

NON-PORTFOLIO LENDING GUIDELINES AND SUBMISSION REQUIREMENTS

January 2024

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Submission requirements

	 Non-portfolio landlords Individual
Fully completed online application, plus an additional applicant form where there are more than two applicants	✓
Fully completed property schedule <i>(We can accept your own property schedule, providing it contains all of our required fields)</i>	✓
If employed: • the last three months' payslips	✓
If self-employed, the last two years: • SA302 tax calculations (or equivalent) • Tax Year Overview • Tax return / SA100	✓ <i>SA302 tax calculations only</i>
Signed direct debit instruction <i>(A copy will be emailed out upon submission of the case)</i>	✓
Completed submission requirements questionnaire	✓

This covers our basic submission requirements and should not be relied upon as a definitive list.

All cases are different, so it's important that you also send us any additional information that is relevant and could influence the underwriting decision. By completing the [submission requirements questionnaire](#), our underwriters can assess your case more thoroughly, which should allow us to process the application through to offer of loan without any further questions.

Our valuations are instructed as soon as an application is received, which may be before the case is fully underwritten. If you wish to opt out of this service on an application, and would like the valuation to be instructed after the case has been underwritten, please call us on 0345 849 4040 at the time of submission.

Lending guidelines

These guidelines represent a summary of our lending criteria for non-portfolio landlords and single self contained residential investment properties located in England, Wales and Scotland. These guidelines may be altered at any time without prior notice. Requirements may vary for individual cases and these are guidelines only.

1. Loan requirements

- **Minimum loan amount (excluding any fees added to the loan)**

Purchase/Remortgage : £30,000

Further advance: £5,000

- **Minimum property valuation:**

£75,000

- **Loan to value (LTV)**

The maximum loan to value per property for purchases and remortgages is as follows:

- up to 75% LTV: maximum loan up to £1,000,000
- up to 80% LTV: maximum loan up to £750,000

Any fees added to the loan will be taken into account for higher LTV applications and included within the maximum loan available and LTV calculations. The total amount of loan plus any fees added must not exceed 80% LTV.

- **Maximum aggregate borrowing**

A lending limit of £1,000,000 (including any fees added to the loans) will apply. Applicant(s) must own no more than three buy-to-let mortgaged properties, regardless of lender, including the proposed application.

- **Loan purpose**

We will generally consider applications for either purchase or remortgage of residential investment property and further advances. Capital raising will be considered for all purposes concerned with the owning and renting of residential property.

- **Purchase application**

The loan amount will be based upon the lower of purchase price or current valuation.

We will not consider applications where the applicant is purchasing a property from an associated limited company.

Proof of the source of the deposit may be requested.

Where the applicant(s) are not providing the whole of the balance of the purchase price from their own funds, full details must be provided for consideration by us.

- **Remortgage application**

We will consider remortgage applications where the applicant has been the registered proprietor for less than 6 months. In these instances, the loan amount will be based upon the lower of the purchase price or current valuation. Exceptions will be considered where it can be demonstrated, that since the date of purchase, significant improvement works which have enhanced the property value have been carried out. A schedule of works and evidence of expenditure will be required.

In all instances, the property must be registered at the Land Registry (or in Scotland, Registers of Scotland) as owned by the applicant(s), at the date of completion.

- **Consumer buy-to-let**

We will accept applications that qualify as consumer buy-to-let mortgage contracts, if the appropriate criteria is being met. More information concerning consumer buy-to-let can be found on our website at www.paragonbank.co.uk/personal/mortgages/buy-to-let/consumer-buy-to-let.

- **Mortgage term**

Minimum: 5 years

Maximum: 35 years

- **Repayment methods**

Interest only, capital and interest repayment and part interest only and part capital repayment loans are available.

Although we do not require a life policy to be assigned, we strongly recommend that suitable cover for the amount and term of the loan is in place to provide adequate protection for the applicant(s).

- **Property investment clubs and syndicates**

We will not accept applications where the property is being purchased or refinanced through, or where the applicant is in anyway connected to, a property investment club or syndicate.

2. Income/affordability

We will assess the affordability of a mortgage based on the expected monthly income generated from letting the property to a tenant. The actual income generated may be different and can be influenced over time by changes within the rental market.

The applicant(s) will remain responsible for meeting the costs of the mortgage and the additional costs associated with letting property for the duration of ownership.

- **Income**

Applicants should have a minimum combined gross annual income of £25,000 per annum.

Applicant's income can include:

- Gross employment income
- Taxable self employed income
- Occupational/private and state pension

Income from renting property, and investment income will not be considered, but may be taken into account when calculating the tax band applicable to an applicant.

