

Standard Mortgage Terms and Conditions (Isle of Man edition)

Includes Buy to Let Conditions

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Introduction

This document contains conditions which apply to the mortgage. Other terms which apply to the mortgage are set out in the mortgage application form, the mortgage offer document, the mortgage deed and any other document you sign in connection with the mortgage which expressly provides that it contains conditions which you are legally bound by.

These conditions and any communications we make with you concerning your mortgage will be in English.

It is important that you read each document that contains terms and conditions that apply to the mortgage and fully understand them before you accept the mortgage offer. Once you have accepted the mortgage offer, you will be legally bound to comply with the terms and conditions. You should ask your legal adviser to explain anything you do not understand in the documents that we provide in relation to the mortgage.

You may request a copy of these Conditions and our tariff of mortgage charges at any time.

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

WE RECOMMEND YOU KEEP THIS BOOKLET AND ANY OTHER DOCUMENTS WHICH RELATE TO THE MORTGAGE SAFE IN CASE YOU NEED THEM FOR FUTURE REFERENCE.

Terms and Conditions

1 Definitions

1.1 In these conditions, words with a particular meaning appear in bold. These words and what they mean are set out below:

1.2 '**additional loan**' means the amount **we** lend **you** under any Additional Loan Offer mentioned in the definition of **offer** below;

1.3 '**additional security**' means any of the following:

- a) **your** rights under any agreement, option, **guarantee** or **indemnity** which concerns:
 - (i) the **property**;
 - (ii) the way the **property** is built; or
 - (iii) the condition of the **property**.
- b) any shares or other membership rights which **you** hold in a management company or residents' association by virtue of owning the **property**;
- c) all rights and remedies **you** have concerning the **property** (including any which arise from damage to it or a drop in its value or any rights to compensation); and
- d) the benefit of any policy which provides insurance against any of the following risks:
 - (i) a defect in the title to the **property**;
 - (ii) someone enforcing a right against the **property**; or
 - (iii) the court setting aside or varying an earlier transaction concerning the **property**.

However, the '**additional security**' does not include any contract (such as a mortgage indemnity policy) which allows **us** to recover any loss **we** suffer when **our** security is realised;

1.4 '**arrears**' means any **interest** or **capital** which remains unpaid after it falls due for payment;

1.5 '**associated company**' means any company which is:

- a) a subsidiary of **ours**;
- b) **our** holding company; or
- c) a subsidiary of **our** holding company;

and 'holding company' and 'subsidiary' have the same meanings in this paragraph as they do in section 1159 of the United Kingdom Companies Act 2006;

1.6 '**base rate**' means, in any **base rate period**, the interest rate equal to:

- a) the Bank of England's official bank rate (the rate sometimes referred to as its 'base rate'); or
- b) any replacement rate which **we** specify under condition 15.1;

1.7 '**base rate period**' means each monthly period starting at 00.00 hours on the third day of the **month** and ending at 24.00 hours on the second day of the following **month**;

1.8 '**capital**' has the meaning given in condition 16.1;

1.9 '**capital payment**' means an **extra payment** which (because it satisfies the requirements in condition 10.4) reduces the **money you owe us**;

1.10 '**charge period**' means the period (if any) specified in the **offer** during which an **early repayment charge** is payable;

1.11 '**completion date**' means the date on which the **mortgage deed** takes effect;

1.12 '**conditions**' means the conditions that are set out in this document;

1.13 '**early repayment charge**' means any charge which the **offer** requires **you** to pay if **you** repay some or all of a loan or **loan part** before the end of any **charge period** which the **offer** specifies for that loan or **loan part**;

1.14 '**fees**' has the meaning given in condition 31;

1.15 '**extra payment**' has the meaning given in condition 10.1;

1.16 '**guarantee**' means a guarantee or **indemnity** which applies to any of **your** obligations under the **mortgage documents**;

1.17 '**incentive product**' means any product described as such in the **offer** (for example, a product which provides for a lower rate of interest or an interest payment holiday);

1.18 '**indemnity**' means an arrangement under which one person agrees to make good loss or damage which has been or may be suffered by another person;

1.19 '**interest-only scheme**' means any scheme which applies under the **offer** and which provides that:

- a) some or all of the **capital you** owe will be repaid at the end of the **repayment period** out of the proceeds of an investment or savings account or plan, a life assurance or endowment policy, or a pension policy; or
- b) the repayment of some or all of the **capital you** owe will be postponed until the end of the **repayment period**;

1.20 '**interest period**' means:

- a) the period from the **completion date** until 24.00 hours on the day before the first **payment date**; and
- b) each subsequent period starting at 00.00 hours on a **payment date** and ending at 24.00 hours on the day before the next **payment date**;

1.21 '**interest rate**' means the rate or rates of interest **we** charge from time to time under the **mortgage documents**;

1.22 '**lease**' includes a lease, sub-lease or tenancy and an agreement for a lease, sub-lease or tenancy.

1.23 '**let**' (when used to refer to the **property**) means that a **lease** of the **property** or part of the **property** is in existence;

1.24 '**loan part**' means a part of a loan which is shown separately in the **offer** (for example where different interest rates or payment methods apply to different parts of a loan); Your Annual Mortgage Statement will show if **you** have more than one **loan part** on **your mortgage**.

- 1.25 **'loan to value ratio'** means the amount secured by a **mortgage** of any **new property** mentioned in condition 19 expressed as a percentage of the value of that **property**;
- 1.26 **'money you owe us'** means all the money **you owe us** under the **mortgage documents** including any **arrears** or unpaid **fees**
- 1.27 **'month'** means a calendar month;
- 1.28 **'monthly payment'** means the monthly payment stated in the **offer**, or any changed monthly payment which applies under condition 9.1;
- 1.29 **'mortgage'** means the rights **you** give to **us** over the **property** and the **additional security** as security for the **mortgage debt**;
- 1.30 **'mortgage account'** means the account **we** keep for recording debits and credits under the **mortgage documents** from time to time;
- 1.31 **'mortgage debt'** means the total of the following:
- a) the **money you owe us**; and
 - b) any other money which the **mortgage deed** secures under condition 6.1 or (where it applies) condition 40.
- 1.32 **'mortgage deed'** means the legal document incorporating the **conditions** which **you** sign to give **us** a **mortgage**. (called in the Isle of Man a Deed of Conditional Bond and Security);
- 1.33 **'mortgage documents'** means the **mortgage deed**, these **conditions**, any terms in the **offer** which continue to apply after completion, the terms of the declaration in the mortgage application, and any special conditions relating to the **mortgage** which are agreed in writing between **you** and **us**;
- 1.34 **'offer'** means:
- a) the document (known as a '**Mortgage Offer**') which contains **our** offer to lend **you** money under the **mortgage documents**; and
 - b) any document (known as an '**Additional Loan Offer**') which contains an offer from **us** to make **you** a further advance under the **mortgage documents**.
- In each case, references to the **offer** include any changes **we** make to the offer terms before **we** lend **you** the money, and any changes which **you** and **we** agree in writing after that;
- 1.35 **'payment date'** means the day of the **month** determined under condition 8.1, or any changed **payment date** which applies under condition 8.2;
- 1.36 **'property'** means all or part of the property described in the **mortgage deed**, including all buildings, fixtures and additions;
- 1.37 **'rebuilding cost'** means the full cost of rebuilding the **property**, including:
- a) all professional fees (e.g. architects' surveyors' and engineers' fees);
 - b) all other costs of reinstating the **property** to its previous condition; and
- c) a reasonable allowance for inflation while the **property** is being reinstated.
- 1.38 **'related person'** means a person who is your spouse or civil partner (or someone, whether or not of the opposite sex, whose relationship with you has the characteristics of the relationship between husband and wife), or your brother, sister, child, grandchild, parent or grandparent.
- 1.39 **'repayment period'** means the term shown as such in the **offer** within which the **money you owe us** must be repaid by **you**;
- 1.40 **'standard risks'** means the risk of loss or damage by fire, civil commotion, explosion, earthquake, subsidence, landslip, heave, aircraft and things dropped from them, flood, storm, lightning, terrorism, burst pipes, theft, malicious damage and impact;
- 1.41 **'standard variable rate'** or **'SVR'** means the rate of interest which **we** publish as **our standard variable rate**. **We** use **our standard variable rate** as the basis for setting the rate **we** charge in all cases where:
- a) the loan is a personal mortgage loan; and
 - b) the terms which for the time being apply to the loan provide that the interest rate will only change if and when **we** decide to change it.
- We** can change the **standard variable rate** under conditions 14.2 or 14.3;
- 1.42 **'SVR differential'** means any rate **we** add to, or take away from, the **standard variable rate** to arrive at the **variable rate**. If an **SVR differential** applies, it will be stated in the **offer**;
- 1.43 **'tariff'** means **our** tariff of charges relating to mortgages, which **we** publish from time to time, which sets out some of the **fees** **we** charge as described in condition 3;
- 1.44 **'tracking differential'** means the percentage which **we** add to or subtract from the **base rate** to arrive at the **tracking rate**. The **tracking differential** will be specified in the **offer**;
- 1.45 **'tracking rate'** means the higher of the following two rates:
- a) the **base rate** plus or minus the **tracking differential**; and
 - b) 0.0001% p.a.;
- 1.46 **'transferee'** means any person to whom **we** transfer any of the rights or obligations **we** have under the **mortgage documents** or under **our** charge over the **additional security**;
- 1.47 **'variable rate'** means the **standard variable rate** or (if an **SVR differential** applies) the **standard variable rate** plus or minus the **SVR differential**. **We** may change the **variable rate** by changing the **standard variable rate** under conditions 14.2 or 14.3;

1.48 'we', 'our' or 'us' means or relates to:

- a) Santander UK plc or its successors and assigns (whether legal or equitable or beneficial); and
- b) any other person who for the time being has the benefit of the **mortgage** or **our** charge over the **additional security**;

1.49 'year' means a year from 00.00 hours on 1 January to 24.00 hours on 31 December; and

1.50 'you' or 'your' means or relates to:

- a) the person(s) named as the borrower in the **mortgage deed** and their successors; and
- b) anyone (other than a guarantor) who agrees to discharge any of the borrower's obligations.

