



Completr

Your Specialist Packager Distributor



023 8045 6999 (Option 3)



commercial@complete-fs.co.uk



www.complete-fs.co.uk

Your guide to our lending criteria

Digital Mortgages by Atom bank
Business Banking Secured Lending

Updated October 2019

Contents

Your guide to our offering

- [01](#) [Our loans explained](#)
- [02](#) [Can we lend to your client?](#)
- [03](#) [You are key](#)
- [04](#) [Loans we can offer](#)
- [05](#) [Who we lend to](#)
- [06](#) [Deposits](#)
- [07](#) [People and businesses we can't lend to](#)
- [08](#) [Credit status](#)
- [09](#) [Insolvency proceedings and CCJs](#)
- [10](#) [Defaults, instances, arrears and credit issues](#)
- [11](#) [These are the documents we need](#)
- [12](#) [Our rules around nationalities of customers](#)
- [13](#) [How we assess affordability](#)
- [14](#) [Your customer's loan portfolio and our rules](#)
- [15](#) [The different types of security we'll need from your clients](#)
- [16 - 17](#) [Our requirements for different types of properties](#)
- [18](#) [Insurance, fees and solicitors](#)

Our loans explained

Our range of business loans, who we lend to, what property types we lend against and the maximum loans and LTV.

The range

Commercial investment, commercial owner occupied, semi-commercial and residential investment property.

Borrower types

Limited companies, Limited Liability Partnerships (LLPs), partnerships and sole traders.

Property types

Commercial offices; warehouses; factories; industrial units; agricultural; retail units; purpose-built student accommodation; residential and commercial investment properties; restaurants, hotels.

Maximum loan and LTV

- For loans up to £500,000 we offer up to 75% LTV
- For loans up to £1 million we offer up to 70% LTV (or 75% subject to credit quality)
- For loans up to £5 million we offer up to 60% LTV (or 70% subject to credit quality)
- The LTV is based on whichever is lower, the purchase price or market value post valuation
- Maximum combined loan for any business customer is £5 million

Can we lend to your client?

This document gives you all the information you need to see whether we have the right loan for your client.

We assess all the applications individually.

Sometimes we ask for more info so we can finalise our underwriting decision.

- We only lend through registered Intermediaries
- Loan requests from borrowers must be submitted through you – a registered Digital Mortgages intermediary
- We offer loans from £100,000 and up to £5 million.

Just to let you know, if your client applies for a loan that's greater than £1 million, our standard approach is for our Business Development Managers to visit the business and the property we're lending against.

You are key

Minimum information Requirements	Commercial Investment	Commercial Owner Occupied	Residential Investment
New start business (less than two years trading history)	Tenancy schedule for borrower's entire property portfolio.	Budgets /cash flow to include P&L and balance sheet and be projected for a minimum of 12 months. Detailed Business Plan.	Tenancy schedule for borrower's entire property portfolio.
Business over 2 years old	Tenancy schedule for borrower's entire property portfolio.	Minimum of two years Financial Accounts (unless the customer has not traded for this period of time). Management accounts, where year-end accounts are more than nine months old.	Tenancy schedule for borrower's entire property portfolio.
All loans up to £5 million	<ul style="list-style-type: none"> • Fully completed Secured Business Loan Application form • Asset, liabilities, income and expenditure (ALIE) statements for key individuals (please contact your National Account Manager or Telephone Business Development Manager for advice on when this document is needed) • Atom Consent to Search form 		

Loans we can offer

Here are the loans we can offer to your different clients.

Loan	Commercial Investment	Commercial Owner Occupied	Residential Investment
Interest Only	Available up to 70% LTV. For loans with over 70% LTV: interest only is available for up to two years.*	Available up to 70% LTV. For loans with over 70% LTV: interest only is available for up to two years or five years for agricultural property.*	Available up to 70% LTV. For loans with over 70% LTV: interest only is available for up to two years.*
	*Applications should provide details of the customer's exit strategy. Digital Mortgages by Atom bank will typically accept refinancing or sale of property as an exit strategy for interest only lending.		
Purpose	Purchase, re-finance or equity release		
Maximum LTV	For loans up to £500,000 we offer up to 75% LTV For loans up to £1 million we offer up to 70% LTV (or 75% subject to credit quality) For loans up to £5 million we offer up to 60% LTV (or 70% subject to credit quality) The LTV is based on whichever is lower, the purchase price or market value post valuation		
Capital and interest	All loans to be fully amortising other than where interest only period agreed		
Supporting security	In addition to Legal Charges over specified properties the following types of security may also be offered or requested by our underwriters: <ul style="list-style-type: none"> • unsupported personal or corporate guarantees • debentures • postponement of directors' loans 		
Commitment term	Five years		
Period repayments are structured over	Minimum one year, maximum of 25 years		
Minimum Loan	The minimum loan we offer is £100,000		
Loan Covenants	Financial covenants will be included for all loans of £1 million and over Financial covenants may be included for loans of less than £1 million where deemed appropriate by our underwriters		

Who we lend to

Here are the people that we can offer loans to.