- **Affordability**

Any fees that will be added to the loan will be included in the loan amount used in both the current and future affordability calculations.

All applications will be subject to validation of :

- The income requirements above
- The gross rental income from the property should equal or exceed the Interest Cover Ratio (ICR) as determined by the tax band applicable to an applicants income. The tax band applicable to the applicant with the highest income will be used.

All calculations will be based on either the current reference rate published on our website and in our product guides, or the product charging rate plus 2%, whichever is the greater. The exception to this is our five year fixed rate products, which will be calculated using either the current five year fixed reference rate published on our website and in our product guides, or the product charging rate, whichever is the greater.



Some products may be subject to an individual reference rate, but where this is the case, it will be clearly indicated within the product details.

Future affordability will also be taken into account and may limit the maximum loan amount available. Before submitting an application, please ensure you check how much we may be able to lend your client by using our online calculator, which can be found on our website www.paragonbank.co.uk/intermediary/btl.

The tax band and ICR levels are as follows:

Applicant type	Applicable ICR
Basic rate tax payer (20%)	125%
Higher rate tax payers (40%)	140%
Additional rate tax payers (45%)	140%

We must be satisfied that the applicant(s) are able to withstand increases in mortgage interest rates, cover rental voids and be able to afford the mortgage now and after any fixed/discounted period expires. We may request evidence of contingency funds which could be used to support increased mortgage payments. We may decline an application if we believe the applicant will not be able to meet mortgage payments should interest rates increase.

3. Personal details

- **Applicant(s)**

Applications will be considered for a maximum of two individuals who should all have been resident and liable to tax in the UK for a minimum of the last two years.

Applications from limited companies are not acceptable.

All applicant(s) must have indefinite leave to remain in the UK.

At least one applicant must be the owner of a residential property or residential investment property.

- **Age at application**

Minimum: 21 years

The applicant(s) should not be over 85 years of age at the end of the mortgage term.

- **Identity**

Where the identity of all applicants cannot be established through the underwriting process, proof of identity verified by the solicitor or intermediary will be required. We will also accept documents certified as true copies of the originals if verified using the Post Office Identity Document Checking Service.

4. Credit history

A comprehensive review of the credit history for each applicant will be undertaken, which will include a credit search on all applicants. In addition, we will use a credit score in order to ascertain the acceptability of the application.

We will not consider applications where an applicant:-

- has historic or current county court judgements
- is an historic or currently disqualified director

We reserve the right to obtain a new credit search at any time and any change in the applicant(s) credit history could lead to the application being reviewed.

It is important that we are provided with accurate information. We will check the details with Fraud Prevention Agencies and if false or inaccurate information is identified, details will be passed to the Fraud Prevention Agencies and criminal prosecution may be considered.

5. Employment

At least one applicant must be employed or self-employed as defined below.

- **Employed applicant(s):**

Applicant(s) must be in permanent non-probationary employment.

Applicant(s) on long term contract work will be considered on an individual basis.

- **Self employed applicant(s):**

Applicant(s) must have been trading in their present business for a minimum of two years and be able to provide two years accounts and/or tax returns as per our submission requirements.

Applicant(s) who work on a subcontract basis will be treated as self-employed.

An applicant will be classed as self employed where the individual owns 20% or more shareholding of the company or is employed by a family business.

- **Accepted accountancy institutes:**

- Institute of Chartered Accountants in England & Wales (ACA/FCA)
- Institute of Chartered Accountants of Scotland (CA)
- Association of Chartered Certified Accountants (ACCA/FCCA)
- Chartered Institute of Management Accountants (ACMA/FCMA)
- Association of International Accountants (AAIA/FAIA)
- Association of Authorised Public Accountants (AAPA/FAPA)
- Association of Accounting Technicians (MAAT/FMAAT) - Must be a practicing and licensed member under the AAT organisation regulations or work for, and be indemnified by, another accountancy firm with a separate qualification from the above list

6. Property

We will take a first legal charge and will only consider single self contained properties in England, Wales or Scotland (where products are available). Houses in Multiple Occupation and multi-unit blocks are not acceptable, and applications for these types of property must be made through our portfolio application process, even if the customer is classified as non-portfolio under PRA regulation.

- **Minimum property valuation:**

£75,000

- **Valuations**

A security assessment and valuation report will be arranged to determine the property value, the realistic and sustainable monthly rental income and the suitability of the property for mortgage purposes.

Any property we are considering should be lettable in its current condition.

Properties that are likely to have low demand from tenants due to their current condition, location or other factors, including poor maintenance or management of common areas, will not normally be acceptable

We reserve the right to accept or decline any individual property.

Before completion of the loan a revaluation will be arranged by us, at the applicant's expense, where the initial valuation is more than four months old.

