



Mortgage Conditions 2004

2nd Edition

Summary of main points

Parts 1 and 2

- Part 1 – GENERAL MORTGAGE CONDITIONS applies to your mortgage in every case.
- Part 2 - FLEXIBLE OPTIONS CONDITIONS applies if your mortgage includes the flexible options.
- The section headed STANDARD CONDITIONS applies if your mortgage is on a property in Scotland.

Mortgage obligations

- You will pay your monthly payments on time.
- You will pay the property insurance premiums on time.
- If you have chosen an interest-only mortgage supported by a policy or investment plan, you must make sure that all payments due under the policy or plan are paid on time.
- You will keep the property in good repair.
- You will get our permission before altering or extending the property or changing how it is used.
- You will keep to any restrictions mentioned in the title and all planning laws and building regulations.
- You will repay all the money you owe us under the mortgage when you sell the property.

Our rights

- We may insure the property (at your expense) if you do not insure it. We may also ask for details of cover if you have arranged your own insurance.
- If you miss two monthly payments, we may ask a court for an order so that the property can be sold. If we have to sell the property, we must sell it for the best price we can reasonably get.
- We can recover any loss from you if the property is sold for less than the money you owe us.

Joint mortgage

- If two or more people are named in the mortgage deed as borrowers, each of them is responsible for making sure that the payments are made and we can recover any loss from each of them.

- It is important that each person named in the mortgage deed reads these conditions because they apply equally to all of them.

Other points

- You can ask us if you want to borrow more money, for example for improvements.
- You can repay the money you owe us under the mortgage at any time. With certain types of mortgage (for example, capped, discount or fixed rate mortgages), the mortgage offer or other agreement we have with you may require you to pay us an extra charge if you repay early. This is called an early repayment charge.

Flexible Options

- These are available to you if the mortgage offer says that the flexible options will apply to your mortgage or if you have entered into a Flexible Options Agreement with us.
- Details of your flexible options are set out in your mortgage offer or Flexible Options Agreement and in Part 2 of these conditions.
- We give you a credit limit and, so long as you keep within that limit, you can make use of the flexible features.
- The flexible features mean you can: borrow more money using a drawdown release facility; make regular or lump sum overpayments; underpay at an agreed level and take a payment holiday.

Warning

This is only a summary. It does not replace or override the conditions in this booklet. You must ask your solicitor or licensed conveyancer to explain these conditions and the other terms of the mortgage.

Unless the interest rate on the mortgage is fixed, the interest on the mortgage can go up as well as down.

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

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Introduction to The Mortgage Business Mortgage Conditions 2004 (2nd Edition)

The conditions which apply to your mortgage are shown in this booklet, your mortgage offer, and any other agreement we make with you. You should read these documents carefully.

If the flexible options apply to your mortgage, you can use the drawdown release option to borrow more money, up to the amount of the credit limit we give you. The credit limit is set by us, but you may ask us to increase it if you wish to increase the amount which you may draw down.

If the flexible options do not apply to your mortgage you may ask us to lend you more money. If we are willing to do so, we will send you "further advance offer". This further advance offer may have extra conditions which will apply to the mortgage from then on.

These conditions can be used by The Mortgage Business for mortgage loans and also for mortgages which The Mortgage Business has taken over from another lender.

The paragraph at the top of page 5 applies only in Scotland. Part 1 (on pages 5 to 22) contains the General Mortgage Conditions, which apply generally to properties in England and Wales, Scotland and Northern Ireland. Where different words and legislation apply this is shown in the conditions. The glossary of technical words on page 25 also applies generally.

Part 2 (on pages 22 to 25) contains the Flexible Options Conditions. These apply to your mortgage if your mortgage offer says so, or if you enter into a Flexible Options Agreement with us.

The section headed STANDARD CONDITIONS (on pages 27 to 29), applies only if the property is in Scotland. It sets out conditions called the 'standard conditions'. These apply in Scotland except to the extent they are amended by the conditions in the section headed 'The Mortgage Business Mortgage Conditions 2004 (2nd Edition)'.

The law also implies some conditions which apply to the mortgage. We have not set these out in this booklet and your solicitor or licensed conveyancer can tell you what they are.

Some conditions will only apply to certain customers (for example, condition 9 only applies to a customer who borrows money at a capped, discounted, fixed or tracker rate of interest). If any of these conditions apply to you, it will say so in your mortgage offer or any other agreement we make with you about the mortgage.

We may change the interest rate and how much you pay every month. Conditions 2, 7 and 8 explain when we may make these changes and how we will tell you about the changes. Please ask us for details of the current interest rate for your account.

We subscribe to the Banking Code and are members of The Financial Ombudsman Service. You also have the protection of the Data Protection Act.

We will previously have told you whether your mortgage is regulated by the Financial Services Authority.

We suggest you keep this booklet in a safe place in case you want to check the conditions that apply to the mortgage.

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

Schedule of Variations

WE, THE MORTGAGE BUSINESS plc incorporated under the Companies Acts and having our Registered Office at Bridge House, Queens Park Road, Chester CH4 7AD, considering that we are about to make advances to be secured by standard securities to be given over land and buildings in Scotland which are regulated by the standard conditions specified in Schedule 3 to the Conveyancing & Feudal Reform (Scotland) Act 1970 as amended by the Redemption of Standard Securities (Scotland) Act 1971 wish to make the following variations which are referred to as The Mortgage Business Mortgage Conditions 2004 (2nd Edition).

PART 1 – GENERAL MORTGAGE CONDITIONS

1. Words in bold type

1.1 In this booklet we have put some words in bold type because they have a special meaning. We tell you what these words mean below. If the **flexible options** apply to **your mortgage**, the further words set out in condition 37 (which we have also put in bold type) will have the special meanings there shown. We have also explained some technical words, which we have not put in bold type, in the glossary at the end of these conditions

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|--|---|
| <p>(a) Accounting period - Each accounting period which applies to the mortgage account under condition 7. Different accounting periods may apply to different parts of the mortgage account. We may change the accounting period under condition 7.</p> <p>(b) Added rate - Any rate of interest we add to the base rate. We may change this under condition 7.</p> <p>(c) Base rate - The base rate of interest set out in the offer, any extra agreement or any flexible options agreement. We may change this rate of interest under condition 7.</p> <p>(d) Capital - The part of the debt we can charge interest on under these conditions. This is made up of:</p> <ul style="list-style-type: none"> • any money we have lent you and you have not repaid; • any expense that you have not paid; and • any interest you have not paid | <p>off by the end of the accounting period in which it became due.</p> <p>(e) Debt - All the money you owe us under the mortgage (including any flexible options).</p> <p>(f) Early repayment charge - Any early repayment charge you have to pay under Condition 10.</p> <p>(g) Early repayment charge period - The period during which you must pay the early repayment charge.</p> <p>(h) Equitable charge - If the property is in England and Wales, this means an equitable charge under the law of England and Wales. This does not apply if the property is in Scotland.</p> <p>(i) Expenses - These are all our costs and expenses which reasonably arise in connection with your mortgage (including any flexible options) or the property. They include any expenses arising even when we are not acting strictly as a mortgage lender (for example, costs for the valuation of the property). We give you more examples in condition 23.</p> <p>(j) Extra agreement - An agreement (other than a flexible options agreement) between you and us about your mortgage which is separate from the offer. The agreement will only be valid if it is in writing or if its terms are set out in a letter, electronic communication (for example, an e-mail) or other document from us.</p> <p>(k) Flexible option - Any of the overpayment, underpayment, payment holiday, lump-sum</p> |
|--|---|

- payment** and the **drawdown release options** available under **your offer** or **flexible options agreement** (if any). These are explained in **Part 2** of these conditions.
- (l) **flexible options agreement** – The agreement **we** enter into with **you** if the **flexible options** apply to **your mortgage** and **your drawdown release option** is governed by the Consumer Credit Act 1974.
- (m) **General Mortgage Conditions** – The mortgage conditions set out in **Part 1** of this booklet.
- (n) **Interest** - The interest **we** charge under conditions 7 or 9.
- (o) **Interest rate** - The interest rate or rates **we** charge under conditions 7 or 9.
- (p) **Interest-only arrangement** - This is an arrangement referred to in the **offer**, in an **extra agreement** or in any **flexible options agreement** under which the **capital** is to be wholly or partly repaid with the proceeds of an **investment plan** and you agree that:
- **you** will repay the **capital** covered by the arrangement after the **investment plan owner** receives any money due under the **investment plan** or (if earlier) at the end of the **repayment period** or any shorter period agreed between **you** and **us**; and
 - in the meantime, **you** will only pay **interest** on the **capital** covered by the arrangement.
- (q) **Investment plan** - Any endowment, term assurance or pension policy, personal equity plan (PEP), individual savings account (ISA) or other type of savings or investment connected with the **mortgage**.
- (r) **Investment plan owner** - Any person who takes out an **investment plan** for the **mortgage** or who agrees that the money from an **investment plan** can be used to pay all or some of the **debt**. This person may be **you** (or one of **you** if **you** have a joint **mortgage**) or it may be someone else.
- (s) **Monthly payment** - The amount or amounts **you** must pay **us** on a monthly basis, as set out in the **offer**, in any **extra agreement** or provided for in any **flexible options agreement**. **We** may ask **you** to pay monthly payments on different dates for different parts of the **debt**. **We** may change the monthly payment under condition 8.
- (t) **Mortgage** - The agreement between **you** and **us** set out in the **mortgage deed**, the **offer**, any **flexible options agreement** and these conditions. (If your mortgage was originally with another lender, please see condition 1.4.)
- (u) **Mortgage account** - The account **we** keep to show the amount of money **you** owe **us** under the **mortgage**.
- (v) **Mortgage deed** - The legal document **you** sign giving **us** a mortgage over the **property** in return for **our** providing the **mortgage loan** and any money **we** lend **you** under the **flexible options**. This document is described as:
- a ‘mortgage deed’ if the **property** is in England, Wales or Northern Ireland;
 - a ‘standard security’ if the **property** is in Scotland;
- (If **your mortgage** was originally with another lender, please see condition 1.4.)
- (w) **Mortgage loan** - Each loan **we** make to **you** under **Part 1** of these conditions. (If **your mortgage** was originally with another lender, please see condition 1.4.)
- (x) **Offer** - **Our** written mortgage offer and any other written offer from **us** to make **you** a further **mortgage loan**. (If **your mortgage** was originally with another lender, please see condition 1.4.)
- (y) **Our group** – This is made up of:
- **us**;
 - **our** subsidiaries; and
 - any company of which **we** are or have been a subsidiary and any subsidiaries of that company.
- You** can get a list of these

