

MORTGAGES

# Mortgage conditions 2015

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# Principality Building Society

## Mortgage Conditions 2015

### 1 Interpretation

1.1 In these conditions some words are in bold type. We explain below what these words mean:

<b>CCA</b>	the Consumer Credit Act 1974.
<b>costs</b>	<b>our</b> costs as set out in condition 10.
<b>customer contact centre</b>	means <b>our</b> centre through which <b>we</b> can be contacted, the details of which are set out in condition 24.
<b>current address</b>	the address of the <b>property</b> or any other address which <b>you</b> subsequently notify to <b>us</b> in writing.
<b>discharge fee</b>	a fee <b>we</b> charge when <b>you</b> repay the <b>mortgage debt</b> , as shown in the <b>offer letter</b> .
<b>early repayment charge</b>	means a charge for early repayment as shown in the <b>offer letter</b> .
<b>guarantor</b>	a person who is guaranteeing the <b>mortgage debt</b> (or part of it) and who signs the <b>mortgage</b> for this purpose.
<b>initial interest</b>	means the interest <b>we</b> charge on the <b>loan</b> between the date on which the <b>loan</b> is treated as made under condition 6.5 and the last day of the <b>month</b> preceding the <b>month</b> in which the first <b>monthly payment</b> is due.
<b>initial loan</b>	the first <b>loan we</b> make to <b>you</b> on the security of the <b>mortgage</b> .
<b>interest-bearing balance</b>	the amount on which <b>we</b> may charge <b>you</b> interest under conditions 6.2 and 6.3.
<b>insurance</b>	the insurance policy <b>you</b> are required to take out in accordance with condition 14.1.
<b>insured perils</b>	fire, explosion, lightning, earthquake, storm, flood, malicious damage, vandalism, aircraft, impact by vehicles, escape of water, subsidence, heave, landslip and collapse.
<b>insurer</b>	<b>your</b> insurer under <b>your insurance</b> .
<b>interest rate</b>	the rate or rates at which <b>we</b> charge interest under condition 6.1. <b>We</b> may change the <b>interest rate</b> under condition 7.

<b>loan</b>	the <b>initial loan</b> or any further loan <b>we</b> make to <b>you</b> on the security of the <b>mortgage</b> .
<b>LPA</b>	the Law of Property Act 1925.
<b>month</b>	a calendar month.
<b>monthly payment</b>	the monthly payment specified in the <b>offer letter</b> or any changed monthly payment which applies under condition 8.
<b>mortgage</b>	any mortgage which <b>you</b> give to <b>us</b> to secure the <b>mortgage debt</b> .
<b>mortgage account</b>	the account <b>we</b> keep for recording <b>mortgage debt</b> .
<b>mortgage debt</b>	the total amount which <b>you</b> owe <b>us</b> under these conditions and the <b>offer letter</b> .
<b>Mortgage Service Centre</b>	<b>our</b> Mortgage Service Centre, the address for which is Mortgage Service Centre, Principality Building Society, PO Box 89, Queen Street, Cardiff CF10 1UA and the telephone number for which is 0330 333 4033.
<b>offer letter</b>	in relation to any <b>loan we</b> make to <b>you</b> , the letter <b>we</b> send <b>you</b> setting out the terms on which <b>we</b> will make that <b>loan</b> and any variations, supplements or replacements of or to it from time to time.
<b>payment day</b>	the day <b>you</b> have indicated on the application form, or if <b>you</b> have not indicated a day, the payment day will be the day of the month which corresponds to the day on which the <b>loan</b> is made except that, if that day is later than the 26th day of the month, the payment day will be the 26th day of the month. The <b>payment day</b> may be changed under condition 3.4.
<b>property</b>	the property or any part of it specified in the <b>mortgage</b> .
<b>property rights</b>	<ul style="list-style-type: none"> <li>(a) <b>your</b> rights under any agreement, option, insurance policy (other than the <b>insurance</b> referred to in condition 14) or guarantee which concerns the <b>property</b>, the way the <b>property</b> is built or the condition of the <b>property</b>.</li> <li>(b) any shares or other membership rights which <b>you</b> hold in a management company or residents association or other similar body by virtue of owning the <b>property</b>.</li> <li>(c) any rights <b>you</b> have to any statutory compensation concerning the <b>property</b>.</li> </ul>

- (d) any rights to enlarge, extend or convert the title to the **property**.
- (e) all rights and remedies **you** have concerning the **property** (including any which arise from damage to it or a reduction in its value).

