



Second charge mortgages

Second charge mortgage terms and conditions

June 2019



Introduction

This booklet contains the second charge mortgage terms and conditions for Paragon Bank PLC.

It explains how your mortgage with Paragon works, and sets out in detail the conditions you accept when you sign your acceptance of our mortgage offer and the mortgage deed.

If you have any questions about these conditions or explanations, we are happy to help.

We recommend you keep this booklet in a safe place in case you want to check the conditions and explanations that apply to your mortgage.

Your property may be repossessed if you do not keep up repayments on a mortgage or other debt secured on it

What makes up our agreement for your mortgage loan?

If you have a mortgage loan with us, we will give you a loan and you will give us a mortgage over your property, which we call the mortgage. The mortgage is a form of security for repayment of your loan and for payment of other things to do with your loan.

What is your loan?

Your loan is the total of the money we lend to you at the start of our agreement, plus any money we lend you at other times under our agreement. It does not include interest or charges.

What is our agreement for your mortgage loan made up of?

Our agreement consists of the following documents, which together form your mortgage offer:

- Any offer letter we give you for your mortgage loan. We will give you an offer letter before we first give you your loan. We will give you further offer letters later on if we agree to changes to our agreement (for example, by lending you further money)
- The mortgage illustration is a document that sets out, in a standardised format, the total costs of the mortgage and gives essential information which you need to consider about the mortgage product and associated fees. The standardised format helps you to compare this mortgage to other similar products
- This booklet, A Guide to your Second Charge Mortgage detailing the terms and conditions of your loan
- The mortgage deed. This covers the mortgage security we take over your property. For properties in Scotland it is called a 'standard security', but to keep things simple, when we talk about a 'mortgage deed' in our agreement we will also mean the standard security
- Any other agreement you make with us to do with your mortgage loan, for example, where we agree to a change to the time period in which you must repay what you owe, without giving you a new mortgage offer

Our agreement will last until you have paid us everything you owe under our agreement and we no longer have the mortgage over your property. We have tried to provide you with everything you need to know about your loan, but for the more complex areas you can ask a solicitor or licensed conveyancer to explain anything you do not understand.

Who is our agreement between?

- us, Paragon Bank PLC, and
- you, the person (or persons) named in the mortgage deed as 'the borrower' ('the debtor' if your property is in Scotland). If, more than one of you is borrowing from us, our agreement applies to all of you together and to each of you on your own. This means that we can require just one of you to make the payments due under our agreement, or some, or all of you to make the payments together

Definitions

In this booklet we may use certain words or phrases that have a particular meaning. These are set out below.

Attorney an attorney is someone legally entitled to act on someone else's behalf.

Bank of England Base Rate means the official Bank of England Bank Rate, which people commonly call 'Base rate'. It is the interest rate set by the Bank of England for lending to other banks which is used by banks and building societies as the benchmark for calculating interest rates for some mortgage products.

Charging Balance means the part of what you owe that we charge interest on.

Compounded Interest means the interest on the loan plus any accrued interest and interest on that interest.

Discounted Rate means your interest rate is set at a particular level (discount) below a Lender Variable Rate or another rate which is not set by us. The rate you pay is the relevant Variable Rate that applies to your loan less the discount.

Fixed Rate means an interest rate that does not go up or down – the interest rate remains the same for the period of time that it is fixed.

Laws and Regulations means all laws, rules, codes of practice, decisions, recommendations and requirements laid down by any court, regulator, government authority or agency or other similar body.

Lender Variable Rate means a variable interest rate which we set and can change.

Mortgage Term means how long you have to pay everything you owe. Your Mortgage Term will be the period of time you agree to, usually in your offer letter, unless your mortgage loan ends early or we agree to extend it.

Overpayments means when you choose to pay more than your monthly payment. Overpayments are permitted and can either be regular overpayments or lump sum overpayments.

Repayment Mortgage means a mortgage where each monthly payment includes interest and a part of your loan so that, providing you have made all your payments in full when they are due and kept to all other terms of our agreement, you will have paid back your loan and have no more to pay at the end of your Mortgage Term.

Security means the rights you give us over things you own, to give us extra cover in case you do not keep to your obligations under our agreement.

Tracker Rate means your interest rate follows another rate set by someone other than us. For example, the Bank of England Base Rate. It will track that rate by a margin. The margin will always be positive, for example, the Bank of England Base Rate plus a 2% margin.

Underpayments means you pay less than you owe for your monthly payment.

Variable Rate means an interest rate that can change. A Variable Rate can go up and down.

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1. What, when and how will you pay?

This section gives you an overview of what you will have to pay (or may have to pay) under our agreement. It covers details about your monthly payments, such as what they will be and when and how you should make them. It also tells you when we can change your monthly payment.

1.1 What will you pay?

You will have to pay us back your loan, and pay us interest on it until you do.

You might also have to pay us:

- charges, and
- interest on any interest or charges that you owe and have not yet paid (see section 2)

In this booklet, we refer to the total of your loan, charges and interest as ‘everything you owe’ and, where we are looking at everything you owe at a particular time, as ‘what you owe’. You must pay us everything you owe by the end of your Mortgage Term.

There may be times when, although we could, we decide not to charge interest on something we have included in what you owe, for example certain charges. Where we do not charge interest on something we will tell you.

We will agree with you, usually in your mortgage offer, what type of mortgage you have, what your monthly payments are, and the interest rate(s) and any charges that you have to pay.

Our agreement can last for a long time, and so the levels of our interest rates, charges, and your monthly payments, are likely to change in the future. This section as well as sections 2 and 3 give details of how and when they can change.

1.2 Your monthly payment amounts

You will have to make monthly payments. Where you have made all your payments in full as they become due and kept to all other terms of our agreement, we will work out the level of your monthly payment so that everything you owe is repaid by the end of your Mortgage Term. However, if you fall behind with your payments we may apply a charge to your account which will not be included in your Charging Balance and will therefore not be included as part of your monthly payment unless we have both agreed. If it is not included as part of your monthly payment or you do not make arrangements to settle it separately, it will still be owing at the end of your Mortgage Term.

We calculate your monthly payments so that they will be the same amount every month. When we work out the interest paid by a monthly payment, we will treat each full month as an equal twelfth part of the year. This means you will pay slightly less interest than you owe in months that are 31 days long, and slightly more than you owe in the other months.

As an exception, your first monthly payment may be a lower amount. This is because your first monthly payment will be due at the beginning of the month after we give you your loan. So the first monthly payment will be only a part-month’s interest. Your full number of normal monthly payments will therefore start one month after this.

For example

If you take a new loan on 10 June for 25 years, we work out that the interest on the loan from 10 to 30 June is £250. Your usual monthly payment amount will be £1,000. The first monthly payment, on 1 July, will be £250. Then, on 1 August and each month after that, your monthly payment will be £1,000.

The final repayment will be due on 1 July.

We will confirm your first and subsequent monthly payment amounts when giving you a loan.

1.3 When and how to make your monthly payments

You will have to make your monthly payments until you have paid off everything you owe. You must make them on the 1st day of each month unless you choose a different day (for example, the 15th day of each month) and you must do so by direct debit. You cannot choose a date later than the 25th. You are able to choose a different date after your first full monthly payment has been received by us. Once you have chosen a date, you will need our agreement to change it.

1.4 Weekends or public holidays

We will only ask you to make your monthly payments on working days.