2 Interpretation and application

2.1 These **conditions** include any terms of the **offer** which continue to apply after **we** make the loan mentioned in the **offer**.

2.2 The singular includes the plural and the other way round.

2.3 Conditions are given whole numbers. Conditions are divided into paragraphs, which are given decimal numbers. Paragraphs are divided into subparagraphs, which are given letters. (For example, 'condition 4.1(a)' refers to subparagraph (a) of paragraph 1 of condition 4.)

2.4 The section of these **conditions** headed 'Buy to Let – additional and substitute provisions', beginning at condition 40 contains further **conditions** which apply if the **property** or any part of it is **let** (whether or not it was **let** with **our** written consent under condition 21.2). If those **conditions** become applicable they will continue to apply until all of the following requirements are met:

- a) no part of the **property** is **let**;
- b) **you** do not intend to **let** the **property** or any part of it; and
- c) **you** have given **us** written confirmation of the facts in subparagraphs (a) and (b).

3 Acting in joint names

3.1 If there are more than one of **you**, the terms of the **mortgage documents** (including these **conditions**) apply to all of **you** together and to each of **you** on **your** own. **You** are individually responsible for complying with the terms of the **mortgage documents**. If there are more than two of **you**, the terms of the **mortgage documents** also apply to any combination of **you**.

3.2 Unless and until **you** (or any of **you**) notify **us** to the contrary in writing:

- a) **you** authorise each other to agree to any amendments to the **mortgage documents** in writing and agree with each other that **you** will not individually be required to approve any such amendments; and

- b) **we** will accept signatures, instructions or notices under these **conditions** from any one of **you** and will act upon such signatures, instructions or notices as if they were from all of **you**. The signatures, instructions and notices referred to in this subparagraph include those relating to any **additional loan**, the **additional security** and amendments to the **conditions**.

3.3 Each of **you** is responsible for repaying the **money you owe us** and not just a part of it and if any of **you** fail to comply with any of the **conditions we** may enforce the **conditions** against all or any of **you**.

3.4 If **we** give **you** a notice under condition 38 or send **you** a mortgage statement by post, **we** may do so by sending one copy of the notice or mortgage statement addressed to all of **you** jointly.

3.5 If **your** relationship with each other ends, **you** must ensure that **you** continue to comply with the **conditions** and continue to make the **monthly payments** and ensure the **money you owe us** is repaid.

4 Withdrawal of offer

4.1 **We** may withdraw an **offer** in the following circumstances:

- a) if any information **you** have provided in relation to the **property** or **your** financial circumstances is materially false or inaccurate; or
- b) if **your** financial circumstances change in a way which in **our** reasonable opinion makes it difficult for **you** to comply with **your** obligations under the **mortgage documents**.

5 Our agreement

5.1 **You** agree to carry out **your** obligations under the **mortgage documents** and **we** agree to carry out **ours**.

5.2 In addition to the rights **you** and **we** have under the **mortgage documents**, **you** and **we** have rights implied by law which may not be stated in the **mortgage documents** but will apply to the **mortgage** unless they have been expressly excluded in the **mortgage documents**.

5.3 In the event of any inconsistency:

- a) any special terms agreed between **you** and **us** in writing prevail over the rest of the **mortgage documents**;
- b) the terms in the **offer** prevail over the **mortgage deed** and these **conditions**;
- c) the terms of the **mortgage deed** prevail over these **conditions**; and
- d) where they apply, the terms in the section of these **conditions** headed 'Buy to Let – additional and substitute provisions' (beginning at condition 40) prevail over any contrary provisions in conditions 1 to 39.

6 Scope of security

- 6.1 The **mortgage deed** secures:
- the **money you owe us**; and
 - the money which **you** (or any one or more of **you**) owe **us** under any other agreement which expressly states that it is to be secured by the **mortgage deed**.
- 6.2 Until the money mentioned in condition 6.1 has been repaid in full, **we** will not be obliged to release any **property** which **we** hold as security for money **we** have lent **you**, or any one or more of **you**.

7 Payments you must make

- 7.1 **You** agree to pay **us**:
- the **monthly payment** each **month**; and
 - the **money you owe us** in full, by the end of the **repayment period**.
- 7.2 **You** agree to make the **monthly payments** by direct debit unless **you** get **our** written consent to making them by some other method (see condition 23). **We** may change the method for making the **monthly payments** at any time by giving **you** not less than 30 days' notice in writing. **We** will only do this if:
- the existing method becomes obsolete; or
 - the changed method will be quicker, cheaper or more reliable than the existing one.
- 7.3 **We** will work out the **monthly payment** so as to provide that:
- you** pay interest only on any **capital** which is covered by an **interest-only scheme**; and
 - any **capital** which is not covered by an **interest-only scheme** is repaid with interest by the end of the **repayment period**.
- 7.4 **a)** **You** are responsible for repaying any **capital** which is covered by an **interest-only scheme** by the end of the **repayment period**.
- (b)** if **you** have chosen to meet **your** obligations under conditions 7.4(a) by selling the **property**, **you** are responsible for ensuring that the **property** is sold by the end of the **repayment period** and that **you** repay all the **money you owe us** by then.
- 7.5 Without limiting any other rights **we** have under the **mortgage documents**, if at any time **you** are in arrears with the **monthly payments** payable by **you** under an **interest-only scheme**, and the amount in arrears is equal to at least two of those **monthly payments**, **we** may give **you** notice:
- cancelling the **interest-only scheme**; and
 - increasing the **monthly payment** so that it provides for the **capital** which was covered by the scheme to be repaid with interest by the end of the **repayment period**.

- 7.6 **We** may divide the **mortgage account** into different parts, for example, in circumstances where different repayment terms apply to different parts of the **money you owe us**.
- 7.7 **a)** If the **mortgage deed** is discharged before **you** have repaid the **mortgage debt** in full, **we** may give **you** written notice requiring **you** to pay **us** the amount which **you** still owe, plus interest until full repayment.
- b)** Condition 7.7(a) applies even if **we** gave **you** a receipt or other confirmation when the **mortgage deed** was discharged which stated that the **mortgage debt** had been repaid in full.
- c)** Subject to condition 7.7(d), **we** will lose the right to recover any amount **you** still owe if **we** do not give **you** written notice of **our** claim within three months after discharge of the **mortgage deed**.
- d)** The time limit in condition 7.7(c) does not apply if **we** discharged the **mortgage deed** under a mistake and **you** caused the mistake or knew about it at the time.
- e)** Nothing in condition 7.7(a) and (b) above prevents **you** from pursuing any claim which **you** may have against **us** if **you** suffer loss as a result of any mistake **we** make in calculating the amount required to discharge the **mortgage deed**.

8 Payment date

- 8.1 **You** must pay the **monthly payment** on the **payment date** in every **month**. The **payment date** is determined as follows:
- The first **payment date** will be the date **we** notify to **you** after the **completion date**;
 - Unless the **payment date** is changed under condition 8.2, the **payment date** after the first **payment date** will be the day of the **month** which **you** notify to **us** before the **completion date** as **your** chosen **payment date** (which may be any day other than the 29th, 30th or 31st of the **month**). If **you** do not notify **us** of **your** chosen **payment date** before the **completion date**, **we** will set the **payment date** for **you** and notify **you**.
- 8.2 **We** will change the **payment date** to another day in the **month** if:
- you** request **us** to make the change and:
 - your** request asks **us** to change the **payment date** to a day other than the 29th, 30th or 31st of the **month**; and
 - you** have made no more than three previous requests to change the **payment date** during the last 12 **months**;
 - we** are required to do so due to an essential change to the running of **your mortgage account**.

8.3 If the **payment date** changes under condition 8.2, **we** will write to tell **you** when the changed **payment date** will come into effect, and how this affects the **monthly payment**. The first **monthly payment you** make after the changed **payment date** may be a larger or smaller amount than **your** usual **monthly payment** (depending on whether the interval between the last of the old **payments dates** and the first of the new ones is longer or shorter than normal).

9 Monthly payment

9.1 **We** may change the **monthly payment** at any time by giving **you** notice. The change will come into effect on the date stated in the notice (which will not be earlier than the date when **we** give the notice).