<b>regulated agreement</b>	an agreement which is a regulated agreement under the <b>CCA</b> .
<b>repayment method</b>	the method for repaying a <b>loan</b> which is specified in the <b>offer letter</b> for that <b>loan</b> . <b>We</b> may change the <b>repayment method</b> under condition 4.
<b>rules</b>	means <b>our</b> Membership rules, copies of which can be requested from <b>our</b> branches, <b>Customer Contact Centre</b> or <b>Mortgage Service Centre</b> and are available on <b>our website</b> .
<b>service charge</b>	a charge <b>we</b> make for providing a service in connection with the <b>mortgage</b> , as set out in condition 10, which may include a <b>third party charge</b> .
<b>standard rate</b>	the standard variable rate of interest which <b>we</b> charge to all <b>our</b> borrowers in the absence of any agreement to the contrary. <b>We</b> may vary this under condition 7.
<b>term</b>	the term for repaying a <b>loan</b> which is specified in the <b>offer letter</b> for that <b>loan</b> . The term for a <b>loan</b> will run from the first <b>payment day</b> .
<b>third party charge</b>	a charge levied upon <b>us</b> by a third party in connection with the <b>mortgage</b> and/or the <b>mortgage debt</b> .
<b>we, us and our</b>	Principality Building Society and any person who acquires its rights under the <b>mortgage</b> and/or to the <b>mortgage debt</b> .
<b>website</b>	means <b>our</b> website at <a href="http://www.principality.co.uk">www.principality.co.uk</a> or such other address as <b>we</b> notify to <b>you</b> .
<b>working day</b>	any day from Monday to Saturday (excluding bank holidays and public holidays in England and Wales).
<b>you and your</b>	the person(s) specified as the borrower in the <b>offer letter</b> .

1.2 If there is any inconsistency between the terms of the **offer letter** and these conditions, the terms of the **offer letter** will prevail.

1.3 References to the singular in these conditions include the plural and vice versa.

1.4 Reference to the masculine gender in these conditions shall include the feminine and vice versa.

- 1.5 References to any statute or statutory provision in these conditions apply to any amendment, supplement or replacement from time to time in force.
- 1.6 Any obligation in these conditions not to do something includes an obligation not to agree, allow, permit or acquiesce to that thing being done.

## 2 Payment of a loan

- 2.1 If **you** have solicitors or licensed conveyancers acting for **you**, **we** will pay the **loan** to them. Otherwise, **we** will pay it to **you**. **We** will make the payment by cheque or electronic transfer or by any other method which **you** and **we** agree at the time.
- 2.2 **We** will not be bound to make a **loan** to **you** if the **offer letter** provides **we** may withdraw it.
- 2.3 **We** may set up separate parts of the **mortgage account** for separate **loans**.

## 3 Your payment obligations

- 3.1 **You** must repay each **loan** and any **costs** and **service charges** along with interest. When **you** repay the **mortgage debt** **you** must also pay the **discharge fee** and any **early repayment charge**.
- 3.2 If the **repayment method** for a **loan** is “Interest Only”:
  - 3.2.1 **You** must repay the **loan** and any other outstanding **mortgage debt** at the end of the **term**. It is **your** responsibility to ensure that **you** are able to repay this and **you** must make appropriate financial arrangements to enable **you** to do so. If **you** do not make any arrangements or if these arrangements do not provide sufficient monies **you** will remain liable for any shortfall and interest will continue to be charged on the shortfall at the **interest rate** until it is repaid.
  - 3.2.2 **You** must pay **us** a **monthly payment** until the **loan** and the rest of the **mortgage debt** is repaid. So far as it relates to the **loan**, this payment will consist only of interest.
- 3.3 If the **repayment method** for a **loan** is “Capital and Interest”:
  - 3.3.1 **You** must repay the **loan** with interest by making a **monthly payment** which (so far as it relates to the **loan**) will consist of both capital and interest.
  - 3.3.2 **We** will calculate the amount of the **monthly payment** so that the **loan** and the rest of the **mortgage debt** is repaid with interest by the end of the **term**.
- 3.4 **You** must make the payments due under conditions 3.2 or 3.3 on the **payment day** in every month and at the end of the **term**. **You** and **we** may change the **payment day** at any time by mutual agreement. **We** may also change the **payment day** by giving **you** 60 days’ prior written notice where this is required in order to update or replace **our** IT systems or business processes that we use for operating mortgage accounts and/or to reflect the systems of any person who takes an assignment or transfer of **our** rights to the **mortgage** or the **mortgage debt** at any time.
- 3.5 Where **your loan** is part “Interest Only” and part “Capital and Interest” each of conditions 3.2 and 3.3 apply to the relevant part and references to the **loan** in them shall be to the relevant part.

3.6 In relation to the first **payment day** for any **loan**:

3.6.1 The first **payment day** will occur in the **month** following the one in which the **loan** is made unless:

3.6.1.1 the **loan** is made on a later day in a **month** than the **payment day**, or

3.6.1.2 the **payment day** is on or after the 26th of a **month**, in which case the first **payment day** will occur in the second **month** after the one in which the **loan** is made.

3.6.2 **You** will pay the **initial interest** with the first **monthly payment** on the first **payment day**.

3.6.3 **We** will confirm the first **payment day**, **initial interest** and the amount of each payment in writing after the **loan** is made.

3.6.4 **We** will not add the **initial interest** to the **interest-bearing balance** under condition 6.3 unless it remains unpaid at close of business on the last day of the **month** in which the first **monthly payment** is due.

3.7 Unless **we** tell **you** otherwise, **monthly payments** will automatically be collected by direct debit. Where **we** have a valid reason for doing so **we** may require **you** to pay the **monthly payments** by any other reasonable method which **we** specify. Where **we** do this, **we** will give **you** not less than 30 days' prior written notice.