If one of your monthly payment dates falls on a weekend or public holiday, you will instead make the monthly payment on the next working day. If the next working day is in a new calendar month, you would make the monthly payment on the previous working day.

1.5 Temporary stop or reduction to monthly payments

We may choose to allow you, temporarily, to stop making your monthly payments or to pay lower monthly payment amounts. We may do this if, for example, you have trouble meeting your payments.

If this happens, we can later do one or more of the following things.

- Start your monthly payments again. We will always discuss your circumstances with you before we start your monthly payments again
- With your agreement, and providing we reasonably think you can afford it, extend your Mortgage Term, if we think you need more time to make your payments. This means that (unless our agreement ends early) you will need to make monthly payments for a longer period into the future and that you will end up paying more for your loan
- With your agreement, and providing we reasonably think you can afford it, increase your monthly payment amounts

If we increase your monthly payments, we will work out the new amounts to pay off any arrears (but not necessarily all associated charges) as soon as is reasonably affordable bearing your circumstances in mind. Wherever possible, the monthly payments will be enough to pay off everything you owe by the end of your Mortgage Term.

Please note that we can also take other steps and other things can happen, as described in sections 13 and 14, if you have trouble meeting your payments.

1.6 When we can change your monthly payments

Sometimes, we may adjust your monthly payment amounts. We may do this if for example:

- your interest rate changes,
- we change how we work out interest,
- you have to pay certain new charges,
- you are late making a payment or only pay part of it,
- we lend you more money,
- there is a change to your Mortgage Term,
- we have allowed a temporary stop or reduction to your monthly payments

We will give you reasonable notice when we change your monthly payments. We do not need your agreement to change your monthly payments but there may be circumstances where we ask for your agreement to increase them.

2. The interest you pay

You will have to pay us interest on what you owe. There are different types of interest rate and in this section we explain how each of them works, but your offer letter will tell you what type or types apply to your loan. This section also explains when we will charge interest, how we work out how much interest you have to pay and how we may change an interest rate.

2.1 What we charge interest on

We charge interest on your loan and any charges or interest added (see section 3) until you have paid it off or unless we tell you we are not charging interest on something. We charge you interest for every day you owe us anything under our agreement.

If you do not pay interest when you should, then unless we tell you otherwise, we add it to your Charging Balance and we charge interest on it along with the rest of your Charging Balance.

We start charging interest:

- on any money we lend you from the day we lend it to you,
- on interest from the day after we add it to your Charging Balance, and
- on any charges in the way we explain in sections 3.6 and 3.7

If you make a payment, it will reduce what you owe from the day we actually receive the money.

2.2 How we work out interest

We calculate your interest amount for the next month by multiplying your Charging Balance at the end of the previous month by your interest rate and dividing that total by 12. This interest amount is added to your loan repayment for the month (and any payment we have agreed to cover charges we have made) to give you your monthly payment.

2.3 When do we add interest?

We will add the interest for each calendar month to your Charging Balance on your next payment due date.

2.4 What if we change our processes?

We have the right to change how we work out interest, when we add interest or when and how you make your monthly payments to take account in a reasonable and proportionate way, of:

- any change in technology introduced by us in good faith and in accordance with the practices of a reasonably prudent mortgage lender
- any change in law or regulation
- a change to market practice in the residential mortgage market

2.5 What type of interest rate do you have?

We will agree with you whether your interest rate is fixed or variable, for how long it applies and whether it applies to all or part of your loan.

2.6 Fixed Rates

What happens when your Fixed Rate ends?

Your offer letter will say how long your Fixed Rate will last for and what will replace it (usually a Lender Variable Rate) when it ends.

2.7 Variable Rates

There are different types of Variable Rates, for example Lender Variable, Discount and Tracker Rates.

When can we change a Lender Variable Rate?

We can change a Lender Variable Rate at any time but will give you reasonable notice of any changes to your monthly payments as a result of the change. We can reduce the rate for any reason, but we will only increase it in the following situations.

- **Change to our cost of lending:** We have costs in raising the money lent to our customers. If those costs change, or we know they are about to change, we can change a Lender Variable Rate in proportion to the change in costs
- **Change to our administration costs:** We incur costs in providing services to our customers and if these change we can change a Lender Variable Rate in proportion to that change
- **Change to Laws and Regulations:** We follow Laws and Regulations. These might change, or we might know that they are about to change
 - If the change in Laws and Regulations means we should change a Lender Variable Rate, we will do so
 - If there is a change to our cost of following Laws and Regulations, as a result of a change to them, we can also change a Lender Variable Rate in proportion to the change in cost

Discounted Rates

If you have a Discounted Rate your offer letter will say the level of the discount and how long it lasts. We will not change the level of the discount. However, your offer letter may state that our agreement is subject to a set minimum interest rate and, if the discount means that your interest rate would fall below the minimum interest rate, your interest rate will be the minimum interest rate instead.

Tracker Rates

If you have a Tracker Rate your offer letter will say what rate is being tracked, what your margin over the tracked rate is, and how long it lasts.

We will not change the margin. However, your offer letter may state that our agreement is subject to a set minimum interest rate and if a change in the rate being tracked means your interest rate would fall below the minimum interest rate, your interest rate will be the minimum interest rate instead.

3. Our charges

In addition to paying us interest you will sometimes have to pay charges in relation to the mortgage, your property or our agreement. This section explains what these charges may be, how we work them out and when and how we will pass them on to you. It also covers when we may change our charges.

3.1 What are our charges?

There are two types of charges. There are charges relating to the agreement that we have which we call 'voluntary charges' because we agree between us, for example in the mortgage offer, if and when they apply. These voluntary charges include:

- charges at the start of our agreement as described in your mortgage offer
- early repayment charges (see section 5)
- other charges you have to pay when you repay part, or all, of everything you owe, including at the end of your Mortgage Term
- charges for us to agree to additional borrowing or new services
- charges for where we agree to a change to our agreement or a new service (for example, changing the type of rate you pay, or a borrower, or your Mortgage Term)

In addition to these voluntary charges, there could be 'default charges' which are applied if you do not keep to your obligations under our agreement. You will only have to pay a default charge of ours so far as it is reasonable.

Examples of common 'default charges' are:

- a charge to cover the additional costs incurred because you have not kept to your obligations under our agreement, for example the costs of administering arrears on your account. These charges may be a set amount per month or variable but they will only be charged where it is reasonable to do so
- finding you if you have changed your address and not informed us
- where we have been unable to reach a satisfactory arrangement with you, taking steps, including court action, to obtain payment of any arrears owed by you under our agreement or to protect, preserve or exercise any rights we may have under the mortgage deed as a consequence of the arrears
- the costs of us having to make payments to other people because you have not met your obligations to do with your property, for example, if we pay a service charge where you have failed to do so, and
- the costs of taking steps such as inspecting, valuing or insuring your property, where our agreement allows us to take those steps.

3.2 Our standard charges

In many cases our voluntary and default charges will be standard charges.

We will give you information about our standard charges and regular updates of any additions or changes to them. If a standard charge is not covered by our latest information (or has since changed) we will tell you before you have to pay the charge.

3.3 How we can change our standard charges

We can reduce or cancel a standard charge at any time for any reason. We can also increase a standard charge or bring in a new one at any time, but only in the following situations.