9.2 **We** may change the **monthly payment** for any of the following reasons:

- a) if an interest-free period has begun or come to an end;
- b) if the **interest rate** has changed (however long ago the change came into effect);
- c) if the **interest period** has changed upon a change in the **payment date** (however long ago the change came into effect);
- d) if **we** have made **you** an **additional loan** or released any part of a loan which **we** were keeping back;
- e) if the **capital** has increased because:
 - (i) **we** have added any **arrears to capital** under condition 16.1(c); or
 - (ii) **we** have added any unpaid **fees to capital** under condition 31.5(e)
- f) if **you** make a **capital payment** under condition 10.4;
- g) if **you** have paid **us** less or more than is necessary to ensure that the **money you owe us** is repaid within the **repayment period** (this applies even if **we** have made a mistake in working out the **monthly payment** but **you** will be entitled to pursue any claim which **you** may have against **us** if **you** suffer loss as a result of **our** mistake);
- h) if **we** have cancelled an **interest-only scheme**; or
- i) if **we** have applied, changed, or cancelled any other arrangement or concession permitting **you** to suspend the payment of **capital** and/or to defer the payment of interest on any part of the **capital**.

9.3 If in any **month we** change the **monthly payment** to reflect a change which occurred in a previous **month** in the **interest rate** or in the amount of **capital** outstanding, **we** may reduce or increase the first of the new **monthly payments** to take account of any interest **you** have overpaid or underpaid as a result of making the old **monthly payment**.

10 Extra payments

10.1 This condition applies if the amount credited to the **mortgage account** at any time is more than the amount which **you** had to pay by then. The difference between the two amounts is referred to as the **'extra payment'**.

10.2 If **you** make an **extra payment**, it will not oblige **us** to recalculate the **monthly payment**. Nor will it affect **your** obligation to pay the **monthly payment** at monthly intervals under condition 7.1.

10.3 If **you** make an **extra payment**:

- a) **We** will first use the **extra payment** to reduce or pay off any part of the **money you owe us** which is overdue at the date of the **extra payment**.
- b) If the requirements of condition 10.4 are satisfied, **we** will treat the **extra payment** as a **capital payment** received for the credit of **your mortgage account**, so that it will immediately reduce the **capital** under condition 16.1.
- c) if the requirements of condition 10.4 are not satisfied, **we** will be unable to treat the **extra payment** as money received for the credit of **your mortgage account**. Instead, **we** will keep the **extra payment** (but without paying **you** any interest on it) and put it towards **your** subsequent **monthly payments**.

10.4 **You** may reduce the **money you owe us** at any time by making a **capital payment**. If **you** wish to make a **capital payment**, **you** must:

- a) tell **us** that **you** want to make a **capital payment**, when **you** want to make it and how **you** want it to be applied;
- b) make the payment by one of the following methods: by online payment from **your** bank account, by card payment to **us**, by direct debit, by bank transfer or by cheque;
- c) ensure that, if **you** make the payment by cheque, **you** write **your mortgage account** number, name and address and the words **'capital payment'** on the back of the cheque and send the cheque to the mortgage operations site administering **your mortgage account**.

11 Early repayment charge

11.1 If the **offer** states that **you** may have to pay an **early repayment charge** if **you** repay some or all of a loan or **loan part** during the **charge period** which applies to that loan or **loan part**, **you** will have to pay the **early repayment charge** if any of the following things happen before the end of the **charge period**:

- a) other than in the circumstances set out in condition 11.2, **you** repay some or all of the loan or **loan part** to which the **early repayment charge** applies;
- b) **we** agree to a request from **you** to apply a different **interest rate** to the loan or **loan part** to which the **early repayment charge** applies;
- c) **we** agree to a request from **you** to reduce the term of the **mortgage**; or

- d) the **property** is sold by **you** or **us** or by another of **your** creditors.
- 11.2 The circumstances mentioned in condition 11.1(a) are as follows:
- a) where **you** make a regular **monthly payment**;
 - b) where in any **year**, **you** make one or more **capital payments** which have the effect of repaying not more than 10% of the **capital** (calculated at the beginning of the **year**) owing in respect of the loan or **loan part** to which the **early repayment charge** applies;
 - c) if the **money you owe us** is repaid upon **your** death.

12 Interest we charge

- 12.1 **We** will charge interest at the **tracking rate**, **variable rate** or other **interest rate** which applies under the **offer** and these **conditions**.

13 Interest at a Tracking Rate

- 13.1 The **tracking rate** will change on the third day of the **month** which immediately follows the **month** in which the **base rate** changes and by the same amount as any change in the **base rate**. If and for so long as the **offer** provides for interest to be charged at a **tracking rate** on any part of the **capital**, **we** will give **you** written notice of any change in the **tracking rate** at the same time as **we** give **you** notice of **your** changed **monthly payment** under condition 9.1.

14 Interest at a Variable Rate

- 14.1 This condition applies if and for so long as the **offer** provides for interest to be charged at a **variable rate** on any part of the **capital**.
- 14.2 **We** may change the **standard variable rate** at any time for one or more of the following reasons:

- a) to maintain the competitiveness of **our** personal banking business, taking account of actual or anticipated changes in the interest rates which other financial institutions charge to personal mortgage borrowers;
- b) to reflect actual or expected changes in the cost of the funds **we** use in making loans to **our** personal mortgage borrowers;
- c) to ensure that **our** business is run in a way which complies with the requirements of **our** regulator or of any central bank or other monetary authority.

We will give **you** notice of the change as soon as possible after **we** have taken a final decision to make the change. The change will come into effect on the date stated in the notice, which will not be earlier than the date when **we** give the notice.

- 14.3 **We** may also increase or reduce the **standard variable rate** under this condition at any time for any other valid reason. If **we** do so:

- a) **we** will give **you** not less than 30 days' notice of an increase in the **standard variable rate** and not less than seven days' notice of a reduction;
- b) the notice will say that **we** are making the increase or reduction under this paragraph;
- c) the notice will say if **we** are increasing the **standard variable rate** to reflect a change in the **base rate**;
- d) if **we** are increasing the **standard variable rate** then, unless **our** notice says that **we** are making the increase for the reason mentioned in subparagraph (c) above, **you** will be entitled to repay all the **money you owe us** or (if **you** choose), the part of the **capital** to which the increase applies, within three months from the date on which the increase takes effect, without paying any **early repayment charge** or other fee that would otherwise apply.

15 Substituting a different Base Rate

- 15.1 **We** may, by giving **you** not less than seven days' written notice, specify a new rate of interest as the **base rate** if the Bank of England's official bank rate ceases to exist, or if any other rate which **we** have previously specified under this paragraph ceases to exist. Any rate of interest which **we** specify under this paragraph will be either:

- a) the nearest equivalent lending rate set by the Bank of England or (if the Bank of England itself ceases to exist) by any central bank which replaces the Bank of England; or
- b) (if such a rate cannot be identified or is not widely used as a basis for setting interest rates in the United Kingdom) the average base rate of two or more major banks chosen by **us** which:
 - (i) are not **associated companies of ours**;
 - (ii) carry on a substantial part of their business in the United Kingdom; and
 - (iii) publish or communicate their base rates to the public.

16 General provisions about interest

- 16.1 **We** will charge interest each day on the **capital** and any **arrears** owing at the end of that day.
- a) The **capital** is worked out in the following way:
 - (i) Any money **we** lend **you** will increase the **capital** from the date when **we** release the money in accordance with **your** instructions (or the date when the money is transferred if **we** pay it by electronic transfer).
 - (ii) Any **arrears** which are transferred to **capital** under subparagraph (c) below and any unpaid **fees** which are transferred to **capital** under condition 31.5(e) will increase the **capital** on the day the transfer takes place.

- (iii) Any item of unpaid **capital** which is transferred to the **arrears** balance under subparagraph (b) (ii) below will reduce the **capital** at the time the transfer takes place.
 - (iv) Any money **we** receive for the credit of **your mortgage account** will be used (after paying off any **arrears** and any interest which is due for payment) to reduce the **capital** with immediate effect.
 - b) Any **arrears** will be held in a separate **arrears** balance, which is worked out in the following way:
 - (i) The interest **we** charge on **capital** each day during an **interest period** will be added to the **arrears** balance on the first day of the following **interest period** (unless it has been paid off in the meantime).
 - (ii) Any item of **capital** which remains unpaid at the end of the day on which it falls due for payment will be transferred to the **arrears** balance at the start of the following day and will then cease to form part of the **capital** (unless and until it is transferred back to the **capital** under subparagraph (c) below).
 - (iii) Any **arrears** which are transferred to **capital** under subparagraph (c) below will reduce the **arrears balance** on the day the transfer takes place.
 - c) **We** may transfer any part of the **arrears to capital** if **we** reasonably believe that:
 - (i) **you** will not be able to pay off the amount transferred before the end of the **repayment period**;
 - (ii) **you** will be able to afford any increase in the **monthly payment** which **we** are likely to make under condition 9.2(e) as a result of the transfer; and
 - (iii) where an **interest-only scheme** applies, **you** will be able to repay **capital** (including the amount transferred) in full by the end of the **repayment period**.
- 16.2 **We** will charge interest on the **capital** and any **arrears** at the **interest rate**. **We** will continue to charge interest at the **interest rate** even if **we** get a court order for **you** to pay some or all of the **money you owe us**.
- 16.3 Interest accrues from day to day.
- 16.4 In a leap **year**, **we** may charge the same amount of interest for each day in the **year** as **we** would have charged if there had only been 365 days in the **year**.
- 16.5 Except where condition 16.7 applies or where a particular **interest period** is longer or shorter than a **month**, **we** will work out the interest **we** charge each day on the basis that the interest **we** charge in each **interest period** is one twelfth of the interest **we** charge in the **year**.
- 16.6 Where there is a change during an **interest period** in:
 - a) the **interest rate**; or
 - b) the amount of **capital**,the interest **we** charge during that **interest period** will be worked out as follows:
 - (i) from the start of the **interest period** until the end of the day before the change occurs, **we** will charge an apportioned part of the interest **we** would have charged for the whole **interest period** if the change in the **interest rate** or the amount of the **capital** had not occurred;
 - (ii) for the remainder of the **interest period**, **we** will charge an apportioned part of the interest **we** would have charged for the whole of the **interest period** if the change in the **interest rate** or the amount of the **capital** had occurred immediately before the start of the **interest period**;
- 16.7 If **you** tell us that **you** wish to repay all of the **money you owe us**, **we** will work out the amount **you** have to pay, so far as it consists of interest, on the assumption that each day's interest is an equal 1/365 part of the interest **we** charge in the **year** (even if in a leap **year**). **We** will supply **you** with a redemption statement setting out the amount needed to repay the **money you owe us**, including interest, on the date **you** have told us is the date **you** wish to pay off the **money you owe us**. **We** will also set out the daily interest due on the **capital** in the redemption statement to enable **you** to calculate the **money you owe us** on the day **you** actually pay the **money you owe us** if it is not the date **you** have told **us** to use for the preparation of the redemption statement.
- 16.8 Except where the **offer** states otherwise, **you** must pay the interest for each **interest period** by making the **monthly payment** which is due to be paid on the first day of the following **interest period**.
- 16.9 If any unpaid interest is added to **arrears** under condition 16.1(b) (i) the **interest rate** which applies to that unpaid interest will be the rate which applies to the money on which the unpaid interest accrued.
- 16.10 If any **fees** become due from **you** under condition 31, interest will be charged on those **fees** in accordance with condition 31.5(d)
- 16.11 **We** will charge interest at the **standard variable rate** on any of the **money you owe us** which remains unpaid after the end of the **repayment period**.