## 4 Repayment method

4.1 The **repayment method** for a **loan** may be changed by agreement between **you** and **us**.

4.2 If the **repayment method** is "Interest Only" **we** may (but are not obliged to) also change the **repayment method** to "Capital and Interest" for all or part of the **loan** if:

4.2.1 one of the events specified in condition 9 occurs,

4.2.2 **you** are in breach of condition 4.3 in a respect which is serious and **you** fail to remedy that breach within 28 days of **us** giving **you** written notice that **we** will change the **repayment method** if **you** do not provide **us** with the information **we** have requested, or

4.2.3 if the information supplied under condition 4.3 leads **us** to consider (acting reasonably) that **you** are unlikely to be able to repay the **loan** (and interest and charges) on expiry of the **term**.

4.3 If the **repayment method** is "Interest Only" **you** will supply **us** on request with such information as to the repayment vehicle or other arrangements **you** intend to use to repay the **loan** (with all interest and charges) by the end of the **term** as **we** reasonably request from time to time within a reasonable period of **our** request. **We** will make **our** request in writing or in the course of a (recorded) telephone conversation with **you**.

- 4.4 **We** will give **you** not less than 90 days' written notice before **we** exercise **our** right under condition 4.2. **We** will only exercise **our** right under condition 4.2 if **we** are satisfied, acting as a responsible, reasonable and prudent lender, that **you** will be able to afford the increased **monthly payments**.
- 4.5 Conditions 4.2 – 4.4 will apply to any relevant part where the **loan** is part “Interest Only” and part “Capital and Interest”.

## 5 Joint and several

- 5.1 If there is more than one of **you**, **your** obligations will be joint and several. This means that **you** will each be responsible for the full amount of the **mortgage debt**.
- 5.2 **We** may accept instructions from either of **you** should **you** wish to make overpayments on the **loan** subject to **our** approval.

## 6 Interest

- 6.1 **We** will charge **you** interest at the following rate or rates until the **mortgage debt** is fully repaid:
- 6.1.1 **We** will charge interest at the **interest rate** specified in the **offer letter** for that **loan** or at any changed rate which applies under condition 7.
- 6.1.2 If any **costs** or **service charges** become due from **you** under condition 10, **we** will charge interest on those **costs** or **service charges** at the rate which applies to the part of the **mortgage account** to which **we** add the **costs** or **service charges**.
- 6.1.3 If **we** become entitled under condition 6.3.4 to charge interest on any unpaid interest, **we** will charge that interest at the rate which applies to the part of the **mortgage account** on which the unpaid interest accrued.
- 6.2 On each day, **we** will charge interest on the **interest-bearing balance** shown on the **mortgage account** at the end of the day.
- 6.3 The following terms explain how **we** work out the **interest-bearing balance**:
- 6.3.1 any **monthly payment** or other payment which **we** receive for the credit of the **mortgage account** (such as an advance repayment of capital) will immediately reduce the **interest-bearing balance**;
- 6.3.2 any **loan we** make to **you** will increase the **interest-bearing balance** as soon as it is treated as made under condition 6.5;
- 6.3.3 any **costs** or **service charges** which **we** charge to the **mortgage account** under condition 10 will immediately increase the **interest-bearing balance**;
- 6.3.4 any interest which **we** charge under condition 6.2 will be added to the **interest-bearing balance** if it remains unpaid at close of business on the last day of the **month** in which it is charged (or, in the case of **initial interest**, if it remains unpaid at close of business on the last day of the following **month**).

- 6.4 If **you** are ordered by a court to pay **us** any money **you** owe **us**, **we** will continue to charge **you** interest at the **interest rate** on the money **you** have to pay under the court order.
- 6.5 **We** will charge interest on a **loan** from the date on which it is treated as made. For these purposes:
- 6.5.1 a **loan** made by cheque will be treated as made two days after **we** send the cheque to **you** or to **your** solicitors or licensed conveyancers;
- 6.5.2 a **loan** made by banker's draft will be treated as made when **we** send the draft to **you** or to **your** solicitors or licensed conveyancers;
- 6.5.3 a **loan** made by electronic transfer will be treated as made when the transfer takes place.

## 7 Changing the interest rate or our standard rate

- 7.1 Where the **interest rate** is, or is linked to, **our standard rate**, **we** may change the **interest rate** by changing **our standard rate** or as otherwise provided in the **offer letter**.
- 7.2 **We** may reduce **our standard rate** at any time at **our** discretion. **We** do not have to give **you** prior written notice of such reduction(s), but if **we** do not, then (unless condition 7.7 below applies) **we** will give **you** written notice as soon as possible after **we** have made the change.
- 7.3 **We** may increase **our standard rate** because:
- 7.3.1 there has been, or **we** reasonably believe there is likely to be, an increase in the Bank of England base rate (meaning Bank of England Repo rate);
- 7.3.2 the cost to **us** of borrowing funds has increased or **we** reasonably believe it is likely to do so;
- 7.3.3 the reasonably incurred cost to **us** of operating **our** mortgage business or servicing **our** mortgage loans has increased or **we** reasonably believe it is likely to do so;
- 7.3.4 **we** need to do so in order to meet the requirements of regulators; or
- 7.3.5 **we** need to reflect any change in the law or decision by an ombudsman or relevant regulatory guidance or a change in the regulatory system governing **us**.
- 7.4 If **we** increase **our standard rate** for one or more of the reasons set out in condition 7.3 or 7.6, then (unless condition 7.7 applies) **we** will give **you** prior written notice of the increase.
- 7.5 Where **we** increase **our standard rate** for one or more of the reasons specified in condition 7.3 or 7.6, **we** will ensure that the increase is proportionate to the reason or reasons for making it.
- 7.6 In addition to **our** rights under condition 7.3 **we** may increase **our standard rate** if, in **our** reasonable opinion, this is necessary to preserve **our** financial strength in the interests of **our** Membership as a whole. **We** will only exercise this right if:
- 7.6.1 it is proportionate to the circumstances in question;

