

# YOUR QUESTIONS ANSWERED

## SELF EMPLOYED



### Q | How do you define self-employed?

**A** We define self-employed as someone who runs their own business and is not paid through PAYE or who may own 25%, or more, shareholding of a limited company. This means, they could be a sole trader, in a partnership, a contractor or have their own, or share of a limited company

### Q | How long does my client need to have been self-employed for?

**A** If your client has a limited company, is in a partnership, or a sole trader, to lend to 85% LTV we just need one year's trading.  
For above 85% LTV, we need two year's trading.

### Q | Do you accept multiple sources of income?

**A** Yes, we can take income reflected on the accounts or SA302 tax calculation and if secondary income source, such as income from PAYE, we can consider that too.

### Q | Can you consider:

#### **A | Clients with credit file complexities, such as CCJ's/Defaults?**

Yes we can – we will need to know the date they were registered and the value.

#### **Clients in a Debt Management Plan?**

Yes, if the plan has been in place for a minimum of 12 months and payments have all been made successfully. Please ensure any payments being made to the DMP are factored into the affordability.

#### **Clients who have been declared bankrupt?**

We can consider the following, subject to commencing more than 6 years prior to the submission of the mortgage application:

- Bankruptcy (E&W or NI)
- Sequestration (Scotland)
- Individual Voluntary Arrangement (IVA) (E&W or NI)
- Protected Trust Deed (Scotland)
- Debt Arrangement Scheme (DAS) (Scotland)

It also needs to be satisfied/discharged and no longer showing on the credit reference bureau information.

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## Q | How do you calculate income for:

### A | Day Rate Contractors?

We take their current weekly contract x 48 weeks.

### Sole traders?

For a sole trader and partnership, we take their net profit. If you have joint applicants where they are both partners of the same company, we use each partner's share of the net profit.

### Limited company?

We can consider the director's salary, plus a share of the net profit after corporation tax if they own 50% or more of the company, or we can consider salary and dividends.

## Q | How do you access self-employed affordability?

### A | In general, we use the most recent year's income provided by SA302 or Accounts. The Business Bank Statements should reflect income sustainability; this is particularly important where the business has seen increase year on year.

## Q | What proof of income is required for:

### A | Contractors?

They need to supply their most recent contract, plus one month business or personal bank statement

### Sole traders?

We'll always ask for SA302 tax calculation or the most recent year's accounts and three months bank statements showing trading income.

### Limited company?

We can accept their accounts if they want to use a share of the net profit (after corporation tax) and their director's salary. If they want to use their salary and dividends, we can accept their SA302. We also require three months business bank statements showing trading income.

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