Your mortgage can be arranged over a period of 5 to 40 years, depending on your personal circumstances and the type of mortgage you choose. There are two standard ways to repay a mortgage:

- **Capital and Interest Repayment** - This is sometimes known as a repayment mortgage. The monthly amount you pay is made up partly of a sum to repay a proportion of the amount borrowed (capital) and partly of a sum to repay the interest. As a higher proportion of capital will be outstanding at the beginning of the mortgage, the interest part of the monthly payment will be higher at the outset than it is in later years. As the mortgage term progresses and the amount of capital outstanding begins to decrease, the proportion of the monthly payment representing interest decreases. This means that as the term progresses on a capital and interest repayment mortgage, the sum paid each month towards the capital becomes greater and the amount towards interest reduces. Providing all repayments are made on time in full, this method of repaying a mortgage guarantees that the loan will be repaid in full at the end of the term.

We strongly recommend that you take out life assurance to ensure that your mortgage is repaid if you should die during the mortgage term. (See ‘Insuring your home and your mortgage payments.’)

- **Interest Only** - The monthly mortgage payment consists of an amount to pay just the interest on the full amount of the loan. The capital element of the loan remains outstanding for the whole term of the loan and will usually be repaid at the end of the term using some form of repayment vehicle. (See ‘Repayment Vehicles.’) It is your responsibility to ensure that you have a repayment vehicle in place, or some other way of repaying the capital balance at the end of the mortgage term. You should also ensure that any repayment vehicle is reviewed regularly to ensure it is on target to repay your mortgage at the end of the term.

As with the Capital and Interest repayment method, life assurance is strongly recommended to ensure repayment of the outstanding capital should you die during the term. Some repayment vehicles have a life assurance element included.

Repayment vehicles

There are various types of repayment vehicles which can be used with an interest only mortgage, for example:-

- **Endowment Policy** - These consist of two parts, a savings plan and life assurance. The savings plan is designed to increase in value to repay your mortgage at the end of the term, however, you should be aware that the value of investments can fall as well as rise and there is no guarantee that the plan will be sufficient to repay your mortgage at the end of the term. The life assurance provides protection in the event that you should die during the term of the mortgage. You pay premiums direct to the life assurance company.
- **Pension Plan** - You can use part of the proceeds of a personal pension plan to repay your mortgage. Tax relief is currently available on pension plan contributions to those who are eligible. You must be aware that by using the funds from your pension, this will reduce the amount available for your retirement. You will usually have to buy separate life cover.
- **Individual Savings Account (ISA)** - This is a tax efficient savings plan which can be used to repay your mortgage. Regular investments are made to the company which holds your ISA savings plan.

Monthly Payments

We operate a direct debit system for monthly repayments. We will debit your bank account by the amount required as detailed in your mortgage offer. If the interest rate changes on your mortgage, we will automatically amend the direct debit amount, you do not need to do anything. We will advise you 10 working days before any change to your direct debit payment.

When will I make my first payment?

Your regular monthly payment will be collected on the last working day of the month. Your first payment on your new mortgage will be collected on the last working day of the month after we release the funds to your solicitor, ie. if we release funds on 5th June, your first mortgage payment will be 31st July.

How much will my first payment be?

Your first monthly mortgage payment will be your normal monthly payment as shown in Section 5 of your mortgage offer. However, interest accrues on your mortgage account from the day we release the funds to your solicitor. Using the example above, the payment we collect on 31st July will be July's regular payment. The interest from 5th June to 30th June will be capitalized onto your mortgage account.

How is interest charged to my mortgage account?

Interest on most of our mortgage products is charged annually from the date of the advance to the date of the Society's next year end and after that on the balance outstanding at the beginning of each financial year. The interest is added to your account at the beginning of the year and your monthly repayments reduce the amount outstanding. Monthly repayments do not affect the balance on which interest is charged until the beginning of the next financial year.

Some of our mortgage products may use a daily interest calculation. This means interest is calculated on the outstanding balance at the end of each day rather than on an annual basis. This means that your monthly repayment reduces the balance on which interest is charged immediately.

