

2025 MORTGAGE GUARANTEE SCHEME
SCHEME RULES (THE "RULES")

HM TREASURY
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PART 1 – INTRODUCTORY

1. INTERPRETATION

1.1 In these Rules:

"Allowable Costs" in relation to a Delinquent Loan means all costs, fees and charges that the Lending Group Member may reasonably and properly incur, including:

- (a) all fees and charges due under the Mortgage Terms; and
- (b) all council tax, service charges and building insurance premiums, taxes, levies or duties attributable to the Property paid or payable by the Lending Group Member; and
- (c) all property protection and preservation expenses paid or payable by the Lending Group Member which have been incurred by the Lending Group Member whilst preserving the condition of the Property; and
- (d) all estate agents' fees including advertising costs, valuation and management fees (including fees for property management services carried out whilst the Property is in possession, whether carried out by the Lending Group Member or a third party); and
- (e) the costs paid or payable by the Lending Group Member in obtaining possession and/or sale of the Property and all associated legal fees; and
- (f) all other legal fees associated with possession, foreclosure and/or sale of the Property; and
- (g) the costs paid or payable by the Lending Group Member in pursuing Recovered Monies in relation to the Delinquent Loan and all associated legal fees,

but excluding any costs to which the Lending Group Member is not entitled under equity or common law or under Chapters 12 and 13 of MCOB, office expenses of the Lending Group Member and salaries of officials or employees of the Lending Group Member;

"Arrears" in relation to a mortgage loan means a failure by the borrower to make payment as and when due to the mortgage lender in accordance with the terms of the mortgage loan where such payment remains outstanding (and the Arrears are to be quantified as being the total amount of such outstanding payments);

"Arrears and Possessions Procedures" means a written policy and procedures put in place by a Lending Group Member in accordance with Chapter 13 of MCOB;

"Borrower" means the person or persons who receive an Eligible Loan from a Lending Group Member, and includes any person who is or has become liable to repay the Loan (in whole or in part) to the Lending Group Member;

"Business Day" means a day other than a Saturday, Sunday or a public holiday in England and Wales;

"Buy-To-Let Loan" means a loan made to one or more borrowers to be secured by a mortgage over a property which is either (i) let at the date the mortgage is granted or (ii) intended by the borrower or borrowers to be let either at that time or in the future;

"calendar year" means the period from 1 January to 31 December;

"Claim" means each individual Recoverable Loss which is or has been notified to the Treasury in accordance with rule 13;

"Claim Amount Adjustment" has the meaning set out in rule 19.1;

"Closure Date" means the day which is three (3) months after the day on which the Lender receives a Closure Notice;

"Closure Notice" means a written notice from the Treasury to the Lender to the effect that the Treasury is terminating the Scheme;

"Commencement Date" in relation to a Lender or any other Lending Group Member means the date of the Participation Notification;

"Commercial Fee" in relation to a Lender means the Commercial Fee payable by the Lender to the Treasury in accordance with Part 10 of these Rules;

"Confidential Information" has the meaning set out in rule 24.1;

"Customer" means the person or persons who apply to a Lending Group Member for a Loan which is intended to be an Eligible Loan under the Guarantee;

"Data Protection Legislation" means all applicable laws and regulations relating to the protection of Personal Data and privacy in any applicable jurisdiction including, without limitation, the GDPR, the Data Protection Act 2018, the UK Privacy and Electronic Communications (EC Directive) Regulations 2003 (S.I. 2003/2426), the UK Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit) Regulations 2019 (SI 2019/419), the UK Investigatory Powers Act 2016, any and all subordinate legislation enacted thereunder and any applicable decisions or guidance (whether statutory or non-statutory) or codes of practice issued by the UK Information Commissioner's Office relating to the processing of personal data or privacy, all as the same may be amended or re-enacted from time to time;

"Date of Completion" in relation to an Eligible Loan means the date on which the Loan is drawn down by the Borrower (or, in relation to a Loan falling within (ii) or (iii) of the definition of Internal Remortgage Loan, the date on which the relevant amendment or variation takes effect);

"Default" in relation to an Eligible Loan means that the Borrower meets the definition of default as applicable under UK CRD and the Prudential Regulation Authority's implementation thereof as it applies to the Lender;

"Default Date" in relation to an Eligible Loan in Default means the first date on which the definition of Default is satisfied in relation to the Default to which the Claim relates;

