HALIFAX MORTGAGE CONDITIONS 2011.

Halifax Mortgage Conditions 2011 Please read!

We know that having to read a legal contract can be off putting, so we've decided to do things differently. This booklet contains:

- A brief explanation of **what makes up our agreement** with you for your mortgage loan.
- A **list of what the main points in the Chapters of this booklet cover:** this will give you a general awareness of where you will find particular information in this booklet.
- **Our Mortgage Conditions:** This part of the booklet consists of short and simple Chapters giving you details of how your mortgage loan will work.
- For properties in Scotland: The **standard conditions**, which apply by law. Our Mortgage Conditions apply over the standard conditions if there is a conflict.

YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

Where you can find the details.

This is a list of the main points covered by the Chapters in this booklet, to help you work out where you might find different things.
details (for which you need to read the Chapters themselves).

	Main points covered
What, when and how you will repay	• You must pay everything you owe by the end of your "mortgage term". » This includes having to repay your loan, pay any costs and charges that become due, and typically pa » If you have a "repayment mortgage", you will make monthly payments set at a level to cover everythi » If instead you have an "interest-only mortgage", your monthly payments will cover just the interest y term. We also tell you what we can do if we are not satisfied that your arrangements to repay everything y » You may need to pay certain charges separately to everything else.
What is in your offer letter	• This booklet needs to be read alongside your offer letter. The offer letter will give you information ab mortgage" or "interest-only mortgage"; which interest rate (or rates) you have; the amounts of your mo costs may become payable later on). • If there is a conflict between different parts of our agreement we tell you in Chapter 18 which part of
How our agreement can change	• Our agreement can last for a long time, and so we are likely to change the level of our interest rates, ch including things in your offer letter. • We explain in Chapter 11 how we will let you know when we make changes to our agreement.
Interest you pay	• We will work out your interest on a daily basis. This broadly means we look at everything you owe eac worth of interest by adding it to your loan at the end of the month. • We have different types of fixed and variable interest rates that can apply to your loan.
Where there are different parts to your mortgage loan	• Different parts of your loan can be on a different basis, for example one part of your loan can have a d • This means that some Chapters in this booklet can apply differently to different parts of your loan.
Early repayment and underpayments	• You can pay off everything you owe before the end of your mortgage term or pay off part of it early. • In some circumstances (normally where you break our agreement) we may require you to pay off every early repayment charge, and there are a number of steps we can take, such as taking possession of you • If you pay off part of what you owe early, we will use your payment in a particular way unless (after pa • If you do not make a monthly payment in full, we will use your underpayment in a particular way.
Insurance	• You must make sure your property is insured and (where you arrange the insurance yourself) pay the p • We can insure your property (at your expense) if you do not insure it.
Our rights and how we may use them	• Where we can make changes to our agreement, there are specific protections as to how and why we c rights in our agreement. • We may transfer some or all of our rights in the mortgage and our agreement to someone else. • In some circumstances we may have a right to take possession of your property, enter your property or a • We will be your "attorney", which allows us to do various things in your name for our benefit. If we app
Things you have to do	• We lend you money on the basis that you pay us what you should and repay everything you owe when • That includes using your property as your main residence (unless we agree otherwise) and keeping it in permission before you do certain things, for example letting your property, altering or adding to it or c • If you do not do what you should when you should, we may do it instead and you will have to pay for
Our security	• You give us the mortgage on your property as security for the amounts we lend you and everything el • It also covers any money you owe us under certain other mortgage agreements you have (or had) with jointly with someone else. • We can keep the mortgage as security until you have paid us in full everything you owe under our agre
Properties in Scotland	• For properties in Scotland, the law states that there are certain standard conditions which apply to mo • If there is a conflict between different parts of our agreement we tell you in Chapter 18 which part of

To keep the list short, it does not list everything, or summarise the booklet or go into the

	Read more about this
y interest on all of them. ing you owe by the end of your mortgage term. ou owe, and you will have to pay everything else in one go at the end of your mortgage you owe at the end of your mortgage term are sufficient.	Chapters 1, 2 and 3
out, among other things, your mortgage term; whether you have a "repayment onthly payments; and certain charges you have agreed to up front (other charges and our agreement you should look at to be sure of the position.	Chapters 1, 2, 3 and 18
harges and costs in the future. We may also change other aspects of our agreement,	Chapters 1, 2, 3, 11 and 12
h day and calculate a day's worth of interest on it. We will charge you each month's	Chapters 2 and 13
different interest rate to another part.	Chapters 4 and 6
If you do so, you may have to pay an early repayment charge. ything you owe before the end of your mortgage term. If so, you may have to pay an ur property and selling or renting it out to help pay what you owe. aying off any early repayment charge and overdue amounts) you've asked otherwise.	Chapters 5, 6, 14 and 15
property insurance premiums on time.	Chapter 7
can make those changes. Otherwise, as a general rule, we will act reasonably when using ask others to enter your property to take certain action. point a receiver, he will act on your behalf and will also be your attorney.	Chapters 8, 15, 16, 17 and 18
n you should, and do the other things you agree to under our agreement. n good repair and getting our changing its use. that. Remember – this means you will be breaking our agreement.	Chapters 9 and 13 in particular
lse you owe us under our agreement. n us or might have with us in the future; and under a mortgage loan we have made to you eement and under the other agreements and mortgage loans it covers.	Chapter 10
ortgage loans. our agreement you should look at to be sure of the position.	Chapter 18 and the Standard Conditions (at the end of this booklet).