The property must comply with the current Energy Performance Certificate Regulation, and have a minimum rating of E, unless there is an applicable exemption. This will be verified by Paragon and the acting solicitor and we will not be able to lend on any property that is found not to be compliant.

Our valuations are instructed as soon as an application is received, which may be before the case is fully underwritten. If you wish to opt out of this service on an application, and would like the valuation to be instructed after the case has been underwritten, please call us on 0345 849 4040 at the time of submission.

- **At our discretion, the following types of property may be considered on an individual basis:**

- ex local authority houses
- a flat in a block over 10 storeys high or with more than 100 units
- leasehold flats or maisonettes attached to, or above, commercial premises

- **Property exclusions**

Property is unacceptable if it is:

- an ex-local authority flat or maisonette
- non-traditional construction such as concrete or timber or where existing or possible structural defects are apparent
- a shared ownership property (currently or previously)
- a converted flat where the applicant occupies a property in the same building
- a freehold flat or maisonette in England and Wales
- designated as defective under any housing legislation
- subject to unreasonable lease terms, including onerous ground rent amounts; review periods; escalation provisions and event fees
- subject to agricultural or other planning restrictions
- subject to notice of mineral extraction, contaminated land or previous mining subsidence and landfill
- being purchased under the Right to Buy Scheme or Housing Association Scheme
- built within the last ten years without an NHBC certificate or other guarantee acceptable to us
- located within either ten metres of an electrical sub-station or 100 metres of an overhead high voltage cable or communication mast
- a studio flat, under 30 square metres
- a new or recently built flat where there is, or is likely to be, a low demand from tenants
- a property with an element of “flying freehold”
- a self-build property
- a property with restrictions relating to sale or occupancy such as Section 106 notice, pre-emption clause
- a property subject to chancel repairs/liability
- a property subject to issues identified by an environmental search
- a property which is commercial
- let on any other basis than a private residential tenancy agreement
- located in Wales and occupied on the basis of a secure contract

- **Tenure**

Freehold/heritable in England, Wales and Scotland, or leasehold in England and Wales only (subject to a minimum of 85 years unexpired term at the commencement of the mortgage and 65 years unexpired term at the end of the mortgage).

Ground rent and other event fees must be reasonable at all times during the lease term.

It is acceptable for ground rent escalation to be linked to RPI (Retail Price Index) or a similar index where the review period is 10 years or greater. Reviews every 5 years are not acceptable. The passing ground rent must be in proportion to the capital value of the property and not materially affect its value.

Unreasonable multipliers of ground rent will not be permitted, for example, doubling every 10 or 15 years. If you are unsure as to whether the terms of a lease are unreasonable, please refer the details to the lender for further advice.

Note: Possessory title is not normally acceptable.



- **Occupation**

Depending on the specific conditions of each loan, the property must either be occupied by acceptable tenants (see Let Property section for details), or may be vacant between lettings for up to 90 days, subject to the terms of the insurance cover being complied with

- **Let property**

The landlord is responsible for checking the legal status of a tenant to ensure they have a permanent right to reside in the UK.

In England, property may either be let:

- on an assured shorthold tenancy subject to a minimum term of six months and a maximum of 36 months

or

- to a limited company registered in England, Wales or Scotland, or a suitable educational institute for up to three years, or to a local authority or housing association for up to five years in all instances, provided it is subsequently occupied by a private individual or individuals whose rights of occupation do not extend beyond the term granted to the acceptable tenant.

In Wales, occupation on the basis of a secure contract by any occupier is not permitted. The only basis upon which the property may either be let is:

- under a standard contract as defined by the Renting Homes (Wales) Act 2016 ('The Act') subject to a minimum term of six months and a maximum of 36 months

or

- to a limited company registered in England, Wales or Scotland, or a suitable educational institute for up to three years, or to a local authority or housing association for up to five years in all instances, provided it is subsequently occupied by a private individual or individuals whose rights of occupation do not extend beyond the term granted to the acceptable tenant, and provided such notices as requisite are served to prevent the contract holder occupying the property on the basis of a secure contract.

In Scotland, property may either be let:

- on a short assured tenancy, subject to a minimum term of six months and a maximum term of 12 months

or

- on a private residential tenancy.

For full details please refer to our General and Special conditions booklet on our website, www.paragonbank.co.uk/btldocuments/ intermediary. Each tenancy agreement must require the rent to be paid at either monthly or quarterly intervals (or in the case of students, termly).

Property shall not in whole or in part be let to or occupied by:

- the applicant, or any member of their family
- the guarantor, or any member of their family
- the vendor of the property, or any member of their family
- any previous owner of the property, or any member of their family
- an employee of the applicant
- an associated subsidiary, or parent company of the applicant

Sale-and-rent-back arrangements are not acceptable.