17 Set off

- 17.1 If the **money you owe us** has become immediately payable under condition 24.2, or (where it applies) condition 43.1, and **you** have any money in a current or investment account with **us** or any **associated company, we** may take the money out of **your** account and use it to pay off or reduce the **money you owe us**. If **we** do this, neither **we** nor any **associated company** will pay any further interest or bonus on the money **we** have taken out of **your** account.
- 17.2 Condition 17.1 applies even if **you** are joint borrowers and the current or investment account is held by only one of **you**.

18 Additional security

- 18.1 So far as **you** are able, **you** assign the **additional security** to **us**. On request, **we** will reassign it to **you** when **you** have repaid the **mortgage debt**.
- 18.2 To the extent **you** are unable to assign the **additional security**, **you** agree to grant **us** a charge over the **additional security**.

19 Transferring your loan to a new mortgage

- 19.1 This condition applies if **you** notify **us** that **you** wish:
- to pay off the **money you owe us** on completing a sale of the **property**, and
 - at the same time, to complete a mortgage with **us** under which **we** will lend **you** money on the security of another property that **you** wish to buy.
- 19.2 In this condition and in condition 20:
- '**new property**' means the property which **you** wish to buy;
 - '**new mortgage**' means the mortgage under which the money **you** wish **us** to lend **you** will be secured on the **new property**;
 - '**transfer balance**' means any part of the **money you owe us** (not exceeding the total amount **we** have lent **you** under this **mortgage**) which **you** want to transfer from this **mortgage** to the **new mortgage**;
 - '**top-up balance**' means any money which **you** wish to borrow and **we** are willing to lend **you** under the **new mortgage** in addition to the **transfer balance**.
- 19.3 Where this condition applies:
- We** will accept **your** application for the **transfer balance** to be transferred to the **new mortgage** unless **we** reasonably think that:
 - in all the circumstances (including **your** financial circumstances), the risk of **your** being unable to meet **your** commitments under the **new mortgage** would be significantly greater than the risk of **your** failing to meet **your** commitments under this **mortgage**;
 - you** could not afford to repay the **transfer balance** with interest by the end of the repayment period which would apply under the **new mortgage**;

- the risk that **we** would suffer a loss if **we** realised **our** security would be significantly greater under the **new mortgage** than it is this **mortgage**.

- The **transfer balance** will not be eligible for any **incentive product** or other benefit which **we** provide for any **top-up balance**.
- We** will transfer all or part of the **money you owe us** to the **new mortgage** if:
 - the amount **we** are prepared to lend **you** under the **new mortgage** (including the **transfer balance**) does not result in a **loan to value ratio** which exceeds 95%;
 - you** give **us** not less than seven days' notice in writing that **you** want **us** to transfer all or part of the **money you owe us** to the **new mortgage**; and
 - you** select a mortgage product for any **top-up balance** from the range of mortgage products which **we** make available in cases where the **loan to value ratio** does not exceed 95%.
- The **transfer balance** may only be transferred to a **new mortgage** over one **new property**. This means that, if there is more than one of **you**, the **transfer balance** cannot be divided between **you** and secured by mortgages over two or more properties.

20 Refunding an early repayment charge on a transfer of your loan to a new mortgage

- 20.1 If **you** enter a **new mortgage** with **us** within three months of the date on which **we** discharge the **mortgage**, **we** may refund all or some of any **early repayment charge** which **you** paid at the time when the **mortgage** was discharged.
- 20.2 If there is more than one of **you**, the refund will be divided equally amongst those of **you** who are borrowers under the **new mortgage**.

21 Restrictions on your power to deal with the property

- 21.1 These **conditions** exclude any power **you** have by law:
- to grant a **lease** of the **property**; or
 - to allow anyone to surrender a **lease** of the **property**.
- 21.2 **You** must not do any of the following without first getting **our** written consent (see condition 23):
- transfer, sell or grant a **lease** of the **property**, or dispose of it or any interest **you** have in it in any other way;
 - give anyone an enforceable licence to occupy the **property**;
 - part with possession of the **property** or share possession of it with anyone else;
 - allow anyone to surrender a **lease** of the **property**;
 - other than to **us** or an **associated company**, grant any mortgage, security or charge over the **property** or the **additional security**.

21.3 If **you** hold the **property** under a **lease**, **you** must not do any of the following without first getting **our** written consent (see condition 23):

- a) surrender the **lease**;
- b) give notice to terminate the **lease**.
- c) agree to any change in the terms of the **lease**.

22 General obligations

22.1 **You** agree to the following:

- a) **you** will occupy the whole of the **property** as **your** main residence (unless the **offer** provides that the **property** may be **let** or **you** later **let** the **property** with **our** written consent);
- b) **you** will make sure that any buildings being built on the **property** are completed without delay and are properly built in accordance with applicable building regulations, planning and other consents;
- c) **you** will keep the **property** in good repair;
- d) **you** will comply with any covenants or conditions which affect the **property** and its use;
- e) **you** will promptly pay all rates, taxes and other payments which are the responsibility of the owner or occupier of the **property**;
- f) **you** will comply with all legislation which affects the **property** and the use of the **property**;
- g) **you** will send **us** a copy within seven days' of any notice **you** give to exercise a legal right which affects the **property**;
- h) if **you** receive a notice which affects the **property** from any statutory authority, or from anyone claiming to exercise a legal right over the **property**, **you** will:
 - (i) send **us** a copy of the notice within seven days' of receiving it;
 - (ii) comply with the terms of the notice if it is valid; and
 - (iii) make any reasonable representations about the notice which **we** ask **you** to make;
- i) **you** must not change the use of the **property** without first getting **our** written consent (see condition 23);
- j) **you** will ensure that nothing is done without **our** written consent (see condition 23) which may:
 - (i) make it more difficult or expensive to insure the **property**;
 - (ii) damage the structure or adversely affect the condition of the **property**;
 - (iii) reduce the value of the **property**; or
 - (iv) make the **mortgage**, or **our** charge over the **additional security**, less valuable to **us**;

k) if **you** acquire a new or increased interest in the **property** (e.g. an extended **lease** or the freehold of the **property**, or an interest in the freehold of any building which includes the **property**) **you** will:

- (i) notify **us** immediately in writing of **your** receiving the title deeds for the new or increased interest and if **we** request delivery, deliver such title deeds to **us**; and
 - (ii) (if asked) grant **us** a first **mortgage** over the new or increased interest: the **mortgage** must be in a form approved by **us** and will be completed at **your** expense;
- l) if following the **completion date**, **you** are sent any of the title deeds to the **property**, **you** will:
- (i) notify **us** immediately in writing of **your** receiving the title deeds;
 - (ii) store them in a safe and secure place; and
 - (iii) send them to **us** at **your** own risk by first class post within seven days' of any written request for them;

22.2 If **you** hold the **property** under a **lease**, **you** agree to the following:

- a) **you** will comply with all the tenant's obligations under the **lease**;
- b) **you** will do all **you** can to make sure that the landlord and any other party to the **lease** (e.g. a management company) comply with their obligations under it; and
- c) **you** will send **us** within a reasonable time a copy of any notice **you** give:
 - (i) to extend the **lease**;
 - (ii) to acquire the freehold of the **property**; or
 - (iii) to acquire an interest in the freehold of any building which includes the **property**.

23 Obtaining our consent

23.1 This condition applies if **you** ask **us** for **our** consent under condition 7.2, 21.2, 21.3 or 22.1(i) or 22.1(j).

23.2 **We** will only refuse **our** consent if it is reasonable to refuse it.