- companies by writing to **us** at the address set out in the **offer**.
- (z) **Part** – A part of this booklet.
- (aa) **Payment date** – The day in each month on which **you** agree to pay the **monthly payment to us**.
- (bb) **Property** - The property described in the **mortgage deed** and any interest in it.
- (cc) **Repayment period** - The period, set out in the **offer**, for paying off the **debt**. **We** may change this under condition 8.
- (dd) **Special rate** - Any capped, discounted, fixed or tracker rate of **interest we charge you** on any **special rate loan**.
- (ee) **Special rate loan** - Any part of the **capital** which a **special rate** applies to.
- (ff) **Special rate period** - Any period when a **special rate** applies.
- (gg) **Standard conditions** - The conditions set out in Schedule 3 to the Conveyancing & Feudal Reform (Scotland) Act 1970 as amended by the Redemption of Standard Securities (Scotland) Act 1971.
- (hh) **Tracker base rate** - Any rate we link to another interest rate which can change and which is not set by us or a member of **our group** (for example, a rate which is set by the Bank of England). The **offer** or any **extra agreement** or **flexible options agreement** will identify the rate to which **we** link the **tracker base rate**.
- (ii) **Tracker margin** – The percentage difference between the **special rate** and the **tracker base rate** where the **special rate** is a tracker rate. **We** say in the **offer**, any **extra agreement** or any **flexible options agreement** what the **tracker margin** is. It can be positive, negative or zero.
- (jj) **We, us and our** - These terms refer to:
- the company named as the lender in the **mortgage deed** or (if the original lender was not a member of **our group**) in the document **you** signed or sealed to make these conditions apply to the **mortgage** or the successor in title of such company; and
 - following a transfer under condition 15.1, any person who has the benefit of:
 - the **mortgage**;
 - any other security or charge which the company has over any **investment plan**; or
 - any other right which the company may have under the **mortgage deed**, the **offer**, any **extra agreement** or any **flexible options agreement**.
- (kk) **You and your** - The person named in the **mortgage deed** as ‘the borrower’ (or ‘the debtor’ if the **property** is in Scotland) and anyone who takes over that person’s legal rights or duties. This includes the personal representatives of a person who has died. It also includes any person who, with **our** permission, has taken a transfer from **you** and any person who is a successor of **yours**.
- 1.2 If the **mortgage account** is a joint account, these conditions apply to all of **you** together or any of **you on your own**. For example, **we** can claim back all of the money **you** owe **us** from any one of **you** or all of **you**.
- 1.3 Any reference to legislation includes any statutory instrument made under it and any changes to either of them.
- 1.4 If **your mortgage** was originally with another lender, the definitions of the terms “**mortgage**”, “**mortgage deed**”, “**mortgage loan**” and “**offer**” in condition 1.1 apply with the following changes:
- (a) the “**mortgage**” refers to the agreement between **you** and the original lender as altered by:
- any subsequent agreement between **you** and the original lender or anyone who took a transfer of the mortgage before it was transferred to **us**; and
 - the document **you** signed or sealed to make these conditions apply to the mortgage.
- (b) the “**mortgage deed**” refers to the document **you** signed giving the original lender a mortgage over the **property**.

- (c) the “**mortgage loan**” refers to:
- each loan made by the original lender or anyone who took a transfer of the mortgage before it was transferred to **us**; and
 - each loan **we** make to **you** under these conditions;
- (d) the “**offer**” refers to the original lender’s written mortgage offer as altered by:
- any subsequent agreement between **you** and the original lender or anyone else who took a transfer of the mortgage before it was transferred to **us**; and
 - the document **you** signed or sealed to make these conditions apply to the mortgage.

The “**offer**” also includes any written offer **we** make to lend **you** more money under the **mortgage** after its transfer to **us**.

- 1.5 If the **property** is in Scotland, the **standard conditions**, as amended by these conditions, will apply to the **mortgage**.
- 1.6 Where there is a conflict, the **offer** and any **extra agreement** or **flexible options agreement** will prevail over the **General Mortgage Conditions**.

2. Notices and permissions

- 2.1 Any notice or permission is only valid if it is in writing.
- 2.2 **We** will give **you** notice as follows:
- (a) **we** may give **you** notice by writing to **you** at the **property** or the last address **you** give **us**;
- (b) **we** may give **you** notice of a change in the **base rate** or the **tracker base rate** by putting the notice in at least three national newspapers; and
- (c) if the **monthly payments** due under **your mortgage** are made under a scheme operated for **you** and the people **you** work with, **we** may give **you** notice by writing to the person who operates the scheme.
- 2.3 A notice may give the date when it will come into force. This cannot be earlier than the date on which **we** give **you** the

notice unless condition 9.5 applies.

- 2.4 If **we** do not give the date when the notice will come into force, it will come into force:
- (a) 48 hours after it is posted (if sent to an address in the United Kingdom) or 10 days after it is posted (if sent abroad); or
- (b) on the date the notice is first published, if it is a newspaper notice.

3. Your monthly payments

- 3.1 **You** have to start paying **your monthly payments** on the **payment date**. **You** then have to carry on paying **us** the **monthly payments** until **you** have paid off the **debt** in full.
- 3.2 **You** can choose which day in the month is the **payment date**. This will be no later than the twenty-eighth day of the month. If **you** do not tell **us** which day in the month **you** have chosen as the **payment date**, it will be the first day of the month. Once **you** have chosen the day on which **you** make **your monthly payment**, **you** cannot change that day without **our** agreement. If **we** give **you** at least 30 days’ notice **we** can change the **payment date** if one or more of the reasons set out in condition 7.6 (c), (d), (e) and (f) applies.
- 3.3 **You** must pay **us your monthly payments** by direct debit. **We** may also use the direct debit system to collect any **expenses you** have to pay **us**. **We** will tell **your** bank or building society how much **we** need to cover the **monthly payments** and **expenses** that **we** are collecting in this way. If **we** give **you** at least 30 days’ notice, **we** can change the way **you** have to pay for any of the following reasons.
- (a) Because changes in the banking system mean that:
- the way **you** make **your monthly payments** has become, or is about to become, obsolete;
 - a quicker or safer way of making **your monthly payments** has been introduced or become more widely available.
- (b) To reflect: changes to the law or codes of practice, a decision or recommendation made by, or a

requirement of, a court, ombudsman, regulator or similar body or an undertaking given to the Financial Services Authority.

Where **we** refer to 'changes' in the above list, **we** mean changes **we** know will happen or **we** reasonably believe will happen, or changes which have already taken place.

- 3.4 **We** will give **you** notice, as set out in condition 2.2, of any change to the way **you** have to make **your monthly payment**.
- 3.5 **We** will work out the **monthly payment** in a way that can reasonably be expected to ensure that:
- (a) the **interest we** charge in each month is covered by the **monthly payment** which is due in that month;
 - (b) **you** pay interest only **capital** which is covered by an **interest-only arrangement**; and
 - (c) any **capital** which is not covered by an **interest-only arrangement** is repaid with **interest** by the end of the **repayment period**.
- 3.6 If **you** do not pay the full **monthly payment**, **we** may decide which part of the **debt we** are going to pay off with the amount **you** do pay.
- 3.7 If **we** do not receive payment of the **debt** in full when the **property** is sold, **you** must pay **us** the money **you** still owe **us**. **We** will continue to charge **interest** on the money **you** still owe **us** until you pay it off in full.
- 3.8 If **we** have arranged the insurance of the **property**, either because **you** have asked **us** to or because **you** or someone else has not insured the **property**, **we** will pay the premium to the insurer when it is due and add the amount of the premium to **your mortgage account**. **We** will tell **you** when the insurance needs to be renewed and when the premium is due.
- 3.9 **You** can repay the amount of the premium to **us** straight away. If **you** do not, **you** must repay it to **us** in instalments with **your monthly payments**. If **you** repay the premium by instalments, **we** will charge **interest** on the unpaid part of the premium until **you** have repaid it.

