



ZEPHYR

HOMELOANS

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2020 Buy To Let Mortgage Conditions

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Important – these mortgage conditions must be read carefully. They set out the terms of your agreement with us.

To help you, we explain here some important parts of these conditions, but please read the whole document. You should ask your conveyancer if there is anything you don't understand.

Throughout these mortgage conditions we have included examples, all of which are in pink coloured boxes. These examples may not fit your precise circumstances and will not be exact to the penny but are intended to help you understand how the mortgage conditions work. We have also included explanations, all of which are in green coloured boxes. These explanations are ways of explaining what the mortgage conditions mean or to outline the potential consequences to you.

Who is bound by the mortgage?

“You” in these mortgage conditions means you the borrower as named in the legal charge and in your mortgage offer. If there is more than one of you, you are all responsible for paying everything you owe us under the mortgage including interest, charges and costs, and each one of you individually is also responsible for paying the whole of everything you owe us including interest, charges and costs. If there is more than one of you, each of you is responsible, together and individually, for keeping to these mortgage conditions.

“We” in these mortgage conditions means Topaz Finance Limited, trading as Zephyr Homeloans. “We” also means anyone to whom we have transferred some or all of the benefit of the loan or the legal charge.

“The mortgage term” in these mortgage conditions means how long you have to pay everything you owe us, as specified in your mortgage offer.

“The property” in these mortgage conditions means the property which you are mortgaging to us, described as “The Property” in your mortgage offer.

What is the mortgage made up of?

Your agreement to borrow money from us is made up of your mortgage offer, the legal charge (your conveyancer will ask you to sign the legal charge) and these mortgage conditions. In these mortgage conditions, when we refer to the mortgage, we mean your agreement with us.

Your mortgage offer

Your mortgage offer explains the details of your agreement which are specific to you. Let us know straightaway if anything is wrong.

The mortgage offer includes information such as:

- your name and address
- the address of the property
- the amount you are borrowing
- the mortgage product which you have chosen
- the period over which you have to pay us back
- the rate of interest we charge at the date of your mortgage offer
- the amount of each monthly payment at the date of your mortgage offer
- the charges and fees you have to pay us at the start of the mortgage
- any conditions which are special to you (for example, we may require you to finish certain work to the property before we lend to you)
- any period at the start of your mortgage for which the interest rate is fixed
- what happens to the interest rate at the end of a fixed rate period
- what happens if you make overpayments
- what happens if you repay the mortgage early

Interest rate

Usually at the start of your mortgage the interest rate will be fixed, and it will not change until the end of the fixed rate period. At the end of the fixed rate period the interest rate we charge you will be set at a fixed amount (we refer to this fixed amount as a “margin”) on top of the Bank of England Base Rate.

We only stop charging interest when you have paid us back all the money you owe, including charges and costs. You can read more about this in the “Interest” and “The interest rate we charge” sections below.

The legal charge

The legal charge (sometimes called a mortgage deed) is the document which, together with these mortgage conditions, gives us certain rights over your property. By signing the legal charge, you agree that these mortgage conditions and your mortgage offer apply to you. For example, if you fail to pay us on time, we can ask a court to make an order that you must pay us what you owe. In certain circumstances of serious default, we can ask the court to make an order allowing us to sell the property. If we sell the property, the proceeds of the sale must be used to pay everything you owe us. If there is not enough to pay us everything you owe us, you will need to pay us the shortfall. You cannot sell the property without paying us everything you owe, including interest, charges and costs.

Charges and costs

Our Tariff of Mortgage Charges was sent to you along with the mortgage offer. It includes standard charges (sometimes referred to as fees) which you may have to pay. If we incur costs because you don't meet your obligations, we can charge you for these. There may be circumstances when you have to pay costs we incur as well as any standard charge we have, for example if we have to pay the ground rent and service charges for your leasehold property because you have not. You can read more about this in the "Charges and costs you must pay" section below.

Our ability to vary the mortgage

We can make certain changes to your mortgage. As well as our rights to make changes to charges, monthly payments, interest, how we calculate interest, we can also change these mortgage conditions to make them easier to understand or fairer to you, to ensure compliance with law and regulation or as a result of certain changes beyond our control. Where we can make changes to the mortgage, there are specific protections as to how and why we can make those changes. Otherwise, as a general rule, we will act reasonably when using rights in the mortgage. You can read more about this in the "Payments", "Interest", "The interest rate we charge", "Changing our charges" and "Other conditions" sections below.

When we can demand immediate repayment

There are some circumstances in which we can ask you for immediate repayment of everything you owe us including interest, charges and costs. For example if you have failed in a significant way to comply with any of your obligations or where we relied upon information you or a mortgage broker gave us at the time you applied for the mortgage which proved to be incorrect and we would not have lent to you if it had been correct. The circumstances in which we may do this are set out in the "When we can ask for repayment of everything you owe" section below.

Please ask your conveyancer if there is anything you don't understand.

1. Payments

- 1.1 You have to pay everything you owe us by no later than the end of the mortgage term. Everything you owe us is the amount you have borrowed from us under the mortgage together with interest and any charges and costs you owe us from time to time.
- 1.2 Your monthly payments must be made by direct debit in pounds sterling from a UK based bank account held in your name.
- 1.3 A payment is due on the first of each month starting in the month after the day we send the mortgage money to you or your conveyancer. You can make your monthly payment on any day up to and including the 28th of the month, but for every day in that month after payment is due the monthly payment remains unpaid, you will pay another day's interest on an amount equal to the unpaid monthly payment. You must make a payment each month until you have paid everything you owe us, including interest, charges and costs. Your mortgage offer will state the amount of the monthly payment you will have to pay from the start of the mortgage term.