23.3 If **we** give **our** consent to the **property** being **let** or used for any purpose other than for **your** residence, **we** may impose conditions on our consent which will be similar to the conditions we apply to new loans secured on **property** which is to be **let** or used for **your** requested purpose.

23.4 **We** may impose other **conditions** on **our** consent if it is reasonable to impose conditions and the conditions are reasonable.

23.5 **You** agree to comply with any conditions **we** impose under conditions 23.3 and 23.4.

2.4 Default, breaches and other matters

- 24.1 For the purposes of any power **we** have by law or under the **mortgage documents** to sell the **property**, the **money you owe us** is to be treated as due one **month** after the **completion date**.
- 24.2 **We** may give **you** notice requiring **you** to pay **us** the **money you owe us** immediately:
- a) if **you** are more than two **months** late in making any payment under the **mortgage documents**;
 - b) if **you** break any obligation (other than for the payment of money) which is contained in the **mortgage documents** and either:
 - (i) **you** fail to remedy the breach within 14 days after **we** give **you** notice to remedy it; or
 - (ii) **we** reasonably think that the breach creates a new or increased risk that **we** would suffer loss if **we** were to realise **our mortgage** and the **additional security**;
 - c) if a bankruptcy petition (within the meaning of the Bankruptcy Code 1892 of the Isle of Man) is made against **you** or if a receiving order is granted against **you** under section 8 of the Bankruptcy Code 1892 of the Isle of Man or the appointment of a trustee under section 7 of the Bankruptcy Code 1892 of the Isle of Man or if a bankruptcy order (or a sequestration order) is made against **you**. (Note: a bankruptcy order is a court order which adjudicates **you** a bankrupt and allows **your property** to be sold and distributed to **your** creditors if **you** cannot pay **your** debts);
 - d) if **you** enter into any composition or scheme of arrangement, or make a proposal to do so (Note: a composition or scheme of arrangement is an arrangement **you** make with **your** creditors under which they agree to accept late payment, or part payment, of **your** debts. The arrangement is supervised by a person known as an official trustee);
 - e) if someone appoints a receiver of any of **your property**. (Note: a receiver is a person appointed by a creditor to collect the income (such as rent) from property which **you** have mortgaged to the creditor);
 - f) if someone levies distress execution or attachment or executes due diligence on any of **your** goods (Note: if **you** are a tenant of a **property** in the Isle of Man or in England and Wales, distress is a remedy which allows **your** landlord to take **your** goods and sell them to recover unpaid rent. Diligence is a similar process which applies in Scotland);
 - g) if any execution, diligence or similar process is issued or enforced against any part of **your** assets or income. (Note: execution (or diligence in Scotland) is a process for enforcing a court order against **you**. It involves selling **your** goods, or taking part of **your** income, to raise the money **you** must pay under the order);
 - h) if any action is taken or arrangement is put in place that is similar in effect to the action or arrangements set out in subparagraphs (c) to (g) above;
 - j) if **you** create any right against the **property** or grant any interest in the **property** that affects **our** ability to enforce **our** rights under the **mortgage documents**;
 - j) if another mortgagee or security holder:
 - (i) takes possession of the **property**;
 - (ii) appoints a receiver; or
 - (iii) exercises, or tries to exercise, a power of sale over the **property**;
 - k) if:
 - (i) **you** hold the **property** under a **lease**; and
 - (ii) **your** landlord gives **you** a statutory notice specifying a breach of any obligation or condition in the **lease** and, if the notice requires **you** to remedy the breach, **you** fail to remedy it within a reasonable time;
 - l) if the **property** is compulsorily purchased or requisitioned;
 - m) if any of the following are set aside or found to be ineffective, or only partly effective:
 - (i) the **mortgage deed**;
 - (ii) **our** charge over the **additional security**;
 - (iii) any **guarantee**;
 - (iv) any **mortgage** or other security for a **guarantee**;
- We** would only invoke **our** right to require immediate payment of the **money you owe us** under this condition 24.2(m) if **you** caused or contributed towards any of the above documents being either set aside or rendered ineffective or partly effective by reason of:
- any fraudulent or deliberate action on **your** part; or
 - any other act or omission on **your** part,
- and all reasonable steps taken by **us** to make good **our** security or reinstate the affected security document have failed;
- n) if the **money you owe us** has not been repaid by the end of the **repayment period**;
 - o) if **you** die.
- 24.3 At any time after the **money you owe us** has become immediately payable under condition 24.2 or (where it applies) condition 43.1:
- a) **we** shall have the power to sell the **property** and **we** may exercise power to sell the **property** (whether or not **we** have taken possession)
 - b) **we** shall have and may exercise all the powers in condition 24.4;
 - c) **we** may take possession of the property;

- d) **we** may apply to the Court for judgment in respect of the **mortgage debt**.
- 24.4 The powers mentioned in condition 24.3(b) are to do any of the following where it is reasonable:
- a) carry out repairs or improvements to the **property**;
 - b) manage the **property**;
 - c) where **you** hold the **property** under a **lease**:
 - (i) extend or renew the **lease**;
 - (ii) surrender the **lease**; or
 - (iii) agree with the landlord to change the terms of the **lease**;
 - d) grant a **lease** of the **property** free from any statutory restrictions;
 - e) where the **property** is **let** (i.e. where **you** are the landlord under a **lease** of the **property**):
 - (i) bring the **lease** to an end;
 - (ii) agree with the tenant to change the terms of the **lease**; and
 - (iii) accept a surrender of the **lease**, free from any applicable statutory restrictions; or
 - f) make any application to any land registry responsible for registering ownership of the **property** on any matter relating to the **property**.
- 24.5 If the **property** or the **additional security** is realised (for example, if the **property** is sold by **us** or another person with a mortgage or security over it), **we** shall apply the money **we** receive in the following order:
- a) to pay off the **money you owe us**;
 - b) to pay off any remaining **mortgage debt**;
 - c) pay off any other mortgages, securities or charges which affect the **property** or the **additional security**;
 - d) pay any surplus to **you** or, if **we** are unable to locate **you**, into an account with **us** in **your** name (which **you** authorise **us** to open for this purpose).

25 Your furniture and goods

25.1 If **we** take possession of the **property** **we** may, as **your** agent and at **your** expense, remove, store, sell, dispose of or otherwise deal with any furniture, goods or animals which **you** have not removed from the **property**. **We** will not be responsible for any loss or damage caused by **our** doing this unless **we** fail to take reasonable care.

26 Our right to inspect and do works

26.1 **We** may enter the **property** at any reasonable time (or at any time in an emergency):

- a) to inspect the **property**; or

- b) at **your** expense, to do any work which is needed to put right any failure by **you** to comply with these **conditions**.

27 Insurance by you

- 27.1 **You** may insure the **property** through **our** insurance arrangements (where they are available).
- 27.2 If **you** do not insure the **property** under condition 27.1, **you** must insure the **property** with a reputable insurance company of **your** choice, in which case the following terms will apply:
- a) the **property** must be insured against loss and damage for its current **rebuilding cost**;
 - b) the insurance must be kept in force until the **mortgage debt** has been repaid;
 - c) the insurance must be under a comprehensive policy;
 - d) **you** must pay the premiums on time;
 - e) any excess specified in the policy must be reasonable;
 - f) the policy must be in force no later than the **completion date**;
 - g) **you** must supply **us** with a copy of the policy on request;
 - h) **you** must tell **us** immediately if **you** make a claim on the policy of more than £10,000.

27.3 **We** may change the terms set out in condition 27.2, above, at any time by giving **you** not less than 30 days' notice in writing. **We** will only do this if it is reasonable to make the change:

- a) to ensure that the amount of the insurance and the risks covered by the policy are adequate to provide proper protection for the **property**; or
- b) to reflect a general change in the terms on which household insurance is available in the United Kingdom.

27.4 If **you** insure the **property** with an insurance company of **your** choice, but **you** do not keep to the terms set out in condition 27.2 and to any changed terms which apply under condition 27.3, **we** may give **you** notice requiring **you** to cancel the insurance and to insure the **property** through **our** insurance arrangements under condition 27.1 (where they are available).

28 Insurance by us

28.1 If **you** do not insure the **property** under condition 27 or do not keep to the terms which apply to the insurance, **we** may insure the **property** or **our** interest in it on the following terms:

- a) the insurance will be at **your** expense and **we** will treat the premium as an item of **fees** which **we** may debit to **your mortgage account** under condition 31.5(a);
- b) the insurance may be for any amount up to the current **rebuilding cost**;
- c) **we** will decide the risks to be covered; and
- d) **we** will choose the insurer and the names in which the insurance is taken out.

29 Insurance by another person

29.1 If the **property** is held under a **lease** or title which requires the **property** to be insured by a third party (e.g. the landlord), this condition will apply instead of condition 27 or 28. Where this condition applies, **you** must do **your** best to ensure that the **property** is kept insured with a reputable insurance company against loss and damage for its current **rebuilding cost**.

30 General provisions about insurance

30.1 If **we** ask, **you** must produce any information which **we** need to make sure that **you** are complying with conditions 27 or 29 (where they apply).

30.2 **You** must ensure that:

- a) any material facts concerning the insurance are disclosed to the insurer when the insurance is taken out;
- b) any events which occur, or facts which **you** discover, after the insurance is taken out are immediately disclosed to the insurer if they are material to the insurance.