4. Suspending the repayments of capital

- 4.1 The **offer, extra agreement or flexible options agreement** will say whether a **interest-only arrangement** applies.
- 4.2 If and while an **interest-only arrangement** applies:
- (a) **you** do not have to repay the **capital** covered by the **interest-only arrangement** until the date set out in the **interest-only arrangement**; and
 - (b) **you** only have to pay **interest** on the **capital**.
- 4.3 Even if there is not an **interest-only arrangement**, **we** may allow **you** to suspend the repayment of **capital**. If this happens:
- (a) **you** must pay the reduced **monthly payments we** tell **you**; and
 - (b) **we** can give **you** notice to start repaying **capital**. If this happens, **we** can, at any time, give **you** notice to increase the **monthly payments** in the same way as mentioned in condition 4.4.
- 4.4 If **you** do not keep to the terms of the **interest-only arrangement**, or if any of the things in condition 17 happen, **we** may write and tell **you**:
- (a) that **we** have cancelled the **interest-only arrangement**; and
 - (b) that **you** must increase the **monthly payments** so that **you** pay off the **debt** in full by the end of the **repayment period**.
- 4.5 **Our** rights under condition 4.4 are on top of **our** rights under conditions 17 and 18.

5. Investment plans

- 5.1 **We** have an **equitable charge** over any **investment plan** which is deposited with **us** in connection with the **mortgage**. This does not apply if the **investment plan owner** cannot give **us** an **equitable charge** over the **investment plan** (for example, because it is an individual savings account or a pension policy or personal equity plan).
- 5.2 If the **investment plan** is deposited with **us**, **we** will give the **investment plan** back to the **investment plan owner** when **you**

pay off the **debt** (unless the **investment plan owner** agrees that **we** can keep it as security for another loan).

- 5.3 If **we** do not ask in the **offer** for the **investment plan** to be deposited with **us**, **you** must arrange for this to be done as soon as **we** ask **you** to (unless the **investment plan** is an **investment plan** over which the **investment plan owner** cannot give us an **equitable charge**).
- 5.4 If **you** have to pay off the full **debt** under condition 17 and **we** have an **equitable charge** over the **investment plan**, **we** may sell, cash in, change or deal with the **investment plan**.
- 5.5 If **we** do not have an **equitable charge** over the **investment plan**, the following conditions apply so far as the law allows.
- The **investment plan owner** gives **us** an **equitable charge** over the **investment plan owner's** interest in the **investment plan**, the investments in the **plan** and any money due to the **investment plan owner** under the **investment plan**.
 - If **you** have to pay off the full **debt** under condition 17 or if **you** or the **investment plan owner** die, **we** may stop the **investment plan**, sell the investments in the **investment plan** or deal with the **investment plan**.
 - You** must make sure that the value of the investments in the **investment plan** and any life cover linked to the **investment plan** is never less than the **debt**. The **investment plan owner** may use any money paid from the **investment plan** over this amount as the **investment plan owner** wants.
- 5.6 **You** must make sure that **you** and the **investment plan owner** never allow anything to be done that could mean the **investment plan**:
- ends (unless the money due under the **investment plan** is paid to us);
 - is cancelled;
 - becomes invalid or capable of being cancelled;
 - loses any tax benefits; or
 - is used to secure or pay off a debt

owed to anyone else.

We are under no duty to tell **you** if we find out that any of these things happen. If any of these things do happen, **we** can tell the **investment plan owner** to start the original **investment plan** again or **we** can tell **you** or the **investment plan owner** to take out another **investment plan** (which **we** will have to approve).

- 5.7 If the **investment plan owner** is able to give us an **equitable charge** over the **investment plan**, **we** or another member of **our group** may:
- pay any money which has not been paid under the **investment plan**;
 - restart the original **investment plan** or take out another **investment plan** if the original one ends, is cancelled or becomes invalid; or
 - do whatever **we** need to stop the original **investment plan** ending, being cancelled or becoming invalid.

Anything **we** pay will be added to the **debt**.

- 5.8 Section 103 of the Law of Property Act 1925 and, in Northern Ireland, section 20 of the Conveyancing Act 1881 (which restrict a mortgage lender's power to sell property) do not apply to **our** power under this condition to sell the **investment plan** or the investments in the **investment plan**.

6. Your mortgage account

- 6.1 **We** can divide the **debt** and **your mortgage account** into different parts (for example, because different **accounting periods** apply to different parts of the **debt**). **We** may also charge **interest** under conditions 7 and 9 at different rates on different parts of the **debt**. Where **we** have divided the **debt** into different parts, **we** will allocate any **expense** to the part of the **debt** with which it is most closely connected or (if it has no particular connection with any part of the **debt**) proportionately between each part of the **debt**.
- 6.2 Where **you** pay separate **monthly payments** for different parts of the **debt** (whether or not on different dates or at different intervals), conditions 3, 4, 7 and 8 apply separately to the **monthly payments** for each part of the **debt**.

7. The interest we charge

7.1 We will charge **interest** at the **base rate** plus any **added rate** on those parts of the **capital** which are not **special rate loans**. Condition 9 sets out how we will charge **interest** on **special rate loans**.

7.2 We will work out the **interest we charge you** using **our** daily interest method. If the **flexible options** apply to **your mortgage**, the following terms also apply to any money **you** borrow under the **drawdown release options**.

- (a) The **accounting period** is a calendar month.
- (b) Any money **we** lend **you** during an **accounting period** will increase the **capital** on the day **we** lend it.
- (c) Any **expenses** which become due during an **accounting period** will increase the **capital** on the day they become due.
- (d) Any payment **you** make during an **accounting period** will reduce the **capital** on the day we receive it.
- (e) At the end of each **accounting period**, **we** work out the interest **we** charge **you** for that **accounting period**. **We** do this by looking back over the **accounting period** and charging **you** interest for each day during the **accounting period** on the **capital** which was owing at the end of the previous day. Also, when **we** release the first money **we** lend **you** under the **mortgage**, we charge **you** interest on the money **we** release for the day **we** release it.
- (f) The interest **we** work out for each of the days in an **accounting period** will be added to the **capital** at the beginning of the next **accounting period**.

Where different **accounting periods** apply to different parts of the **mortgage account**, the above terms apply separately to each part.

7.3 We may charge **you** an **added rate** if **we** say so in the **offer**, any **extra agreement** or any **flexible options agreement**. We may also charge **you** an **added rate** of not more than 2% a year because:

- (a) **you** have let the **property**;

- (b) **you** have changed the way **you** use the **property**, for example from residential to commercial use; or
- (c) something has happened or is likely to happen which makes it more difficult for **us** to use **our** powers over the **property**.

We may cancel or reduce an **added rate** at any time by giving **you** notice as set out in condition 2.2.

7.4 We charge **interest** each day.

7.5 If **we** keep back or **you** choose not to borrow part of the money **we** have agreed to lend **you**, **we** will only charge **interest** on the money **we** have actually lent.

7.6 **We** can change the **interest rate** on any part of the **capital** at any time, unless the **offer**, any **extra agreement** or any **flexible options agreement** says **we** cannot. **We** can change the **interest rate** for any of the following reasons.

- (a) To reflect changes in the cost to **us** of raising the money **we** lend to **our** customers with mortgages.
- (b) To reflect changes in rates of interest charged by other major lenders (including the terms on which mortgages are offered by them).
- (c) To reflect: changes to the law or codes of practice, a decision or recommendation made by, or a requirement of, a court, ombudsman, regulator or similar body or an undertaking given to the Financial Services Authority.
- (d) To reflect changes to the way **we** look after the **mortgage account** or mortgage accounts generally (including changes to the technology **we** use) because of:
 - the steps **we** have taken to modernise or improve **our** systems for managing those accounts; or
 - reasons outside **our** control.
- (e) To reflect changes to the **accounting period**.
- (f) Because:
 - **we** are going to take over, take control of or acquire the business of another bank or organisation offering similar services;

- **we** are going to be taken over or **our** business is acquired by another bank or organisation offering similar services; or
 - any of these things has happened,
- and the change will make sure that **our** customers and the customers of the other bank or organisation are treated in a similar way if they are in similar categories.

- (g) To reflect changes to the way the **property** is used or occupied.

Where **we** refer to 'changes' in the above list, **we** mean changes **we** know will happen or **we** reasonably believe will happen, or changes which have already taken place.

- 7.7 **We** can also change the **interest rate** for any other valid reason.
- 7.8 **We** may change the **interest rate** by changing the **base rate** or any **added rate**.
- 7.9 If **we** give **you** at least 30 days' notice, **we** can change the **accounting period** at any time for any of the following reasons.
- (a) To make the way in which **we** charge **interest** fairer to those of **our borrowers** who make their **monthly payments** on time.
- (b) To reflect: changes to the law or codes of practice, a decision or recommendation made by, or a requirement of, a court, ombudsman, regulator or similar body or an undertaking given to the Financial Services Authority.
- (c) To match any periods for calculating our costs on money **we** have lent to **you** under the **mortgage**.
- (d) To reflect a different **accounting period** which **we** apply to other **mortgages we** hold.
- (e) Because:
- **we** or another member of **our group** are going to take over, take control of or acquire the business of another bank or organisation offering similar services;
 - **we** are going to be taken over or **our** business is acquired by another bank or organisation

offering similar services; or

- any of these things has happened,

and the change will make sure that **our** customers and the customers of the other bank or organisation are treated in a similar way if they are in similar categories.

