



Homes &
Communities
Agency

CUSTOM BUILD SERVICED PLOTS

Due diligence and know your customer

May 2015

Archived

Custom Build Serviced Plots Fund: Due Diligence and Know your Customer (KYC) Guidance

1 Introduction

The Homes & Communities Agency (HCA) has selected projects to enter the Due Diligence and Know your Customer (KYC) process for the Custom Build Serviced Plots Fund (CBSP).

HCA will carry out Due Diligence and KYC on these shortlisted projects.

Full information about HCA's CBSP investment criteria and the assessment process is set out in the CBSP Prospectus which is available on the Gov.UK website.

2 Purpose of Due Diligence and Know Your Customer (KYC)

The Due Diligence and KYC process will include (but not be limited to) the following elements:

- Satisfactory identification and address verification for all persons who exercise control over the business
- Appraise the project financial position and test underlying assumptions including the reasonableness of costs and revenues;
- Identify the minimum funding needed to take the proposition forward;
- Test and maximise the basis upon which HCA is to be repaid;
- Test the potential for recovery of funding through loan repayment and interest;
- Establish sufficient security for investment and relationships with any other project funders;
- Maximise value for money;
- For loan bids – set the interest rate;
- Understand partner roles and responsibilities;
- Review partner financial standing;
- Test whether / how the developer is making an equity contribution and independently value the developers equity investment – based on current market values;
- Understand and consider the financial, commercial and market risks associated with the project; and
- Test the deliverability of the project, including;
 - Ability to (re)start on site – including a review of title, progress towards a fully implementable planning consent, other consents and site constraints;
 - Reasonableness of development programme (including site preparation, infrastructure and main build) and underlying assumptions; and
 - Sales programme and underlying assumptions;

For all projects, HCA will consider the most appropriate form of security for its investment. This will involve the use of charges and guarantees and negotiation with existing financiers. An Inter-Creditor Deed will be required in some cases.

Where a bidder believes an Inter-creditor will be required please seek consent from any existing lender(s) before submitting an application to HCA. This consent should be included as part of the returned bidding documentation.

Due Diligence and Know Your Customer KYC process

Applicants for shortlisted projects will have been emailed a letter confirming their shortlisted status.

The following documents are available on the HCA website at - <https://www.gov.uk/government/publications/custom-build-serviced-plots-loan-fund>

Reference	Name	Status
DD1	Due Diligence Guidance (this document)	Guidance
DD2	CBSP Due Diligence Questionnaire	For completion
DD3	CBSP Cashflow User Guide / Completion Instructions	Guidance
DD4	CBSP Cashflow (excel file)	For completion
DD5	Certificate of title	For completion
DD6	Know your Customer (KYC) Questionnaire	For completion
DD7	KYC Questionnaire Submission Document	For completion

As the due diligence and KYC process progresses, HCA may ask for additional information. Certain exclusions may apply with respect to Publicly Listed Entities (Plc's). Please ask your HCA contact for details.

In addition to the information described above, the HCA may seek financial information from bidders. The HCA will be carrying out a review of financial standing of each bidder starting with publically available information, information already held by the HCA and accounts requested in DD2. Where further information is required, a specific request will go to the bidder.

HCA is seeking responses to the specific questions asked. Additional materials are **not required** so for example shortlisted applicants are not expected to prepare specific marketing material targeted at HCA.

Shortlisted applicants are required to complete the information sought and return submissions to HCA within the timescales requested.

If **all** the information requested is not returned to the HCA within the timeframe, the HCA reserves the right to consider the application as ineligible.

Instructions on how to return submissions will be sent via email to shortlisted applicants.

Each shortlisted project will be assigned an HCA-I Transaction Manager who will be responsible for managing the due diligence process. He or she may be supported by consultants.

They will review the information submitted and may contact shortlisted applicants with additional questions.

At the end of the due diligence and KYC process a recommendation to invest in or not support the project will go to HCA's Investments Executive or delegated Senior Investment Professional, depending on the value of the investment sought.