30.3 Where the **property** is insured under a policy to which condition 27 or 29 applies, **we** may pay an extra premium at **your** expense:

- a) to increase the amount of the insurance to any amount up to the current **rebuilding cost**; or
- b) to cover any additional risks which **we** think need to be covered to provide proper protection for the **property**.

30.4 **You** must hand over the following to **us** on request:

- a) any insurance policy which concerns the **property**;
- b) all relevant endorsements on the policy; and
- c) receipts for the premiums paid under the policy.

30.5 If money becomes payable under a policy to which condition 27 or 28 applies, then **you** must use the money in promptly reinstating the **property** if either:

- a) the insurer requires the money to be used to reinstate it; or
- b) **we** give **you** written notice requiring **you** to reinstate it (which **we** will only do if **we** reasonably decide that it would be practicable to use the money for this purpose).

In any other case, the money must be used to pay off or reduce the **mortgage debt**.

30.6 **We** may keep any commission or other benefit which **we** or an **associated company** receive in connection with the insurance of the **property**.

31 Fees

31.1 In these **conditions**, **'fees'** means:

- a) the **mortgage account fee** **we** charge as detailed in **your offer** and **our tariff**; and
- b) all other charges made by **us** to recover the costs and expenses (including **our** internal administrative expenses) **we** reasonably incur in connection with the **mortgage**.

31.2 **We** may charge **you** a **fee** if **you** ask us to provide **you** with any service listed in **our tariff**, which will be sent to **you** each **year** with **your** annual mortgage statement and which **you** can obtain from **us** at any time. **We** will also tell **you** the **fees** for these services at any time if **you** ask.

31.3 **We** may also charge **you** a **fee** to recover any other costs and expenses **we** reasonably incur in connection with the **mortgage**, including (but not limited to) the costs and expenses **we** incur in taking action to:

- a) preserve, protect or enforce **our** security;
- b) recover any of the **money you owe us**;
- c) bring or defend any legal proceedings (whether or not **you** are a party to them);
- d) put right any failure of **yours** to comply with **your** obligations under the **mortgage documents**; or
- e) take out or keep up any insurance policy under these **conditions**, or increase the cover provided by the policy.

The **fees we** charge for taking actions of the kind mentioned in subparagraphs (a) to (e) above are not listed in **our tariff** but there is a separate arrears and litigation **tariff** of charges which will apply if **we** have to take any of these actions. **You** can obtain a copy of the arrears and litigation **tariff** of charges from **us** at any time and a copy will be sent to **you** when **we** have to first take any of the actions listed in subparagraphs (a) to (e) above.

31.4 The following terms apply to any **fees we** charge under condition 31.2 or 31.3:

- a) The amount of each **fee we** charge will either be equal to the costs **we** incur in the particular case in taking the action for which **we** charge the **fee** or (if **we** choose) will be equal to **our** reasonable estimate of the average costs **we** incur in carrying out an action of that kind.
- b) The costs and expenses mentioned in subparagraph (a) above include both **our** external costs (that is to say, costs **we** have to pay to other people) and **our** internal costs (that is to say, costs **we** incur in carrying out actions **ourselves**).
- c) In estimating the internal costs **we** include in **our fees**, **we** will take account of both the direct costs **we** expect to incur in carrying out the action in question and an allowance to reflect a reasonable share of the overheads **we** incur in providing and maintaining any premises, systems, facilities and resources which are used partly for carrying out the action and partly for other purposes.
- d) **We** may charge the **fees we** charge for any of the following reasons:
 - (i) to enable **us** to respond proportionately to a change in the external or internal costs **we** incur in carrying out the action for which the **fee** is charged;

- (ii) to make sure that **our** business is run in a way which meets the requirements of **our** regulator or of any central bank or other monetary authority; or
- (iii) to enable **us** to respond proportionately to any change in the law, or in any code of practice which applies to **us**, or to the making of a decision, requirement or recommendation by any court, ombudsman, regulator or similar body.
- 31.5 When **we** charge a **fee** under condition 31.2 or 31.3:
The following terms apply if **we** charge a **fee** under condition 31.2 or 31.3:
- a) **You** agree to pay the **fee** to **us** on demand.
 - b) **We** will add the **fee** to an unpaid fees balance if it is not paid with seven days of **our** demand.
 - c) **We** will charge interest each day on the amount of the unpaid fees balance at the end of that day.
 - d) **We** will charge interest on the unpaid fees balance at the **interest rate**. If **we** have divided **your mortgage account** into different parts, **we** will charge interest on the unpaid fees balance at the lowest **interest rate** charged on any part of the **mortgage account**.
 - e) **We** may transfer any part of the unpaid fees balance to **capital** if **we** reasonably believe that **you** will not be able to pay off the amount transferred before the end of the **repayment period**.
- 31.6 Any **fee we** charge under this condition will form part of the **money you owe us** and will be secured by the **mortgage** until it is paid.
- 31.7 **We** may treat any **fees you pay us** under this condition as payment for the supply made by **us** to **you** for the purpose of Value Added Tax.
- 32 Further assistance from you**
- 32.1 **You** agree to execute any document and do anything else which **we** reasonably think is needed:
- a) for any of the purposes listed in condition 33.2; or
 - b) to assist **us** in exercising any of **our** powers under the **mortgage documents**.
- 33 Power of attorney**
- 33.1 **You** appoint **us** and (as a separate appointment) any receiver **we** appoint to be **your** attorney and to do the following things in **your** name and on **your** behalf:
- a) execute any document which **you** must execute under the **mortgage documents** or which is needed for any of the purposes listed in condition 33.2;
 - b) do any other thing which **you** must do under these **conditions** or which is needed for any of the purposes listed in condition 33.2;
- c) do anything needed for any of the additional purposes listed in condition 48 (for so long as that condition applies).
- You** cannot revoke the power of attorney in this paragraph until the **mortgage debt** has been paid off in full.
- 33.2 The purposes mentioned in conditions 32 and 33.1(a) and b) are:
- a) to make good or preserve **your** title to the **property** or **our** rights in relation to the **mortgage**;
 - b) to make good or preserve **our** charge over the **additional security**;
 - c) to enable any of **our** rights and powers under the **mortgage documents** to be effectively exercised;
 - d) to receive any money due to **you** in connection with the **property** or the insurance of the **property**;
 - e) to make sure that any money which is paid under the **additional security** is paid to **us**;
 - f) to use any money received as **your** attorney to reduce or pay off the **mortgage debt** (except where condition 30.5 or, where it applies, condition 47.10 provides otherwise);
 - g) to allow the following to be transferred to a purchaser or **transferee**:
 - (i) the **property**;
 - (ii) the **additional security**; or
 - (iii) any interest in either of them;
 - h) to allow the following, or any interest in them, to be transferred to a purchaser or **transferee**:
 - (i) the **mortgage documents**;
 - (ii) **our** charge over the **additional security**; and
 - (iii) any **guarantee**;
 - i) to bring or defend any legal proceedings which **we** reasonably think are needed for any of the above purposes.
- 33.3 If there is more than one of **you**, the power of attorney contained in this condition allows **us** and any receiver **we** appoint to act for all of **you** together and each of **you** separately.
- 33.4 **We** will be entitled to delegate **our** power of attorney to third parties where this is reasonably necessary to help **us** in the exercise of **our** powers.
- 34 Continuing security**
- 34.1 The **mortgage** is a continuing security. This means that:
- a) the **mortgage** will remain in force if **you** die, or become bankrupt or mentally incapable;
 - b) in relation to an overdraft, the **mortgage** will not be discharged merely because the account goes into credit; and

- c) the **mortgage** will not be discharged by the part payment of the **mortgage debt**.

35 Transfer rights

35.1 You agree that **we** may transfer, or agree to transfer, the following to any person at any time:

- a) some or all of **our** rights or obligations under the **mortgage documents**; and
- b) some or all of the rights or obligations **we** have under **our** charge over the **additional security**.

35.2 If **we** transfer any of **our** rights under condition 35.1, the **transferee** will be able to enforce the transferred rights against **you** in the same way that **we** could enforce them before the transfer.

35.3 If **we** transfer **our** right to change the **standard variable rate**, the **transferee** will be entitled to change the **standard variable rate** not only for the reasons set out in condition 14.2, but also to ensure that the **transferee** is able to meet any of its obligations to third parties.

35.4 If **we** transfer any of **our** obligations under condition 35.1:

- a) **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; and
- b) **we** will be released from any further liability to perform the transferred obligations.

35.5 **We** will only transfer **our** rights or obligations under condition 35.1 if:

- a) the **transferee** agrees to exercise the transferred rights or perform the transferred obligations in accordance with a statement of policy which **we** approve before the transfer; and
- b) **we** reasonably think that the policy described in the statement is no less favourable to **you** than the policy **we** were following before the transfer.

35.6 **We** may release to any prospective or actual **transferee** information about the **mortgage** and **your mortgage account**.

35.7 **Our** powers to transfer **our** rights or obligations are in addition to those existing from time to time under the general law.

35.8 **Your** rights and obligations under the **mortgage documents** are personal to **you** and therefore **you** are not entitled to transfer them to anyone else.

36 Variations

36.1 If **we** believe that the **mortgage** or **your mortgage account** would benefit from enhanced or additional services, **we** may make changes to any conditions that apply to **you** to give **you** the benefit of such enhanced or additional services.