7.6.2 in doing so **we** are acting in good faith; and

7.6.3 **we** give **you** notice of the increase by writing to **you** at least 30 days before the increase comes into effect stating that **we** are increasing **our standard rate** in this way.

If **we** increase **our standard rate** under this condition 7.6 while the **interest rate** on **your mortgage** varies with **our standard rate**, then **you** may repay the **mortgage debt** at any time in the 90 days following receipt of notice without incurring any **early repayment charge** though **you** will be liable for the **discharge fee**.

7.7 Where the **interest rate** is not the **standard rate** or linked to the **standard rate**, but the terms of the **offer letter** provide for it to revert to **our standard rate** or a rate which is linked to **our standard rate** (“the **reversion**”), **we** will give **you** written notice of the current **standard rate** no less than 14 days prior to the **reversion**. Thereafter, this condition 7.7 will no longer apply and **we** will give **you** notice of changes to the **standard rate** in the manner set out in conditions 7.2 and 7.4. **We** will supply **you**, on request, with written details stating the amount and timing of each of the changes made to the **standard rate** between the date **your offer letter** was issued and the date **we** gave **you** notice of **our current standard rate** under this condition 7.7.

7.8 **You** can find out what **our current standard rate** is at any time by looking on **our website**.

## 8 Changing the monthly payment

8.1 **We** may change the **monthly payment** at any time to reflect:

8.1.1 a change in the **interest rate**;

8.1.2 a change in the **repayment method**;

8.1.3 a change in the **term** which is agreed between **you** and **us**;

8.1.4 the making of a new **loan**;

8.1.5 the repayment of an existing **loan**;

8.1.6 an item of **costs** or a **service charge** becoming due from **you** under condition 10;

8.1.7 the grant or withdrawal of a concession by **us**; or

8.1.8 **you** not making any **monthly payments** in full when due.

8.2 If **we** intend to change the **monthly payment**, **we** must give **you** prior written notice of the change. **Our** notice will specify when **you** must start paying the new amount.

8.3 If **we** change the **monthly payment**, **you** must pay the new amount until **we** change it again under condition 8.1. This is so even if **we** change the **interest rate** or the **repayment method** in the meantime.

## 9 Default

**You** must immediately repay the **mortgage debt** upon **our** written demand if any of the following events occur:

### 9.1 **You**:

9.1.1 are late paying any sums due and payable under these conditions or an **offer letter**;

9.1.2 the unpaid sums are at least equal to two **monthly payments**; and

9.1.3 **you** fail to pay the sums in full within 30 days' of **us** giving **you** written notice they are outstanding;

9.2 **You** are in breach of any obligation under these conditions or an **offer letter** (other than an obligation for the payment of money) in a respect which is serious and **you** fail to remedy that breach within 28 days of **us** giving **you** written notice of it;

9.3 The information **you** gave **us** when **you** applied for the **loan** was false, incomplete or misleading in a respect which is serious;

9.4 A bankruptcy order is made against **you** (or any of **you**) or any **guarantor**;

9.5 **You** (or any of **you**) enter into a voluntary arrangement with **your** creditors or any **guarantor** enters into such an arrangement with his or her creditors;

9.6 The **property** is compulsorily purchased;

9.7 **You** abandon the **property**; or

9.8 **You** (or where there is more than one of **you** the last survivor of **you**) die(s).

## 10 Costs and Service Charges

10.1 **You** must pay **us** the following **costs**:

10.1.1 **our** reasonably incurred **costs** of any legal proceedings relating to the **mortgage debt** or the **mortgage**. This applies whether the proceedings are brought by or against **you** or any other person;

10.1.2 **our** reasonable **costs** of exercising or enforcing any of **our** rights under the **mortgage** or the general law relating to the **mortgage**;

10.1.3 **our** reasonable **costs** of recovering or reasonably attempting to recover any of the **mortgage debt**;

10.1.4 **our** reasonable **costs** of taking reasonable steps to remedy any failure by **you** to comply with **your** obligations under these conditions or an **offer letter**; and

10.1.5 **our** reasonable **costs** of protecting **our** security.

10.2 For the purposes of this condition, **costs** include:

- 10.2.1 the cost of staff employed for the work in question;
- 10.2.2 the reasonable cost of central and branch network costs, calculated as a reasonable proportion of the total of such costs;
- 10.2.3 any costs **we** incur in employing an outside agent to take any of the actions set out in condition 10.1 on **our** behalf or which **we** otherwise incur to third parties in the course of **our** taking such action, as long as such costs are reasonable in amount; and
- 10.2.4 the cost of paying sums within condition 10.1 to third parties which **you** are liable for in respect of the **property** or **your** ownership of the **property** but have failed to pay.