Where **we** refer to changes in the above list, **we** mean changes **we** know will happen or **we** reasonably believe will happen, or changes which have already taken place.

- 7.10 Unless **you** agree, **we** will not make the **accounting period** under condition 7.9 shorter than the period between the dates on which **you** must make **your monthly payments**.
- 7.11 **We** will give **you** notice, as set out in condition 2.2, of any changes in the **interest rate** or to the **accounting period**.
- 7.12 If **we** change the **interest rate** under condition 7.7 (that is to say, if **we** change it for a valid reason which is not set out in condition 7.6), **we** will say so in the notice of the change which **we** give under condition 2.2.

8. Changes to your monthly payments and the repayment period

- 8.1 **We** may change **your monthly payments** or the **repayment period** (or both) at any time. **We** may do this if **we** cancel **your interest-only arrangement** or **we** ask **you** to start paying **capital** again (see conditions 4.3 and 4.4), or if we need to reflect a change to:
- (a) the **interest rate** (including a change caused by us applying, cancelling or changing an **added rate** or a **special rate**);
- (b) the period during which an **added rate** or a **special rate** applies;
- (c) the part of the **capital** which an **added rate** or a **special rate** applies to; or
- (d) the amount of the **capital**.
- 8.2 **We** may also change **your monthly payment** if **we** need to take account of a change to the **repayment period** or the **accounting period**.
- 8.3 If the **flexible options** apply to **your**

mortgage, we may also change **your monthly payment** to take account of the way in which **you** have used **your flexible options**.

8.4 If **we** change **your monthly payment**, we will work out the new **monthly payment** in a way that can reasonably be expected to ensure that:

- (a) **you** pay interest only on any **capital** which is covered by a **interest-only arrangement**, and
- (b) any **capital** which is not covered by an **interest only arrangement** is repaid with **interest** by the end of the **repayment period**.

In working out the new **monthly payment** under (a) or (b) above, **we** may (if **we** choose) treat the **capital** as excluding any **expenses** which **you** owe (in which case, **you** must repay those **expenses** separately from the **monthly payment**).

8.5 **We** will give **you** notice, as set out in condition 2.2, if **we** change **your monthly payments** or the **repayment period**.

8.6 If **we** give **you** a notice extending the **repayment period**, the extension will not apply if, within seven days of getting **our** notice, **you** give **us** notice that **you** want to increase **your monthly payments** so **you** can pay off the **debt** by the end of the current **repayment period**.

8.7 If **you** give **us** notice under condition 8.6, **we** will tell **you** how much the **monthly payments** will be to pay off the **debt** by the end of the current **repayment period**. If **you** do not keep up the increased **monthly payments**, we will give **you** another notice giving **you** a longer **repayment period** and reducing **your monthly payments**. **Your** right to give notice under condition 8.6 will not apply to any extra **repayment period** we give **you** under this condition.

9. Special rate loans

9.1 If **we** say so in the **offer**, in any **extra agreement** or any **flexible options agreement**, we will charge **you** interest on the **special rate loan** at the **special rate** plus any **added rate** during the **special rate period**.

9.2 When condition 7.2 allows us to charge **you** interest on any unpaid **interest** on a

special rate loan, or on any **expense** which **we** add to the **special rate loan**, **we** may choose whether the **interest** is to be charged:

- at the **base rate** plus any **added rate**; or
- at the **special rate** plus any **added rate**.

9.3 If and while the **interest rate** is or includes a **special rate**, the following limitations will apply to **our** right to change it for any of the reasons in conditions 7.6 and 7.7.

(a) If the **special rate** is a fixed rate, **we** will not change it.

(b) If the **special rate** is a capped rate (other than a capped tracker rate), **we** may change the **special rate** by changing the **base rate** or any **added rate**, but **we** will ensure that the **special rate** does not exceed the maximum **interest rate** we set out in the **offer**, any **extra agreement** or **flexible options agreement**. If the **special rate** is a capped tracker rate, then at any time when the tracker rate exceeds the maximum **interest rate** we set out in the **offer** or any **extra agreement** or **flexible options agreement**, the **special rate** will be equal to the maximum we have set out.

(c) If the **special rate** is a discounted rate, we may change the **special rate** by changing the **base rate** but not the discount we take off the **base rate**.

(d) If the **special rate** is a tracker rate, the rate will change automatically to reflect changes in the **tracker base rate**. **We** will change the **tracker base rate** within 30 days of the official publication of the decision to change the rate to which it is linked. The **special rate** will be equal to the changed **tracker base rate** plus or minus the **tracker margin** (unless the **tracker margin** is zero).

9.4 As long as **we** comply with the requirements of the Consumer Credit Act (where they apply) **we** may give **you** notice that **we** will cancel the **special rate**,

or change the **special rate period** or the part of the **capital** which the **special rate** applies to if:

- (a) the **offer**, or any **extra agreement**, allows **us** to do this;
- (b) **you** do not keep to the terms in the **offer** or any **extra agreement** or **flexible options agreement**; or
- (c) **you** must pay off the **debt** immediately under condition 17.

9.5 If **we** give **you** notice under condition 9.4 (b) or (c), the notice will come into force as from:

- (a) the date when **you** first failed to keep to any of the terms in the **offer**, the **extra agreement** or any **flexible options agreement**; or
- (b) the first date when any of the things in condition 17 happened, if this is earlier.

We will then charge **you interest** at the **base rate** plus any **added rate** which applies.

9.6 During the **special rate period**, **you** can only pay off part of **your special rate loan** if the **offer** or any **extra agreement** says **you** can and **you** pay an **early repayment charge** that applies.

9.7 From the end of the **special rate period**, **we** will charge **you interest** at the **base rate**, plus any **added rate** which applies, on the part of the **capital** which used to be the **special rate loan**.

10. Early repayment charge

10.1 If the **offer** or any **extra agreement** says that **you** have to pay an **early repayment charge** **you** will have to pay it if any of the following happen during the **early repayment charge period**.

- (a) **You** pay any part of the **debt** (other than as part of a **monthly payment** we have asked **you** to pay) which the **early repayment charge** applies to. If **we** only ask **you** to pay part of the **early repayment charge**, **you** will have to pay the rest of it if **you** make another payment of part of the **debt** to which the **early repayment charge** applies during the **early repayment charge period**.
- (b) **You**, **we** or anybody else sells the **property**. (If this happens **we** will add the **early repayment charge** to

the amount to be paid to **us**, or kept back by **us** out of the proceeds of the sale.)

- (c) **You** have to pay the **debt** immediately under condition 17.

10.2 **We** will not charge an **early repayment charge** if **we** change the **interest rate** under condition 7.7 (that is to say, if **we** change it for a valid reason which is not set out in condition 7.6) and **you** repay the full **debt** within three months of **our** telling **you** of the change.

10.3 If the **flexible options** apply to **your mortgage**, **you** can use the **flexible options** without having to pay an **early repayment charge** unless, in using the **flexible options**, **you** repay the **debt** during the **early repayment charge period**.

11. Your legal responsibility for the property

11.1 **You** agree to the following.

- (a) **You** must use the **property** as **your** only or main home unless **we** agree otherwise.
- (b) **You** must keep the **property** in good repair.
- (c) **You** must make any payments **you** have to pay in connection with the **property** on time.
- (d) **You** must keep to any obligations **you** have concerning the **property**.
- (e) **You** must get **our** permission before **you**:
 - sell the **property**;
 - let the **property**, change the terms of any lease or allow a tenant (if there is one) to do any of the following: give up their lease, give up possession of the **property** or grant someone a licence or right to occupy all or part of the **property**;
 - give the **property** away;
 - alter or extend the **property**;
 - change how the **property** is used or apply to any planning authority for consent to make such a change;
 - make any structural alterations or additions to the **property**;
 - negotiate, waive or settle any claim for compensation for the

compulsory acquisition, loss or reduction in the value of the **property**; or

- apply for or get an improvement grant or other similar grants; or
- create, or try to create, any legal or equitable security over the property other than in favour of **us**. **We** will not give **our** permission for **you** to create, or try to create, any such security while **you** have a **flexible options agreement** with **us**.

If **we** give **our** permission, **you** must keep to any reasonable conditions **we** set **you**.

- (f) **You** must carry out any building or repair work which:
- **we** agree **you** can do;
 - is needed to maintain the value of the **property**; or
 - the law says **you** must do.
- (g) **You** must tell **us** if **you** are going to become the owner of a new or increased interest in the **property** or any land or building which includes the **property**. If this happens, **you** must send **us** any document giving **you** the new or increased interest. **You** must give **us** (if **we** ask for it) a new mortgage over the new or increased interest. **We** must approve the terms of the new mortgage deed.
- (h) If **we** ask **you**, **you** must deposit with **us** any document relating to the **property** or the ownership of the **property** held by **you** or on **your** behalf.
- (i) If **we** ask **you**, **you** must deposit with **us** any share certificate or membership certificate relating to **your** membership of a management company, or a residents' association or society, or commonhold association (or other similar organisation) connected with the **property**.
- (j) **You** must pay **us** the amount of any claim **we** pay to anybody else because **you** have not kept to these conditions about the **property**.
- 11.2 If **you** do not keep to any of **your** obligations to do with the **property**, **we**

may keep to them for **you**.