Early repayment

If you decide to repay some of your mortgage in addition to your normal monthly repayment before the end of the mortgage term (a capital payment), the interest that has been charged to your account that year will be adjusted. This applies if you make a payment of at least £500 more than your normal monthly payment. The balance of your account is reduced from the day that you make the capital payment. An early redemption charge may apply if you make a capital payment (see 'Early Repayment Charges').

You can reduce or redeem your mortgage at any time. However, early repayment of all or part of your mortgage can have financial consequences depending on the mortgage product you choose. (See 'Early Repayment Charges').

What happens if I want to move home?

The product terms and conditions state whether a product is portable. Most of our mortgages are portable. 'Portable' means that if you decide to move home, the Terms and Conditions of your existing mortgage can be transferred to the new mortgage on your new home, providing that you complete your new mortgage within 6 months of the redemption of your existing mortgage. If there is an early repayment charge on your existing mortgage, your new mortgage needs to be for at least the same amount as the old one to avoid payment of the charge. If you do borrow less, then you will need to pay a proportion of the early repayment charge. You will still need to complete an application form because the mortgage is based on a new property and will be subject to your current status and valuation. Buy for Uni mortgages are not portable. Please ask for more information.

Insuring your home and your mortgage payments

Buying a home is one of the biggest financial commitments you will make. Protecting your investment is vital. There are various insurances available to protect you and your home. These are briefly explained below. You pay a premium to an insurance company for each type of insurance. It is your responsibility to ensure that the insurance products you select remain in force at a sufficient level to maintain full cover throughout the mortgage term.

- **Buildings Insurance** - We make it a condition of your mortgage that you have buildings insurance in place. Buildings insurance should commence at exchange of contracts for house purchases as that is when you are legally committed to buying the property. Bath Investment and Building Society have formed a relationship with ***Royal & Sun Alliance plc***, an insurance broker which is not part of the same group, because we feel that they share our values and commitment to customer service. They will be happy to provide a quote for you. You are free to choose your insurer, but the policy you choose must be index linked for a minimum reinstatement value as advised by the Society's valuer. The Society's interest must be noted on the policy. If you do not take a policy through Royal & Sun Alliance plc, we will require sight of your policy to assess whether it is suitable for our purposes. It is your responsibility to ensure your home is adequately insured and to pay all premiums as they become due.
- **Contents Insurance** - We recommend that you insure the contents of your home. This is not compulsory. You may be able to combine your buildings and contents insurance in one policy and this cover can usually be upgraded to provide cover for accidental damage to both the property and the contents.
- **Mortgage Payment Protection Insurance** - This is a simple and low cost way of protecting your mortgage repayments in the event that you are unable to meet your monthly commitment due to accident, sickness or redundancy. You should be aware that for the first thirteen weeks of any period of redundancy or inability to work due to sickness, the State will not help you with your mortgage payments. Please ask your mortgage consultant for more details of this cover.
- **Life Assurance and Income protection** - Life assurance is not an automatic feature of your mortgage unless you have an endowment policy in place. You should consider taking out a life assurance policy to ensure your family is protected in the event of your death.

  Income protection is a longer term insurance which provides cover based on your salary rather than your mortgage. We usually introduce direct mortgage customers to ***Bath & City Financial Ltd***. You are not obliged to buy any products from them but we consider the introduction part of our service. You may already have some cover in place, but taking out a new mortgage is a good time to review your cover to ensure that your needs are met.

Financial difficulties

Before buying a property or raising money on your home, you must consider your income and outgoings to ensure you can afford your mortgage repayments now and in the future.

You should look at mortgage repayments based on our Standard Variable mortgage interest rate and above to see what the impact would be. Before you apply for your mortgage, you will be provided with a Key Facts Illustration. This will demonstrate the effect that a 1% rise in interest rates would have on your mortgage payments. You must satisfy yourself that you will be able to maintain your mortgage repayments in the event that interest rates were to rise by more than this.