Explanation: *The earlier in the month you make your payment, the less interest you will have to pay.*

- 1.4 Interest which accrues in the month we send the mortgage money to you or your conveyancer will be added to your first monthly payment. Your first monthly payment will be taken the month after completion.

Example: *You take out a new loan on 5th November. We work out that the interest on your loan from 5th to 30th November is £750 and that your usual monthly payment will be £1,000. Your first monthly payment is in December and will be £1,000 + £750 = £1,750. Then from January onwards your monthly payment is £1,000.*

- 1.5 When you make a payment, it is put first towards paying off missed payments and then to paying off other sums which are due but are not paid. If you miss any payments, you will be charged interest on everything you owe us which will include the amount of the missed payment. You will need to catch up by paying us extra on top of your monthly payments.

Explanation: *If you use your monthly payment to pay off missed payments there will be nothing left to pay the monthly payment. You will need to pay us more than the monthly payment to repay any missed payments as well as any interest or fees that we may have charged for those missed payments.*

- 1.6 Where the mortgage covers more than one account, we may require you to make a single monthly payment for all accounts or separate monthly payments for each account. If you do not tell us which account a payment is for, we will put the payment towards your accounts in proportion to the amounts of the monthly payments due that month on each account.

Explanation: *You may have borrowed additional money from us on the mortgage at a different interest rate or mortgage term.*

Example: *Your mortgage covers two accounts and your total monthly payment is £800, of which £600 is for one account and £200 is for the other account.*

You pay more than your monthly payment: *you pay us £1,000, so we put an extra £150 towards the first account and an extra £50 towards the second account.*

You pay less than your monthly payment: *you pay us £600, so we put £450 towards the first account (leaving an underpayment of £150) and £150 towards the second account (leaving an underpayment of £50).*

1.7 Your mortgage offer will state the amount of your monthly payment. We may change your monthly payment upon reasonable notice:

(a) to take account of a change in:

- (i) your interest rate;
 - (ii) the amount you owe us;
 - (iii) the type of mortgage you have; or
 - (iv) the mortgage term;
- or

(b) so that you remain on track to pay everything you have agreed to pay by the end of the mortgage term.

We will always act reasonably when we change the monthly payment and in deciding when to make a change. A change to the monthly payment will usually take effect from the first of the month.

1.8 Your mortgage offer will state whether your mortgage is made on the capital repayment basis, the interest-only basis, or the part interest-only and part capital repayment basis.

- **Capital Repayment:** when we first work out your monthly payment, we do this so that you repay the amount you owe with interest in equal instalments over the mortgage term. Whenever we change your monthly payment, we work it out in the same way, but we will ignore any missed monthly payments. The changed monthly payment will take account of charges and costs and interest on monthly payments which you have missed at the time we work it out. You have to make separate arrangements to pay any monthly payments you have missed.
- **Interest-only:** when we first work out your monthly payment, we take everything you owe us, multiply it by the interest rate and divide the result by 12. This gives us your monthly payment until we next change it. Whenever we change your monthly payment, we work it out in the same way, but we will ignore any missed monthly payments, charges and costs. The changed monthly payment will include interest on charges, costs and monthly payments which you have missed at the time we work it out. You have to make separate arrangements to pay any charges and costs and any monthly payments you have missed. You will need to repay the amount you borrowed at first and the rest of the money you owe by the end of the mortgage term.

- **Part interest-only and part capital repayment:** we work out your monthly payment on each part separately in the ways described above. We will then add these together to make your total monthly payment. If you pay more than your monthly payment and do not tell us which part the overpayment is for, we will put it towards the capital repayment part of your mortgage.

***Example:** Your part interest-only and part capital repayment mortgage has been set up so that the interest only part is for £30,000 of your £100,000 mortgage and you have made separate arrangements to pay the £30,000 you will owe at the end of the term. (You may build up savings or sell property). We calculate your monthly payment as £740, with £540 on the capital repayment basis and £200 on the interest-only basis. You make a lump sum overpayment of £10,000 which reduces your mortgage balance and we recalculate your monthly payment to take account of the £10,000 reduction in the money you owe us, so it reduces to £550, with £350 on the capital repayment basis and £200 on the interest-only basis.*

- 1.9 If we have added any charges or costs to your account since the last time we worked out your monthly payment and you have not paid those charges or costs, when we work out your monthly payment it will be higher. On a capital repayment mortgage your monthly payment will be calculated so that you repay the charges and costs together with any interest on those charges and costs over the remaining mortgage term. On an interest-only mortgage, your monthly payment will be calculated so that you only repay the interest on those charges and costs. This means that you will have to make separate arrangements to pay the charges and costs at the end of the mortgage term.

***Example:** You have a mortgage of £100,000. We add a charge of £15 to your mortgage account. When we work out your monthly payment, the money you owe us is £100,015 (£15 of which is the charge). If you have a capital repayment mortgage, we calculate your monthly payment at £475 to cover everything you owe us as well as the interest we expect to charge on everything you owe us over the mortgage term. If you have an interest-only mortgage, your monthly payment of £250 will pay the interest we expect to charge on everything you owe us but will not include any repayment of the £100,000 or the £15 charge and you will have to make arrangements to pay these amounts at the end of the mortgage term.*

1.10 All amounts due to us under the mortgage shall be paid in full without any set-off, counterclaim, deduction or withholding (other than any deduction required by law).

2. Interest

2.1 We start charging interest on the day we send the mortgage money to you or your conveyancer. We charge you interest at the interest rate every day (apart from 29th February) until you have paid us everything you owe us. We will still charge interest even if you have not paid us everything you owe us by the end of the mortgage term.

2.2 We charge interest on everything you owe us. On the day we send the mortgage money to you or your conveyancer we work out how much you owe us. We use this amount to work out the interest we charge that day and on each remaining day of that month.