Holiday lets are not acceptable.

Where a tenancy agreement pre-dates the completion of the loan then the solicitor acting must ensure that our interests are fully protected.

7. Solicitors

We will normally instruct the applicant's solicitors/licensed conveyancers to act on behalf of both parties provided:-

- the firm has a minimum of four partners each holding current practising certificates/licenses, operates from commercial premises, has been in business for at least three years and is currently registered with the Law Society/Council for Licensed Conveyancers
- the solicitor/licensed conveyancer acting holds a current practising certificate and is currently registered with the Law Society/Council for Licensed Conveyancers

- the solicitor/licensed conveyancer acting holds Professional Indemnity Insurance cover of £4 million or more where the loan amount being applied for is £2 million or more
- the firm is registered on Lender Exchange, agrees to our terms and conditions and has been accepted onto our conveyancing panel

Should an applicant(s) choose a firm that is not acceptable to us, they will act solely for the applicant. The applicant will then have to select another firm from our panel to act on our behalf and any costs incurred from both firms will be the responsibility of the applicant(s) whether or not completion takes place.

In all cases, we reserve the right to instruct alternative solicitors/licensed conveyancers to act solely for us and again, any costs incurred from both firms will be the responsibility of the applicant(s) whether or not completion takes place.

Please refer to our approved conveyancing panel which can be found on our website www.paragonbank.co.uk/btldocuments/intermediary for a full list of approved firms.

8. Property insurance

Index linked buildings insurance will be required to be maintained for the rebuilding cost of the property.

The applicant(s) must make their own insurance arrangements, and we reserve the right to request a copy of the insurance policy. The applicant must contribute towards the cost of contingency insurance taken out by Paragon, to cover any subsequent loss as a result of any inadequacy of the insurance arranged by them.

All properties must be acceptable to insurers on standard terms i.e. exclusions or increased excesses must not apply.

For leasehold property, the freeholders may already have adequate cover in force under the terms of the lease.

The solicitor will be required to confirm that the policy meets the minimum requirements of the mortgage contract, is in force at completion and that, wherever possible, our interest has been noted on the policy.

9. General

• Decision

When considering an application a detailed assessment of the following circumstances will be made, so that an informed decision can be reached regarding the acceptability of the case:

- the applicant's credit history
- the applicant's income and employment status
- the rental income available is sufficient to support the loan
- the suitability and value of the property
- the loan to value
- the tenant's right to reside
- the applicant's credit score

• Final decision

We reserve the absolute discretion to determine whether to make an offer and the terms on which the offer is made.

• Our Offer of Loan will lapse if completion does not take place within three calendar months of issue

• Verification

We will contact all applicants by telephone to verify information submitted in support of the application.

We reserve the right to validate any references or other documentation received in the course of assessing the application.

Updated references will be required where completion has not taken place within six months.

- **Legal charges**

We require a first legal charge (or in Scotland, Security) over the property.

We will not accept subsequent charges in favour of any other party, for any purpose, including borrowing from other lending institutions.

- **Interest rates, fees and redemption terms**

Please refer to the guide entitled "Buy-to-let product guide" for full details.

Any application fee/valuation fee will be charged immediately on acceptance of a case for processing and the valuation will normally be instructed immediately thereafter.

- **Direct debit mandates**

It is a condition of the loan that monthly payments are made from an account in the applicant's name(s), with a UK based bank and made by direct debit which is to be set up prior to the issue of an offer.

- **Email address**

Please note that our offer of advance will be issued by email. Therefore we require email addresses for the principal applicant, solicitor and intermediary.

10. Further advances

Further advances may be available on properties in England and Wales, subject to the criteria set out in our Further advance lending guidelines. Our Non-portfolio further advance products are funded by Paragon Bank PLC and will be registered by way of second charge against the property. Details of our lending guidelines and current product range can be found on our website at www.paragonbank.co.uk/intermediary/documents.

The affordability assessment will take into account both the proposed advance (including fees added to the loan) and the existing loans secured against the property.

If you wish to discuss an application with us, please call on 0345 849 4040. Alternatively, applications can be made on our online portal at www.paragonbank.co.uk/intermediary/portal.

11. Product switches

If the current mortgage product incentive period is coming to an end, it may be possible to switch to a new product. Details of our current product switch range can be found on our website at www.paragonbank.co.uk/intermediary/documents.

Applications can be made on our online portal at www.paragonbank.co.uk/intermediary/portal.

Where an application falls outside the guidelines but you feel it should be considered further, please refer it to us on an individual basis for a decision.

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