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

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

- **This booklet**.
- Any **offer letter** we give you for your mortgage loan. We will give you an offer letter before we first give you your loan, and we may give you further offer letters later on if we agree to changes to our agreement.
- The **mortgage deed**. This covers the mortgage security we take over your property. By the way, 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 offer letter.

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 keep our agreement simple, but for the more complex areas you can ask your solicitor or licensed conveyancer to explain anything you do not understand.

Who is our agreement between?

- us, Bank of Scotland plc, Halifax division; and
- you, the person (or persons) named in the mortgage deed as "the borrower" (or "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, for example, require just one of you to make the payments due under our agreement, or require some or all of you to make the payments together.

OUR MORTGAGE CONDITIONS.

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CHAPTER 1 – WHAT, WHEN AND HOW WILL YOU PAY?

This Chapter gives you an overview of what you will have to pay (or may have to pay) under our agreement. It then covers details about your monthly payments, such as what they will be and when and how you should make them as well as how this may differ for "repayment mortgages" and "interest-only mortgages". It also tells you when we can change your monthly payment. If you have an "interest-only mortgage", this Chapter tells you what we can do if we have concerns about your ability to pay off everything you owe at the end of your mortgage term.

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:

- some charges and costs; and
- interest on any interest, charges and costs that you owe and have not yet paid.

In this booklet, we refer to the total of your loan, costs, 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.

What is your "mortgage term"?

Here, "term" means "period of time", and your mortgage term is 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 extend it.

We will agree with you, usually in your offer letter, whether you have a "repayment mortgage" or an "interest-only mortgage" (or both), what your monthly payments are, and the interest rate (or rates) and any charges that you have to pay.

There might be further costs that you have to pay, which will be explained in Chapter 3 and at points throughout this booklet.

Our agreement can last for a long time, and so the levels of our interest rates, charges and costs, and your monthly payments, are likely to change in the future. Chapters 2 and 3 (and this Chapter) give details of how and when they can change.

Your monthly payment amounts

For "repayment mortgages" you will have to make monthly payments. We will work out the level of your monthly payment amounts so that everything you owe is repaid with interest by the end of your mortgage term.

For "interest-only mortgages" you will have to make monthly payments at a level that pays the interest only, and make a lump sum payment at the end of your mortgage term to pay off everything else you owe, including repaying your loan.

We calculate your monthly payments so that they will all be for the same amount. This also applies if, as we explain below, we later change the monthly payment amount. When we work out the interest collected by a monthly payment, we will treat each full month as an equal twelfth part of the year. This means we will usually collect 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, we may set your first monthly payment after we give you your loan at a higher amount. This is because your first monthly payment may be in the month after we give you your loan, so we may add the interest from the first month of your loan on top of your first monthly payment.

For example

Someone takes a new loan on 10th June. We work out that the interest on their loan from 10th to 30th June is £250, and that their usual monthly payment amount will be £1,000.

Their first monthly payment is in July, and will be £1,000 + £250 = £1,250.

Then in August and each month after that, their monthly payment will be £1,000.

We will tell you your monthly payment amounts after giving you a loan.

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 day later than the 28th day. Once you have chosen a day, you will need our agreement to change it.

Weekends or public holidays

We will only ask you to make your monthly payments on working days (as opposed to weekends and public holidays).

So, if one of your monthly payment days would fall on a weekend or public holiday, you will instead make the monthly payment on the next working day.

As an exception to this, if the next working day would be in the next month, you will instead make your payment on the previous working day.

For example

Say your monthly payment day is the 28th, and in February that falls on a Saturday, you will have to make your payment on Friday 27th February because the next Monday would be in March.

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 so, we can later do one or more of the following things.

- Start your monthly payments again.
- Extend your mortgage term, if we reasonably 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, which means you will end up paying more for your loan.
- Increase your monthly payment amounts.

If you have a repayment mortgage, and we increase your monthly payments, we will work out the new amounts to be enough to pay off everything you owe by the end of your mortgage term.

If you have an interest-only mortgage, and we increase your monthly payments, we will work out the new amounts to cover the interest on what you owe.

- The overall amount you owe will have increased because of you having stopped making (or having reduced) your monthly payments.
- You must make sure that your arrangements to repay everything you owe at the end of your mortgage term cover the increase in the overall amount you owe.

We will tell you before we start your monthly payments again, increase them, or extend your mortgage term. This gives you an opportunity to contact us if you would like to discuss what we are doing.

Please note that we can also take other steps and other things can happen, as described in Chapters 14 to 16.

Your arrangements to pay off everything you owe, if you have an interest-only mortgage

We can ask you to show us what arrangements you have made to pay everything you owe by the end of your mortgage term.

If we are reasonably concerned that those arrangements may not be sufficient, we will make a reasonable effort to contact you to discuss how you can put that right. If we cannot get hold of you, or are not reasonably satisfied with how our discussions go, we may do one or both of the following.

- Switch some or all of what you owe from an interest-only mortgage to a repayment mortgage. This means you will have to pay monthly payments set at higher levels to pay off everything you owe (including your loan) by the end of your mortgage term.
- Extend your mortgage term, if we reasonably 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, which means you will end up paying more for your loan.

We will give you notice before we do this.

When we can change your monthly payments

Sometimes, we may need to adjust your monthly payment amounts so that they can continue to be at the level described under the heading "Your monthly payment amounts" near the start of this Chapter.

We may do this if for example:

- your interest rate changes;
- we change how we work out interest;
- you have to pay a new charge or cost;
- you make an overpayment;
- 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; or
- you switch to or from an interest-only mortgage.

We will give you notice when we change your monthly payments.

CHAPTER 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 Chapter we explain how each of them works, but your offer letter will tell you what type or types apply to your loan. This Chapter 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.