Applicants	Commercial Investment	Commercial Owner Occupied	Residential Investment
Minimum age	18 years	18 years	18 years
Maximum age	85 years at end of loan repayment profile (subject to a viable succession plan if over 75)	80 years at end of loan repayment profile (subject to a viable succession plan if over 70)	85 years at end of loan repayment profile (subject to a viable succession plan if over 75)
Applicants we can accept	Limited companies, PLCs, Limited Liability Partnerships (LLPs), partnerships and sole traders domiciled in the UK.		
Applicants we can't accept	<ul style="list-style-type: none">• Applicants that have been registered as a disqualified director• Businesses that are insolvent (based on insolvency action)• Business that are subject to current insolvency proceedings or any other adverse corporate notice (for example adverse CIFAS or High Court writs)		

Deposits

VAT

Our guidance for Commercial Investment, Commercial Owner Occupied and Residential Investment properties:

- Where a property is not VAT exempt, we will not lend to support the VAT associated with the purchase. If the property is VAT exempt, this must be highlighted in the application
- We will not include the VAT amount when calculating the amount we can lend against a property.

Proof of borrower contribution

The customer contribution or stake can be provided either as cash or additional property security in lieu of cash.

People and businesses we can't lend to

The following applies to commercial investment, commercial owner occupied and residential investment.

We won't lend to applicants who:

- Are under 18 years old
- Are disqualified directors, bankrupt or subject to current bankruptcy proceedings or are legally prevented from entering into contracts
- Are borrowing funds to satisfy CCJ, IVA and/or bankruptcy orders
- Are borrowing against a property that is being acquired under an assignable contract
- Have diplomatic immunity
- Are employed on a commission only basis, unless applying jointly with another applicant (who is not employed on a commission only basis) and income is not being taken into consideration
- Have the potential to damage our reputation as a result of the transaction
- Are borrowing funds for personal (non-business related) purposes, including personal mortgages
- Have no reasonable estimate of their financial strength
- Have been encouraged to leave other banks through a reduction in the amount they owe.

Legal entities we don't lend to:

- Trusts
- Pension schemes
- Charities
- Clubs/Associations.

Sectors that we don't support:

- Defence, including the production of, or sale of, firearms or other weapons
- Sale or production of pornographic materials or any involvement with the sex industry
- Political, trade union or religious organisations
- Gambling businesses
- Businesses that could involve the mistreatment of animals
- Other lenders or businesses operating in areas of 'sub-prime' financing
- Building and development finance
- Nightclubs.

Credit status

Credit searches

We do credit searches on loan applications before our underwriters assess the loan request. The searches will be on the key individuals, and the business itself.

The credit searches will be on all the UK addresses that each applicant has lived in for the last three years.

We might also search undisclosed and linked addresses over the past three years.

All the credit searches we do are valid for three months. After that we'll do new searches. If any further relevant information appears in that search, the application will be reassessed and we might change the product we offer or decline the application.

If the application is from a limited company, LLP or PLC, we'll do a company search and we'll also search any other directorships of all the directors and main shareholders.

If the application is from a group of companies (including Special Purpose Vehicles or 'SPVs') we'll complete credit searches on all directors and shareholders of the business, including any parent company and any corporate shareholders. Our underwriters might run searches on any associated companies and may also request consent to search against connected individuals to make sure we know the identity of all business owners.

Insolvency proceedings and CCJs

We are prepared to consider applicants with single, isolated and minor instances of adverse credit history, and where the likelihood of recurrence is assessed as low.

What happens if my client has current, or previous, insolvency action?

We'll only go ahead with the loan if there has been no insolvency action in the last three years for any of the following:

- The borrowing company, parent or subsidiaries
- Companies connected by way of company ownership
- Companies with common directorships
- Significant shareholders
- The original company in phoenix situations whereby a business has been dissolved and replaced by a new company

Where there has been any insolvency action in the last five years, we'll only go ahead with the loan where HMRC or any financial institution did not lose any money as a result of the action.

What happens if my client has a County Court Judgement (CCJ)

We treat business CCJs the same way as personal CCJs.

We will allow:

- Up to three credit related CCJs of less than £500 in the last three years
- One CCJ of more than £500 in the last three years
- Non credit related CCJs of up to £500

Defaults, instances, arrears and credit issues

We are prepared to consider applicants with single, isolated and minor instances of adverse credit history, and where the likelihood of recurrence is assessed as low.