- **Change to our costs:** If our costs change, or we know they are about to change, we can change our standard charge in proportion to the change
- **New or increased standard costs:** If we have been giving you something for free or we bring in something new, we can start charging a standard charge for it. Similarly, we can increase our standard charges if we have not been fully passing on our costs
- **Change to Laws and Regulations:** We follow Laws and Regulations. These might change, or we might know that they are about to change.
 - If the change in Laws and Regulations means we should change our standard charges, or the levels of our standard charges, we will do so
 - If there is a change to our cost of following Laws and Regulations, as a result of a change to them, we can also change our standard charge (including bringing in new standard charges) in proportion to the change in our cost

Notice of Changes

If we change the level of a standard charge or bring in a new standard charge, we will give you notice before it becomes payable. Where changes have been made to our costs we will send you a copy of our up-to-date tariff of charges with your annual statement.

3.4 Where we do not have a standard charge

Where we do not have a standard charge, we will simply charge you a reasonable amount to cover our internal costs and any costs we pay to other people.

For example

Suppose you have a lease for your property and we have to pay the ground rent and service charges because you have not.

If we do have a standard charge to cover our internal costs of dealing with those payments, you will have to pay this

However, our standard charge will not cover the amounts of the ground rent and service charge themselves. This is because we cannot estimate in advance what we might have to pay. So, you will have to pay us what we pay your landlord on top of any standard charge we may have

3.5 Taxes on our charges

If any tax is payable on our charges or other costs that we pass on to you, you must also pay the tax unless we think we can recover it in some other way. We will include the amount of tax in the charge that you have to pay.

For example

You may have to pay VAT or (if we need to arrange buildings insurance) Insurance Premium Tax.

3.6 When and how to pay our charges

Voluntary charges

When must you pay a charge?

A voluntary charge will be payable on the date you have agreed to pay it, whether in your mortgage offer or otherwise. If we agree to add a voluntary charge to what you owe, we will add it on the date it becomes payable. We will tell you whether it will be part of your Charging Balance and whether it will be paid by being included as part of your monthly payment or must be paid separately.

Default charges

A default charge becomes payable on:

- A charge where we have to pay another person. It becomes payable on the date we have paid that person
- Any other charge. It becomes payable on the date we have done the work or provided the service covered by the charge

If you do not pay a default charge by when it becomes payable we shall add it to what you owe. We will tell you if it is also part of your Charging Balance, whether and how we will charge interest on it and whether it will be paid by being included as part of your monthly payment.

3.7 What if your loan is in different parts?

As we discuss in section 4, different parts of your loan can have different interest rates, Mortgage Terms or repayment methods.

We will tell you which part of your loan we add a charge to.

If you repay that part before another part, we will add any remaining charges to a remaining part of your loan.

Unless we notify you otherwise you will have to pay each charge (and any interest on it) on the same basis as the part of your loan we add it to.

4. Where different parts of your mortgage loan are on a different basis

Your loan may be in different parts and different conditions may apply to each part, so that the repayment method, the type of interest rate or the Mortgage Term of one part of your loan may be different to another part. This section explains more about what it will mean for you if your loan has different parts.

4.1 What different types of loan are there?

- Different types of interest rate can apply, for example a loan can have a Fixed or Tracker Rate, or a Lender Variable Rate
- You may have more than one loan with us and, if so, different Mortgage Terms may be agreed. For example one loan may need to be repaid within 25 years and another, say a further advance, within 15 years

4.2 How does this affect you?

We will give an indication, usually in mortgage offers, if we require you to:

- make a single monthly payment for covering all loans,
- make separate monthly payments for the separate loans, or
- make separate monthly payments to cover any charges that you have to pay

Also, please remember when reading this booklet that things can apply differently to each of your loans.

For example

- If one part of your loan is on a Tracker Rate and another is on a Lender Variable Rate, different conditions in section 2 apply
- We may set and change your monthly payments separately for each loan

5. Early repayment

You may find you're in a position to pay off some, or all, of what you owe earlier than you originally agreed to. If you do, you may have to pay us an extra charge. In this section you can find out how early repayment will work and when and how you may have to pay that charge.

5.1 Paying off what you owe early

At any time before the end of your Mortgage Term you can choose to make an early repayment by either paying:

- everything you owe early (for example, if you remortgage or sell your property), or
- only part of what you owe early, by making a one-off payment on top of your monthly payments

5.2 Charge for early repayment

You might have to pay us an 'early repayment charge', depending on what you have agreed to (usually in your mortgage offer).

For example

If you owe £100,000, and wish to pay it off in full at a time when a 3% early repayment charge applies.

The early repayment charge would be

$$(3 \div 100) \times £100,000 = £3,000$$

You would therefore need to pay £100,000 + £3,000 = £103,000 plus interest due from the date of the last payment to the date of settlement and, if appropriate, any other outstanding charges to pay off the loan in full.

Where you make an early repayment of only part of what you owe, and an early repayment charge applies, we will ask you to pay an early repayment charge on just that part (see the example in the next section).

Where the charge is payable, it will not only be payable where you choose to make the early repayment, but also where you have to make the early repayment or we make it (section 13 explains when that might be).

We may also ask you to pay an early repayment charge if you ask us to change the type of interest rate (or rates) you are paying, and we agree to the change.

6. Overpayments and Underpayments

Overpayments can either be lump sums or regular payments above your contractual monthly mortgage payment. If you decide to make a lump sum Overpayment or make regular Overpayments, they will reduce your Charging Balance, save you interest and could help shorten the Mortgage Term.

You may make Overpayments at any time during the term of the loan, however, they are not refundable and making an Overpayment will not place your account in advance, or entitle you to miss a monthly payment, or make a lower payment, at a later date.

If an early repayment charge is applicable to your account, this will be detailed within your mortgage offer. Each year during the period in which any early repayment charges apply you may make Overpayments equal to 10% of the Charging Balance (excluding any arrears, fees or charges included in that balance) at the beginning of the year without incurring any early repayment charges. A year begins at the start date of the agreement or an anniversary of that date. Any Overpayments above this amount will incur an early repayment charge as detailed within your mortgage offer.

Underpayments are not accepted as a flexible feature of your loan and you may not stop making your monthly payments or pay lower monthly payments because you have previously made Overpayments.

This section explains how we will use Overpayments or Underpayments and how they will be treated if your loan is in more than one part (see section 4 for explanation of loans in more than one part).

6.1 How we treat Overpayments and Underpayments

Overpayments

You should always contact us before making any Overpayments so that we can provide guidance on how, considering your circumstances, the payment can be best applied to give you the most benefit.

If you do not contact us, then we will apply any Overpayments to reduce what you owe under all loans you may have with us in the way we believe will give you the most benefit, given what we know about you and your circumstances. In all cases we will use the payment first to reduce any arrears on your account and then to pay any early repayment charge.

Unless you request otherwise:

- If your loan is in more than one part, we will apply Overpayments to the part with the highest interest rate
- Your monthly payment will remain the same, so the amount you owe could be repaid earlier than expected

Overpayments will not place your account in advance or entitle you to miss a monthly payment, or make a lower payment at a later date.

Underpayments

You should always contact us before making an Underpayment so we can try to assist in any financial difficulties you may be having and to provide guidance on how, considering your circumstances, the payment can be best applied to give you the most benefit.

If you do not contact us then we will apply any Underpayment to reduce what you owe under all loans you may have with us in the way we believe will give you the most benefit, given what we know about your circumstances, and subject to any regulatory obligations we must follow.