What we charge interest on

We charge interest on everything you owe (until you have paid it off) 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.

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 loan; and
- on any charges and costs in the way we explain in Chapter 3 (in the section called "When and how to pay our charges and costs").

If you make a payment, it will reduce what you owe (and so what we charge interest on) from the day we actually receive the money.

How we work out interest

For each month, we look at what you owe at the very start of the month, and then at anything we add to what you owe (such as a charge) or that you pay off (say through a monthly payment) during that month. We then calculate your interest for the month as follows.

- (what you owe at start of month) × (yearly interest rate) × (days in the month)

  PLUS

- (any added amount) × (yearly interest rate) × (remaining days in month, including day of addition)

  MINUS

- (any payment) × (yearly interest rate) × (remaining days in month, including day of your payment)

We then divide that total figure by 365 (366 in a leap year). We perform our calculation to four decimal places at each step and then round up the result to the nearest penny to give you your interest charge for the month.

For example

Someone owes £100,000 at the start of 1st June, and on 16th June they make a payment of £20,000. Their yearly interest rate is 6%. On that basis, we work out their interest for June as follows.

£100,000 × 6% × 30 (being the number of days in June) = £180,000.0000

£20,000 × 6% × 15 (being the number of days from 16th to 30th June)

= £18,000.0000

£180,000.0000 – £18,000.0000

= £162,000.0000

£162,000.0000 ÷ 365 = £443.8356

Total Interest charge for June **= £443.84**

Sometimes we may change an interest rate at a point during a month. (For details of when we might do this see later in this Chapter under the headings "When can we change a lender variable rate?", "Tracker rates" and "Added rate".) If we do change the rate after the beginning of the month we will work out the interest in the same way as set out above but we will use the original rate up until the date of the rate change, and use the new rate for the rest of the month.

For example

Someone owes £100,000 at the start of 1st June. Their yearly interest rate is initially 6% but on 10th June the rate is changed to 6.25%. On that basis, we work out their interest for June as follows.

£100,000 × 6% × 9 (being the number of days in June that the interest rate was 6%) = £54,000.0000

£100,000 × 6.25% × 21 (being the number of days in June that the interest rate was 6.25%) = £131,250.0000

£54,000.0000 + £131,250.0000

= £185,250.0000

£185,250.0000 ÷ 365 = £507.5342

Total Interest charge for June **= £507.53**

When do we add interest?

We will add the interest for each month to what you owe at the end of the last day of that month. We then start charging you interest on that interest (often called 'compound interest') from the first day of the next month.

What type of interest rate do you have?

We will agree with you:

- whether your interest rate is fixed or variable;
- when an interest rate will end, if it is only for part of your mortgage term; and
- whether you pay different rates on different parts of your loan.

We will usually agree terms about your interest rate in your offer letter, and that is what we assume when we refer to your offer letter in the rest of this Chapter.

For example

Someone's offer letter may say that they will pay:

- a fixed rate which ends on a certain date or after a certain period of time;
- a variable rate which ends on a certain date or after a certain period of time; or
- a mixture of these.

What happens when your fixed or variable rate ends?

Your offer letter will say how long your fixed or variable rate will last for and what will replace it (usually a lender variable rate) when it ends.

Fixed rates

What is a fixed rate?

A fixed rate is 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.

Variable rates

What is a variable rate?

A variable rate is an interest rate that can change. A variable rate can go up and down.

There are different types of variable rate, for example lender variable, tracker and capped rates. You can read more about different types of variable rate and how they can change below.

Lender variable rates

What is a lender variable rate?

A lender variable rate is a variable interest rate which we set and can decide to change.

We can charge different lender variable rates for different customers or different types of loan. We may even charge different lender variable rates on different parts of the same loan. Your offer letter will say if one or more lender variable rates are to apply to your loan.

When can we change a lender variable rate?

We can change a lender variable rate at any time, after giving you notice that we're going to do so. 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 "residential mortgage" 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 laws and regulations*: We of course follow laws and regulations (see Chapter 18 for an explanation of what we mean by "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.

Sometimes those reasons may allow us to change one lender variable rate at a different time or by a different amount from another lender variable rate.

What is a "residential mortgage"?

This is where we take a mortgage over a property that is used as someone's home, or intended to be used as a home. It could be either the customer's home or someone else's, for example someone the customer let the property to.

Discounted rate

What is a discounted rate?

This is where your interest rate is set at a particular level (discount) below a lender variable rate. The rate you will pay is the lender variable rate that applies to your loan less the discount.

For example

Say you have a discount of 2% off a lender variable rate and that lender variable rate is 6%, the interest rate you will pay is 4%. If we increase that lender variable rate to 7%, your interest rate would become 5%.

Your offer letter will say if you are to have a discounted rate, the level of the discount and how long it lasts. We will not change the level of the discount. However, if the discount means that your interest rate would fall below zero, your interest rate will be 0% instead.

Tracker rates

What is a tracker rate?

A tracker rate is where your interest rate follows another rate which is not set by us. It will track that other rate by a "margin".

If the rate being tracked changes, we will also change your rate within 30 days to keep to the margin and we will give you notice before we do so. The 30 days will start from the date of the official publication of the change in rate.

For example

Say your interest rate tracks Bank of England base rate by a margin of +2% then, when the base rate is 2%, your interest rate would be 4%. If a base rate increase to 3% is published on, say, 1st June, then we will raise your interest rate to 5% before 1st July.

What is Bank of England base rate?

This is the official Bank of England Bank Rate, which people commonly call "base rate".