12. Our right to enter the property

We may come into the **property** to inspect it or to do any work **you** have not done. Unless **we** cannot contact **you** or it is an emergency, **we** will tell **you** beforehand. If **we** enter the **property** under this condition, it does not mean **we** have accepted the legal responsibilities of a mortgage lender in possession of the **property**.

13. Insuring the property

13.1 **You** may insure the **property**. If **you** insure the **property**, the following terms will apply.

- (a) The insurance must be in the joint names of **you** and **us**. If this is not possible (for example, because a landlord leases the **property** to **you** and the insurance has to be in the landlord's name), **you** must arrange for **our** interest in the **property** to be noted on the policy.
- (b) **We** must approve who will insure the **property**. **We** will make **our** decision reasonably.
- (c) The policy must cover all risks covered by a comprehensive householder's insurance policy and any other risk **we** reasonably say. **You** may arrange for the policy to cover more risks should **you** wish to do so.
- (d) **You** must be insured against public liability to anyone else.
- (e) The sum insured must be at least as much as the full reinstatement value of the **property** (including demolition costs and value added tax) and must be index-linked or reviewed every year.
- (f) **We** must approve the amount of any excess (the amount of each claim **you** must pay).
- (g) **You** must keep the insurance in force.
- (h) **You** must not do anything which would mean the insurance ends, is cancelled or becomes invalid.
- (i) **You** must show **us** details of the insurance and proof that it is still in force, if **we** ask **you**.

- (j) **You** must claim under the policy for any damage **you** are covered for unless **you** put the damage right.
- 13.2 **We** may insure the **property** if:
- (a) **you** are not insuring it (and **we** have not agreed that anybody else can insure it); or
- (b) **you** break the terms in conditions 13.1 or 13.6.

- 13.3 If **we** insure the **property** under condition 13.2, **we** will decide:
- (a) who the insurer will be;
- (b) whether to insure the **property** direct or through an agent or broker (**we** will keep any commission paid or allowed);
- (c) what will be covered by the policy; and
- (d) the amount of the sum insured and any excess.

The insurance **we** put in place to protect **our** interests may be of an amount and scope which is less than **you** and/or any other person with an interest in the **property** require to protect **your** and/or their interests. **You** acknowledge that **you** are responsible for considering whether the insurance **we** put in place is adequate to protect **your** and/or the other person's interests, and for arranging any additional insurance that **you** or they may require.

- 13.4 **We** may also insure the **property** if **you** ask us to arrange the insurance for **you**. **We** will insure it on the terms **we** agree with **you**.
- 13.5 Conditions 13.6 to 13.10 apply whoever insures the **property**.
- 13.6 **You** must make sure that nothing happens which may:
- (a) reduce the risks the **property** is covered for or the amount of the sum insured;
- (b) increase the premiums or the excess;
- (c) prevent or hinder any claim from being settled in full; or
- (d) make the insurance invalid.
- 13.7 **You** must tell **us** straight away if the **property** gets damaged and **you** will need to make a claim.
- 13.8 **We** have a right to settle all insurance claims on reasonable terms.

- 13.9 **We** may use any money from a claim to:
- (a) repair or rebuild the **property**; or
- (b) reduce or pay off the **debt** where **we** reasonably consider that it is not practicable for the money from the claim to be used to repair or rebuild the **property**.
- 13.10 If **you** receive any money from an insurance claim, **you** must hold all the money on trust for **us**, whether or not **we** agreed to the insurance.

14. Other insurance

- 14.1 This condition applies to any of the following kinds of insurance taken out by **you** or anybody else in connection with the **mortgage**.
- (a) Insurance taken out to cover any of **your** responsibilities under the **mortgage** (including **your** responsibility to pay the **monthly payments**).
- (b) Insurance for work carried out by a builder or other contractor.
- (c) Any kind of title insurance or search insurance.
- 14.2 **We** may pay for the insurance if no one else does.
- 14.3 **We** have a right to settle all insurance claims on reasonable terms.
- 14.4 If **you** receive any money from an insurance claim, **you** must hold all the money on trust for **us**, whether or not **we** agreed to the insurance.
- 14.5 **We** may use any money from a claim to:
- (a) reduce or pay off the **debt**; or
- (b) make good the loss, damage or defect which the insurance money was paid for.

15. Our right to transfer the mortgage

- 15.1 **We** may transfer some or all of **our** rights in the **mortgage** to any person or persons. This includes **our** right to transfer any related rights or interests under the **mortgage deed, offer, extra agreement, any flexible options agreement and investment plans**. **We** can do this without getting the consent of **you** or the **investment plan owner** and without giving **you** or the **investment plan owner** notice.
- 15.2 **You** agree to be bound to any person to whom **we** transfer or any person who

receives a transfer after that and **you** agree to be bound in the same way and to the same extent as **you** are bound to **us** under the **mortgage, mortgage deed, offer, any extra agreement** and any **flexible options agreement**.

- 15.3 **You** agree that **we** can pass on any information or documents relating to the **mortgage loan** application, any **flexible options agreement**, the **mortgage, mortgage deed, offer** and any **extra agreement** to any person who takes over any rights as set out in condition 15.1 in relation to the **mortgage**.
- 15.4 If **we** want to transfer **our** rights under condition 15.1, **we** shall only do so if the person to whom **we** transfer such rights agrees to exercise the rights **we** transfer in accordance with an agreed policy and procedure (subject to condition 15.5). **We** will approve the agreed policy and procedure before the transfer to that person. The agreed policy and procedure shall be no less favourable to **you** than the policy and procedure **we** were following before the transfer.
- 15.5 The policy and procedure **we** adopt for other mortgages where **we** have not transferred **our** rights, may change after a transfer under Condition 15.1. Also, a person to whom **we** have transferred **our** rights, may ask **us** to make a change to the policy and procedure it has agreed to follow. If that happens, **we** can approve the change provided that the revised policy and procedure is substantially the same as the one **we** are then following.

16. Acting as attorney for you or the investment plan owner

- 16.1 By way of security, **you** appoint **us**, and (as a separate appointment) any receiver **we** appoint, to be **your** attorney. **You** cannot cancel this appointment until the money secured by the **mortgage** is paid off in full. **Your** attorney will be authorised to act in **your** name and on **your** behalf and will have the following rights.

- (a) To receive any money due to **you** to do with:
- the **property**;
 - any right to the **property** or power or claim over it;

- the insurance of the **property** or any guarantee or compensation relating to it; or
 - any other insurance described in condition 14.
- (b) To enforce **your** rights or take over **your** right to make any claim or do anything else (including bringing or continuing court or arbitration proceedings) to do with:
- the **property**;
 - the insurance of the **property** or any guarantee or compensation relating to it; or
 - any other insurance described in condition 14.
- (c) To use any money received as **your** attorney to reduce or pay off the **debt**, put right any defect in the title to the **property**, repair or rebuild the **property**, or pay any money which **you** have not paid under the **mortgage**. If the money has been paid under a policy which provides cover for the **property** or for any defect in the title to the **property**, **we** will use the money to make good the loss or damage which caused the money to become payable. If **we** reasonably consider that it is not practicable to use the money in this way, **we** will use it to reduce or pay off the **debt** instead.
- (d) To instruct anybody (such as a solicitor) who has any documents or accounting information (including tapes, films or computer records) about the **property** or the ownership of the **property** to let **us** look at them, take copies of them or ask for them to be sent to **us**.
- (e) To take the following steps where necessary to protect **our** interest in the **property** or to help **us** exercise the powers mentioned in condition 18:
- 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 the **property** of

- to exercise any rights **you** may have as a member of such an organisation;
 - to ask for the cancellation and reissue of any certificate in respect of any share or membership right which **you** have in such an organisation.
 - (f) To do anything **you** have to do under the **mortgage** and any related security.
- 16.2 If there is more than one of **you**, the attorney will act for all of **you** together and each of **you** separately.
- 16.3 The **investment plan owner** appoints **us**, by way of security, to be the **investment plan owner's** attorney. The **investment plan owner** cannot cancel this appointment until the money secured by the mortgage is paid off in full. **We** will have the **investment plan owner's** authority to do the things mentioned in conditions 16.4 and 16.5 in the name and on behalf of the **investment plan owner**.
- 16.4 If the **investment plan owner** can give **us** an **equitable charge** over the **investment plan**, **we** will have the following rights.
- (a) To receive any money due to the **investment plan owner** under the **investment plan**.
 - (b) To take over the **investment plan owner's** right to receive any money due to the **investment plan owner** under the **investment plan**.
 - (c) To sell, cash in, change or deal with the **investment plan** if **you** have to pay off the full **debt** under condition 17 or if **you** or the **investment plan owner** die.
 - (d) To enforce any right which the **investment plan owner** has not enforced in connection with the **investment plan**.
- 16.5 If the **investment plan owner** cannot give **us** an **equitable charge** over the **investment plan** and **you** have to pay off the full **debt** immediately under condition 17 or if **you** or the **investment plan owner** die, then (so far as the law allows) **we** may do anything the **investment plan owner** could have done to end the

investment plan, sell the investments in the **investment plan**, deal with the **investment plan** and receive any money due under the **investment plan**.

- 16.6 If there is more than one **investment plan owner**, the attorney will act for all of them together and each of them separately.

17. When the debt has to be repaid immediately

If any of the things mentioned in this condition happen, **you** must pay **us** the **debt** immediately.