7. Insuring your property

You must have buildings insurance over your property as long as you have the mortgage. This section sets out what we expect that insurance policy to cover and the things that you must do in relation to insurance before and after you take it out. We also explain how we may step in if you do not do what we expect.

7.1 What you must do

- You must make sure that there is buildings insurance in place for your property at all times
- You must show us details of the insurance policy and proof that it is still in force, if we ask you. If we reasonably think that the cover is not suitable, you must improve the cover as we ask
- You must claim under the policy for any damage (except minor damage) you are covered for unless you put the damage right yourself

What if you cannot insure?

Sometimes you will not be able to insure your property yourself because someone else has the legal right to insure. For example, if your property is leasehold and the lease requires your landlord to insure it. In that case, you must do all you reasonably can to make sure that your landlord insures it.

7.2 What the buildings insurance policy must cover

When you insure your property, the following terms will apply.

- If the insurance company and anyone else who has a mortgage on your property allows you to, you must have it insured in our joint names, and if that is not possible you must arrange for our interest in your property to be noted on the insurance policy
- The policy must be suitable to cover your property so that if something happens to it, the money from a claim will pay to allow it to be put back to how it was before

7.3 When is a policy suitable?

This normally requires the type and amount of insurance cover to be adequate and for the level of any excess to be affordable if you need to make a claim (The excess is what you agree in the insurance policy to pay yourself if there is damage to your property, before you can look to the insurer to cover you).

- For the type of cover, policies which cover 'comprehensive householders' risks' would normally be adequate
- For the amount of cover, some policies have an unlimited amount of cover to allow your property to be rebuilt if badly damaged, without needing to keep checking the amount insured as prices for rebuilding change. Other policies have a limit. If the policy has a limit, you will need to make sure that it will be enough to allow your property to be completely rebuilt if badly damaged

7.4 What we can do

We may insure our interest and/or your interest in your property if:

- you are not insuring it (and we are not reasonably satisfied that anybody else has insured it)
- we reasonably believe the insurance is not suitable and you have not made it suitable if we have asked, or
- we have asked you to provide details of the insurance and/or proof that it is still in force and you have not done so

If we insure your property, we will decide the following:

- who the insurer will be
- what will be covered by the policy, and
- the amount of the cover and any excess

We will keep any commission paid for any insurance we arrange. The insurance we put in place will be to protect our interests. Our insurance may not cover your interests or the interests of anyone else at all, or if any of your or anyone else's interests are covered, they might only be partly covered.

For example

Say your property has a value of £300,000, with a first mortgage to another lender of £200,000 left to pay and a second charge mortgage to us of £40,000 left to pay. If we become aware that your property is not insured, we may take steps to insure it for £240,000 (plus some extra to cover any extra interest and charges) to cover our interests. This leaves your interests and, possibly, the interests of the other lender not fully insured.

If we insure your property we can add the cost to what you owe and your Charging Balance.

Although we may insure your property, you must not rely on us to insure your property if you do not.

7.5 Provisions that apply whoever insures your property

You must take reasonable steps to make sure that nothing happens which may affect the ability to make a claim under the insurance.

For example

Say you do not pay the insurance premiums or do not give the insurer all the information they ask for, they might not have to pay out if you make a claim.

You must tell us straight away if any significant damage (such as flooding or serious roof damage) happens to your property and you will need to make a claim. Where the insurance allows, we will have a right to negotiate with the insurer and settle a claim on reasonable terms.

Any money from a claim must be used to repair or rebuild your property or for another purpose for which the claim payout was made, unless we give you notice that it is to be used to pay towards everything you owe. We will not do that unless we reasonably consider that using the money to repair or rebuild your property or for the other purpose referred to above:

- will not put your property in good enough repair for the value of your property to cover everything you owe, or
- will not meet the other purpose(s) the payout was made for

If you receive any money from a claim under any buildings insurance for your property, you must hold it all on 'trust' for us (which means holding it for our benefit), and any other lender who has a mortgage on your property, until it is used to repair or rebuild your property, for another purpose for which the claim payout was made or to pay towards everything you owe. You must do this whether or not we agreed to the insurance.

8. Our rights and how we may use them

In order to protect our interests, we need to have rights in certain situations. These rights allow us to do things, ask you to do things or make you stop doing something, so that we can protect our interests. In this section we explain how we will act when using the rights we have.

8.1 What are our rights?

We have rights in our agreement which help us to protect our interests. Our rights include:

- declining to give our permission or approval, where you need it before doing something. For example if you want to rent out your property or use it for a different purpose.
- making our permission or approval subject to conditions
- requiring that certain things be to our satisfaction or acceptable to us, or that documents be in our preferred form
- requiring you to take or not take certain action, or
- taking other action under our agreement

For the things you need our permission to do see section 9.1.

8.2 How will we use those rights?

We will act reasonably when we do use one of those rights.

For example

We will be acting reasonably if we use a right only as far as is needed to reduce the risk of:

- you not paying us what you owe on time
- a negative impact to the mortgage over your property or to our ability to rely on or enforce that mortgage, or
- the mortgage and other Security no longer being sufficient to cover everything you owe, for example because of a fall in the value of your property

However, this is not relevant and does not apply where we can change our agreement, as there are specific protections as to how and why we can make changes (which we explain in more detail in sections 1.6, 2.6, 3.4 and 12).

This section is about how we use our rights. It does not apply to what other people do, for example a receiver, unless they are acting for us.

9. What you have to do and what you have to ask our permission to do

We expect you to do certain things to maintain the value of your property, use your property in the way that you have agreed to and sometimes ask for our permission before you do something relating to your property. This section gives you more details about this and how it will affect you.

What you must do in relation to your property

You must agree to the following.

- Use your property as your only or main home unless we agree otherwise
- Keep your property in good repair and condition
- Carry out and complete any building or repair work if:
 - it is needed to keep your property in good repair, or
 - it is required by any Laws and Regulations that apply to the mortgage, your property or our agreement
- Make any payments relating to your property on time. For example, pay any ground rent or service charges on time
- Keep to any obligations you have relating to your property on time including under any other mortgage or Security on your property. If you do not keep to any of your obligations relating to your property, we may keep to them for you

For example

If your property is freehold, you must keep to any restrictions and obligations mentioned in the title of ownership to the property. For example, there might be a restriction on the title that says you cannot keep caravans at the property or that the property cannot be used for running a business.

If your property is leasehold, you must keep to the terms of the lease.

- Tell us if you are going to become the owner of a new or increased interest in your property or in any land or building which includes your property

For example

You might have a lease and then get the chance to buy the freehold or extend the term of the lease.

- Give us (if we ask for it) a new mortgage over the new or increased interest
- Get our approval to the terms of any new mortgage deed. We may make our approval subject to conditions
- Tell us (and provide any copies or other information we ask for) if you receive any notice, order, direction, licence, consent or permission to do with your property

For example

You might receive a notice from your local authority telling you to stop using your property for running a business, or telling you that they are going to make a change to the access road to your property.

9.1 When you must ask for our permission

You must get our permission before you do any of the following things relating to the whole of your property, or any part of it.

