

# HSBC UK Criteria Bulletin

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## Self-employed mortgage customers

November 2021

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With so many changes to criteria over the past 12 months, we wanted to share the basics of our criteria and packaging your cases.

In order to assess self-employed applications responsibly, we need to ensure we take into any consideration any government grants and/or future loan repayments.

Our underwriters will deduct any grants and/or loan repayments from the net profit figure to give us an adjusted net profit position.

If the customer has submitted their financial accounts/tax returns after 30<sup>th</sup> September 2020, we will consider the net profit from the previous year, deducting any grants and/or loan repayments.

Please use the [Evidential Documents Matrix](#) for further details.

### Standard lending criteria applies subject to:

#### **Sole traders / Partnerships / Limited Liability Partnerships (LLPs) with less than 200 partners**

- We will consider the average net profit (or applicant's share of the net profit for partnerships) over the last 2 years. However, if the latest year is lower than the average, that figure will be used.

#### **Limited Liability Partnerships (LLPs) with 200 or more partners**

- We will consider the average of the applicant's share of the net profit over the last 2 years. However, if the latest year is lower than the average, that figure will be used.

## Limited Companies

- We will consider the applicant's share of net profit after Corporation Tax averaged over the last 2 years, along with their salary (often referred to as director's remuneration or emoluments) averaged over the last 2 years. If the latest year is lower than the average, that figure will be used.

## Limited Companies - Company Director with less than 25% shareholding

- Will be classed as employed, applying employed policy for assessing and evidencing income (i.e. basic income requirements). Applications that meet affordability on employed income should not have net profit details included in the assessment. Please note, where the application fails affordability based on employed income alone, the application can be progressed using both employed income and net profit. Where net profit is required for affordability, the application must be evidenced in line with the self-employed income policy requirements.

## Limited Companies - Company Director with 25% or more shareholding

- Will be classed as self-employed applying the self-employed policy for assessing and evidencing income.

## Documentation required

### Sole Trader

- Last two years Tax Calculations (SA302) and corresponding Tax Year Overviews.
- The latest three months' worth of business bank statements (or personal account statements if used for business purposes) of which the latest must be dated within 35 days of the application. The business bank statements must include the monthly summary sheet detailing the total credits and debits for the month.

Plus, one of the following:

- Accountants letter; or
- Last two years' SA100 (which must include the SA103 supplement).

### Partnerships

- Last two years Tax Calculations (SA302) and corresponding Tax Year Overviews.
- The latest three months' worth of business bank statements (or personal account statements if used for business purposes) of which the latest must be dated within 35 days of the application. The business bank statements must include the monthly summary sheet detailing the total credits and debits for the month.

Plus, one of the following two options:

- Accountants letter; or
- Last two years' SA100 (which must include the SA104 supplement) and last two years SA800s

### LLP with less than 200 partners

- Last two years' tax calculations (SA302) and corresponding tax year overviews.
- The latest three months' worth of business bank statements, including the monthly summary sheet detailing the total credits and debits (or personal account statements if used for business purposes) of which the latest statement must be dated within 35 days of the application.

Plus, one of the following three options:

- Accountants letter; or
- Last two years' SA100 (which must include the SA104 supplements) and last two years SA800s; or
- A letter from the Finance Director confirming the customer's share of the business, the businesses last two years' turnover, net profit and if any government support has been received.

### **LLP with 200 or more partners**

- Letter issued by either the company Finance Director or Accountant dated in the last three months, detailing the customer's earnings over the last two years.

### **Limited Companies**

- Last two years' finalised financial accounts, the latest of which must be dated within the last 18 months.
- The latest three months' worth of business bank statements, including the monthly summary sheet detailing the total credits and debits (or personal account statements if used for business purposes) of which the latest statement must be dated within 35 days of the application.

Note, for HSBC business account customers, we can rely on internal transaction data as an alternative to obtaining actual bank statements.

### **Fixed Term Contractors - Responsible for their own tax**

- We will treat the applicant as self-employed and require the relevant documentation listed previously, dependant if a Sole Trader/Partnership/LLP or Limited Company.

### **Fixed Term Contractors - Tax deducted at source from payslip**

- Applicants must have been employed for a minimum of 12 months or more continuous service in the same type of employment via contract OR if they haven't, then 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.

Please note, applicants are treated as employed contractors unless they pay their own tax.

- The latest P60 and last current Contract of Employment.
- The latest one months' worth of payslips in line with basic income requirements.
- Any bonus, overtime, commission must be evidenced in line with the Bonus/Overtime/Commission policy.

### **Foster Carers**

Foster Carers Income will be treated as self-employed income as per HMRC guidance. We will consider the average income over the last two years, however if the latest year is lower than the average then the latest year's figure will be used.

- A letter from the foster agency confirming the total foster income received for each of the last two years as at the point of application, the number of foster children currently in the applicant's care and if there are any known or foreseeable changes in the level of foster care income.

### **Further information**

Contact us:

[Chat with us](#) / [Find your BDM](#) / **0345 600 5847** (Monday to Friday, 9am to 5pm)

[Lending Criteria](#)

[Packaging Requirements](#)

Please note, we may also complete a commercial search as part of our assessment.