

HSBC UK Criteria Bulletin

Periods of leave and reduced income

May 2022



We look to support customers where possible during absences.

Parental leave (Maternity/Paternity)

Where any applicant is on, or is about to commence a known period of parental leave, for the purposes of assessing affordability, the overall lending assessment will be based on the 'return to work' income details.

- ◆ Where the customer advises they will return to work on the same terms, the normal (pre-parental leave) income can be used. Any future child care costs should be incorporated in the affordability assessment.
- ◆ Where the customer advises they will return to work on reduced hours, the reduced income and/or future child care costs should be incorporated in the affordability assessment. This should be done on a pro-rata basis based on previous income.
- ◆ Where the applicant indicates that they do not intend to return to work, or have yet to make up their mind, affordability must be assessed discounting their income.
- ◆ In all cases, the known period of parental leave and how the customer(s) intend to maintain the mortgage payments and subsidise commitments/lifestyle whilst on parental leave must form part of the affordability assessment i.e. employee benefits, Statutory Maternity Pay (SMP), partner's income (where party to the mortgage), savings etc.
- ◆ All dependent children including the new addition(s), should be included within the application.

Documentation required:

- ✓ The latest one months' worth of payslips in line with Basic Salary requirements. For customers already on parental leave, where the full annual income is not evident on the latest months' worth of payslips, the latest one months' worth of payslips received prior to commencement of leave will be required.

Other leave (i.e. reduced income for a defined period of time)

Where any applicant is on or is about to commence a known period of leave, for the purposes of assessing affordability, the overall lending assessment will be based on the 'return to work' income details.

- ✓ Where the customer advises they will return to work on the same terms, the normal (pre-leave) income can be used where supported by an employer's letter.
- ✓ Where the customer advises they will return to work on reduced hours, the reduced income should be included. This should be done on a pro-rata basis based on previous income and supported by an employer's letter.
- ✓ Where the applicant indicates that they do not intend to return to work, or have yet to make up their mind, affordability must be assessed discounting their income.
- ✓ In all cases, the known period of leave and how the customer(s) intends to maintain the mortgage payments and subsidise commitments/lifestyle whilst on leave must form part of the affordability assessment i.e. employee benefits, partner's income (where party to the mortgage), savings etc.

Documentation required:

- ✓ The latest one months' worth of payslips in line with basic income requirements. For customers already on leave, where the full annual income is not evident on the latest months' worth of payslips, the latest one months' worth of payslips received prior to commencement of leave will be required.
- ✓ A letter from the employer confirming when the customer is returning to work, full income details (including pre-leave income) and working hours.

Reduced income

- ◆ Employers in some industries have reduced the salaries/wages of their employees on a longer term basis, for example some airline companies have introduced specified reductions in pay for a number of years - there may or may not be an intention to return to pre Covid-19 income at some point in the future.
- ◆ Where the customer is earning reduced income (permanent or temporary) that is not reduced as part of one of the Government Grant Schemes, the current earned income as evidenced by the latest payslip should be input into the application.