2.3 At the start of each following month we work out everything you owe us and calculate interest on it. We use this amount to work out how much interest to charge on each day of that month. Each time there is a transaction on your account we recalculate the interest on everything you owe us at the end of the transaction day. The recalculation tells us how much interest to charge on the transaction day and on the remaining days of that month. If you have not paid interest which was due in the previous month, we will charge interest on the unpaid interest.

Explanation: This means that any payment you make (a credit) will reduce the interest you pay straight away (unless your payment pays off money that we haven't started to charge interest on yet) and any amount added to your account (a debit) will increase the interest you pay straight away.

Example: You owe us £100,000 on 1st January and your interest rate is 5% p.a. You make your monthly payment of £585 on 15th January. We calculate interest for 1st-14th of the month as $£100,000 \times 5\% \times 14/365 = £191.78$. We calculate interest for 15th-31st of the month as $£99,415 \times 5\% \times 17/365 = £231.51$. There are no other transactions that month, so the interest you must pay for January is $£191.78 + £231.51 = £423.29$.

2.4 We can change the way in which we work out interest provided that the change does not increase the total amount you have to pay us. If we do this, we will give you at least 3 months' notice before the change takes effect.

3. The interest rate we charge

3.1 We charge interest at the interest rate shown in your mortgage offer, or, if the interest rate has changed, at the changed rate, and we continue to charge interest at that rate even if the court orders you to pay us everything you owe. Your mortgage offer will state the period for which your interest rate is fixed. We will not usually change the interest rate in any period in which the interest rate is fixed. The way in which the interest rate changes is set out in your mortgage offer. After the end of a period in which the interest rate is fixed, the interest rate we charge you will be set at a margin above an externally set rate, the Base Rate of the Bank of England (we refer to this as the Bank Rate). Each time the Bank Rate changes the interest rate we charge you will change with effect from the first of the following month in line with the change in the Bank Rate, save that if the Bank Rate falls below zero, we will work out your interest rate as if the Bank Rate was zero. We do not have to tell you when the Bank Rate changes but will always write to tell you about a change to your monthly payment.

Example: Your offer explains that your interest rate is calculated as a margin above the Bank Rate. If the Bank Rate is 1% p.a. and your margin is 5 your interest rate will be 6% p.a. If, however, the Bank Rate reduces to -1% p.a., your interest rate will be 5% p.a. because your interest rate will never fall below the margin.

3.2 If, unless expressly permitted under the terms of your mortgage offer, you use the property as a “house in multiple occupation” as defined in the Housing Act 2004, we may upon reasonable written notice increase your interest rate by a premium of 1% p.a. to reflect the increased risk to us of this type of property. This premium shall continue to apply until the property is no longer used as a house in multiple occupation and all remedial works have been carried out to our reasonable satisfaction. We may increase the interest rate in these circumstances even during a period in which your interest rate is fixed.

4. When we can ask for repayment of everything you owe

4.1 If we write to ask you to, you must pay us everything you owe us under the mortgage (including interest, charges and costs) immediately and in full if you are in default. You are in default if:

- (a) the arrears on your account (this means any part of your monthly payment you have not paid on time) are equal to two monthly payments or more;
- (b) any other amount you have not paid on time is equal to two or more monthly payments and you are more than one month late in paying it;
- (c) you do not pay everything you owe us by the end of the mortgage term;
- (d) you have failed in a significant way to comply with any of your obligations (other than for the payment of money) under the mortgage;
- (e) any information you gave when you applied for the mortgage was incorrect or incomplete and we would not have lent you the money if you had given us the correct and complete information;
- (f) a bankruptcy order is made against you;
- (g) you enter into an arrangement over your affairs with people you owe money to;
- (h) you apply to the court for an interim order over your property;
- (i) the property is subject to an order under laws about planning, requiring any alteration or removal of the buildings, or the discontinuance of its use, and as a result the value of the property will be significantly decreased;
- (j) the property is compulsorily acquired (for example, a local authority forces you to sell the property to them);
- (k) the property has been abandoned;
- (l) the property is damaged and in our reasonable opinion the value of our security is materially lowered;
- (m) you are an individual and you die (or, where there is more than one of you, the last surviving one of you dies) or a guarantor dies or you or a guarantor dies or ceases to have mental capacity to enter into valid contracts under English law;
- (n) it becomes unlawful for a guarantor to perform obligations under any guarantee;
- (o) any obligations or obligations of a guarantor under any guarantee are not or cease to be legal, valid, binding or enforceable;
- (p) a guarantor terminates, revokes, cancels or determines in whole or in part the guarantor’s liability or obligations under any guarantee or evidences an intention to terminate, revoke, cancel or determine in whole or in part liability or obligations under any guarantee;
- (q) you have failed to provide information required by us and such failure has caused us to be in breach of our regulatory and/or legal requirements (including, but not limited to, those relating to financial crime);
- (r) any distress, execution or similar process affects a material part of your assets and is not discharged within 10 days;
- (s) it becomes unlawful for you to perform any of your obligations under the mortgage or any document delivered to us under or in connection with the mortgage;
- (t) any of your obligations under the mortgage or any other document delivered to us under or in connection with the mortgage ceases to be legal, valid, binding or enforceable; or
- (u) the legal charge is not or ceases to be in full force and effect or any security created under the legal charge ceases to be legal, valid, binding, enforceable or effective.

Explanation: Unless you are a limited company or limited liability partnership, the following section does not apply to you.