10.3 From the date the **loan** is treated as made under condition 6.5 until the **loan** is repaid in full **you** may wish to request **us** to provide an additional service or services. **We** have a standard tariff of **service charges** for the additional services **we** are most often asked to provide. **We** sent **you** with the **offer letter** for **your initial loan** a copy of the tariff then in use to inform **you** about what **we** would currently charge if **you** asked **us** to provide a service listed in the tariff and **we** agreed to provide it. **We** will send a copy of the current tariff with the **offer letter** for any further **loan**. **You** may also obtain a free copy of **our** current tariff at any time on request or on **our website**.

10.4 **We** are not obliged to provide the services listed in the tariff and **we** may change the list of services or the stated **service charges** from time to time. In exercising **our** power to change a **service charge**, **we** must comply with the requirements set out in condition 10.5.

10.5 The requirements are:

- 10.5.1 **We** must not change a particular **service charge** more often than once a year unless it is a **third party charge** in which case **we** may require **you** to pay whatever level of charge is reasonably charged to **us** from time to time;
- 10.5.2 **We** must give **you** written notice of any change at least 30 days before the change takes effect;
- 10.5.3 **We** will only increase a **service charge** or introduce a new **service charge**:
  - 10.5.3.1 where the reasonably incurred cost to **us** of providing the service in question has increased or **we** reasonably believe it is likely to do so;
  - 10.5.3.2 to respond proportionately to changes in the law or regulatory requirements, or decisions or guidance of an Ombudsman or regulator; or
  - 10.5.3.3 to reflect new or amended industry guidance and codes of practice which raise standards of customer service or consumer protection.
- 10.5.4 If **we** increase a **service charge**, **we** will ensure that the increase is proportionate to the reason or reasons for making it.

- 10.6 **You** must pay any **costs** or **service charges** on **our** written demand.
- 10.7 **We** will add any **costs** or **service charges** to the **mortgage account** 7 days after the date **we** demand payment. They will then form part of the **interest-bearing balance** and **we** will charge interest on them under condition 6.3.3 until they are repaid.
- 10.8 **We** will not lose **our** right to receive immediate repayment of any **costs** or **service charges** under condition 10.6 by charging them to the **mortgage account** under condition 10.7.
- 10.9 If **we** have divided the **mortgage account** into separate parts, **we** will add any **costs** or **service charges** to the part (or proportionately to the parts) with which the **costs** and **service charges** are most closely connected. If they are not more closely connected to one part than another, **we** will allocate them in a reasonable manner.

## 11 Property Rights

- 11.1 So far as **you** are able, **you** assign the **property rights** to **us**. They will stand re-assigned to **you** when the **mortgage debt** is paid off.
- 11.2 If **you** receive any money under any of the **property rights** **you** will hold the money on **our** behalf.
- 11.3 Any money which **you** or **we** receive under any of the **property rights** must be used to reduce or pay off the **mortgage debt** unless **we** agree otherwise. Unless one of the events in condition 9 has occurred (in which case **we** may elect (acting reasonably) how to apply any such money), this does not apply if the money is paid because of a defect in the **property** or damage to it and **you** decide instead to use the money to put right the defect or damage.
- 11.4 **We** can transfer any of the **property rights** to another person to whom **we** transfer **our** rights in the **mortgage** and/or the **mortgage debt**.

## 12 Security

- 12.1 The **mortgage** secures all the **mortgage debt**. Except where condition 12.2 applies, it also secures:
- 12.1.1 all money which **you** owe **us** under the terms which apply to any other **loan** which **we** have made or may make to **you** in the future which **you** and **we** agree should be secured by the **mortgage**; and
- 12.1.2 any existing or future guarantee given by **you** to **us** which **you** and **we** agree should be secured by the **mortgage**.
- You** agree to discharge these in accordance with their terms.
- 12.2 The **mortgage** does not secure money which **you** owe **us** under:
- 12.2.1 any agreement which expressly states that it is to be unsecured; or
- 12.2.2 any **regulated agreement** unless the agreement specifies that it is to be secured by the **mortgage**.

## 13 Your obligations in respect of the property

13.1 You must do the following:

- 13.1.1 occupy the **property** as **your** main residence unless stated otherwise in the **offer letter**;
- 13.1.2 keep the **property** in a good state of repair;
- 13.1.3 comply with any leases, restrictions or other obligations which apply to the **property**;
- 13.1.4 comply with any statutory obligations which apply to the **property**;
- 13.1.5 immediately provide **us** with a copy of any notice or other document which **you** receive in relation to the **property**; and
- 13.1.6 allow **us** or any of **our** agents (after giving **you** reasonable notice) to enter the **property** at a reasonable time, to inspect it and/or to rectify any failure by **you** to comply with **your** obligations under these conditions or any **offer letter**.