Your offer letter will say if you are to have a tracker rate, what your margin is, what rate it tracks and how long it lasts. The margin could be positive (for example, base rate +2%), negative (for example, base rate – 1%) or even zero (if, for example, your interest rate is set at the same level as the base rate).

We will not change the margin. However, if the margin means that your interest rate would fall below zero, your interest rate will be 0% instead.

Capped rate

What is a capped rate?

This is where an interest rate that is variable (which means it can go up or down) cannot go above a particular level. That level is the "cap", and is sometimes also called the "ceiling".

Your offer letter will say if you are to have a capped rate, what the cap is and how long it lasts. We will not charge you interest above that cap for as long as the cap lasts.

For example

Say you are paying interest at a variable rate, which is currently at 3.5%, and you have the benefit of a cap set at 4.5%.

The variable rate then increases to 5%. The interest rate you pay would increase to the cap at 4.5%. If the variable rate then goes down, to say 4%, the interest rate you pay would become 4%.

Added rate

What is an added rate?

This is where we charge an additional interest rate on top of a fixed or variable rate (or rates) that you must pay on your loan.

We may charge you one or more added rates if:

- you agree to it in your offer letter; or
- an added rate becomes payable for the reasons in Chapter 13 under the heading "Extra interest or regular additional payments" (which can apply if you let your property or change its use without our permission).

We can reduce or stop charging an added rate at any time. We can also increase an added rate for the same reasons as we can increase a lender variable rate (see above). We will not, however, increase an added rate as a result of a change to our cost of lending or our cost of following laws and regulations, if we have already increased another rate that applies to the same part of what you owe for the same reason.

Sometimes those reasons may allow us to increase the added rate at a different time or by a different amount from a change to a lender variable rate.

We will give you notice before we change an added rate.

CHAPTER 3 – OUR CHARGES AND OUR COSTS.

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

As well as paying us interest on your loan, you may have to pay us charges and costs.

What are our "charges"?

Our charges relating to our agreement are any:

- charges at the start of our agreement as described in your offer letter, for example a "product fee";
- early repayment charges (see Chapter 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;
- regular additional payments described in Chapter 13 (under the heading "Extra interest or regular additional payments");
- charges for us to agree to additional borrowing or new services;
- charges for where you agree to us making a change to our agreement (for example, changing the type of rate you pay, or a borrower, or your mortgage term).

Chapter 13 tells you how we may charge any regular additional payments. Otherwise, we'll tell you of any charges in advance, so that you'll have agreed to them before they become payable.

What are our "costs"?

Our costs are what you pay us for our expenses to do with the mortgage, your property or our agreement, apart from:

- our normal expenses for servicing our residential mortgages in general where our customers are keeping to their agreements with us, as we have already taken those expenses into account when setting our interest rates and the charges we mention above; or
- other expenses included in the charges we mention above.

Our costs might come about because of something you ask for or because you do not keep to your obligations under our agreement.

You will only have to pay for a cost of ours so far as the cost is reasonable.

What costs will you have to pay extra for?

It would not be possible to list every type of cost, but some common examples are:

- the costs of taking legal or other action if you break our agreement or if there is a dispute to do with the mortgage, your property or our agreement;
- 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. (Chapters 12 to 18, headed "What else can we do?", set out in more detail the types of action we can take and when we can take it.)

Our standard costs

In many cases our costs will be standard costs (but not all of them, as we explain later in this Chapter).

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

How we set our standard costs

We work out each of our standard costs to be a reasonable amount, as follows.

- Each will be for all our costs for the activity, including both our own internal costs and costs we pay to other people. We will make a reasonable estimate of the expected average costs, and set the fee at the level of that average.
- As well as costs specific to the standard cost, our estimate can include, for example, a reasonable share of our costs in having and using resources (such as offices, staff and computer systems) that we also use for other purposes.

If our costs (whether internal or paid to other people) change, we can change our standard costs as described below.

How we can change our standard costs

We can reduce or cancel a standard cost at any time for any reason. We can also increase a standard cost 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 cost 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 cost for it. Similarly, we can increase our standard costs if we have not been fully passing on our costs.

Change to laws and regulations: We of course follow laws and regulations (see Chapter 18 for an explanation of what we mean by "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 costs, or the levels of our standard costs, 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 cost (including bringing in new standard costs) in proportion to the change in our cost.

If we change the level of a standard cost or bring in a new standard cost, we will give you notice before it becomes payable.

Where we do not have a standard cost

Where we do not have a standard cost, 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 end up having to pay the ground rent and service charges because you have not.

- If we do have a standard cost to cover our internal costs of dealing with those payments, you will have to pay this.
- However, our standard cost will not cover the amounts of the ground rent and service charge themselves. This is because we cannot estimate in advance what we might end up having to pay. So, you will have to pay us what we pay your landlord on top of any standard cost we may have.

Taxes on our costs

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

For example

You may have to pay VAT or (if, say, we need to arrange buildings insurance) insurance premium tax.

When and how to pay our charges and costs

When must you pay a charge?

If you have to make regular additional payments under Chapter 13, we will tell you when to pay them. Otherwise, a charge will be payable on the date you have agreed to pay it, whether in your offer letter or otherwise.

If we agree to add a charge to your loan, we will add it on the date it becomes payable. If we have not agreed to add it to your loan, you must pay it separately when it becomes payable – if you do not we can then add it to your loan.

When must you pay a cost?

We can add a cost to your loan on the date it becomes payable.

- For a cost where we have to pay another person, it will be the date by which we have paid that person.
- For any other cost, it will be the date by which we have done the work covered by the cost.

We will tell you after we have added a cost to your loan.

What happens if we add a charge or cost to your loan?

If we add a charge or cost to your loan then, unless we tell you otherwise, we will charge interest on it.