- 4.2 If you are a limited company or a limited liability partnership you are also in default if:
- (a) in our reasonable opinion you become unable to pay your debts or, under section 123 Insolvency Act 1986, you are deemed to be unable to pay your debts;
 - (b) any step is taken with a view to:
 - (i) your winding up, dissolution, administration, receivership or any analogous procedure;
 - (ii) the appointment of a receiver, liquidator, provisional liquidator, administrator, administrative receiver or manager or other similar officer of you or your assets other than the presentation of a winding up petition which is frivolous and vexatious and is dismissed within 10 days or if earlier, prior to the date on which it is advertised; or
 - (iii) the rescheduling of your debts pursuant to a reorganisation, voluntary arrangement or otherwise;
 - (c) you are dissolved or struck off the register or the Registrar of Companies threatens to strike you off the register;
 - (d) any steps are taken to enforce any encumbrance over all or part of your assets;
 - (e) you cease, or threaten to cease, to carry on all or a material part of your business or operations; or
 - (f) any person or group of persons acting in concert gains direct or indirect control of you after the date of the mortgage.

5. Charges and costs you must pay

5.1 In certain circumstances you will have to pay our charges for services we provide or for extra work we do on your account. Charges are made up of our internal administrative costs together with any costs we incur with third parties. Charges are also referred to as fees. Our standard charges in typical cases are shown in our Tariff of Mortgage Charges and will be added to the amount you owe us from the date we provide the services or do the additional work.

5.2 Certain charges may be payable by you before we lend money to you or they will be added to the mortgage money. These charges are explained in your mortgage offer.

Explanation: Our Tariff of Mortgage Charges is sent to you with your mortgage offer and usually each year with your annual statement. It lists the charges you must pay us in certain circumstances. Charges cover both our internal administrative costs and any costs we pay to third parties. You can find our Tariff of Mortgage Charges on our website.

5.3 If you do not pay your monthly payment by the last day of the month in which it is due, we may charge you an arrears administration fee. The amount of the fee, referred to as an arrears fee, is set out in the Tariff of Mortgage Charges and we can charge an arrears fee every month in which you are behind with payments by an amount equal to or more than one monthly payment. We may charge the fee from the first of the month following the due date for payment. Arrears fees are calculated to cover our administrative costs in dealing with those arrears.

5.4 You may also have to pay the actual costs we incur in doing extra work on your mortgage. Our costs might come about because of something you ask for or because you do not keep to your obligations under the mortgage. You will only have to pay for a cost of ours so far as the cost is reasonable. It would not be possible to list every type of costs, but some common examples are:

- the costs of taking legal or other action if you break your agreement with us, you are in default, or if there is a dispute to do with the mortgage or the property;
- the costs of us having to make payments to other people because you have not met your obligations to do with your property, for example, if we pay to insure the property where you have failed to do so; and
- the costs of taking steps such as inspecting, valuing or insuring your property, where these mortgage conditions allow us to take those steps.

- 5.5 You may pay charges and costs at any time. We will charge interest at the interest rate on any charges and costs which are unpaid and add these amounts to everything you owe us.

Example: *You have failed to pay on time to your landlord ground rent and service charges and we end up having to pay. You will have to pay our standard charge as set out in our Tariff of Mortgage Charges to deal with our administration of this as well as the cost of the ground rent or service charge which you have failed to pay. Our charges and the cost will be added to everything you owe us and interest will be charged straightaway.*

6. Changing our charges

- 6.1 We may change any of the standard charges listed in our Tariff of Mortgage Charges and add new charges if it is reasonable to do so. We can reduce charges for any reason, but any increase in a charge or addition of a new charge will be of an amount proportionate to:
- (a) an increase in our costs of looking after your mortgage account;
 - (b) an increase in our costs due to a change in the law, a code of practice, requirements of a regulator of ours or the way we are regulated;
 - (c) the cost of providing a service which is new or which we previously provided without charge or below the cost to us;
 - (d) our reasonable cost incurred in changes to the technology or systems we have in place to look after your mortgage account;
 - (e) a change beyond our reasonable control in the cost to us of providing your mortgage and the services and facilities we provide in connection with it.
- 6.2 We will write to tell you before any change in our Tariff of Mortgage Charges. If you ask us to do something or to provide a service to you which is not covered by our Tariff of Mortgage Charges, we will tell you what the amount of the charge or cost is before it is incurred.

7. Repayment before the end of the mortgage term

- 7.1 You may repay us everything you owe before the end of the mortgage term. If you wish to do this, please ask us for a redemption statement. Your mortgage offer will contain details of any early repayment charges which may apply and these, and any other charges, will be set out in your redemption statement.
- 7.2 You are unable to sell the property until you have paid us everything you owe under the mortgage, including interest, charges and costs.

8. Looking after the property

- 8.1 You must keep all buildings, fixtures and fittings on the property in good and substantial repair and condition. You must make sure that any unfinished buildings or works on the property are completed without delay and to a professional standard.
- 8.2 You must keep to all laws and regulations which affect the property or your use of it. If the property is leasehold, you must keep to the terms of your lease and must make sure that your tenants do. You and your tenants must not do or fail to do anything which would permit the landlord to bring your lease to an end. If you are told that you have not kept to the terms of your lease you must tell us straightaway.
- 8.3 You must pay on time all charges affecting the property, such as rent, taxes and service charges. You must send to us straightaway any notice or similar document affecting the property you receive from your landlord, your tenant, any rentcharge owner, any local or other authority or commonhold association or residents' association, or anyone claiming any right over the property.
- 8.4 You must tell us before you ask any local authority or similar body for a loan or grant for the repair or improvement of the property. This is because the loan or grant may have conditions requiring the whole or part of the grant to be repaid. You cannot accept any such loan or grant unless we write to tell you that you can. We will not act unreasonably in deciding whether you can accept any such loan or grant.

8.5 You must tell us before you make any application for planning permission affecting the property.

8.6 You must keep to all obligations which are binding in respect of the property or its use (for example, obligations under the title deeds or laws about planning).