13.2 You must not without **our** prior written consent:

- 13.2.1 permit the **property** to be used for any trade or business;
- 13.2.2 grant or agree to grant a charge, lease, licence or any other rights or interest in or over the **property**;
- 13.2.3 carry out or permit any structural alterations or additions to the **property** or the demolition of the **property**;
- 13.2.4 part with possession of the **property**;
- 13.2.5 allow anyone to acquire rights in the **property**;
- 13.2.6 apply under any legislation for any grant in respect of the **property**;
- 13.2.7 apply to extend any lease under which **you** hold the **property** or to buy the freehold of the **property**.

13.3 Where it is reasonable to do so, **we** may refuse to give **our** consent under this condition or impose conditions on **our** consent and **you** will comply with any such conditions.

13.4 You agree that if **you** acquire the freehold or any extended lease of the **property**:

- 13.4.1 the interest **you** have acquired will be subject to a charge in **our** favour; and
- 13.4.2 at **our** request, **you** will execute at **your** own cost a legal charge of that interest in a form approved by **us**.

- 13.5 If **we** or **our** agents enter the **property** in accordance with **our** rights under this condition 13, or any statutory notice that may be served on **us**, this does not mean **we** have accepted the responsibilities of a mortgagee in possession, owner or occupier.

## 14 Insurance

- 14.1 **You** must take out and maintain **insurance** at all times from the date the **loan** is treated as made under condition 6.5 until the **loan** is repaid in full and ensure that all **insurance** premiums **you** are required to pay, or where the **property** is leasehold all contributions to **insurance** premiums that **you** are required to pay, are paid in full and on time.
- 14.2 **You** must ensure that any **insurance you** take out in accordance with condition 14.1 is a policy of **insurance** that:
- 14.2.1 incorporates, as a minimum, protection against loss or damage to the **property** caused by an **insured peril**;
  - 14.2.2 provides for repair, replacement or reinstatement to a sum at least equal to the full cost of rebuilding the **property** to the same specification, including an amount for removing debris, demolition costs, architects', surveyors' and all other relevant professional fees;
  - 14.2.3 provides for index linking of the sum insured in relation to the **property** to allow for increases in the cost of living in line with the House Rebuilding Cost Index published by the Royal Institution of Chartered Surveyors (or, if that index ceases to be published, such replacement index as **we** reasonably specify);
  - 14.2.4 allows **our** interest to be noted as mortgagee, as described in condition 14.6;
  - 14.2.5 has an excess (the monetary amount to be paid by the insured in the event of a claim) that does not exceed £2,500 in respect of any one claim; and
  - 14.2.6 includes Property Owner's Liability cover with an insured limit of indemnity of at least £1,000,000 in respect of any one claim.
- 14.3 **You** must familiarise yourself with the terms and conditions of the **insurance** and take all reasonable precautions to safeguard the **property**.
- 14.4 **You** must arrange the insurance required under condition 14.1 above yourself.
- 14.5 If **you** instruct **us** to do so, **we** will introduce **you** to a third party insurance provider to arrange for a quotation to be provided to **you**. **You** may accept this quotation only if it meets the requirements in condition 14.2 above. If **you** accept this quotation:
- 14.5.1 **you** must satisfy **yourself** that the policy meets **your** needs;
  - 14.5.2 the fact that the policy was obtained from a third party insurance provider which **we** introduced **you** to will not affect **your** obligations under condition 14.5.1; and
  - 14.5.3 **we** will not accept any responsibility for the policy **you** take out or provide **you** with any advice in relation to this policy.

- 14.6 **You** must inform **your insurer** of **our** interest in the **property**, referring to **us** as ‘mortgagee’, provide them with **our** full name and address (details of which may be found on the reverse of these conditions) and arrange for **our** interest as ‘mortgagee’ to be noted on the **insurance**.
- 14.7 **We** may ask **you** at any time upon reasonable notice, to provide details of the **insurance** and evidence that the **insurance** is in place. **You** must provide **us** with evidence of the **insurance** reasonably satisfactory to **us** within 14 days of **our** request.
- 14.8 **You** must comply with the terms of **your insurance** at all times. **You** must ensure that **you** do not take any action or fail to take any action that prejudices the **insurance** in any way or increases the amount of the premiums due or the level of excess that applies under the **insurance**.
- 14.9 If **you** receive any money from an insurance claim, and the money **you** have received is sufficient to settle the **mortgage debt** in full, then **you** must only use the money **you** recover to either:
- 14.9.1 repair, replace or reinstate the **property**; or
  - 14.9.2 settle the **mortgage debt** in full.
- 14.10 If **you** receive any money from an insurance claim, and the money **you** have received is insufficient to settle the **mortgage debt** in full, then **you** must only use the money **you** recover to repair, replace or reinstate the **property**.
- 14.11 **We** may require **you** to settle the **mortgage debt** in full, rather than repair, replace or reinstate the **property**, where the **mortgage debt** has become immediately repayable under condition 9 and **your insurer** permits **you** to use the monies recovered from an insurance claim in this way.
- 14.12 **We** may insure **our** interest in the **property** if **you** are in breach of **your** obligations under condition 14.1, 14.7 or 14.8. **We** may, but are not bound, to insure **your** interest in the **property** in these circumstances. Where **we** insure the **property** under this condition 14.12 and whether **we** insure **your** interest in the **property** or not:
- 14.12.1 **You** will be required to comply with any reasonable terms of the insurance policy that **we** notify to **you**; and
  - 14.12.2 **You** may be required to pay some or all of the insurance premium where **we** insure **your** interest in the **property**.
- 14.13 Where **we** insure the **property** under condition 14.12, **we** will:
- 14.13.1 inform **you** of the terms of the insurance policy **you** will be required to comply with; and
  - 14.13.2 inform **you** of the amount of the premium **you** may be required to pay and the date on which it is required to be paid and/or the amount of any premium **we** have added to the **mortgage debt**.