36.2 **We** can also change the terms of the **mortgage documents** to respond proportionately to the fact that any of the following have occurred or are about to occur:

- a) any change in the law, regulation or in codes of practice or the making of a recommendation, requirement or decision by any court, ombudsman, regulator or similar body; or
- b) any change to the systems **we** use to manage **our** accounts, including changes in the technology **we** use and changes resulting from any reorganisation of **our** business by it being acquired by or by **our** acquiring another financial organisation.

We will give **you** 30 days' prior written notice of any change **we** make under this paragraph and the change will take effect from the date specified in the notice (which will not be earlier than the date when **we** give the notice).

36.3 **You** will not be charged any **fees** for any changes **we** make to the **conditions** under this condition 36.

37 Enforcement of rights

37.1 Each condition, paragraph and subparagraph in these **conditions** is separate from the others. If any condition, paragraph or subparagraph cannot be enforced, this will not stop **you** or **us** from enforcing any other condition, paragraph or subparagraph.

37.2 If **you** or **we** delay taking, or fail to take, any action following a breach by the other party of any of the **conditions**, the party delaying or failing to take action will still be entitled to exercise their rights at a later date and will not be prevented from taking action in relation to any future breaches.

37.3 **We** will not be responsible for any breach of these **conditions** caused by circumstances beyond **our** reasonable control.

37.4 A person who is not a party to the **mortgage deed** will have no right under the Contracts (Rights of Third Parties) Act 2001 to enforce any conditions.

38 Notices

38.1 **We** may give **you** notice under these **conditions**:

- a) by delivering the notice to **you** at the **property**;
- b) by sending the notice to **you** by pre-paid post at the **property** (in which case, the notice is to be treated as given on the day when it would arrive in the normal course of post); or
- c) if **you** have so agreed, by sending the notice to **you** electronically.

38.2 A notice given under condition 14.2 (that is to say, a notice of a change in the **standard variable rate** for one or more of the reasons stated in that paragraph), may be given either in accordance with condition 38.1 or by advertising the notice in at least three national newspapers chosen by **us** and in **our** branches. A notice given by advertisement under this paragraph is to be treated as given on the first day on which it has both:

- a) appeared in each of the newspapers **we** have chosen; and
- b) been advertised in **our** branches.

A notice will still be valid even if, by mistake, **we** fail to display it at some of **our** branches.

- 38.3 Any notice **we** give **you** will come into effect on the date stated in it. If no date is stated, it will come into effect on the day it is given.
- 38.4 **We** may cancel any notice at any time before it comes into effect by giving **you** notice under condition 38.1.

39 Governing law

- 39.1 Each of the **mortgage documents** is governed by the law of the Isle of Man.

Buy to let – additional and substitute provisions

(Condition 2.4 explains when these provisions apply.)

40 Paying or discharging other money or liabilities

40.1 You agree that, as well as repaying the **money you owe us**, you will pay **us** any money which is due for payment under:

- a) any agreement between **you** and **us** which expressly states that it is to be secured (by the **mortgage deed**);
- b) any **guarantee** which **you** have given **us**.

40.2 If **we** give **you** notice under condition 24.2 or 43.1 requiring **you** to pay the **mortgage debt** immediately, then:

- a) where **your** liability under an agreement or **guarantee** mentioned in condition 40.1 is absolute, **you** must immediately pay **us** the amount **you** owe under that agreement or **guarantee**;
- b) where **your** liability under an agreement or **guarantee** mentioned in condition 40.1 is contingent, **you** must pay **us** an amount of cash which **we** reasonably judge to be necessary to make adequate provision for the discharge of the contingent liability in the event that it becomes an actual liability.

40.3 **We** will use any money **we** receive under condition 40 to pay off the **mortgage debt** in the same order as stated in condition 24.5.

41 Additional responsibilities concerning the property

41.1 You agree to the following:

- a) **you** will comply with all the landlord's obligations under the **lease**;
- b) **you** will do all **you** can to make sure that the tenant and any other party to the **lease** (e.g. a management company) comply with their obligations under it;
- c) **you** will send **us** within a reasonable time a copy of any notice **you** receive from anyone who wishes to:
 - (i) extend the **lease**;
 - (ii) acquire the freehold of the **property**; or
 - (iii) acquire an interest in the freehold of any building which includes the **property**, or in the freehold of any building which is included in the **property**;
- d) **you** will not enter into any agreement (including an agreement for the making of a consent order by the court) for any of the purposes mentioned in subparagraph (c) above without first obtaining **our** written consent to the terms of the agreement (see condition 42);
- e) **you** will make sure that the **property** is properly protected against:
 - (i) damage or deterioration from the weather;
 - (ii) vandalism and malicious damage;
- f) **you** will keep the heating, lighting, water and sewerage systems at the **property** in good working order;
- g) **you** must not alter the **property** or carry out any building works unless **you** have first:

- (i) obtained **our** written consent (see condition 42);
- (ii) obtained any planning, building or other consents which may be necessary; and
- (iii) shown **us** satisfactory evidence that **you** have got those consents;

h) **you** must make sure that any building works at the **property** are completed on time and in accordance with:

- (i) any conditions which **we** impose when giving **our** consent under subparagraph (g) above; and
- (ii) any conditions which are attached to any planning, building or other consents required under subparagraph (g) above;
- (iii) any requirements which apply under the general law;

i) if **you** receive any compensation as a result of any notice referred to in condition 22.1(h):

- (i) **you** will pay the compensation to **us**;
- (ii) **we** will use the compensation to reduce or pay off the **mortgage debt**; and
- (iii) **you** will hold the compensation on trust for **us** until it is paid to **us**;

j) if asked, **you** will supply **us** with the following:

- (i) details of any persons who are using or occupying the **property** from time to time;
- (ii) information about the basis on which they are entitled to use or occupy the **property**;
- (iii) certified copies of any documents under which they claim to be entitled to use or occupy the **property**; and
- (iv) any other information or documents which **we** require concerning the **property**, or the way it is used, or any building works being carried on there.

k) **you** will not occupy, or allow a **related person** to occupy the **property**.

41.2 You must not do any of the following without first getting **our** written consent (see condition 42):

- a) create or allow to exist any mortgage or charge over the **property** or the **additional security** (apart from the one created by this **mortgage**);
- b) grant a new or extended **lease** of the **property** (except where the tenant has a legal right to be granted a new or extended **lease**);
- c) agree to any change in the terms of the **lease**;
- d) forfeit the **lease**;
- e) agree to any restrictive covenants or obligations being imposed on the **property**; or
- f) apply for an improvement grant or other similar grant for the **property**.

- 41.3 **You** will take the following steps under the **lease** unless in any particular case **you** get **our** written consent that **you** do not need to do so (see condition 42):
- a reasonable time before any opportunity arises for a review of the rent payable under the **lease**, **you** will get written advice from a qualified valuer who is a member of the Royal Institution of Chartered Surveyors (‘the valuer’) whether the market rent at the date of the review is likely to be higher than the rent currently payable under the **lease**;
 - you** will provide us with a copy of the valuer’s advice;
 - if the valuer advises that the market rent at the date of the review is likely to be higher than the current rent, **you** will promptly take all steps which it is open to **you** to take under the **lease** to ensure that the review takes place and leads to the maximum increase in the rent which can reasonably be achieved;
 - you** will notify **us** promptly of the result of the review.
- 42 Our consent where the property is let**
- 42.1 This condition 42 applies if **you** ask for **our** consent under any of the following:
- a) condition 41.1(d) or 41.1(g);
 - b) condition 41.2; or
 - c) condition 41.3.
- 42.2 Where this condition 42 applies:
- a) **we** will only refuse **our** consent where it is reasonable for **us** to refuse it;
 - b) **we** may impose conditions on **our** consent if it is reasonable to impose conditions and the conditions are reasonable;
 - c) **you** agree to comply with any conditions **we** impose under subparagraph 42.2 (b) above;
 - d) **we** may take professional advice before deciding whether or not to give **our** consent and, if **we** give **our** consent, whether to impose conditions on the consent.
- 43 Further provisions about default, breaches and other matters**
- 43.1 In addition to the cases mentioned in condition 24.2, **we** may give **you** notice requiring **you** to pay **us** the **mortgage debt** immediately:
- a) if any of the things mentioned in condition 24.2(c) to 24.2(h) happens to a person who has given **us** a **guarantee**;
 - b) if any of the things mentioned in condition 24.2(i) to 24.2(l) happens to a **property** which has been mortgaged to **us** as security for a **guarantee** (where references in those subparagraphs to ‘**you**’ are to be read as references to the person who mortgaged that **property** to **us**).
- 43.2 The powers mentioned in condition 24.3 are further extended so as to allow **us** to do any of the following where it is reasonable:
- a) sell the **property** or any interest in it for a price payable (with or without interest) at a later date or by instalments;
 - b) carry out or complete any building works on the **property** and apply for planning permission and any other necessary consents;
 - c) raise money on the security of the **property**;
 - d) provide any services or facilities for any tenant to whom the **property** is let;
 - e) appoint any person to do any of the things mentioned in condition 24.4 or in subparagraphs (a) to (d) above.
- 43.3 **We** will use any money **we** receive through exercising **our** powers under this condition, or condition 40, to pay off the **mortgage debt** in the same order as stated in condition 24.5.
- 43.4 If **we** take possession of the **property**, **we** may give up possession at any time on giving **you** notice in writing.
- 43.5 If **we** appoint a receiver, **we** may remove the receiver at any time on giving **you** notice in writing.
- 43.6 If any person takes any steps to enforce a mortgage over the **property** which has priority to **our mortgage**:
- a) **we** may pay off the prior mortgage or arrange for it to be transferred to **us**;
 - b) **we** may agree the amount owing under the prior mortgage with the person entitled to it; provided **we** act reasonably and in good faith, **you** will be bound by the figure **we** agree;
 - c) **we** may add the following sums to the **mortgage debt**:
 - (i) the amount **we** pay to the person entitled to the prior mortgage to get it discharged or transferred to **us**;
 - (ii) the costs and expenses **we** incur in connection with the discharge or transfer of the prior mortgage;
 - d) **you** must pay us the sums mentioned in subparagraph (c) above within 30 days of **our** serving a written demand for payment on **you**.
- 44 Further provisions about your furniture and goods**
- 44.1 **We** will not be responsible for any loss of rent which results from the exercise of **our** rights under condition 25.
- 45 Our right to remedy breaches of your obligations**
- 45.1 If at any time **you** have failed to comply with **your** obligations under the **mortgage**, **we** may take any reasonable steps to remedy the failure.
- 45.2 The following terms will apply in place of condition 26:
- a) at any reasonable time (or at any time in an emergency), **we** or **our** agents or workmen may enter the **property** or any adjoining or neighbouring property belonging to **you** (or over which **you** have a right of entry);