8.7 You authorise us to enter the property after giving you reasonable notice to inspect the property, or to carry out or complete any work which is needed to put right any failure by you to comply with your obligations. If our inspection shows that you have not kept to these mortgage conditions you will be responsible for all the reasonable costs we incur (and interest charged on these costs) in connection with the inspection and carrying out any work as a result of you not keeping to these mortgage conditions. We can take such action without it meaning that we have taken possession of the property.

8.8 We may obtain a valuation of the property at any time. You will be responsible for the reasonable costs of any valuation we obtain in connection with the compulsory purchase of the property.

8.9 You must always get our written permission before you:

- (a) transfer, assign, mortgage, charge, obtain an extended lease of or in any way deal with or give away the property or start holding the property on trust for a new beneficiary or beneficiaries or change the trust arrangements relating to the property;
- (b) grant a lease of the property, except where you do so in accordance with these conditions;
- (c) alter or extend the property.

We will not unreasonably withhold our permission if you request our written permission to grant a lease of the property or to alter or extend the property.

8.10 You will tell us straightaway if you become the owner of:

- (a) a freehold, leasehold, extended leasehold or commonhold interest in the property or the building of which the property is a part; or

(b) any land or property which is adjacent to, joining or neighbouring the property.

If we ask you to, you will then enter into a new legal charge, where the extra interest or land becomes part of the security for the money you owe us.

8.11 If the property is held by you on terms which allow you to hold shares in, or be a member of, a management company or commonhold association, you will give us your share certificate or membership certificate and the form (signed by you) needed to transfer your shares or membership. This is so that if we need to take possession of the property and sell it, we can transfer your shares or membership to the buyer.

9. Use and occupation of the property

9.1 You must use the property only for letting for residential purposes as a private dwelling and you must not change the use of the property or allow the property to be used for a trade or business.

9.2 Unless expressly permitted under the terms of your mortgage offer, you must not use the property as a “house in multiple occupation” as defined in the Housing Act 2004; and the property may only be let under a single tenancy at any one time.

9.3 You must not occupy the property yourself and you must not agree to grant a tenancy of the property to any of the following:

- (a) your family members (including for the purposes of these conditions your spouse, civil partner, a person (whether or not of the opposite sex) whose relationship with you has the characteristics of the relationship between husband and wife, parents, grandparents, siblings, children or grandchildren);
- (b) if you are a limited company or a limited liability partnership, any director, member or shareholder of such limited company and any family member of a director, member or shareholder of the limited company or limited liability partnership;
- (c) a local authority; or
- (d) a person who could claim diplomatic immunity.

- 9.4 Any tenancy of the property created before 28 February 1997 must be an assured shorthold tenancy and be for a fixed term of not less than six months and not include a right for the landlord to break the tenancy during the first six months of such term (your conveyancer must produce to us or to our conveyancer valid notices served under section 20 of the Housing Act 1988 before the tenancy was created together with a copy of the tenancy agreement).
- 9.5 Any tenancy created on or after 28 February 1997 must in all respects comply with the Housing Act 1996 as an assured shorthold tenancy.
- 9.6 Each tenancy agreement must not be for a term of more than thirty-six months.
- 9.7 References about ability to pay the rent and character must be obtained for the proposed tenant(s) and must be made available when we ask for them.
- 9.8 Each tenancy agreement must be in writing, must not be in an unusual form and must contain no terms which can adversely affect our interest as mortgagee.
- 9.9 Before any tenancy is granted a notice must be served on tenants that possession might be recovered under Ground 2, Schedule 2 of the Housing Act 1988, namely that the property is subject to a mortgage granted before the beginning of the tenancy and the mortgagee may recover possession of the property for the purpose of disposing of it with vacant possession if the mortgagor is in default.
- 9.10 Any deposit must be held by a body approved by the Government pursuant to the requirements of the Housing Act 2004 and you must comply with applicable requirements of such body, the Housing Act 2004, the Tenant Fees Act 2019 and other applicable legislation in relation to any deposit.
- 9.11 Any tenancy agreement for the property created with a tenant who is a limited company or a limited liability partnership must be in form and substance acceptable to us or our solicitor. Our prior approval of the agreement is required.
- 9.12 Any tenancy agreement for the property with a rental income of £250 per annum or less (or if the property is in Greater London, £1,000 per annum or less) or which exceeds £100,000 per annum,

must be in a form acceptable to us or our solicitor. Our prior approval of the agreement is required.

- 9.13 You must comply with all applicable legislation (for example the Tenant Fees Act 2019) when granting, administering, enforcing and terminating any tenancy of the property and will provide evidence of such compliance to us if we ask you.

10. Insuring the property

- 10.1 You must keep the property insured for its full rebuilding cost against fire and all usual buildings insurance risks with a reputable insurer, such rebuilding cost to include the costs of clearing the site, all professional fees and other expenses and VAT on such costs fees and expenses. You must tell the insurer of our interest in the property as mortgagee and ask for our interest to be noted on the policy.
- 10.2 The amount insured must be enough to put the property back to its original state following any damage or destruction.
- 10.3 You must not do anything or allow anything to be done or not done which may make the insurance invalid or which makes insurance more difficult or expensive to obtain or to maintain or affects the ability to make a claim under the insurance policy.
- 10.4 If we ask you must give us a copy of your insurance policy and provide proof of payment of the premiums and you must tell us straightaway if you make a claim on the insurance policy of more than £25,000.
- 10.5 We can insure the property at your cost if we reasonably suspect that you have not insured the property as required under these mortgage conditions. Any such insurance we obtain will cover our interests and may not cover your interest in the property or your interest in the property might only be partly covered. If you do not pay us the premium for the insurance we have paid, the amount of the premium will be added to the money you owe us.