## 15 Enforcement of the mortgage

- 15.1 Section 103 of the **LPA** does not apply to the **mortgage**.
- 15.2 **We** may exercise the power of sale immediately if any one or more of the events specified in condition 9 has occurred and **we** have demanded repayment.
- 15.3 A purchaser may treat the statutory power of sale (as extended by these conditions) as arising on the date of the **mortgage**.
- 15.4 **Our** rights and remedies under these conditions are in addition to any **we** have by law.
- 15.5 If **we** are entitled to exercise the power of sale under condition 15.2 **we** shall also have power to:
- 15.5.1 take possession of the **property**;
  - 15.5.2 grant a lease, licence or tenancy of the **property**, or agree to grant one, free from the restrictions in section 99 of the **LPA**;
  - 15.5.3 permit anyone who has a lease, licence or tenancy of the **property** to surrender the same on any reasonable terms;
  - 15.5.4 agree to any reasonable amendment of the terms of any lease, licence or tenancy of the **property**;
  - 15.5.5 appoint one or more persons as receiver.
- 15.6 If **we** take possession of the **property** **we** shall have power:
- 15.6.1 to remove, store or sell any goods or furniture which **you** have not removed from the **property**; **we** will do this as **your** agent and at **your** expense and **we** will not be responsible for any damage caused unless **we** are negligent;
  - 15.6.2 to carry out any repairs or improvements at the **property** which **we** reasonably consider will make it easier to sell or let the **property**.
- 15.7 If **we** appoint a receiver:
- 15.7.1 the receiver will have all the powers conferred on a receiver by the **LPA**;
  - 15.7.2 the receiver will also be entitled to exercise any of the powers which **we** have by statute or under these conditions;
  - 15.7.3 the receiver will be treated as **your** agent;
  - 15.7.4 **you** will therefore be responsible for his acts or defaults;
  - 15.7.5 **we** may fix the receiver's remuneration at any amount which is reasonable;

- 15.7.6 **we** may remove the receiver at any time and appoint another in his place;
- 15.7.7 the receiver will apply any money he receives in the following order:
- 15.7.7.1 first, in meeting any claims which have priority to the **mortgage**;
  - 15.7.7.2 secondly, in paying the costs connected with his appointment or the exercise of his powers and in meeting any outgoings on the **property** which he pays;
  - 15.7.7.3 thirdly, in paying his remuneration;
  - 15.7.7.4 fourthly, in reducing or paying off the **mortgage debt** in whatever order he may decide.
- 15.8 If there is more than one person appointed as receiver they may act together or individually and any reference in these conditions to a receiver shall be to each and/or every person acting as receiver.
- 15.9 For the avoidance of doubt, after the **property** is sold, interest will continue to be charged at the **interest rate** and **you** must repay any outstanding **mortgage debt**.

## **16 Power of attorney and further assurance**

- 16.1 **You** appoint **us** to be **your** attorney to do the following things in **your** name and on **your** behalf:
- 16.1.1 to execute any document which is required to rectify any defect in **your** title to the **property** or in **our** title to the **mortgage**;
  - 16.1.2 to execute any document which is required to pass good title to a purchaser or lessee of the **property**;
  - 16.1.3 to execute any document which **you** have agreed to execute but have failed to execute;
  - 16.1.4 to transfer to a purchaser any shares which **you** hold in a management company by virtue of owning the **property**;
  - 16.1.5 to receive any money payable to **you** in connection with the **property** or any **insurance** of it;
  - 16.1.6 to appoint one or more persons as receiver under condition 15.5.5;
  - 16.1.7 to pursue any actions in respect of any **property rights**.
- 16.2 **You** cannot cancel the appointment in condition 16.1 while the **mortgage** remains in force.
- 16.3 If **we** request **you** to do so, **you** will confirm anything done by **us** while acting under the power of attorney in condition 16.1.

- 16.4 **You** agree to do any of the things referred to in conditions 16.1.1 – 16.1.7 **yourself** if **we** ask **you** to do so.
- 16.5 **You** will execute any document and do anything else **we** reasonably require for any of the purposes listed in condition 16.1 or otherwise to assist **us** in exercising **our** powers under the **mortgage**.