We will charge interest:

- on a charge, from when we add it to your loan; and
- on a cost, from the beginning of the second month after we add the cost to your loan. (This allows you to avoid paying interest on a cost by making an additional payment to pay it off before then.)

For example

Say we add a cost to your loan on 8th January, we will not start charging interest on the cost until 1st March.

You will have to pay interest on the charge or cost at the same interest rate as you pay on your loan, unless we have agreed otherwise (for example, in your offer letter).

You will also have to pay a charge or cost that we add to your loan on the same basis as you repay your loan, again unless we have agreed otherwise.

This means that, when we next change your monthly payments, we will at the same time change them so that:

- for a repayment mortgage, they pay off the charge or cost (and everything else you owe) by the end of your mortgage term; and
- for an interest-only mortgage, they pay the extra interest on the charge or cost.

You must make sure that your arrangements to repay everything you owe at the end of your mortgage term also cover any charges and costs that are added to your loan.

What if your loan is in different parts?

As we discuss in Chapter 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 or cost to.

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

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

CHAPTER 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 Chapter explains more about what it will mean for you if your loan does have different parts.

What different types of loan are there?

- A loan can have different types of repayment method. It can be an interest-only mortgage or a repayment mortgage.
- Different types of interest rate can apply, for example a loan can have a fixed or tracker rate, or a lender variable rate.
- Different mortgage terms may be agreed, for example one loan may need to be repaid within 15 years and another within 25 years.

Sometimes a single loan can be a mixture of these.

For example

A single loan for £250,000 could be made up of:

- one part, for £100,000, which has a fixed interest rate of 5%; and
- the other part, for £150,000, which has a tracker rate of Bank of England base rate +2%.

How does this affect you?

We will give an indication, usually in offer letters, if your loan is in different parts.

If your loan is in different parts, we may require you to:

- make a single monthly payment for all parts;
- make separate monthly payments for different parts; or
- make separate monthly payments to cover any costs or charges that you have to pay.

Also, please remember when reading this booklet that things can apply differently to different parts of your loan.

For example

- If one part of someone's loan is on a tracker rate and another part is on a lender variable rate, different sections in Chapter 2 apply.
- If one part of someone's loan is on one of our lender variable rates, and another part is on another of our lender variable rates, we may change those rates at different times or, say, increase one by 0.5% and the other by only 0.25%.
- We may set and change your monthly payments separately for each part.

CHAPTER 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 (or you may have to do so). If you do, you may have to pay us an extra charge. In this Chapter you can find out how early repayment will work and when and how you may have to pay that charge.

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 payment on top of your monthly payments.

Charge for early repayment

You might or might not have to pay us an "early repayment charge", depending on what you have agreed to (usually in your offer letter). If it is payable, we will deduct it from the amount of your early repayment.

For example

Someone owes £100,000, and wishes to pay it off in full at a time when a 3% early repayment charge applies.

Here, the early repayment charge would be (3 ÷ 100) × £100,000 = £3,000.

The customer would therefore need to pay £100,000 + £3,000 = £103,000 to pay off their mortgage 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 just on that part (see the example in the next Chapter).

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 (Chapter 14 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.

CHAPTER 6 – HOW WE APPLY OVERPAYMENTS AND UNDERPAYMENTS.

There may be times when you choose to pay more, or you pay less, than your monthly payments. This Chapter explains how we will use such payments when your loan is in different parts, how they will affect your loan and how you have some choice as to how an overpayment will be used.

An "overpayment" is when you choose to pay more than your monthly payment.

An "underpayment" is where you pay less than you owe for your monthly payment.

In this Chapter 6, we explain how we will use an overpayment or an underpayment if your loan has more than one part (see Chapter 4).

We will use any other money that we receive, that does not form part of your monthly payment, in the same way.

If you are choosing to make an overpayment, and want us to use it differently, you can ask ahead of making the payment. We will then use the overpayment as you wish, but only after we first use it to pay any early repayment charge and any overdue amounts such as a missed monthly payment.

How we use underpayments and (unless you can and do tell us otherwise) overpayments

We will use an underpayment or overpayment to pay towards each part of your loan in the same proportions as we apply your full monthly payments to those parts.

In the case of an overpayment, we will only do this after first using the payment to pay any early repayment charge. If you only have to pay an early repayment charge on part of what you owe, we will pay the charge out of the payment towards that part.

For example

Someone has a loan with us which has two parts. Let's say their total monthly payment is £400, of which:

- £100 is the monthly payment on part 1
- £300 is the monthly payment on part 2

We calculate what percentage of their total monthly payment is made to each part:-

$$\frac{\text{Payment on part 1 (£100)}}{\text{Total monthly payment (£400)}} \times 100 = 25\%$$

$$\frac{\text{Payment on part 2 (£300)}}{\text{Total monthly payment (£400)}} \times 100 = 75\%$$

Scenario A
They make an overpayment of £100 (on top of their £400 monthly payment)
We apply £25 of the overpayment to part 1. (Overpayment of £100 × 25%= £25)
We apply £75 of the overpayment to part 2. (Overpayment of £100 × 75%= £75)

Scenario B
They make an overpayment of £100, and an early repayment charge of £3 is payable on part 2
We apply £25 of the overpayment to part 1. (Overpayment of £100 × 25%= £25)
We use £3 of the overpayment to pay the early repayment charge
We apply £72 of the overpayment to part 2. (Overpayment of £100 × 75% = £75 minus £3 = £72)

Scenario C
They pay £300 instead of £400 for their monthly payment (an underpayment)
We apply £75 of the underpayment to part 1. (Underpayment of £300 × 25%= £75)
We apply £225 of the underpayment to part 2. (Underpayment of £300 × 75%= £225)

CHAPTER 7 – INSURING YOUR PROPERTY.