Explanation: *The insurance we obtain will cover the amount you owe us under the mortgage with some allowance for extra costs. The insurance we obtain may not cover the full rebuilding cost of the property.*

- 10.6 We may, on your behalf, settle and adjust any claims against the insurer of the property.
- 10.7 If you receive any money from a claim you must tell us about it, hold it on our behalf and on trust for us and, if we ask for it, you must pay it to us straightaway.
- 10.8 Any money we receive from a claim (whether we receive the money from you or from the insurer of the property) will be used to reinstate the property or, if this is not practicable for any reason, to reduce or pay off the money you owe us.
- 10.9 If the property is leasehold or commonhold and the terms of the lease or the commonhold community statement provide for the property to be insured by a third party (for example, the landlord), then the property will not need to be separately insured by you, provided that:
- (a) you comply with the terms of the lease;
 - (b) you tell or ensure that the landlord tells the insurer of our interest in the property as mortgagee and you or the landlord arrange for our interest to be noted on the policy;
 - (c) we or our conveyancer have approved the policy and confirmed that the insurance is in force; and
 - (d) you do all you reasonably can to ensure that the property remains insured against fire and all usual building insurance risks and for its full rebuilding cost.

11. Your promises

- 11.1 You will not do any of the following:
- (a) create or permit to subsist any encumbrance over the mortgaged property other than pursuant to the mortgage deed or with our prior written consent; and
 - (b) if you are a limited company or a limited liability partnership, create or permit to subsist any encumbrance over your assets other than under the mortgage or with our prior written consent.

- 11.2 If you are a limited company or a limited liability partnership you will:
- (a) inform us as soon as you appoint any new directors or admit any new members;
 - (b) procure any new directors or members:
 - (i) grant a guarantee to us of your obligations under the mortgage conditions in such form as we shall require; and
 - (ii) provide such identification and verification information as is required by us;
 - (c) immediately notify us if any director or member ceases to be a director or member; and
 - (d) procure that any person who becomes a holder of 25% or more of your share capital (or entitled to more than 25% of any capital and profits in the case of a limited liability partnership) provides such identification and verification information as is required by us.

12. Appointment of a receiver

- 12.1 If you are in default in circumstances in which we can ask you to pay us everything you owe straightaway (these circumstances are explained in the section “When we can ask for repayment of everything you owe”), and if we write to ask you to, you must pay us everything you owe under the mortgage (including interest, charges and costs) immediately and in full.
- 12.2 If you don’t pay us everything in such circumstances, we, or any receiver we appoint, can take the following steps to protect our position as lender and to safeguard your property as security for the money you owe us:

Explanation: A receiver is someone we can appoint to manage the property. Although we would appoint the receiver, he or she would act in your name (not ours) and as your agent and you would have to pay his or her fees. If you do not pay those fees, and we do pay the receiver’s fees as we reasonably agree with the receiver on your behalf, you will be liable for these fees from the date we incur them and we will charge interest on them.

- (a) generally manage the property including collecting and receiving all rents, arranging any necessary repairs and maintenance, ensuring compliance with local authority requirements, maintaining, renewing or increasing insurances and serving notices under any relevant housing legislation;
 - (b) take possession of the property and take any action or proceedings necessary to do so;
 - (c) sell the property (whether or not we have taken possession) for the best price we can reasonably get and on such other reasonable terms as we may think fit;
 - (d) let or sublet the property and vary, renew, terminate, surrender or accept surrenders of leases, tenancies or licences over the property for a price and on such terms and for such rent and payment as we reasonably think fit;
 - (e) sell any freehold or leasehold reversions created as a result of letting or subletting the property; and
 - (f) where the property has been let or sublet, exercise, on your behalf and without having to give you prior notice or obtain your consent, all the powers and duties conferred on a landlord by legislation in force at the time.
- 12.3 If we or a receiver appointed by us take possession of the property you must remove all furniture and other moveable property (personal items) from the property within 14 days and must not remove any fixed items from the property without our agreement in writing.
- 12.4 If any furniture or other moveable items are not removed within 14 days, then you agree that we or the receiver may:
- (a) deal with them as your agents and at your expense;
 - (b) remove and store anything which we know does not belong to you; and
 - (c) sell or otherwise dispose of anything which belongs to you, in which case we (or the receiver) will account to you for any proceeds received less all reasonable expenses of the sale. Our rights to sell your items do not give us any security over it and nothing in these mortgage conditions shall make these conditions a bill of sale for the purposes of the Bills of Sale Act 1878 and the Bills of Sale Act (1878) Amendment Act 1882.

We will not be responsible for any loss or damage caused by us doing this unless we don't take reasonable care.

- 12.5 If we or a receiver sell the property you must still pay us any amount by which the sale proceeds fall short of everything you owe us under the mortgage. We will continue to charge interest until the shortfall is paid in full.

Example: *If we have exercised our right to sell the property, and the price we obtained was less than the full amount of money you owe, you still have to pay us the difference between the selling price and everything you owe us.*

- 12.6 We may appoint more than one receiver. Where more than one receiver is appointed each joint receiver may act separately and independently of any other joint receiver (unless the document appointing such receiver states otherwise). We may from time to time remove a receiver and appoint another in his or her place.
- 12.7 We and any receiver may also employ and pay agents to act in our or the receiver's place. These agents will be treated as your agents and you will also be responsible for their fees so long as they are reasonable.
- 12.8 The Law of Property Act 1925 sets out certain rules in relation to the appointment of a receiver and the enforcement of security. It is typical for a mortgage lender to disapply certain of those rules and we do that as set out below:
- (a) section 109(8) of the Law of Property Act 1925 is amended to allow a receiver to use any money received by him or her to repay any money owing by you in such order of priority (not being an order which is in conflict with these conditions) as we and the receiver reasonably agree, rather than a specific order set out in those rules; and
 - (b) sections 99, 100 and 103 of the Act set out some specific powers in relation to dealing with a property, but we or a receiver are able to dispose of the property in any way that we see fit provided that we or they act reasonably and do not breach these conditions.