Changes in circumstances

However carefully you plan, we know that circumstances do change. If your circumstances change during the term of your mortgage, for instance because of illness, redundancy or relationship breakdown, it may have an adverse effect on your ability to repay your mortgage. If you do experience difficulties, you should contact us as soon as possible. We will deal with you sympathetically and positively. We may be able to help you and you can also get help from debt counselling organisations. At your request and with your consent, we will liaise wherever possible with debt counselling organisations that we recognise, for example, Citizens Advice Bureaux, Money Advice Centres and the Consumer Credit Counselling Service.

Additional Borrowing (Further Advances).

You may be able to borrow more money by taking out a Further Advance with us at a later date. This type of borrowing will not usually require a solicitor. We can lend up to 80% of your property's value for most purposes. Please ask for more information.

Buying to let

Buying a property to let is very different to buying a home for yourself. Before taking the decision to become a landlord, there are various aspects you should consider:-

- **Research the market** - Speak to letting agents in the area where you are looking to buy. They will be able to tell you about demand for rental properties in the area and how much income you can expect to achieve. The agent should also be able to tell you about the types of properties which are most popular.

- **Investment return** - You will want to make a return on your investment. You will need to know what factors may have a positive or negative impact on your investment. There is no guarantee of the level of investment return that you will receive. The type of property and the area it is in, the standard of furnishings, the tenant, the agent and the prevailing economic conditions can all affect the level of rent achieved.

- **Risks** - Demand for rental property can vary and the value of your property can fall or rise. If rental demand falls, you could have periods where your property remains empty. There could be other factors which would mean you may not be able to let your property, for example, setting the rent too high or the property being in the wrong location. That is why it is important to research the market before committing to buying a property.

- **Finding a tenant** - Most letting agents offer a service to find tenants. They will advertise your property, conduct viewings and reference any prospective tenants. Once the tenancy agreement has been signed, you take responsibility for the management of the property, or you can pay an agent to manage the property for you.

If you engage an agent to manage the property for you, they should be a member of ARLA (Association of Residential Letting Agents). You should expect to pay 10 – 15 % of your gross rental income plus VAT to a letting agent to manage your property, but they will know the local rental market, help you to find suitable tenants, draw up tenancy agreements, prepare inventories and collect rent. By arrangement, they may also pay bills on your behalf, inspect the property and advise on repairs and maintenance.

You can obtain details of ARLA registered agents and the services they provide by visiting the ARLA website at www.arla.co.uk or by contacting them on 0845 345 5752.

- **Insurances** - As with residential mortgages, we will require that you have an index linked buildings insurance policy for the property. **Royal & Sun Alliance plc** will be happy to provide a quote for you. You must make sure that the insurer knows that the property is being let. Some buildings insurance policies will include cover for employers liability and property owners liability. Additionally, you need to consider whether you require limited or full contents cover (which may include landlords liability cover), Legal Expenses Insurance and Rent Guarantee Insurance.
- **Tax Implications** - This will depend on your individual circumstances. Rental income is taxable. We recommend that you get professional advice from a tax specialist.
- **Tenancy Agreements** - You and your tenants need to sign an Assured Shorthold Tenancy agreement with a minimum period of 6 months and a maximum of 12 months. The terms within the agreement are to protect both parties. You may wish to obtain legal advice about the clauses necessary within the tenancy agreement.
- **What else do I need to know?** - You must make sure that you are aware of your legal responsibilities as a landlord. This includes repairs to the property, compliance with safety legislation and landlord and tenant law. You may wish to seek legal advice to ensure that you are aware of your rights and responsibilities.

How to complain

Good customer service is our priority, but there may be occasions when things go wrong. If you are not satisfied with any aspect of our service, please get in touch with us so that we can put things right. We have an internal complaints procedure which details how we deal with complaints and you can obtain a copy of this from our website or from any of our branches. We aim to settle any complaints promptly and fairly but if for any reason we are unable to come to an agreement, it may be possible to refer your complaint to the Financial Ombudsman Service.

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