You must have buildings insurance over your property as long as you have the mortgage. This Chapter 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. If your property is in Northern Ireland, you can also read in this Chapter about how any compensation payout you receive may have to be used.

What you must do

You must make sure that there is buildings insurance in place for your property at all times.

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. An example of that would be 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.

- 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 the buildings insurance policy must cover

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

- If the insurance company 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.

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 that amount 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.

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 so 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 or allowed 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 mortgage to us with £200,000 left to pay and a mortgage to another lender with £40,000 left to pay. If we insure your property, we may insure it for £200,000 (plus some extra to cover any extra interest, charges and costs) to cover our interests. This leaves your interests and the interests of the other lender not insured.

You can at any time ask us to provide you with details of any insurance we have put in place. It is down to you to decide whether that insurance is also suitable for you (and for anyone else who might have an interest in your property), and to arrange any additional insurance that you may need.

If we insure your property we can add the cost to your loan and we can charge you interest on it.

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

Provisions that apply whoever insures your property

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

For example

If 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 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 get any money from a claim under any buildings insurance for your property, you must hold it all on "trust" for us (which broadly means holding it for our benefit) 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.

Compensation Agency arrangements for properties in Northern Ireland

If your property is in Northern Ireland and the Compensation Agency agrees to pay compensation for any damage caused to your property:

- you must hold the compensation that you get from the Compensation Agency on trust for us, unless an insurer has also paid money under an insurance policy for the same damage, in which case you only need to hold on trust for us the part of the compensation that is not going to be repaid to the insurer; and
- any money paid by the Compensation Agency must be used to repair or rebuild your property, unless we give you notice that it is to be used instead to pay towards everything you owe. We will not give you notice that the money is to be used in that way unless we reasonably consider that it will not put your property in good enough repair for the value of your property to cover everything you owe.

CHAPTER 8 – OUR RIGHTS AND HOW WE MAY USE THEM.

We need to have rights in certain situations to 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 Chapter we explain how we will act when using the rights that we have.

What are our rights?

We have rights in our agreement which help us to protect our interests. Depending on the circumstances, we may choose whether or not to use a right or which right to use. Our rights include:

- not giving 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. For the things you need our permission to do see the section headed "When you must ask for our permission" in Chapter 9);
- 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 to take certain action; or
- taking other action under our agreement.

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 Chapter 12, as well as the sections headed "When we can change your monthly payments" in Chapter 1, "When can we change a lender variable rate?" in Chapter 2 and "How we can change our standard costs" in Chapter 3).

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

What is "security"?

Security usually means 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.

Please see Chapter 10 to find out more about "security".

CHAPTER 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 even ask for our permission before you do something relating to your property. This Chapter gives you more details about this and how it will affect you.

What you must do in relation to your property

You agree to the following.

- You must use your property as your only or main home unless we agree otherwise.
- You must keep your property in good repair and condition.
- You must 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.
- You must make any payments relating to your property on time.

For example

You must pay any ground rent or service charges on time.

- You must keep to any obligations you have relating to your property.

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.

If you do not keep to any of your obligations relating to your property, we may keep to them for you.

- You must 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.

You must give us (if we ask for it) a new mortgage over the new or increased interest.

You must get our approval to the terms of any new mortgage deed, and we may make our approval subject to conditions.

- If we ask you, you must give us, for us to hold, any document to do with your property or the ownership of your property, which you have or which is looked after by someone else for you.

For example

If we ask you, you must give us any document giving you a new or increased interest in your property.

You must also give us, if we ask you, any share certificate or membership certificate to do with your membership of any of the following:

- a management company;
- a residents' association or society;
- a common hold association; or
- another similar organisation.

- You must 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.

What can you do with your property?

You may use your property and keep any money from it that you do not have to pay towards everything you owe. You can do this unless and until you have to pay off everything you owe immediately (which may happen when problems come up). (For details see Chapter 14.)

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, if we do not provide the whole of the amount your offer letter says you can borrow at the start of your mortgage term.
- Let your property or change the terms of any lease. We may ask you to pay the rent towards everything you owe as a condition of giving our permission.

  You will not need further permission if any new letting or any change to the terms of a lease is still covered by any permission we have already given you.

What is a "lease"?

A lease is an agreement which allows someone (called the "tenant") to occupy a 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 or that add to it (for example, building a conservatory or a garage).
- 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

You might be offered compensation by your local authority because of major works they are carrying out that affect your property, for example a road widening scheme. You must get our permission before you give up any compensation or negotiate or agree to an amount of compensation.

- Apply for or get a grant to do with your property.

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

CHAPTER 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 Chapter gives you the detail about the rights you give us.

What is "security"?

Security usually means 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.

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 example, you 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. Chapter 15 describes our right to sell your property or deal with it in other ways, under the heading "What we can do if this section applies".

Our security over your property is security for more than just the amount you owe us under this agreement (which we refer to in this booklet as "our agreement").

It also covers any other money you owe us under another mortgage agreement you have (or have had) with us or that you have with us in future while we still have the security over your property.

This only applies to a mortgage agreement on another property used as someone's home (yours or someone else's, for example where you have let your property), or if it was intended to be used as someone's home.

It also covers any money you owe us (or any one of you owes us, if there is more than one borrower) under a mortgage loan we made to (any of) you jointly with someone else. This is the case even if the borrowers under this agreement and the other agreement are not the same.