- Sell your property, give your property away or transfer the ownership of your property in any other way. You do not need our permission if you pay off everything you owe before or at the time you do this
- Give someone else Security over your property
- Let your property
- Give up possession of your property or give someone (for example, a paying lodger) a right to occupy all or part of your property
- Change how your property is used or apply to any planning authority for consent to change its use
- Make any significant changes to your property that affect its structure, such as a loft conversion or converting two rooms into one, or that add to it (for example, building a conservatory or a garage or installing solar panels)
- Apply for a grant to do with your property
- Deal with any claim for compensation for the loss or reduction in the value of your property or because an authority takes ownership of your property

For example

Because of major works your local authority are carrying out that affect your property, for example a road widening scheme, you might be offered compensation or your property might be the subject of a compulsory purchase order. If so, you must get our permission before you give up any compensation or negotiate or agree to an amount of compensation.

If we give our permission, we may give it on the basis of conditions that you must keep to.

10. Our security and what it covers

You have to give us certain rights over your property and sometimes other things you own so that we can use those rights if you do not do something you have agreed to. This section gives you the detail about the rights you give us.

Security is often given by signing a special form of document called a deed and we might then need to take formal steps to make the Security effective, for example registering at a government department.

For your second charge mortgage, you will sign a mortgage deed to give us a mortgage on your property as Security. We then need to register it at the Land Registry or the Registers of Scotland.

We can enforce the Security if you do not keep to your obligations. This means that we can use our rights under the Security, for example the right to sell your property. Section 14 describes our right to sell your property or deal with it in other ways.

Our Security over your property is Security for the amount you owe us under our agreement. We can keep our Security until everything you owe under our agreement (and any other mortgage agreements) has been paid in full.

The Security you give us does not apply to any money you owe us under an agreement which the Consumer Credit Act 1974 regulates unless that agreement itself says that the Security also covers the lending under that agreement.

For example

The mortgage will not apply to a credit card or a personal loan unless the credit card or personal loan agreement says it is secured by the mortgage.

11. Contacting you

We may have to contact you from time to time to give formal notice if we intend to do something, such as make changes to our agreement. There may also be times when you have to give us formal notice. This section sets out how each of us must give that notice and explains when the notice will apply from.

11.1 How can we contact each other?

Where our agreement requires us to 'give you notice' of something, then (unless Laws and Regulations say differently) we will give you notice in writing.

We may do this by sending an email to an email address you've given us, or by writing to you at your property (or the last address you gave us).

We may agree that an email from you will count as notice. If so, we will tell you first. Otherwise, you must give us notice by post.

11.2 When will our notice apply from?

When we contact you it may be to say that you must, or can do something, or that we, or someone acting for us, are doing something.

We may at the same time give you notice of a future date from which something (for example a change to an interest rate) will apply, or by which you or we need to take action. If we do not give a future date, then (unless Laws and Regulations say differently) the date will be:

- the 2nd day after the day we post it (unless we write to an address outside the United Kingdom, then the notice will apply from the 7th day after the day we post it), or
- the day we email you (unless we find out through our computer systems that the email did not reach you on that day)

If any of these days are a public holiday or on a weekend, that day will not count.

For example

If we send you a notice by email on a Tuesday, it will apply from that Tuesday.

If we post a notice to you on a Tuesday, it will apply from Thursday in that same week.

If we post it on a Friday and the following Monday is a public holiday, it will apply from the following Wednesday.

If we post it on Tuesday 1 February to you at an address outside the United Kingdom and there are no public holidays coming up, it will apply from Thursday 10 February.

12. Changes to our agreement

In this section, we tell you how we may change other areas of our agreement that we have not already covered elsewhere in this booklet.

We may make a change that we reasonably think will not be to your disadvantage. We may also make a change to:

- help comply with any Laws and Regulations
- help comply with any change in how those Laws and Regulations are applied or interpreted
- reflect an improvement in any service or facility we provide in connection with the mortgage or our agreement
- introduce a new service or facility, or
- enable us to make reasonable changes to the way we look after your mortgage account as a result of changes in the banking or financial system

We will give you at least 30 days' notice before making the change.

13. When you need to repay immediately

Sometimes something that you do or fail to do may mean that you will have to pay us everything you owe immediately. This section sets out the things that will lead to you having to pay us everything you owe immediately.

13.1 When you will need to repay immediately

These are the scenarios when you will have to pay off everything you owe immediately.

- You pay late. This only applies if:
 - you are more than one month late in paying any money you owe under our agreement and the total amount you have fallen behind with is equal to two monthly payments or more, or
 - you have not paid everything you owe by the end of your Mortgage Term (or, where your loan is in different parts with different Mortgage Terms, if you have not paid everything you owe by the end of your Mortgage Term for any part of your loan)

It does not apply if you are keeping to an arrangement where we have allowed you to pay late

- If you do not keep to any of your obligations under our agreement or the mortgage (other than an obligation to pay money) and we reasonably consider that this puts our interests in your property or under the mortgage or our agreement at risk in a material way
- Another lender with any Security over your property appoints a receiver, or takes possession of your property, does any of the things set out in section 14.1 or takes steps to do so
- You have given us false or misleading information and we reasonably believe would have made a significant difference to our decision to lend to you
- There is a problem with the mortgage over your property or with a guarantee (if we asked you to get one). This only applies if, for legal reasons:
 - the Security or any rights or other interest we have in your property are not binding on your property or on any interest in your property, or
 - we cannot enforce any guarantee of your obligations under our agreement (a guarantee is where someone commits to meeting your obligations if you do not meet them)
- We reasonably believe that you are involved in fraud or other serious criminal activity
- Your property (or a material part of it) is compulsorily purchased – for example a local authority forces you to sell your property to them
- A bankruptcy order, called a ‘sequestration order’ in Scotland, is made against you
- You enter into a ‘voluntary arrangement’, called a ‘trust deed’ in Scotland, with anyone you owe money to, or you are going to do so
- Your property is in England or Wales and you apply for an ‘interim order’
- Required by law

14. Our right to take possession of your property or deal with it in other ways

This section sets out when we may have a right to take possession of your property, what we are able to do with your property if we do take possession, and what we can do with the things we find there. Added to this we set out when we may have the right to enter or ask other people to enter your property, how we will use such a right and what you must do if we do use it.

We can use these powers in this section if:

- you agree we can do so, or
- you have to pay off everything you owe immediately for a reason in section 13; or in Scotland, when we have obtained a court order entitling us to do so

14.1 What we can do if this applies

- We may make you leave your property (if you have not already done so) so that we can take possession of it. We might have to go to court for a court order before we can do this (if your property is in Scotland, we will have to go to court for a court order before we can do this)

What does taking possession of your property involve?

It means we take over control of your property from you. If you are in occupation, you have to leave your property, and if you do not leave, you will be considered to be occupying your property wrongly, as a 'trespasser'. If your property is already let, we take over the right to manage your property and receive the rent.

If we take possession, Laws and Regulations make us responsible for some things, for example taking reasonable care of your property and using any rents or other income received to pay towards what you owe.

- We may let your property on any reasonable terms. To let your property means we can grant someone the right to occupy your property in return for paying rent. This would normally be under the terms of a lease
- We may sell your property (even if we have not taken possession of it)

What happens if we sell your property?