Please ask your conveyancer if you require further information.

12.9 Where we have appointed a receiver or taken possession of the property, we may dis-instruct the receiver or hand the property back to you after providing written notice to you.

13. Power of attorney to act on your behalf

13.1 We and any receiver appointed over the mortgaged property may need to take certain action as described in this section (including signing documents) on your behalf to protect our security. By execution of the mortgage deed, you hereby irrevocably appoint us and (separately) any receiver appointed over the property to be your attorney to take such action where necessary. These appointments will end when you have paid back everything you owe us including interest, charges and costs and we no longer have a legal charge over the property. You cannot cancel the appointments of us and any receiver we may appoint as your attorney until you have paid all the money you owe under the mortgage, including interest, charges and costs.

Explanation: This means we and any receiver appointed over the property are legally entitled to act on your behalf.

13.2 If there are two or more of you then you agree that we and any receiver will be attorney for each of you individually as well as for all of you jointly.

13.3 The power of attorney of us and any receiver we appoint as attorney means that we can take any action on your behalf related to the property, including but not limited to:

- (a) signing and completing any document which is needed to make good any defect in your title to the property or in the mortgage;
- (b) receiving money payable to you relating to the property and choosing how to use that money;
- (c) exercising any rights you may have to make or settle a claim relating to the property;
- (d) exercising any rights you may have to make a claim under an insurance policy, guarantee or for compensation relating to the property;
- (e) insuring the property on such terms and with such insurer as we reasonably consider appropriate;

- (f) making arrangements with tenants to enforce their obligations;
- (g) surrendering or terminating any tenancy of the property or any part of it;
- (h) granting a lease of the property or any part of it;
- (i) selling the property;
- (j) appointing a receiver;
- (k) instructing agents to carry out work on our behalf;
- (l) obtaining information about you in connection with the property;
- (m) repairing the property;
- (n) carrying out any act on your behalf which is required to comply with any law;
- (o) transferring your share or interest in any residents' society or management company, or your legal or beneficial interest in the freehold or leasehold reversion of the property when we exercise our powers as mortgagee to sell or lease the property;
- (p) entering into any variation of your title to the property in order to protect or enhance our security;
- (q) settling any claim made by your landlord, management company or commonhold association (if your property is leasehold or commonhold) or rent charge owner (if your property is subject to a rent charge) if we think it reasonable for us to settle it in order to protect our security or maintain its value, even though you may dispute the sum claimed;
- (r) entering into a new legal charge in the event that an extra interest or land becomes part of the security for everything you owe us;
- (s) the exercise of any powers which are available to a receiver of the property; and
- (t) doing anything else needed to use, protect or enforce our rights under these conditions.

Example: The section "Looking after the property" explains that if you become the owner of the freehold of the property or any adjacent property, we can ask you to sign a new legal charge. As your attorney, we or a receiver can sign the legal charge on your behalf.

13.4 You agree with us, and separately with any receiver, to ratify any lawful act of an attorney if you are asked to do so by us or the receiver.

14. Money received from third parties

14.1 You agree to hold on trust for us any money you receive arising out of:

- (a) any claim for compensation or other amounts relating to the property which you are entitled to now or in the future;
- (b) any claim against someone for:
 - (i) damage to the property;
 - (ii) reduction in value of the property;
 - (iii) defective title to the property; or
 - (iv) being negligent in relation to the property or breaking a contract relating to the property.

14.2 If you receive any money related to the property by way of compensation or arising out of a claim against someone related to the property which you have agreed to hold on trust for us under this condition, you agree to tell us that you have received it, and to follow our instructions when dealing with that money.

14.3 We may choose whether to use any money we receive under this condition to repair or improve the property or to reduce everything you owe us under the mortgage.

15. Provision of information

15.1 You must provide to us the following information:

- (a) at the same time as they are sent to your creditors, copies of all correspondence and documents sent by you to your creditors generally;
- (b) as soon as you become aware of them, the details of any litigation, arbitration, administrative or bankruptcy proceedings which are current, threatened or pending against you;
- (c) immediate notification of any notice received by you under section 146 of the Law of Property Act 1925 or any proceedings commenced or steps taken against you for the forfeiture of any lease under which you hold an interest in the mortgaged property;

Explanation: *If the property is held by you under a lease, and you don't keep to your promises under the lease, your landlord may give you notice under section 146 of the Law of Property Act 1925 requiring you to put things right. You must send any notice to us straightaway. If you do not put things right, your landlord may take you to court to bring your lease to an end.*

- (d) if requested in writing by us you will send us within the timescale set out by us in our request an annual monitoring report containing such information in respect of the property and a copy of each lease or licence you have granted in relation to the property as we ask you, providing the following information:
 - (i) the name of each tenant or occupier;
 - (ii) the rent, service charge, VAT and any other payments due to be paid and (separately) paid to you in that year;
 - (iii) any rent, service charge, VAT and any other payments due to be paid and (separately) paid by you under any lease under which you hold an interest in any property in the property;
 - (iv) details of any rent or service charges arrears and details of the steps taken to recover such arrears;
 - (v) details of any rent review agreed or in progress during that year and any rent review which will fall to be determined in the following year;
 - (vi) details of any expiry, termination or surrender or any notice of expiry, termination or surrender given by any tenant;
 - (vii) details of any new lettings and licences proposed;
 - (viii) details of any new insurance claims and the progress of existing insurance claims;
 - (ix) details of any dispute between you and any tenant or occupier of the property;
 - (x) details of any dispute between you and any landlord in respect of any lease under which you hold an interest in the property;
 - (xi) details of any sinking fund in respect of the property;
 - (xii) details of all irrecoverable expenditure incurred or to be incurred by you in respect of the property;

- (xiii) copies of any current leases, tenancy agreements or licences granted by you in relation to the property (unless they have previously been provided to us); and
- (xiv) such further information regarding the business and operations of you, the property or the financial condition of you (and, if you are in a limited company, any guarantor) generally as we may reasonably request.