For example

A husband and wife could be borrowers under this agreement to buy their home, and the wife could also borrow from us with her business partner to buy a property that is to be let to tenants under another mortgage agreement. In that case, the security under this agreement would also cover what the wife owes under the other agreement.

We can keep our security until everything you owe under our agreement (and any other mortgage agreements and mortgage loans mentioned above) 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.

CHAPTER 11 – CONTACTING YOU.

From time to time in this booklet you will see that we may have to contact you 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 Chapter sets out how each of us must give that notice and explains when the notice will apply from.

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, for example, 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 writing to us by post.

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 second 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 is a public holiday or on a weekend, that day will not count.

For example

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

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

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

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

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CHAPTER 12 – CHANGES TO OUR AGREEMENT.

For certain aspects of these conditions, such as those setting out your mortgage term, your monthly payments and details about what interest we will charge, we have already told you in this booklet about how and when we may make changes to our agreement. This Chapter explains how and when we may make changes to other aspects of these conditions.

In "Getting Started", we told you how we may change your monthly payments (Chapter 1 "When we can change your monthly payments" and "Temporary stop or reduction to monthly payments"), your mortgage term (Chapter 1 "Temporary stop or reduction to monthly payments" and "Your arrangements to pay off everything you owe, if you have an interest-only mortgage"), interest rates (Chapter 2 "When can we change a lender variable rate?" and "Added rate"), and costs (Chapter 3 "How we can change our standard costs").

In this Chapter, we tell you how we may change other areas of our agreement.

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 (see Chapter 18 for an explanation of what we mean by "laws and regulations");
- to help comply with any change in how those laws and regulations, are applied or interpreted;
- to reflect an improvement in any service or facility we provide in connection with the mortgage or our agreement;
- to introduce a new service or facility; or
- to 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.

CHAPTER 13 – LETTING YOUR PROPERTY OR CHANGING ITS USE.

You may decide to let your property or change its use. This Chapter sets out what will happen if we have given you permission first. If we have not given you permission first, this Chapter gives details of extra amounts that you may have to pay, how we will work out such extra amounts and when you can stop paying them.

This Chapter applies if you let your property or change its use. Where we give you permission to do so, that will be subject to the conditions we tell you when we give you the permission.

The rest of this Chapter 13 applies where we have not given you permission to do so. (Remember that if you do it without our permission, you will have broken our agreement.)

What is "letting your property" or "changing its use"?

Letting your property is where you allow someone else (often called a "tenant") to live in your property instead of you, or where you charge someone rent to share your property with you.

A change of use is where you use your property differently to how you had told us you would use it when you originally applied for your mortgage loan (or at another time if we have agreed to a change of use before). For example, this could be where you change from just using it as your home to also using it wholly or partly for a business.

Extra interest or regular additional payments

If you let your property or change its use without our permission, or if we reasonably believe you have, we can:

- charge you interest on top of another rate you are paying so that there is an added rate (see Chapter 2 under the heading "Added rate"); or
- make you pay a regular additional payment.

We can backdate the extra interest or additional payments to when you originally let your property or changed its use, or to when we reasonably believe you did so.

Amount of extra interest or regular additional payments

If we make you pay extra interest or additional payments, it will be to bring you reasonably in line with the extra that you would have had to pay if you had asked for, and we had given, permission to you for the letting or change of use before it started.

- We work this out by looking at what we would charge someone with a broadly similar mortgage agreement to yours who had asked for permission to a letting or change of use.
- We do this as at the time we first apply the extra interest or additional payment.

Ending the letting or change of use

If you stop letting your property or change back its use, and write to tell us you have done so, when we find out about it we will promptly stop charging you the extra interest or additional payments.

Telling you about extra interest and regular additional payments where you let your property or change its use

We will tell you:

- if we make you pay extra interest or additional payments and if we are backdating it/them; or
- if we stop charging you the extra interest or additional payments.

CHAPTER 14 – 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 Chapter sets out the things that will lead to you having to pay us everything you owe immediately.

When you will need to repay immediately

These are the scenarios when you will have to pay off everything you owe immediately – and all at once.

- 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 Chapter 15 under the heading "What we can do if this section applies" or takes steps to do so.
- You have given us false or misleading information and we reasonably believe this has 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.
- This mortgage is also security for money you owe under a mortgage agreement you have with us on another property and we become entitled to use rights under that other mortgage agreement that are the same or broadly the same as the rights we have under Chapter 15.

  This only applies if your property is not your private residence – for example, you rent it out.

For example

Say you have two buy-to-let properties with mortgages with us and this mortgage is also security for the money you owe on the other property. If, for example, you do not keep up with your payments on your other mortgage loan, we can appoint a receiver under this mortgage agreement to collect the rent and help pay what you owe on the other mortgage loan.

- 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.

What is a "voluntary arrangement"?

An arrangement which is supervised by a person qualified to deal with it (known as an "insolvency practitioner") under which someone you owe money to agrees to accept only part of the money or accepts a late payment.

- Your property is in England, Wales, or Northern Ireland and you apply for an "interim order".

What is an "interim order"?

A court order which gives you temporary protection from claims by somebody you owe money to. It gives you time to put together an offer to that person so that you can make a formal arrangement for repayment. The arrangement is supervised by a person qualified to deal with it (known as an "insolvency practitioner"). Under the arrangement, the person you owe money to agrees to accept only part of the money or accepts a late payment.

CHAPTER 15 – OUR RIGHT TO TAKE POSSESSION OF YOUR PROPERTY OR DEAL WITH IT IN OTHER WAYS.

This Chapter 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.

When does this section apply?

There are three sections in this Chapter. (The other two sections are headed "Our right to enter your property" and "How we can deal with things left in your property".)