- We must sell it for the best price we can reasonably get
- We will use any money we, or a receiver (see section 15), obtains from the sale to pay what you owe us. If there is any money left over, we must pay it to anybody we know has a right to it (for example, another lender with a mortgage on your property), and if there is any money left over after that we will pay it to you
- If we sell your property for less than everything you owe, you must still pay us the difference and we will continue to charge interest on the outstanding balance until you do. This also applies if we allow you to sell your property for less than everything you owe
- If your property is in England or Wales, there are restrictions in certain sections of Acts of Parliament which may not apply in our agreement. In this situation, the following sections of Acts of Parliament do not apply. Section 103 of the Law of Property Act 1925 and Section 20 of the Conveyancing and Law of Property Act 1881 both say that we cannot use our power to sell your property until certain conditions have been met. If we did not apply them, the conditions would mean, for example, that if we issued a notice asking you to make a payment, we would have to give you three months to make the payment before exercising our right to sell

- We may use the other powers given to mortgage lenders under Acts of Parliament and other Laws and Regulations

What are the relevant Acts of Parliament?

The main Acts of Parliament that apply are:

- If your property is in England or Wales, the Law of Property Act 1925
- If your property is in Scotland, the Conveyancing and Feudal Reform (Scotland) Act 1970 (as amended)
- If your property is in Northern Ireland, the Conveyancing and Law of Property Acts 1881 and 1911

What powers do the relevant Laws and Regulation give us?

These powers include the ability to take a surrender of leases and to insure your property. This is in addition to our ability to sell or let your property, or to take possession of it.

- If your property is in England or Wales, we may use the same powers as a receiver has under Laws and Regulations or which we set out in section 15.4. We may do this even if a receiver has been appointed

14.2 Our right to enter your property

We may ask people to come into your property for a reason to do with our agreement.

For example

We might ask one of our employees or a valuer or surveyor to inspect your property or we might ask a builder to do some work you should have done.

You must allow them in. We will give you notice before we send them unless we cannot contact you or it is an emergency.

When they come into your property, it does not mean we are a mortgage lender or, in Scotland, a heritable creditor, in possession of your property, or that we have accepted the legal responsibilities of a mortgage lender or, in Scotland, a heritable creditor in possession of your property.

14.3 How we can deal with things left in your property

If we take possession of your property, we may remove, store, sell or dispose of anything you leave at your property (including animals). We will do this as your 'Agent'. You will have to pay our costs of doing this.

15. Acting on your behalf

You give us the right to act on your behalf in certain respects, and in some circumstances to appoint others to do so. This section explains what this may mean for you and gives details of when we will be able to appoint others to act for you, and the powers that we and those others will have over your property.

15.1 Making us or a receiver your Attorney

We will be your Attorney until all the money you owe that is secured by the mortgage has been paid off in full.

If we appoint a receiver, the receiver will also be your attorney.

This means we (and a receiver) can do a number of things in your name, but only those which are described in this section.

15.2 Appointment of us and a receiver as your Attorney

By way of Security, you appoint us and (if we appoint a receiver) the receiver, to be your Attorney.

This is to allow us (or the receiver) to do things such as, sign documents on your behalf, where we need them to do with the mortgage or your property or our agreement.

- Your appointment of us as your Attorney is a separate appointment to the appointment of any receiver as your attorney
- You cannot cancel these appointments until all the money you owe which is secured by the mortgage is paid off in full
- As your Attorney we (and the receiver) will be authorised to use certain powers in your name and on your behalf. (These powers are described under section 15.4)
- Where there is more than one of you, when acting as your Attorney we (and the receiver) will act for all of you together and each of you separately
- If we ask you to, you will confirm anything done by us (or the receiver) as your Attorney while acting under these rights

For example

We might need you to confirm to the Land Registry or Registers of Scotland that we were able to sign a form on your behalf

15.3 Our right to appoint a receiver

If you must pay off everything you owe immediately (which you may have to do in the situations described in section 13) we may appoint a receiver for the whole of your property or any part of it. This does not apply if your property is in Scotland.

What does a receiver do?

Broadly speaking a receiver is someone we can appoint to manage your property and to sell or rent it out and to receive rent and other income payable in connection with your property (among other things). Although we would appoint the receiver, they would act for you (not us) and you would have to pay for them.

- We may appoint one of our employees as the receiver (however, if we do, they will be acting independently of us, rather than as our employee or agent)
- We may arrange for the receiver to be paid at a reasonable level
- We may remove the receiver at any time and appoint another person as receiver instead
- The receiver will be your agent (this means that you will be responsible for their actions). You will be responsible for meeting the receiver's pay and costs and expenses (for example, the cost of insuring your property, which you are required to do as described in section 7)

15.4 What powers do an Attorney and a receiver have?

Your Attorney and (if we appoint a receiver) the receiver have the following powers.

- To receive any money payable to you relating to:
 - your property
 - any right to your property or claim over it, or
 - any insurance, guarantee or compensation relating to your property, the mortgage or our agreement
- To choose whether or not to use any money the Attorney or the receiver receives to pay off interest on your loan before paying off the loan itself and any charges and costs
- To use your rights to make any claim or do anything else relating to:
 - your property, or
 - any insurance, guarantee or compensation relating to your property, the mortgage or our agreement

For example

We, or the receiver, might need to bring or continue court proceedings on your behalf connected to a claim you were making to do with your property.

- To insure your property and we, or the receiver, may decide:
 - who the insurer will be
 - what will be covered by the policy; and
 - the amount of the cover and any excess

We, or the receiver, will keep any commission paid or allowed for any insurance we, or the receiver, arrange.

The insurance we, or the receiver, put in place may be to protect only our interests and may not cover your interests or the interests of anyone else at all. If, any of your or anyone else's interests are covered, they might only be partly covered

- To deal with any insurance claim payout received as your Attorney. We or the receiver will use it to repair or rebuild your property or for another purpose for which the payout was made, unless we or the receiver give you notice that it is to be used to pay towards everything you owe. We or the receiver will not do that unless we or the receiver reasonably consider that using the money to repair or rebuild your property or for the other purpose referred to above will not put your property in good enough repair to cover everything you owe or will not meet the other purpose the payout was made for
- To make arrangements with any current or former tenant or occupier of your property or to enforce their obligations

For example

We may need to collect unpaid rent from a tenant.

- To take action to surrender or terminate any tenancy or to get possession of your property (or any part of it) and grant new leases on your property
- To sell your property on such terms as we or the receiver see fit. We must, however, sell it for the best price we, or the receiver, can reasonably get
- To appoint a receiver (but a receiver may not appoint a receiver)

We may only use the powers set out above (under section 15.4) as your Attorney if you must pay off immediately everything you owe (which you may have to do in the situations described in section 13). We may however use the following powers as Attorney at any time. The receiver may use all of the powers above and below (except the power to appoint a receiver) once they have been appointed.

- To employ and pay agents to carry out work on our or the receiver's behalf

For example

We may need to employ managing agents to manage your property if it is let to more than one tenant.

- To instruct anybody, (for example a solicitor) who has any documents or accounting information (including tapes, films or computer records) about the mortgage, our agreement, your property or the ownership of your property, to let us look at them, take copies of them or ask for them to be sent to us
- To take any of the following steps where needed to protect our interests in your property or to help us use our right to take possession of your property or otherwise deal with it (as described in section 14).
 - To transfer any share or membership right in any management company or residents' association or society or commonhold association (or other similar organisation) connected with your property of which you are a member
 - To use any rights you may have as a member of any of those organisations
 - To ask for the cancellation and reissue of any certificate in respect of any share or membership right which you have in any of those organisations
- To take action to keep your property in good repair and condition
- To take action to meet any Laws and Regulations relating to your property

For example

We might need to take action to ensure that your property complies with fire safety requirements.