What happens if my client has defaulted in the past?

We will allow:

- Up to three defaults of less than £500 in the last three years.
- One default of more than £500 in the last three years.

Payment issues (any secured or unsecured facilities more than £10,000)

We will allow three historical payment issues in the last three years.

What happens if my client has arrears on secured or unsecured lending which totals less than £10,000?

We allow up to five payment incidents or occasions of arrears on secured or unsecured facilities which are less than £10,000 each.

What happens if my client has mortgage or secured loan arrears?

If your client has a secured loan or mortgage with any current arrears then we are not able to lend to them.

Minor credit issues (for example on utilities or mail orders)

We allow up to seven minor credit payment instances in the last three years.

Debt forgiveness

We can't lend in circumstances where the debt amount has been reduced by a previous lender to enable a transfer of the loan.

These are the documents we need

ID and Residence

This applies to commercial investment, commercial owner occupied and residential investment customers.

Summary

We use an electronic identity verification system that checks application data against a range of public databases.

If your client's verification on this system doesn't pass the expected threshold, then we'll need proof of identity and residency.

Please provide one document from the proof of ID list and one from the proof of residence list.

Proof of ID acceptable documents

- Valid UK passport
- Valid UK driving licence – photo card (full or provisional)
- Valid non-UK passport or national ID card
- Identity card issued by the Electoral office for Northern Ireland
- HM Revenue & Customs correspondence relating to current tax year.

These are the documents that we accept for proof of residence

- Utility bill
- Full driving licence (including paper counterpart)
- Bank or credit card statement
- Latest council tax bill
- Current HM Revenue & Customs demand or notice of coding.

Please can you ensure that your client's documentation is:

- Valid and in date. Statements and utility bills must be no older than 90 days
- Certified as true copy, and likeness if photo ID
- Signed and dated, with their name printed, by approved certified FCA/PRA authorised introducer or a professional person covered by Anti-Money Laundering (AML) legislation.

Our rules around nationalities of customers

This applies to commercial investment, commercial owner occupied and residential investment customers.

UK and EU Nationals

Applicants must be UK or EU nationals and have been continuously resident in the UK for the last two years. At least 50% of the people who own the business must be permanent residents in the UK.

Non UK and EU Nationals

We can consider non-UK and EU nationals providing they've been resident in the UK for the last two years and also have non-conditional and permanent right to reside (i.e. Indefinite Leave to Enter/Remain or right to abode) for the period of the loan term.

How we access affordability

Affordability	Commercial Investment	Commercial Owner Occupied	Residential Investment
Serviceability	<p>Serviceability will be assessed on case-by-case basis. We want to make sure that applicants have a sufficient proportion of their profits available, after taking account of finance repayments, to cover other business and personal commitments. We also want to make sure that these serviceability calculations account for potential interest rate rises.</p> <p>This is calculated using the valuer's market rental figure or the passing/paid rental - whichever is lower.</p> <p>The rental received can be used as an estimate until the valuation is received.</p>	<p>This is calculated against the EBITDA(R) of the tenant company.</p> <p>EBITDA(R)= (Net Profit before tax + (Interest) + Depreciation + Amortisation + (Rent))</p> <p>(Interest is only to be added if we are refinancing current debt; Rent is only to be added if the rent is not to continue, normally if moving from a leased property to a purchased property.)</p>	<p>This is calculated using the valuer's market rental figure or the passing/paid rental, whichever is lower.</p> <p>The passing rental can be used as an estimate until the valuation is received.</p>
Serviceability measures	<p>At current Bank of England base rate:</p> <p>Min EBITDA(R) interest cover 200%.</p> <p>Min net rental interest cover 145%.</p> <p>Min EBITDA(R) debt service cover 160% of Atom debt and 120% of total debt.</p> <p>Min net rental debt service cover 160% of Atom debt and 120% of total debt.</p>	<p>Min 200% at EBITDA(R) interest cover.</p> <p>Min 160% of Atom debt or Min 120% of Total debt at EBITDA(R) debt service cover (post drawings/dividends).</p>	<p>At current Bank of England base rate:</p> <p>Min 160% net rental cover of Atom debt.</p> <p>Min 120% of total non-Atom debt.</p> <p>Min 145% at net rental interest cover at 5.5% stressed interest rate.</p> <p>Min 200% net rental interest cover of Atom debt.</p>
Minimum income	<p>Applicants need to demonstrate that they have sufficient income to cover their existing personal expenditure.</p>		

Your customer's loan portfolio and our rules

This applies to commercial investment, commercial owner occupied and residential investment customers.

We have a loan portfolio limit of £5 million.

We have no limit of portfolio value with other lenders.