We can use the powers in this first section if:

- you agree we can do so; or
- you have to pay off everything you owe immediately for a reason in Chapter 14.

What we can do if this section 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.

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.

What does "let your property" mean?

This 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, 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 it until you do. (This also applies if we allow you to sell your property for less than everything you owe.)

There are restrictions in certain sections of Acts of Parliament which we are allowed to say will not apply in our agreement. On that basis, the following sections of Acts of Parliament do not apply.

- If your property is in England or Wales, Section 103 of the Law of Property Act 1925.
- If your property is in Northern Ireland, Section 20 of the Conveyancing and Law of Property Act 1881.

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 disapply 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 regulations 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.

- We may use the same powers as a receiver has under laws and regulations or which we set out in Chapter 16 under the heading "What powers do an attorney and a receiver have?" (We may do this even if a receiver has been appointed).

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 in possession of your property, or that we have accepted the legal responsibilities of a mortgage lender in possession of your property.

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.

CHAPTER 16 – 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 Chapter explains what this may mean for you in practice 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.

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.

What is an "attorney"?

"Attorney" broadly means someone legally entitled to act on someone else's behalf.

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

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 like signing documents instead of you 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 in this Chapter under the heading "What powers do an attorney and a receiver have?")
- 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 this Chapter.

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.

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 Chapter 14) 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, he would act for you (not us) and you would have to pay for him.

- We may appoint one of our employees as the receiver (however, if we do, he 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 his 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 Chapter 7). However, you will not be responsible for meeting the receiver's pay if he is one of our employees.

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, in fact, 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 of 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 the heading "What powers do an attorney and a receiver have?") as your attorney if you must pay off immediately everything you owe (which you may have to do in the situations described in Chapter 14). 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 he has 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 or 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 Chapter 15).
  - 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 do with the mortgage, your property or our agreement.
- To do anything else you have to do under our agreement and any related security.

CHAPTER 17 – 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 Chapter 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 in the mortgage and our agreement to someone else. This includes giving someone else our right to transfer any related rights or interests under the mortgage deed, any offer letter 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.

If we want to transfer our rights under this Chapter we shall only do so if the person we transfer those rights to agrees with us to use them in accordance with an agreed policy and procedure (subject to the next paragraph in this Chapter). We will approve the agreed policy and procedure before the transfer. The agreed policy and procedure shall be no less favourable to you than the policy and procedure we were following before the transfer.

The policy and procedure we adopt for other mortgage loans where we have not transferred our rights may change after a transfer under this Chapter. Also, a person we have transferred our rights to may ask us to make a change to the policy and procedure it has agreed to follow. If that happens, we can agree to the change provided that the revised policy and procedure is in all important ways the same as the one we are then following.

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.

What does this mean for you?

If we transfer our rights to someone else, you will have to do everything you have to under our agreement for them, instead of for us. For example, you will have to pay them instead of us.

From then on, the person who we transfer to or any person who receives a transfer after that will also count as "us" under our agreement to the extent that rights have been given to them. "We", "us" and "our" will then also refer to that person but only to the extent that rights have been given to them.

This does not affect anything done or received before the transfer, which can still be relied on by the person who Bank of Scotland plc transfers to or any person that receives a transfer after that as though also done or received by them for their benefit.

Any rights under the mortgage and our agreement may be held by Bank of Scotland 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 offer letter 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 Chapter 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.

CHAPTER 18 – OTHER CONDITIONS.

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

If the offer letter 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, and your solicitor or licensed conveyancer can tell you what they are.

When we talk about "laws and regulations" this includes all laws, rules, codes of practice, decisions, recommendations and requirements laid down by any court, regulator, government authority or agency or other similar body.

Any reference to legislation in this booklet includes any statutory instrument (for example, regulations and rules) made under relevant legislation and any changes to either the legislation or the statutory instrument. 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

Say 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.

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

For example

Say 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.

For example

You will not be able to claim anything from us if you want to check the amount you owe, and there is something wrong with our computers that we could not stop by looking after them properly and we could not fix them by the time you wanted to check the amount you owe.

Telephone 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 staff.

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 Wales, the laws and regulations of England and Wales 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 part of this booklet called "Our 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 offer letter 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 offer letter, and anything in this booklet.

STANDARD CONDITIONS.

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 below. The part of this booklet called "Our Mortgage Conditions" makes some changes to these standard conditions.

For example

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

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 a 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.

NOTES.

DO YOU NEED EXTRA HELP?

We want to help our customers in any way we can. If you have a hearing or speech impairment you can use Text Relay (previously Typetalk) or Textphone on **03457 32 34 36** (lines are open seven days a week 9am–5pm). If you're deaf, you can also use BSL and our SignVideo service at **www.halifax.co.uk/accessibility/signvideo**
We can provide brochures and other documents in large print, Braille or audio. Please ask a member of staff if you'd like to know more.

How to complain

Our promise

Our promise is to do our best to resolve any problem you have immediately. Where we can't, we'll ensure you know who is dealing with your complaint. To complain:

- Visit a branch and speak to any member of the team.
- Call us on **0800 072 9779** or **0113 366 0167.** (Textphone **0800 389 1286** or **0113 366 0141**, if you have a hearing impairment).
- Write to us at Halifax, PO Box 761, Leeds LS1 9JF.
- Or visit **halifax.co.uk/contactus/how-to-complain**

If you're still not happy

If you're still not happy and we can't put things right to your satisfaction, you can ask the Financial Ombudsman Service to look at your complaint – provided you have tried to resolve the matter directly with us first. We hope you won't need to contact the Financial Ombudsman Service but if you do, we'll tell you how to do this.

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