- Where we or the receiver find out that the mortgage deed is not binding on your property, to take steps to remedy this
- To sign any forms or documents needed for your property

For example

We may need to sign forms to do with Stamp Duty Land Tax or Land Registry or Registers of Scotland matters.

- To do anything else reasonably required to be done with the mortgage, your property or our agreement
- To do anything else you have to do under our agreement and any related Security
- To do anything under an order from law enforcement

16. Our right to transfer our rights in the mortgage and our agreement

We may choose to transfer the mortgage and our rights under our agreement to someone else. This section sets out when we may do this and how it may affect you if we do.

We may transfer some or all of our rights under our agreement to someone else. This includes giving someone else our right to transfer any related rights or interests under the mortgage deed, any mortgage offer and any other agreement you make with us to do with your mortgage loan.

A common example of this is where we transfer our rights in the mortgage and our agreement to a third party so they can benefit from the income. If the mortgage and our agreement is transferred in this way, the interest rate, charges and costs will still be set in line with our other mortgage agreements and the conditions of our agreement will not change. As a result, we do not have to tell you that this type of transfer has taken place.

There is another type of transfer, however, where we would have to give you notice. This is where we do not keep the right to set interest rates, charges and costs.

16.1 If there is a transfer, how will this affect you?

You agree to be bound to any person to whom we transfer or to any person who receives a transfer after that, and to be bound in the same way and to the same extent as you are bound to us under our agreement.

Any rights under the mortgage and our agreement may be held by Paragon Bank PLC for its own benefit and for the benefit of any person who receives a transfer of rights in relation to the mortgage and our agreement.

You agree that we can pass on any information or documents relating to your mortgage loan application, the mortgage, mortgage deed, any mortgage offer and any other agreement you make with us to do with your loan to any person who takes over any rights as set out in this section in relation to the mortgage and our agreement, for that person to use in the same way as us. You also agree that we may give details about the mortgage and our agreement, or your name and address to anyone else we are discussing transferring the mortgage and our agreement to.

17. Other conditions

This section sets out important conditions that do not easily fit within any of the other sections but which give you more details about our agreement with you.

If the mortgage offer says we will lend you the money by instalments, or we keep back part of your loan, and you have not kept to all your obligations under our agreement, we may refuse to pay the instalments or to release the money kept back.

Where we refer to 'you' and 'your' in our agreement this can include a personal representative, a successor or anyone else who takes over your legal rights or duties.

Laws and Regulations imply some conditions which apply to our agreement. For example, as well as our powers under our agreement we have powers under the general law. We have not set out the implied conditions in this booklet but a solicitor or licensed conveyancer can tell you what they are.

Any reference to legislation in this booklet includes any statutory document (for example, regulations and rules) made under relevant legislation and any changes to either the legislation or the statutory document. Where we refer to the 'law' or to 'laws', this includes any legislation that applies.

If we choose not to enforce any part of our agreement, or delay enforcing it, this will not affect our right to enforce the same part later (or on a separate occasion) or the rest of our agreement.

For example

If you do not pay us and we have the right to ask the court to allow us to take possession but we do not ask them, then we can still ask them later on.

If we get a court order to make you pay us what you owe, we will continue to charge interest at the rate you should have been paying just before the order (and that rate will continue to be fixed or variable on the same basis) or such lesser rate as the court instructs.

If we cannot enforce any part of our agreement, this will not affect our right to enforce the rest of our agreement.

For example

If a court says that one of the terms of a condition is not fair and so we cannot use our rights under that term, we can still use our rights under the rest of that condition and under other conditions.

We will not be liable to you for any direct or indirect loss you suffer (for example any loss of profit) if we are unable to provide any service or fulfil any obligation under our agreement for reasons beyond our reasonable control.

Calls to or from us (or someone acting on our behalf) may be monitored and recorded by us (or someone acting on our behalf).

We may do this to check any instructions you give us over the telephone and to help us train our employees.

You agree to sign any document we may need to safeguard the mortgage or our other Security or to protect our interests in your property. We will prepare any documents at your cost.

The Contracts (Rights of Third Parties) Act 1999 will not apply to these conditions. An exception to this is that if we transfer any of our rights under the mortgage and our agreement, the person we transfer to will be able to use the rights we have transferred.

What does the Contract (Rights of Third Parties) Act 1999 do?

Before this law was made, other people who did not sign up to our agreement could not use rights under our agreement. Because of this law, other people might be able to use rights so we include this term to make sure they cannot. This Act does not apply in Scotland.

Our agreement is supplied in English and communications between you and us will be in English.

Our agreement is governed by the Laws and Regulations of the country in which your property is situated. We also take the Laws and Regulations of that country as the basis for the establishment of relations with you before our agreement is entered into.

For example

If your property is in Scotland, the laws and regulations of Scotland will apply to our agreement.

If there is a conflict between different parts of our agreement then, so far as Laws and Regulations allow:

- the other parts of these mortgage conditions will apply over the 'standard conditions' at the end of the booklet (in any case, the 'standard conditions' only apply if your property is in Scotland)
- your mortgage offer and any other agreement you make with us to do with your mortgage loan will apply over anything in this booklet, and
- any other agreement you make with us to do with your mortgage loan will apply over your mortgage offer, and anything in this booklet

For example

Standard condition 5 states a debtor's insurance obligations. Section 7 of this booklet tells you about your insurance obligations. These may differ. For example, Section 7 states that you must hold any money you get from a claim under any buildings insurance for your property on 'trust' for us.

18. Standard Conditions (Scotland only)

For properties in Scotland, the law states that there are certain conditions which apply to mortgages. These are called the 'Standard Conditions' and they are contained in Schedule 3 to the Conveyancing and Feudal Reform (Scotland) Act 1970 (as amended). We have included the 'Standard Conditions' over the page. The other parts of these mortgage conditions makes some changes to these 'Standard Conditions'.

Because the Standard Conditions over the page are as drafted under Scottish law, they may be difficult to understand. If your property is in Scotland and you have any questions, you should contact your own solicitor for assistance.

NOTE: THIS SCHEDULE ONLY APPLIES IF THE PROPERTY IS IN SCOTLAND

Conveyancing and Feudal Reform (Scotland) Act 1970 (as amended)

Schedule 3

The Standard Conditions

1. Maintenance and repair

It shall be an obligation on the debtor:

- (a) to maintain the security subjects in good and sufficient repair to the reasonable satisfaction of the creditor
- (b) to permit, after seven clear days' notice in writing, the creditor or his agent to enter upon the security subjects at all reasonable times to examine the condition thereof
- (c) to make all necessary repairs and make good all defects in pursuance of his obligation under head (a) of this condition within such reasonable period as the creditor may require by notice in writing

2. Completion of buildings etc. and prohibition of alterations etc.

It shall be an obligation on the debtor:

- (a) to complete, as soon as may be practicable, any unfinished buildings and works forming part of the security subjects to the reasonable satisfaction of the creditor
- (b) not to demolish, alter or add to any buildings or works forming part of the security subjects, except in accordance with the terms of prior written consent of the creditor and in compliance with any consent, licence or approval required by law
- (c) to exhibit to the creditor at his request evidence of that consent, licence or approval

3. Observance of conditions in title, payment of duties, charges etc; and general compliance with requirements of law relating to security subjects

It shall be an obligation on the debtor:

- (a) to observe any condition or perform any obligation in respect of the security subjects, lawfully binding on him, in relation to the security subjects
- (b) to make due and punctual payment of any ground burden, teind, stipend, or standard charge, and any rates, taxes and other public burdens, and any other payments exigible in respect of the security subjects
- (c) to comply with any requirement imposed upon him in relation to the security subjects by virtue of any enactment

4. Planning notices, etc.

It shall be an obligation on the debtor:

- (a) where he has received any notice or order, issued or made by virtue of the Town and Country Planning (Scotland) Acts 1947 to 1969 or any amendment thereof, or any proposal so made for the making or issuing of any such notice or order, or any other notice or document affecting or likely to affect the security subjects, to give to the creditor, within fourteen days of the receipt of that notice, order or proposal, full particulars thereof;
- (b) to take, as soon as practicable, all reasonable or necessary steps to comply with such a notice or order or, as the case may be, duly to object thereto
- (c) in the event of the creditor so requiring, to object or to join with the creditor in objecting to any such notice or order or in making representations against any proposal therefor

5. Insurance

It shall be an obligation on the debtor:

- (a) to insure the security subjects or, at the option of the creditor, to permit the creditor to insure the security subjects in the names of the creditor and the debtor to the extent of the market value thereof against the risk of fire and other such risks as the creditor may reasonably require
- (b) to deposit any policy of insurance effected by the debtor for the aforesaid purpose with the creditor
- (c) to pay any premium due in respect of any such policy and, where the creditor so requests, to exhibit a receipt therefor not later than the fourteenth day, after the renewal date of the policy
- (d) to intimate to the creditor, within fourteen days of the occurrence, any occurrence which may give rise to a claim under the policy, and to authorise the creditor to negotiate the settlement of the claim
- (e) without prejudice to any obligation to the contrary enforceable against him, to comply with any reasonable requirement of the creditor as to the application of any sum received in respect of such a claim
- (f) to refrain from any act or omission which would invalidate the policy

6. Restriction on letting

It shall be an obligation on the debtor not to let, or agree to let, the security subjects, or any part thereof, without the prior consent in writing of the creditor, and 'to let' in this condition includes to sub-let.

7. General power of creditor to perform obligations etc. on failure of debtor and power to charge debtor

- (1) The creditor shall be entitled to perform any obligation imposed by the Standard Conditions on the debtor, which the debtor has failed to perform.
- (2) Where it is necessary for the performance of any obligation as aforesaid, the creditor may, after giving seven clear days notice in writing to the debtor, enter upon the security subjects at all reasonable times.
- (3) All expenses and charges (including any interest thereon), reasonably incurred by the creditor in the exercise of a right conferred by this condition, shall be recoverable from the debtor and shall be deemed to be secured by the security subjects under the standard security, and the rate of any such interest shall be the rate in force at the relevant time in respect of advances secured by the security, or, where no such rate is prescribed, shall be the bank rate in force at the relevant time.

8. Calling up

The creditor shall be entitled, subject to the terms of the security and to any requirement of law, to call-up a standard security in the manner prescribed by section 19 of this Act.

9. Default

- (1) The debtor shall be held to be in default in any of the following circumstances, that is to say:
 - (a) where a calling-up notice in respect of the security has been served and has not been complied with
 - (b) where there has been a failure to comply with any other requirement arising out of the security
 - (c) where the proprietor of the security subjects has become insolvent
- (2) For the purposes of this condition, the proprietor shall be taken to be insolvent if:
 - (a) he has become notour bankrupt, or he has executed a trust deed for behoof of, or has made a composition contract or arrangement with, his creditors
 - (b) he has died and a judicial factor has been appointed under section 11A of the Judicial Factors (Scotland) Act 1889 to divide his insolvent estate among his creditors, or his estate falls to be administered in accordance with an order under section 421 of the Insolvency Act 1986
 - (c) where the proprietor is a company, a winding-up order has been made with respect to it, or a resolution for voluntary winding-up (other than a members' voluntary winding-up) has been passed with respect to it, or a receiver or manager of its undertaking has been duly appointed, or possession has been taken, by or on behalf of the holders of any debentures secured by a floating charge, of any property of the company comprised in or subject to the charge

10. Rights of creditor on default

- (1) Where the debtor is in default, the creditor may, without prejudice to his exercising any other remedy arising from the contract to which the standard security relates, exercise, in accordance with the provisions of Part II of this Act and of any other enactment applying to standard securities, such of the remedies specified in the following sub-paragraphs of this standard condition as he may consider appropriate
- (2) He may proceed to sell the security subjects or any part thereof
- (3) He may enter into possession of the security subjects and may receive or recover the rents of those subjects or any part thereof
- (4) Where he has entered into possession as aforesaid, he may let the security subjects or any part thereof
- (5) Where he has entered into possession as aforesaid there shall be transferred to him all the rights of the debtor in relation to the granting of leases or rights of occupancy over the security subjects and to the management and maintenance of those subjects
- (6) He may effect all repairs and may make good such defects as are necessary to maintain the security subjects in good and sufficient repair, and may effect such reconstruction, alteration and improvement on the subjects as would be expected of a prudent proprietor to maintain the market value of the subjects, and for the aforesaid purposes may enter on the subjects at all reasonable times
- (7) He may apply to the court for a decree of foreclosure

11. Exercise of right of redemption


- (1) The debtor shall be entitled to exercise his right (if any) to redeem the security on giving notice of his intention so to do, being a notice in writing (hereinafter referred to as a 'notice of redemption')
- (2) Nothing in the provisions of this Act shall preclude a creditor from waiving the necessity for a notice of redemption, or from agreeing to a period of notice of less than that to which he is entitled
- (3)
 - (a) A notice of redemption may be delivered to the creditor or sent by registered post or recorded delivery to him at his last known address, and an acknowledgement signed by the creditor, or his agent or a certificate of postage by the person giving the notice accompanied by the postal receipt shall be sufficient evidence of such notice having been given
 - (b) If the address of the creditor is not known, or if the packet containing the notice of redemption is returned to the sender with intimation that it could not be delivered, a notice of redemption may be sent to the Extractor of the Court of Session and an acknowledgement of receipt by him shall be sufficient evidence of such notice having been given
 - (c) A notice of redemption sent by post shall be held to have been given on the day next after the day of posting

- (4) When a notice of redemption states that a specified amount will be repaid, and it is subsequently ascertained that the whole amount due to be repaid is more or less than the amount specified in the notice, the notice shall nevertheless be effective as a notice of repayment of the amount due as subsequently ascertained
- (5) Where the debtor has exercised a right to redeem, and has made payment of the whole amount due, or has performed the whole obligations of the debtor under the contract to which the security relates, the creditor shall grant a discharge in the terms prescribed in section 17 of this Act


12. The debtor shall be personally liable to the creditor for the whole expenses of the preparation and execution of the standard security and any variation, restriction and discharge thereof and, where any of those deeds are recorded, the recording thereof, and all expenses reasonably incurred by the creditor in calling-up the security and realising or attempting to realise the security subjects, or any part thereof, and exercising any other powers conferred upon him by the security.

Interpretation In this Schedule, where the debtor is not the proprietor of the security subjects, 'debtor' means 'proprietor', except: (a) in standard conditions 9(1), 10(1) and 12, and (b) in standard condition 11, where 'debtor' includes the proprietor.

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