## 17 Guarantee

- 17.1 This condition applies if the **mortgage** is executed by a **guarantor**.
- 17.2 The **guarantor** guarantees to **us** that **you** will repay the following (with interest at the **interest rate**) in accordance with these conditions:
- 17.2.1 the **initial loan**;
  - 17.2.2 any further **loan** which **we** make to **you** with the **guarantor's** written consent;
  - 17.2.3 any **costs** or **service charges** which **we** charge to a part of the **mortgage account** which relates to any **loan** which the **guarantor** has guaranteed under condition 17.2.1 or 17.2.2.
- 17.3 The **guarantor** also guarantees that **you** will comply with each other obligation imposed on **you** by these conditions and any **offer letter**.
- 17.4 If **we** allow **you** extra time within which to make any payments or to do any other thing which **you** are required to do under these conditions or any **offer letter**, this will not release the **guarantor** from his obligations to **us**.

## 18 Transfer

- 18.1 **We** may transfer all or any of **our** rights to the **mortgage** and/or the **mortgage debt** at any time. **We** will only transfer **our** rights if:
- 18.1.1 the transferee agrees to exercise those rights in accordance with a statement of policy which **we** approve before the transfer; and
  - 18.1.2 **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.
- 18.2 If **we** transfer the **mortgage** the transferee will have the benefit of all **our** transferred rights and remedies under these conditions and will be able to enforce all **your** obligations under them and **you** will be bound by any statement of fact which **we** make in good faith to the transferee, unless **we** made the statement without exercising reasonable care. References in these conditions to '**we**', '**us**' and '**our**' will be to any transferee as applicable and without limiting this, it will include the ability to exercise **our** rights in accordance with these conditions to change **interest rates**, **costs** and **service charges** by reference to that person's circumstances.
- 18.3 **You** consent to **us** passing relevant information concerning the **mortgage account**, these conditions or the **mortgage** to any potential transferee and their advisers.

## 19 Release

- 19.1 We will only release the **property** from the **mortgage** if:
- 19.1.1 the **mortgage debt** has been repaid in full; and
  - 19.1.2 any other liabilities which are secured by the **mortgage** by virtue of condition 12.1 have been discharged or otherwise provided for.
- 19.2 **You** may repay the whole or any part of the **mortgage debt** at any time.
- 19.3 **You** may have to pay an **early repayment charge** as set out in the **offer letter** and, if the **property** is released from the **mortgage**, a **discharge fee**.

## 20 Notices

- 20.1 We may give **you** notice under these conditions by posting it to **you** at **your current address**.
- 20.2 Any notice given by first class post will be treated as given on the second **working day** after posting. Any notice given by second class post will be treated as given on the fourth **working day** after posting.
- 20.3 Any notice **we** give will come into effect on the date on which it is given unless a different date is specified in the notice.
- 20.4 The provisions of this condition 20 also apply to any notice **we** give to a **guarantor**. In relation to a **guarantor**, references in this condition to **your current address** are to be understood as references to the address of the **guarantor** last notified to **us** in writing.

## 21 Changes

As well as **our** rights under the rest of these conditions to vary any specific matter, **we** can change these conditions at any time:

- 21.1 in a manner which is not to **your** disadvantage; or
- 21.2 to the extent required to comply with law or the requirements of **our** regulators.

Where **we** make such a change **we** will give **you** 30 days' prior written notice. If **we** change these conditions in accordance with condition 21.2 and the change is to **your** disadvantage, **you** may repay the **mortgage debt** with no **early repayment charge** if **you** do so within 90 days of receipt of notice of the change, though **you** will be liable for the **discharge fee**.

## 22 Set Off

- 22.1 We may set off any money **we** owe **you** on the **mortgage account** or any other account held in **your** name against parts of the **mortgage debt** which are due and payable.
- 22.2 We will give **you** written notice at least 30 days before doing this. We will not apply **our** right of set off against money which, taking into account any representations **you** make to **us**, **we** know or ought reasonably to know:

- 22.2.1 is needed for **your** essential living expenses or to pay debts **you** need to pay to retain **your** home and access to essential goods and services **you** need to live and work;
- 22.2.2 is needed to pay debts **you** are required to pay by legislation or a court order; or
- 22.2.3 which **you** have received from a government department, local authority or NHS payment body for a specific purpose.

## 23 Membership

Unless and until the **mortgage** is transferred to a person who is not a building society, **you** will be one of **our** members and will be bound by **our rules** in force from time to time. In the event of any conflict **our rules** will prevail.

## 24 Complaints

**We** always try to provide an excellent standard of service but if **you** have cause to make a complaint, details of how **you** may do this are set out in **our** 'Customer Care Complaints procedure' leaflet. **You** may obtain a copy of this by visiting any of **our** branches or by telephoning **our** Customer Contact Centre on 0330 333 4000. Any complaints **we** cannot resolve may be referred to the Financial Ombudsman Service.

Postal address: The Financial Ombudsman Service, Exchange Tower, London E14 9SR

Telephone number: 0300 123 9123

Switchboard: 020 7964 1000

From outside the UK: +44 20 7964 1000

Website address: <http://www.financial-ombudsman.org.uk/consumer/complaints.htm>



This leaflet is available in large print, Braille and audio tape on request by calling 0330 333 4000\*.

\*Calls to this number are part of inclusive minutes from mobile and landline packages. To help us maintain our service and security standards, telephone calls may be monitored and recorded. Principality Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, reference number 155998. Principality Building Society, Principality Buildings, Queen Street, Cardiff, CF10 1UA. [www.principality.co.uk](http://www.principality.co.uk)