The different types of security we'll need from your clients

Security	Commercial Investment	Commercial Owner Occupied	Residential Investment
The basis of our valuation	Market value	For valuations over £400,000 we will calculate LTV against the lower of the purchase price or business valuation (including goodwill)	Market value
Summary	<p>The type of security that we need will be assessed on case-by-case basis. This will need to include property and may also include guarantees and company debentures.</p> <p>A second charge will be accepted if the discounted security value will cover all debts secured against the asset.</p>		
Location	The security must be located in the UK		
Minimum acceptable lease term	<p>Long leasehold (minimum unexpired lease term on drawdown of the facility repayment term plus 21 years).</p> <p>Short leases (we define these as a lease that has less than 65 years unexpired on the lease at drawdown of the facility) where there is a trading licence attached (for example, dentists or pharmacies).</p> <p>Commercial leases should cover the full loan commitment term, though shorter leases may be considered depending on the financial strength of the customer, tenant and sector.</p> <p>Formal leases should be in place between the property owner and tenant for the full repayment term although in some circumstances, shorter lease terms can be accepted.</p> <p>A minimum lease term of five years is required but should be set to expire as close to (if not beyond) the repayment maturity date as possible.</p>		Standard Assured Shorthold Tenancy (AST) lease agreements must be in place for all tenancies at the point of loan drawdown.
The minimum security valuation that we accept	£142,858 (based on a loan of £100,000 at 70% LTV)		
The minimum individual security value we accept	£50,000		
Security we cannot accept	Any security where a satisfactory legal charge cannot be confirmed by the bank's solicitors. A first legal charge over the customer's home. Contaminated land where there are likely to be clean-up or other liabilities. Any property without appropriate planning permissions and consents for both intended and existing use. Non-property assets (plant and machinery, vehicles, marine and aviation).		

Our requirements for different types of properties

HMO (House in multiple occupation)

Requirements:

Satisfactory review of House in Multiple Occupation (HMO) licence by the bank's solicitor prior to loan drawdown. Satisfactory AST lease agreements must be in place for all tenancies at the point of loan drawdown.

Care Homes Requirements:

We will consider:

- Homes rated as Requires Improvement if there is a clear improvement plan in place, the maximum LTV for property element is 65%.
- New operators will be considered at a maximum LTV for property element at 70%.
- Enhanced LTV and debt service coverage requirements for experienced operators running homes rated Outstanding or Good by CQC.
- A maximum LTV of 75% (or 80% for a purpose built property).
- Debt service cover at 150% if the occupancy rate is 90% or more.

Our requirements for different types of properties

Healthcare (Doctors, Dentists, Pharmacists)

Doctors, Dentists enhanced LTV:

For loans up to £500,000 the maximum LTV for property element is 85%.

For loans up to £1 million the maximum LTV for property element is 80%.

For loans over £1 million the maximum LTV for property element is 70%.

There is a maximum LTV against goodwill of 100% (secured either by a charge over freehold property, a charge over a lease, and / or a debenture if the entity is a limited company)

Pharmacists enhanced LTV:

For loans up to £1 million the maximum LTV for property element is 80%.

For loans over £1 million the maximum LTV for property element is 70%.

There is a maximum LTV against goodwill of 75% (secured either by a charge over freehold property, a charge over a lease, and / or a debenture if the entity is a limited company)

Debt Service Cover requirements:

150% EBITDA

Pubs and other licensed premises

Requirements:

We will consider applications for pubs and other licenced premises where alcohol sales are below 50% of total income (not wet led).

We may consider pubs and other licensed premises that have >50% of sales income generated by alcohol that have a diverse service offering and other income streams that may include food, accommodation or hospitality events. These applications will be subject to additional diligence by underwriting to assess the performance of the business.

Insurance, fees and solicitors

This applies to commercial investment, commercial owner occupied and residential investment customers.

Property insurance

The property held as security must be insured for at least the full reinstatement value, as recommended by the valuer in their report.

Fees

Valuation or solicitors fees cannot be added to the loan.

Legal representation

Solicitors will be instructed from our legal panel - the costs for the bank's solicitors will be payable by the customer.

The bank's solicitor can also, in the majority of circumstances, act for the customer on a dual representation basis or the customer can appoint their own solicitor and advise us of their contact details during the application process.

We don't allow dual representation where the transaction relates to the purchase of a business or share purchase therefore the customer would need to appoint their own solicitor for these transactions.



Digital Mortgages

by Atom bank

"Atom Bank", "Atom" and "Digital Mortgages by Atom Bank" are trading names of Atom Bank plc, a company registered in England and Wales with company number 08632552. Registered office: Rivergreen Centre, Aykley Heads, Durham DH1 5TS. Atom Bank plc is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority and the PRA. Our Financial Services Register number is 661960.