16. Joint and several liability

16.1 If more than one of you is borrowing from us:

- (a) the mortgage applies to all of you together and to each of you on your own;
- (b) each of you can be held fully responsible for keeping to the mortgage; and

Explanation: *This means that we can take legal action against each of you individually and against all of you together if you don't keep to the terms of the mortgage.*

- (c) unless you tell us otherwise in writing, we don't need to obtain agreement from all of you to make changes to the mortgage. We may instead rely on one of you agreeing to any change as being agreement by all of you; and we may accept the signature, instruction or notice of one of you as being the signature, instruction or notice of all of you.

17. Transferring the mortgage and everything you owe us

17.1 We may sell, transfer, assign, securitise, charge or otherwise dispose of (in whole or in part) our rights under the mortgage at any time, at law or in equity on such terms as we may decide and without your consent.

17.2 Unless the terms of the transfer state otherwise, a transferee of any of our rights under the mortgage will be able to exercise all the rights, powers and remedies which we are able to exercise before the transfer (including the right to assign in accordance with this clause). In the event of a transfer, your obligations to us under the mortgage will continue for the benefit of the transferee and you will be able to enforce the transferred obligations against the transferee in the same way that you could enforce them against us before the transfer.

17.3 If we take any of the steps described above:

- (a) this will not reduce your rights or increase your obligations under these mortgage conditions;
- (b) this will not reduce any guarantees you have under or by virtue of the mortgage; and
- (c) the way in which you are treated under this mortgage will not be affected in an important way by, or following, that transfer.

17.4 We may share the following with any person who takes, or is considering taking, a transfer, assignment, charge or other disposal of all or part of any of our rights or obligations under the mortgage:

- (a) any information you gave us when you applied for any money under the mortgage;
- (b) any documents supporting your application; and
- (c) any other information or documents we hold concerning the mortgaged property, your mortgage offer, any other security we hold in respect of the money you owe us under the mortgage, or the way you have performed your obligations under the mortgage offer and these conditions.

17.5 Where any information or document which we share under this condition was originally supplied by you, you agree that the person with whom we share it may rely on its truth and accuracy.

17.6 You may not assign or transfer your rights or obligations under the mortgage.

18. Notice to you

- 18.1 We may give you notice by writing to you either:
- (a) by post to your address (this will be your address stated on your mortgage offer unless you have provided us with updated details) or if you are a limited company or limited liability partnership, your registered office address; or
 - (b) by email or other electronic communication to any number or address you have given us.
- 18.2 We will assume that you receive any notice:
- (a) the second working day after posting if sent by post; and
 - (b) the day the notice is sent if sent by electronic communication.
- 18.3 If there is more than one of you, we may give notice to all of you by sending the notice to any of you (unless the law requires us to communicate with all of you).

19. Other conditions

- 19.1 All telephone calls between you and us may be monitored or recorded to improve the quality of our service and for your protection and security.
- 19.2 We will provide these conditions and otherwise communicate with you in connection with your mortgage in the English language.
- 19.3 Each of the provisions of these conditions is distinct from each other. If one or more provision becomes illegal, invalid, void or unenforceable, this will not affect any of the remaining provisions and the remaining provisions shall apply as if the illegal, invalid, void or unenforceable provision had not been included.
- 19.4 If we decide not to rely on any part of these mortgage conditions or we delay enforcing any part, such inaction or delay will not affect our right to rely on the same part at a later date.
- 19.5 If we give you reasonable notice in writing, we can make a change to these conditions proportionate to the reason for making it if it is reasonable to do so to:
- (a) make them easier to understand or to make them fairer to you;
 - (b) change the way we look after your account as a result of changes

beyond our reasonable control in the banking or financial system, technology or the systems we use to run our business which affect the way we manage your account;

- (c) reflect changes to the law, codes of practice or the way we are regulated.
- 19.6 No person other than a party to the mortgage or a person who takes a transfer of our interest in the mortgage or everything you owe us under the mortgage may enforce any rights under these conditions or your mortgage offer under the Contracts (Rights of Third Parties) Act 1999.
- 19.7 These conditions are governed by the laws of England and Wales.
- 19.8 We will not be liable to you for anything we do or fail to do which is due to:
- (a) abnormal and unforeseeable circumstances beyond our control, the circumstances of which would have been unavoidable despite all efforts to avoid them;
 - (b) our legal obligations.

20. Complaints

- 20.1 If you have a problem with your mortgage or payments under it, please contact us as soon as possible. If you call us, we will try to resolve the problem during the call or tell you how we are going to resolve it.
- 20.2 We strive to provide an excellent service, so if something goes wrong and you need to complain, we will take it seriously and do our best to resolve your complaint promptly and fairly. We will accept complaints directly from our customers or via their mortgage intermediaries, but we cannot accept complaints about mortgage intermediaries. If you have any concerns about the advice or service you have received from your mortgage intermediary, please ask them for a copy of their own complaints procedure.
- 20.3 If you are unhappy with our final response to your complaint, you may be eligible to ask the Financial Ombudsman Service for an independent review. You can contact the Financial Ombudsman Service via their website at financial-ombudsman.org.uk
- 20.4 For a full outline of our complaints procedures and how to make a complaint, please go to our website at zephyrhomeloans.co.uk

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