Once the HCA receives details of the shortlisted applicant's solicitors the HCA will start the process of checking title. This will happen in parallel with the due diligence and KYC process and is carried out at risk.

4 Value for Money

HCA reserves the right at Due Diligence and KYC to reject projects or specific changes within the proposal which would have materially impacted the scoring or ranking of the project during shortlisting. In particular, changes in the nature or amount of the funding sought which would worsen the position on value for money or recoverability will not be allowed.

HCA reserves the right to request additional financial information from any bidder if necessary. We also reserve the right to take account of a bidder's track record on working with the Homes and Communities Agency, through current and previous programmes.

5 Terms

Key terms will be available on the website and bidders are asked to confirm their agreement to enter into the terms if funding is offered.

6 The Freedom of Information Act 2000

The HCA is one of the authorities subject to the provisions of the Freedom of Information Act 2000 ("the Act"). The Act provides for information to be exempt from the general right of access if its disclosure would, or would be likely to, prejudice the commercial interests of any person. A shortlisted applicant may request that certain information in their bid and any subsequent Agreement is treated as covered by this exemption. However if the information is requested the availability of this exemption will be subject to a test of whether the public interest lies in disclosing the information or keeping it confidential.

How to request commercial confidentiality

Requests for information to be treated as commercially confidential should accompany the shortlisted applicant's completed submission and must include clear and substantive justification together with a time limit after which such information may be disclosed. A shortlisted applicant should make sure any information that is considered to be commercially confidential is clearly marked as such and kept separate from the rest of the submission. A shortlisted applicant should be aware that while the HCA will endeavour to take into account its views as to the keeping of information confidential, it reserves the right to disclose information if required to do so.

7 Data protection

The information you provide will be held in the strictest confidence and adhere to the provision of the Data Protection Act 1998. More details on our Data Protection Policy can be found at <https://www.gov.uk/data-protection> .

8 Accuracy of information

It is the shortlisted applicant's responsibility to ensure that all the information supplied in their response is up to date and accurate. In the event that the HCA enters into a contract or formal agreement with the bidder, the figures and information given by the bidder will be binding on the bidder and any misrepresentation by the bidder may lead to termination of the contract or agreement.

9 Cost of responding

The HCA will not be liable for and will not reimburse any costs associated with the Due Diligence and KYC submission.

10 Disclaimer

The contents of Due Diligence and KYC documents are strictly confidential and for use only by the HCA, its advisors and shortlisted applicants. This document is being provided solely for information purposes. This document does not constitute part of, and should not be construed as an offer, nor shall this document nor any part of it nor the fact of its distribution form the basis of or be relied upon in any way in connection with any contract or commitment whatsoever, nor shall its issue be taken as any form of commitment on the part of the HCA to proceed with any transaction.

11 Your Information

We may use credit reference agencies in order to verify your identity using information from the Electoral Register and other public sources connected with your business, charity or body.

We may use details of your credit history to assess your suitability for an investment and your ability to meet your financial commitments.

12 Crime Prevention and Debt Recovery

To prevent crime, verify your identity and to recover debt, we may exchange information where appropriate, with fraud prevention agencies, law enforcement agencies, debt recovery agencies and other organisations including other lenders. If you give us false or inaccurate information and potential fraud is identified, details will be passed to fraud prevention agencies to prevent fraud and money laundering.

13 Data Processing

Information may also be processed for the purpose of complying with applicable laws, including, without limitation, anti-money laundering and anti-terrorism laws and regulations and fighting crime and terrorism. This may require the disclosure of information to a UK or other governmental or regulatory authority or to any other person we reasonably think necessary for these purposes.

Archived

gov.uk/hca
mail@homesandcommunities.co.uk
0300 1234 500



Homes & Communities Agency

Homes and Communities Agency
Fry Building
2 Marsham Street
London SW1P 4DF

Archived

The Homes and Communities Agency is committed to providing accessible information where possible and we will consider providing information in alternative formats such as large print, audio and Braille upon request.