- (i) to inspect the **property**, or
 - (ii) to carry out any work which is needed to put right any failure of **yours** to comply with **your** obligations under the **mortgage**.
- b) entering the **property** under this paragraph will not mean that **we** have assumed the legal responsibilities of a mortgagee in possession.
- 45.3 **You** will provide **us** with any information and assistance which **we** need to exercise **our** rights under this paragraph.
- 46 Appointment of a receiver**
- 46.1 If the **mortgage debt** has become immediately payable under condition 24.2 or 43.1, or if requested by **you**, **we** may appoint any person or persons (including one of **our** officers) to be a receiver of the **property**. The appointment may be made by deed executed under **our** common seal or in writing signed by one of **our** directors or managers.
- 46.2 If **we** appoint more than one person to be a receiver, **we** may authorise any of them to exercise their powers independently of the others.
- 46.3 This means that **you** rather than **we** will be responsible for:
- a) the receiver's acts and defaults;
 - b) reimbursing the receiver against any costs or liabilities which he incurs in the course of his appointment; and
 - c) paying the receiver's remuneration (but only to the extent that the rate of remuneration **we** have fixed under condition 46.7(a) is reasonable).
- 46.4 The receiver will have the following powers:
- a) all the powers conferred on a receiver by law; and
 - b) all the other powers (except for the power to appoint a receiver) which **we** may exercise under these **conditions**, including without limitation the powers set out in conditions 24.4 and 43.2.
- 46.5 Where a receiver is appointed at **your** request, the receiver may exercise the powers mentioned in condition 46.5 even though **we** have not demanded immediate payment of the **mortgage debt** (and so could not exercise those powers ourselves).
- 46.6 The receiver will not be authorised to exercise any power mentioned in condition 46.4 if and so long as **we** have excluded that power in writing (whether at the time of the receiver's appointment or subsequently).
- 46.7 **We** may from time to time:
- a) fix the receiver's remuneration at a reasonable rate; and
 - b) remove the receiver and appoint another in his place.
- 46.8 The receiver will apply the money he receives in the following order:
- a) in meeting any claims which have priority to the **mortgage**;
 - b) in paying the costs connected with the receiver's appointment or the exercise of his powers and in meeting any outgoings on the **property** which he pays;
 - c) in paying the receiver's remuneration at the rates which **we** set from time to time; and
 - d) in reducing or paying off the **mortgage debt**.
- The receiver will pay any surplus to **you** or to any other person entitled to it.
- 46.9 The receiver will not be bound to use the money he receives to pay off interest before **capital**, or otherwise to pay off the **mortgage debt** in any particular order.
- 46.10 At **our** request, the receiver may set aside funds out of the money he receives to make provision for the discharge of any contingent liability which is secured by the **mortgage**.
- 47 Property insurance while the property is let**
- This condition will apply in place of **conditions** 27, 28, 29 and 30.
- Insurance by you**
- 47.1 The **property** must be kept insured at all times in accordance with the following terms:
- a) the insurance must provide cover against the **standard risks** and any particular risks which **we** reasonably specify in writing;
 - b) the insurance must be with a reputable insurer;
 - c) the amount for which the **property** is insured must never be less than the current **rebuilding cost**;
 - d) **you** must ensure that **our** interest is noted on the insurance policy or (if **we** require) that the policy is in the joint names of **you** and **us**;
 - e) any excess specified in the policy must be reasonable;
 - f) the policy must be in force no later than the **completion date**;
 - g) **you** must make sure that the premiums and any other sums needed to keep the policy in force are paid within seven days of their becoming due;
 - h) if asked, **you** must show **us**:
 - (i) the policy;
 - (ii) all relevant endorsements on the policy; and
 - (iii) the receipts for any premiums or other sums which **you** have paid under the policy;
 - i) **you** must comply with the terms of the policy at all times.
- 47.2 **We** may change the terms set out in condition 47.1 at any time by giving **you** not less than 30 days' notice in writing. **We** will only do this if it is reasonable to make the change:
- a) to ensure that the amount of the insurance and the risks covered by the policy are adequate to provide proper protection for the **property**; or

- b) to reflect a general change in the terms on which insurance for tenanted property is available in the United Kingdom.

Insurance by us

47.3 If the **property** is not kept insured in accordance with condition 47.1, **we** may insure it on the following terms:

- a) the insurance will be at **your** expense and **we** will treat the premium as a **fee** which (if not paid when demanded) **we** may debit to **your mortgage account** under condition 31.5(a);
- b) the insurance may be for any amount up to the current **rebuilding cost**;
- c) **we** will decide the risks to be covered; and
- d) **we** will choose the insurer and the names in which the insurance is taken out.

47.4 **You** must not insure the **property** at any time when **we** are insuring it under condition 47.3.

Insurance by another person

47.5 If the **property** is held under a **lease** or title which requires the **property** to be insured by a third party (e.g. the landlord), this paragraph will apply instead of condition 47.1 or conditions 47.3 and 47.4:

- a) **you** must make sure that **our** interest is noted on the insurance policy;
- b) **you** must do **your** best to ensure that:
 - (i) the **property** is kept insured with a reputable insurer;
 - (ii) the insurance provides cover against the **standard risks** and against any particular risks which **we** reasonably think need to be covered to provide proper protection for the **property**; and
 - (iii) the amount insured for the **property** (or the building of which it forms part) is not less than the current **rebuilding cost** of the **property** (or the building of which it forms part).

General provisions about insurance

47.6 **We** may ask **you** to produce any information which **we** need to make sure that **you** are complying with conditions 47.1 or 47.5 (where they apply).

47.7 **You** must ensure that:

- a) any material facts concerning the insurance are disclosed to the insurer when the insurance is taken out;
- b) any events which occur, or facts which **you** discover, after the insurance is taken out are immediately disclosed to the insurer if they are material to the insurance.

47.8 If **you** fail to pay a premium or make any other payment which is due from **you** under a policy to which conditions 47.1 or 47.5 applies, **we** may make the payment on **your** behalf and at **your** expense.

47.9 Where the **property** is insured under a policy to which condition 47.1 or 47.5 applies, **we** may pay an extra premium at **your** expense:

- a) to increase the amount of the insurance to any amount up to the current **rebuilding cost**; or
- b) to cover any additional risks which **we** think need to be covered to provide proper protection for the **property**.

47.10 If any money becomes payable under any policy to which condition 47.1 or 47.3 applies, **you** must use the money in promptly reinstating the **property** if either:

- a) the insurer requires the money to be used to reinstate it; or
- b) **we** give **you** written notice requiring **you** to reinstate it (which **we** will only do if **we** reasonably decide that it would be practicable to use the money for this purpose). In any other case, the money must be used to pay off or reduce the **mortgage debt**.

47.11 If money becomes payable under a policy to which condition 47.5 applies, then **you** must make every effort to ensure that the money is applied as quickly as possible in reinstating the **property** (or the building of which the **property** forms part).

47.12 This paragraph applies if the **property** suffers loss or damage but the loss or damage is not covered by insurance because:

- a) **you** have failed to comply with **your** obligations under conditions 47.1, 47.4 or 47.5; or
- b) as a result of any act or omission by **you** or **your** employees or agents, any policy to which conditions 47.1, 47.3 or 47.5 applies has become void or been set aside or the insurer has refused to pay out money under it.

If this paragraph applies, **we** may give **you** written notice requiring **you** to make good the loss or damage within a reasonable period and at **your** own cost.

48 Further rights to act on your behalf

The additional purposes mentioned in condition 33.1(d) are the following:

- 48.1 to make sure that any money which becomes payable under any insurance policy which is being maintained under condition 47 is paid to **us**; and
- 48.2 to bring or defend any legal proceedings which **we** reasonably think are needed for any of the above purposes.

49 Further provisions about notices

If and so long as any part of the **property** has been **let**, then **we** may give notice under these **conditions**:

- 49.1 in any of the ways described in condition 38; or
- 49.2 by sending the notice to **you** by pre-paid post at the last correspondence address **you** have notified to **us** (in which case, the notice is to be treated as given on the day when it would arrive in the normal course of post).

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