- 17.1 If **you** do not pay any two **monthly payments** (they do not have to be consecutive), except where the **flexible options** apply to your **mortgage** and gives **you** the right not to pay them.
- 17.2 If **you** do not pay any other money **you** owe under the **mortgage** within two months after **you** should have paid it.
- 17.3 If **you** do not keep to any of **your** obligations under the **mortgage** (other than an obligation to pay money).
- 17.4 If **you** are an individual and:
- (a) **you** enter into a voluntary arrangement with anyone **you** owe money to (or **you** are going to do so);
 - (b) **you** apply to a court for an interim order; or
 - (c) a bankruptcy order is made against **you** or **we** think that one is likely to be made.
- 17.5 If **you** are a corporate body and:
- (a) **you** go into liquidation or **you** are going to do so (unless it is only for the purposes of merger or reorganisation when solvent);
 - (b) an administrator is appointed or **we** think that one is likely to be appointed;
 - (c) a resolution is passed for **you** to be wound up or a meeting is held to consider such a resolution;
 - (d) a receiver, manager or administrative receiver is appointed in respect of **your** money or property; or
 - (e) **you** are unable to pay **your** debts.
- 17.6 If:
- (a) anybody takes any of **your** money

- or property to recover a debt; or
 - (b) anybody applies for a court order (or a court decree if the **property** is in Scotland) against **you** to do with the **property** and this could harm **our** security; or
 - (c) another lender takes possession of the **property**, appoints a receiver in respect of the **property** or exercises (or tries to exercise) a power of sale over the **property**.
- 17.7 If **you** or the **investment plan owner** have given **us** any false information.
- 17.8 If **you** are involved in any serious criminal activity or fraudulent activity.
- 17.9 If **you** do not keep to the requirements of any other agreement which **we** reasonably consider puts **our** interests at risk.
- 17.10 If it becomes apparent that, for legal reasons:
- (a) the **mortgage deed** is not binding on the **property** or any interest in it; or
 - (b) **we** cannot enforce any guarantee.
- 17.11 If, where **you** are joint borrowers:
- (a) one of **you** leaves the property and stops contributing to the **monthly payment**; and
 - (b) **we** reasonably consider that those of you who remain in the property do not have adequate financial resources to continue paying the **monthly payment** on **your** own.
- 17.12 If the **property** is compulsorily purchased.
- 17.13 If, where the **property** is in Scotland, **we** have served a calling up notice as required under the Conveyancing and Feudal Reform (Scotland) Act 1970 as amended and **you** have not repaid the **debt** in full.
- 17.14 If the **debt** has not been repaid by the end of the **repayment period**.

18. Our right to take possession of the property

- 18.1 If **you** must pay off the **debt** immediately under condition 17, or if (where the **property** is in Scotland), **you** have failed to comply with the terms of a notice of default under the Conveyancing and Feudal Reform (Scotland) Act 1970 as amended, **we** may:
- (a) make **you** leave the **property** (if **you** have not already done so) so

- that **we** can take possession of it;
 - (b) sell the **property**;
 - (c) use the other powers given to mortgage lenders under the Law of Property Act 1925 (if the **property** is in England or Wales), the Conveyancing and Feudal Reform (Scotland) Act 1970 as amended (if the **property** is in Scotland) or the Conveyancing Acts 1881 and 1911 (if the **property** is in Northern Ireland);
 - (d) use the extra powers **we** have under these conditions;
 - (e) let the **property** on any reasonable terms; or
 - (f) if the **property** is in Scotland, ask the Sheriff Court of the district where the **property** is located for a warrant of summary ejection. **We** will only do this if **we** have given **you** at least seven days' notice to leave the **property**. **You** agree that, if **we** have given **you** this notice, **you** will not try to stop **us** getting a warrant of summary ejection and that **you** will leave the **property** when **we** tell **you** to.
- 18.2 **We** may use **our** legal power to sell the **property**:
- (a) even if **we** have not taken possession of it; and
 - (b) without the restrictions in section 103 of the Law of Property Act 1925 (if the **property** is in England or Wales) and section 20 of the Conveyancing Act 1881 (if the **property** is in Northern Ireland) (which regulate our power to sell the **property**).
- 18.3 If **you** agree, **we** may use **our** powers in this condition even though **you** do not have to pay the **debt** immediately under condition 17.

19. Our right to appoint a receiver

- Except where the property is in Scotland, if **you** must pay off the **debt** immediately under condition 17, **we** may appoint a receiver and agree his remuneration at any reasonable level. As well as the powers a receiver has by statute, he will have power to:
- (a) make whatever arrangements with

any existing or former tenant or occupier of the **property** or part of it he thinks fit;

- (b) take any action or proceedings to terminate or obtain the surrender of any tenancy or to recover possession of the **property** (or any part of it);
- (c) enforce any obligation owed to **you** by any existing or former tenant or occupier and create a new tenancy or tenancies of the **property** (or any part of it) as he thinks fit;
- (d) do all or any of the things which **we** may do under condition 18 (except that he may not himself exercise the statutory power to appoint a receiver);
- (e) choose whether or not to use any money he receives to pay off **interest** before **capital**; and
- (f) employ and pay agents to carry out work on his behalf.

Any receiver appointed by **us** will be considered as **your** agent and **you** will be solely liable for his actions.

20. Things left in the property

If **we** take possession of the **property**, **we** may remove, store, sell or dispose of anything **you** leave at the **property** (including animals). **You** will have to pay **our expenses** of doing this. **You** will indemnify **us** for any liability **we** reasonably incur as a result of selling or disposing of anything **you** leave at the **property** which does not belong to **you** or which is subject to any kind of charge or hire purchase agreement.

21. How we use the money received by us

- 21.1 If **we** receive any money when **we** use any of **our** powers under conditions 5, 16 or 18, **we** will use the money in the following order.
 - (a) To pay off any unpaid **interest**.
 - (b) To reduce or pay off the rest of the **debt** (except for the **expenses** mentioned below in this condition).
 - (c) To pay all **expenses** of using **our** powers.
- 21.2 If **we** use **our** powers under conditions

16.1 or 18 **we** will pay any amount left over from the money **we** receive from the sale of the **property** to anybody who has a mortgage or charge on the **property** and, if there is none, to **you**.

- 21.3 If **we** use **our** powers under conditions 5, 16.4 or 16.5, **we** will pay any amount left over from the money **we** receive to anybody who has a mortgage or other security over the **investment plan** and, if there is none, to the **investment plan owner** or the **investment plan owner's** personal representatives.

22. Continuing security

- 22.1 **Your property** and the **mortgage** are security for:

- (a) the **debt**;
- (b) any money **you** owe **us** under another mortgage **you** have or had with **us** on another property (including a mortgage **you** have or had jointly with another person); and
- (c) any money which **you** are liable to pay **us** because **you** have given **us** misleading information about the **mortgage** or any other **mortgage** which **you** have with **us** (including a mortgage **you** have with another person).

We reserve the right not to release any security **we** hold until the **debt** and the other money mentioned in this paragraph have been paid in full.

- 22.2 Condition 22.1 does not apply to any money **you** owe **us** under an agreement which the Consumer Credit Act 1974 regulates unless **we** have met the terms of that Act.

23. Our expenses

- 23.1 **You** have to pay **our expenses** in full unless **you** can show that they were incurred unreasonably or that the amount of them is unreasonable. **We** will charge **interest** on the **expenses** from the date when **we** incurred them until the date when they are paid.
- 23.2 Examples of **our expenses** are:
 - (a) the costs of any legal proceedings in connection with the **mortgage** or the **property** (whether brought by,

- (b) or against, **you** or anybody else);
 - (b) the cost of valuing or inspecting the **property**;
 - (c) the costs **we** pay to recover any money **you** owe **us**, or to create or protect **our** security, or in using **our** legal rights and powers;
 - (d) **our** costs resulting from **you** breaking any of these conditions, including any costs **we** incur in putting right any breach of these conditions by **you**;
 - (e) the costs of any insurance **we** take out or arrange under the **mortgage**; or
 - (f) any administration fees **we** charge for any work **we** do or services **we** provide in connection with the **mortgage** or the **property**. The fees **we** charge will be equal to **our** reasonable estimate of the cost of doing the work or providing the service in question. This means that **we** can change the fees **we** charge to reflect a change in the cost of doing the work or providing the service.
- 23.3 All amounts payable under condition 23.2 will be subject to value added tax, insurance premium tax and any other taxes properly chargeable. Therefore any amounts charged to **you** will be increased by the amount of any such taxes charged. This is except to the extent that **we** consider that these taxes can be recovered.

24. Your rights

- 24.1 **You** may pay off all or part of the **debt** at any time without giving **us** notice (unless the **offer** or any **extra agreement** says that you cannot).
- 24.2 **You** may use the **property** and keep any money (such as rent) from it until **you** have to pay off the **debt** immediately under condition 17. **We** may ask **you** to pay the rent to **us** as a condition of allowing **you** to let the **property**.

25. When we can tell someone else about you or the mortgage account

- 25.1 **We** may give details of **your mortgage account** or **your** name and address to anyone else if:
- (a) the law says **we** must;
 - (b) **we** have a public duty to do so;
 - (c) it is necessary to protect **our** interests;
 - (d) **we** are discussing transferring **your mortgage**; or
 - (e) **you** ask **us** to give the details to someone else or agree that **we** can give them to someone else (for example, by giving **your** permission when **you** make the mortgage application).
- 25.2 **We** may give the police, or any prosecuting authority, any information they need if **we** think it will:
- (a) help them;
 - (b) avoid loss; or
 - (c) help recover any missing money **you** or **we** have paid or received in connection with the **mortgage**.

