

HSBC UK Criteria Bulletin

Employed income

January 2022



A customer's income needs to be current, regular and consistent. Income can only be used where it is considered likely that a similar level of income will be received for the full term of the mortgage. Any known future changes to income must be taken into account, e.g. reduction in income or forthcoming redundancy.

Acceptable income

- Basic income - gross income is defined as basic salary plus any permanent allowances (e.g. car, territorial allowances) and shift allowances and is used to calculate net monthly pay after income tax and national insurance deductions.
- Top-up salaries - these can be used where the applicant can prove that the top-up salary is guaranteed or a contractual entitlement.
- Variable income - where overtime, bonuses and commission are shown to be regular, a maximum of 50% of the average amount received can be considered guaranteed income.
 - **Acceptable:** variable income that is received on a weekly, fortnightly, four-weekly, monthly, quarterly, six-monthly or annual basis.
 - If paid weekly, fortnightly, four weekly, monthly or quarterly, the average variable income can be used.
 - If paid six monthly or annually, the average or the latest year's figure (if this is lower) variable income can be used.

Useful links

[Income and Allowance Matrix](#), for confirmation of acceptable basic income, permanent allowance, shift allowance and variable income.

[Criteria and Evidential Documents Matrix](#) for documents required for variations subject to frequency of pay.

Contract types/Second jobs

Fixed-term contracts

- Applicants must have been employed for a minimum of 12 months or more continuous service in the same type of employment via contracts OR;
- If they have not, a minimum of 6 months or more current continuous service via contracts in the same type of employment with at least 12 months remaining on their current contract.

Zero-hour contracts and agency workers

- The customer must have been employed for a minimum of 12 months or more with the same employer. The income to be used is the lower of the amount on the latest P60 or the annualised amount calculated from the average of the last three months' payslips.

Second jobs

- Income from a second job can only be used where it is considered likely that a similar level of income will be received for the full term of the mortgage.
- We would also take into account the number of hours worked and the sustainability of the applicant having two jobs.

Changes to employment/income

New employment – within the last 6 months/probationary periods

- A copy of the contract of employment is required to establish whether a permanent contract or temporary term contract is held.
- Customers who have started new employment or starting new employment with a different employer within 3 months of applying for a mortgage and are unable to provide their first payslip, will be considered providing the difference in basic salary between the new employment and previous/current employment is equal to or less than 20%. Where the customer has not received their first payslip, their open-ended Contract of Employment or letter of appointment from the new employer can be used together with the latest payslip from their previous/current employment.
- Where the difference in basic salary between the new employment and previous/current employment is greater than 20% then we need to comply with the current policy whereby the first payslip from the new employment will be required. The latest payslip/current employment should be in line with basic income requirements.

Job offers

- A copy of the contract of employment is required to establish whether a permanent contract or temporary term contract is held.
 - Permanent Contract – Where the applicant is in permanent employment and the contract states an initial probationary period, the income should be treated as 'Employed Income' in accordance with the Income from employment policy and used in the affordability assessment.
 - Temporary Contract (Fixed Term Contract) – Where the applicant is working on a temporary contract at the end of which the employer has the option to determine if a permanent contract will be offered, then the income will not be considered in the affordability assessment, unless the Fixed Term Contract policy is met.

Pay rise/Promotion - not yet reflected on payslip(s)

- Annual Pay Increase (less than or equal to 5% of the customer's evidenced income) OR Promotion Pay Increase (less than or equal to 20% of the customer's evidenced income).
 - The latest one months' worth of payslips in line with basic income requirements.
 - Letter from employer to confirm new salary.

Any increases over and above these amounts will be referred to Underwriting Services for a full assessment.

Note: In all circumstances the customer must provide evidence of their previous salary in accordance with the basic income policy and the increase must be payable within 3 months of the application.

Income multiples

For applications where the LTV is less than or equal to 90%:

4.49 x income for applications with income of **less than £40k**

4.75 x income for applications with income of **more than or equal to £40k to less than £100k**

5.50 x income for applications with income of **more than or equal to £100k**

For applications where the LTV is more than 90%:

4.49 x income for **all** applications

Note: income is gross total income (or joint gross total income)