Other conditions

26. If the **offer**, any **extra agreement** or any **flexible options agreement** says **we** will lend **you** the money by instalments, or **we** keep back part of a **mortgage loan**, **we** will only pay the instalments, or release the money kept back, if:
- (a) **you** have kept to these **General Mortgage Conditions**; and
 - (b) the **debt** will be less than the value of the **property** after **we** have made the payment.
27. As well as **our** powers under the **mortgage**, **we** have powers under the general law.
28. If **we** delay in enforcing any term which forms part of these conditions, this will not affect **our** right to enforce it or the rest of the terms.
29. If **we** choose not to enforce any term which forms part of these conditions, this will not affect **our** right to enforce the rest of those terms.
30. If **we** cannot enforce any term which forms part of these conditions, this will not affect **our** right to enforce the rest of those terms.
31. 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.
32. **You** promise to sign any document **we**

may need to safeguard **our** security or to protect **our** interest in the **property** or any **investment plan**. **We** will prepare any documents at **your** cost, or the cost of the **investment plan owner**.

33. The Contracts (Rights of Third Parties) Act 1999 will not apply to these conditions. This is so no one other than **you** and **us** will get any rights from these conditions.
34. The **mortgage** is supplied in English and communications between **you** and **us** will be in English.
35. These conditions are governed by the law of the country in which the **property** is situated.

36. Criminal damage compensation

If the **property** is in Northern Ireland and suffers damage and the Compensation Agency agrees to pay compensation for the damage:

- (a) **You** will hold the compensation paid by the Compensation Agency to **you** on trust for **us**, unless an insurer has paid money under an insurance policy for the same damage, in which case **you** will only hold on trust for **us** the part of the compensation that is not paid to the insurer; and
- (b) **we** may use any money paid by the Compensation Agency to repair or rebuild the **property** or to reduce or pay off the **debt**.

PART 2 – FLEXIBLE OPTIONS CONDITIONS

These are conditions which govern the **flexible options**. They apply to **your mortgage** if the **offer** says that **you** have the benefit of the **flexible options**, or if **you** enter into a **flexible options agreement** with **us**. The **General Mortgage Conditions** in Part 1 also apply. **We** have identified in the **General Mortgage Conditions** where they are different or extra requirements apply because the **flexible options** apply to **your mortgage**.

37. Definitions and Interpretation

Words in bold type

Words in bold type which are not otherwise defined below have the meanings given to them in condition 1 of the **General Mortgage Conditions**.

For the purposes of these flexible options conditions, the words which appear in bold

type below have the following particular meanings:

- (a) **Available credit** – The amount of credit available to **you** under **your flexible options**. This is described in **your offer** or **flexible options agreement**.
- (b) **Credit limit** - The maximum amount **you** can borrow at any time under **your flexible options**. This amount is specified in the **offer** or **flexible options agreement** and may be varied by **us** from time to time under condition 41.
- (c) **Drawdown release option** - The option for **you** to borrow more money from **us** in accordance with these flexible options conditions.
- (d) **Lump-sum payment option** - The option for **you** to repay early all or part of the **debt**.
- (e) **Overpayment option** - The option for you to pay a greater amount than the **monthly payment** in accordance with these flexible options conditions.
- (f) **Payment holiday option** - The option for **you** not to pay **your monthly payments** in accordance with these flexible options conditions.
- (g) **Underpayment option** - The option for **you** to pay less each month than the full **monthly payment**.

38. General Mortgage Conditions apply to the Flexible Options

- 38.1 Except where the terms below change or supersede them, the **General Mortgage Conditions** apply to the **flexible options** and are incorporated into any **flexible options agreement**. **Your** obligations and **our** rights and powers under the **General Mortgage Conditions** therefore apply to the **flexible options** and any **flexible options agreement**.
- 38.2 In applying the **General Mortgage Conditions** to any **flexible options agreement**, **we** shall take no account of the terms of any **offer** or **extra agreement** which change the **General Mortgage Conditions**.
- 38.3 If **you** do not keep to the terms of the **flexible options agreement**, **you** will have

to pay off the **debt** immediately under condition 17 of the **General Mortgage Conditions**. If this happens **we** can exercise **our** rights under condition 18 of the **General Mortgage Conditions**.

39. The Flexible Options

- 39.1 **You** can use the flexible options once **you** have entered into your **mortgage loan** and (where the **drawdown option** is regulated by the Consumer Credit Act 1974) signed the **flexible options agreement** and returned it to us.
- 39.2 **You** may use the **available credit** by exercising one or more of the **drawdown release, payment holiday** and/or **underpayment options**.
- 39.3 **You** may use the **drawdown release option** by the following procedure.
- (a) **You** must contact **us** and tell **us** how much **you** want to use. **You** can contact **us** in writing, by telephone or by electronic communication (for example, an e-mail).
- (b) **We** will make an electronic transfer of the amount **you** ask for to the account from which **you** paid the last **monthly payment we** received or, where otherwise, to the account from which **you** tell **us** **you** will make the next or a future **monthly payment**.
- (c) If **you** are joint borrowers, any of **you** can use the **drawdown release option**. However, if **you** want **us** to transfer the amount **you** ask for to the account from which **you** will make the next or a future **monthly payment, you** must all confirm **your** wishes and the details of the account in writing.
- 39.4 **You** may pay more than **your monthly payment** by using the **lump-sum payment option** and/or the **overpayment option**. **We** will apply any **lump-sum payment** or **over-payment** in accordance with condition 43.2.
- 39.5 If **we** give **you** at least 30 days' notice, **we** can change the way **you** may use the **available credit** by replacing the procedure set out in condition 39.3, for any of the following reasons.
- (a) Because changes in the banking

system mean that:

- the procedure set out in condition 39.3 has become, or is about to become, obsolete;
 - a quicker or safer way **you** can use the **available credit** has been introduced or become more widely available.
- (b) To reflect: changes to the law or codes of practice, a decision or recommendation made by, or a requirement of, a court, ombudsman, regulator or similar body or an undertaking given to the Financial Services Authority.

Where **we** refer to 'changes' in the above list, **we** mean changes **we** know will happen or **we** reasonably believe will happen, or changes which have already taken place.

40. Exercising The Flexible Options

- 40.1 None of the **underpayment, payment holiday** or **drawdown release options** are available to **you**:
- if **you**, or any of **you** if **you** are joint borrowers, ask us not to make them available;
 - if **you** do not keep to any of the terms which apply to the **flexible options** under the **offer** or under any **flexible options agreement**; or
 - at any time whilst any of the things mentioned in condition 17 of the **General Mortgage Conditions** has happened and is continuing.
- 40.2 If **you** wish to exercise the **underpayment, payment holiday** or **overpayment options**, or change the way **you** exercise them, for example by changing the level of **underpayment** or **overpayment, you** must tell **us**. **You** must do this one month before **you** wish to exercise the **flexible option** concerned or make the change. **You** must tell **us** how **you** want to use the **flexible option** concerned or how **you** want to change the way **you** use it.
- 40.3 **You** may exercise any of the **flexible options** as long as **you** comply with the terms which apply to the **flexible options** under the **offer** or **flexible options agreement** and with the following further conditions:

- (a) The amount **you** owe **us** under the **flexible options** from exercising the **underpayment, payment holiday** and **drawdown release options** must not exceed the **credit limit**;
- (b) The total amount underpaid by **you** in any twelve month period in exercising the **underpayment option** and/or the **payment holiday option** must not exceed an amount equal to six **monthly payments**;
- (c) A **payment holiday option** must not exceed six months in any twelve month period;
- (d) **You** must not ask for an amount less than £100.00 when exercising the **drawdown release option**;
- (e) **Lump-sum payments** must be £500 or more; and
- (f) **You** must not, in any twelve month period exercise the **payment holiday** and **underpayment options** in any combination which has the effect of **you** not paying the full **monthly payment** for six or more consecutive months.
- 40.4 **We** can change the amounts referred to in conditions 40.3(d) and 40.3(e) to reflect:
- (a) A change in the value of money due to inflation or deflation.
- (b) Changes to the law or codes of practice, a decision or recommendation made by, or a requirement of, a court, ombudsman, regulator or similar body or an undertaking given to the Financial Services Authority.
- (c) Changes to the way **we** look after the **mortgage account** or mortgage accounts generally (including changes to the technology **we** use) because of:
- the steps **we** have taken to modernise or improve **our** systems for managing those accounts; or
 - reasons outside **our** control.
- 41. The Credit Limit**
- 41.1 **You** may not exceed the **credit limit**. **We** will contact **you** if **you** will breach the **credit limit** or the other provisions of condition 40.3 by exercising the **flexible options**. Once **you** have reached the **credit limit** (or the other limits set by condition 40.3(b), (c) or (f)) **you** must pay the full **monthly payment** in the normal way.
- 41.2 **We** may either at **your** request or at **our** own instigation consider increasing the **credit limit**. Whether **we** grant any increase or not will be a matter entirely within **our** discretion.
- 41.3 Where **you** must pay off the **debt** immediately, **we** will reduce the **credit limit** so that **your available credit** will be nil. **We** may also reduce the **credit limit** (but only to the extent that it means **your available credit** will be nil):
- (a) where **your** financial circumstances change for the worse; or
- (b) the value of the security **you** have given **us** for the **debt** reduces such that part of the **debt** is unsecured; or
- (c) **we** obtain or receive adverse information about **you** from a credit reference agency or from any fraud prevention register or from **your** dealings with **us** and **we** consider that the **credit limit** should be reduced in order to protect **our** interests.
- 41.4 **We** will review the **credit limit** if **you** die or (if **you** are joint borrowers) one of **you** dies. **We** may reduce the **credit limit** (but only to the extent that it means **your available credit** will be nil) where **we** reasonably consider that the financial resources available to **your** personal representatives or (as the case may be) the surviving joint borrowers are not sufficient to support further borrowing up to the existing **credit limit**.
- 41.5 Where **we** reduce the **credit limit** under condition 41.3 or 41.4 so that **your available credit** will be nil, each of the **payment holiday, underpayment or drawdown release options** will cease to be available immediately. **You** will not be able to use these **flexible options** again unless and until the **debt** falls so that the **available credit** is greater than nil.
- 41.6 Subject to condition 41.5, if **we** change the **credit limit** under conditions 41.2, 41.3 or 41.4 **we** will give **you** written notice of this change. The change to the **credit limit** will take effect no earlier than seven days

after **you** are deemed to receive the notice.

- 41.7 **we** may withdraw the **flexible options** and terminate any **flexible options agreement** if:
- we** have reduced the **credit limit** so that the **available credit** is nil; and
 - you** do not owe **us** any money under the **flexible options** at the time when **we** reduce the **credit limit**, or **you** later cease to owe **us** any money under it.

We will give **you** at least seven days notice if **we** are going to do this.

42. Monthly Payments under the Flexible Options

We will work out the **monthly payment** so as to provide for **you** to pay the amount payable both under the terms which apply to the **mortgage loan** and under the terms which apply to the **flexible options**. Conditions 3 and 8 of the **General Mortgage Conditions** explain how **we** work out your **monthly payment** and how **we** can change it.

43. Payments and Application of the Monthly Payment

- 43.1 If **you** make a payment to **us** under the **overpayment option** or the **lump-sum payment option**, we will use the payment to reduce or pay off:
- first, any **expenses** then due; and
 - secondly, the sums mentioned in condition 43.2.

The reduction or paying off of any **expenses** will not increase the **available credit**.

- 43.2 Each **monthly payment** and (after meeting any **expenses** due) any payment **you** make under **your flexible options** will be used to reduce or pay off:
- first, any **monthly payment** then due;
 - secondly, the money **you** owe **us** under the terms which apply to the **flexible options**; and
 - thirdly, the rest of the **debt**.

44. Statements

For the purposes of Section 185(2) of the Consumer Credit Act 1974 where there is

more than one of **you**, **you** agree that **we** may send periodic statements in relation to any **flexible options agreement** to any one of **you** and **we** are not obliged to send duplicate statements to each of **you**. **Your** signature to any **flexible options agreement** constitutes **your** giving **us** notice authorising **us** to do this.

Glossary of technical words

Administrative receiver - An 'insolvency practitioner' appointed under a floating charge as the receiver or manager of a company's property or assets.

Attorney - Someone legally entitled to act on someone else's behalf.

Attorns tenant - An acknowledgement that **you** are **our** tenant and **we** are **your** landlord (this applies if the **property** is in Northern Ireland).

Beneficial owner - When **you** sign the **mortgage deed** **you** give **us** a guarantee that:

- you** have the right to **mortgage** the **property** to **us**;
- no one will challenge **our** rights;
- you** will do whatever is reasonable to make sure the **mortgage** is valid; and
- no one else has a **mortgage** over the **property**;

(this applies if the **property** is in Northern Ireland).

Charge by way of legal mortgage - A legal right in land (commonly called a mortgage) given to **us** when **you** borrow money and **you** sign or seal a mortgage deed. (If the **property** is in Scotland this is called a standard security. If the **property** is in Northern Ireland it does not apply).

Direct debit - An authority **you** give **us** which lets **us** tell another bank or a building society to pay **us** money from an account **you** have with them.

Equitable charge - An informal mortgage over a property or asset. This does not apply if the **property** is in Scotland.

Full title guarantee - This is a guarantee **you** give **us** or the original lender when **you** sign or seal the **mortgage deed**. It includes a guarantee that:

- you** have the right to mortgage the **property**;
- you** will do whatever is reasonable to make sure the **mortgage** is valid; and
- you** have not given anybody else a **mortgage** over the **property**.

(This does not apply if the **property** is in Northern Ireland).

Further advance - A loan **we** make to **you** after the first **mortgage loan** secured by the **mortgage**

over the **property**.

Interim order - A court order which gives **you** temporary protection from claims made by somebody **you** owe money to. It is made to give **you** time to put a proposal to that person so that **you** can make a formal arrangement for repayment. The arrangement is supervised by an 'insolvency practitioner'. Under the arrangement, the person **you** owe money to agrees to accept part of the money owed or accepts a late payment. (This does not apply if the **property** is in Scotland).

Receiver - A person appointed by a mortgage lender to receive rent and other income payable in connection with the **property**. (This does not apply if the **property** is in Scotland).

Reversion - This is **your** interest in unregistered **property** while that **property** is mortgaged to **us**. When **you** sign the **mortgage deed** then, if it is over unregistered property, the law treats **you** as being **our** tenant until **you** have paid all the money secured by the **mortgage** (this applies if the **property** is in Northern Ireland).

Search insurance - Insurance used when a conveyancing search is not being carried out against the risk that something would have been disclosed if a conveyancing search had been carried out that might affect **your** rights in the **property** or which might affect the value of the **property**.

Statutory instrument - This includes a regulation or rule made under legislation.

Title insurance - Insurance against the risk of someone else claiming to own the **property** or to have rights over it.

Trust - Property is held 'on trust' if **you** hold it for the benefit of another.

Vacant possession - Where the **property** is not occupied by anyone (including **you** or a tenant).

Voluntary arrangement - An arrangement **you** make with a person **you** owe money to. The arrangement is supervised by an 'insolvency practitioner'. Under the arrangement, the person **you** owe money to agrees to accept part of the money owed or accepts a late payment.

IN WITNESS WHEREOF these presents consisting of this and the 32 preceding pages are sealed with the Common Seal of The Mortgage Business plc and by authority of the board of directors subscribed for and on its behalf by Clare Green of Deeds Customer Services and Nadine Darde of Deeds Customer Services at Halifax on 1st September 2004.

THE COMMON SEAL OF
THE MORTGAGE BUSINESS PLC
WAS AFFIXED IN THE
PRESENCE OF



C Green
AUTHORISED SIGNATORY

N Darde
AUTHORISED SIGNATORY

STANDARD CONDITIONS

These are the Standard Conditions contained in Schedule 3 of the Conveyancing and Feudal Reform (Scotland) Act 1970 (as amended) referred to in the foregoing The Mortgage Business Mortgage Conditions 2004 (2nd Edition).

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. 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. 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. 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. 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 thereof.

5. 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 affected 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 thereof 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. 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. (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. 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. (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 on behalf 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 1 1A 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. (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 feuduties, ground annuals, or, as the case may be, 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. (1) The debtor shall be entitled to exercise his right (if any) to redeem the security on giving notice of his intention so to do, being a notice in writing (hereinafter referred to as a 'notice of redemption').
- (2) Nothing in the provisions of this Act shall preclude a creditor from waiving the necessity for a notice of redemption, or from agreeing to a period of notice of less than that to which he is entitled.
- (3) (a) A notice of redemption may be delivered to the creditor or sent by registered post or recorded delivery to him at his last known address, and an acknowledgement signed by the creditor, or his agent or a certificate of postage by the person giving the notice accompanied by the postal receipt shall be sufficient evidence of such notice having been given.
- (b) If the address of the creditor is not known, or if the packet containing the notice of redemption is returned to the sender with intimation that it could not be delivered, a notice of redemption may be sent to the Extractor of the Court of Session and an acknowledgement of receipt by him shall be sufficient evidence of such notice having been given.
- (c) A notice of redemption sent by post shall be held to have been given on the day next after the day of posting.
- (4) When a notice of redemption states that a specified amount will be repaid, and it is subsequently ascertained that the whole amount due to be repaid is more or less than the amount specified in the notice, the notice shall nevertheless be effective as a notice of repayment of the amount due as subsequently ascertained.
- (5) Where the debtor has exercised a right to redeem, and has made payment of the whole amount due, or has performed the whole obligations of the debtor under the contract to which the security relates, the creditor shall grant a discharge in the terms prescribed in section 17 of this Act.
12. The debtor shall be personally liable to the creditor for the whole expenses of the preparation and execution of the standard security and any variation, restriction and discharge thereof and, where any of those deeds are recorded, the recording thereof, and all expenses reasonably incurred by the creditor in calling-up the security and realising or attempting to realise the security subjects, or any part thereof, and exercising any other powers conferred upon him by the security.

Interpretation

In this Schedule, where the debtor is not the proprietor of the security subjects, 'debtor' means 'proprietor', except:

- (a) in standard conditions 9(1), 10(1) and 12, and
- (b) in standard condition 11, where 'debtor' includes the proprietor.

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