"Delinquent Balance" in relation to a Delinquent Loan means the Principal Balance at the date on which the Property is sold by the Lending Group Member or is otherwise sold pursuant to a Voluntary Sale (and in all cases plus any Interest which has been capitalised by the Lending Group Member in accordance with its Arrears and Possessions Procedures and less any capital payments made by the Borrower not already factored into the Principal Balance);

"Delinquent Loan" means an Eligible Loan which is in Arrears by an amount which is greater than the minimum monthly payment which the Borrower is required to pay to the Lending Group Member, and for which the Arrears are not repaid resulting in (i) the Lending

Group Member taking possession of the Property (whether by repossession, voluntary repossession or abandonment), or (ii) the Property being sold to an arm's length purchaser on arm's length terms by the Lending Group Member or pursuant to a Voluntary Sale, or (iii) Arrears being outstanding for a period equal to, or greater than, the Required Period;

"Disputed Claim" means a Claim which is disputed by the Treasury and in respect of which the Treasury has notified the Lender in accordance with rule 13.1(b);

"Eligible Lender" means an entity which:

- (a) is an undertaking whose business includes the provision of mortgage loans to persons in the United Kingdom; and
- (b) has permission under Part 4A of the Financial Services and Markets Act 2000 to enter into Regulated Mortgage Contracts in the United Kingdom;

"Eligible Loan" means a Loan that is, and continues to be, eligible under the Guarantee in accordance with these Rules;

"Event of Insolvency" in relation to a Lender means any one or more of:

- (a) the inability of the Lender or any of its other Lending Group Members to pay its debts as they fall due; or
- (b) the entry into liquidation either compulsory or voluntary (except for the purpose of amalgamation or reconstruction) of the Lender or any of its other Lending Group Members; or
- (c) the passing of a resolution for a creditor's winding up of the Lender or any of its other Lending Group Members; or
- (d) the making of a proposal by the Lender or any of its other Lending Group Members to its creditors for a composition in satisfaction of its debts or a scheme of arrangement of its affairs, other than any composition or arrangement entered into by the Lender or such other Lending Group Member in connection with the refinancing and/or restructuring of liabilities owed to its financial creditors; or
- (e) the application to the court (or the filing of documents with the court) for an administration order or any steps taken in relation to the appointment of a receiver or administrative receiver or administrator of or in relation to the Lender or any of its other Lending Group Members or any of their assets; or
- (f) the Lender or any of its other Lending Group Members becoming subject to the special resolution regime under the Banking Act 2009;

"Excluded Loss" means any Loss (or part of any Loss):

- (a) resulting directly or indirectly from, or incurred as a consequence of:
 - (i) war, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation, nationalisation, requisition or destruction of or damage to property by or under the order of any government or public or local authority; or

- (ii) ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel, or the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly or nuclear component of it; or
 - (iii) fraudulent or criminal acts (including, without limitation, fraudulent misrepresentation) on the part of the Lender or any of its other Lending Group Members or their directors, officers, employees or agents or any other person acting on behalf of the Lender or such other Lending Group Member, in each case whilst acting in their respective capacities as directors, officers, employees or agents of, or acting on behalf of, the Lender or such other Lending Group Member; or
- (b) in respect of which (and to the extent that) the Lender or any of its other Lending Group Members can claim or recover (i) from any insurance relating to the Property, (ii) from any funds paid by way of compensation under a statutory scheme in respect of damage to the Property to which the Lender is entitled, or (iii) under any guarantee or from any other source of funds (excluding, for the avoidance of doubt, any insurance not relating to the Property) which the Lender or such other Lending Group Member has available to it as a direct result of a failure by a Borrower to make a payment under the Loan;

"Existing Loan" in relation to a Replacement Loan means the existing mortgage loan (as referred to in the definition of Replacement Loan) which is, or is to be, repaid or treated as repaid, in whole or in part, by such Replacement Loan;

"Exit Notification" in relation to a Lender means the written notice from the Lender to the Treasury, under which the Lender informs the Treasury of its intention to leave the Scheme and to no longer be bound by, or entitled to the benefit of, the Guarantee in relation to any new loans entered into after the Termination Date;

"External Remortgage Loan" means a Replacement Loan in relation to which the Existing Loan was granted by a mortgage lender which is not the Lending Group Member or another member of the Lending Group;

"Fair Processing Information" has the meaning set out in 23.5;

"FOI Act" means the Freedom of Information Act 2000 and any other laws or regulations relating to the disclosure of information to which the Treasury is subject (and the Treasury shall be responsible for determining at its absolute discretion whether they are subject to such laws or regulations);

"Group" in relation to a person other than a natural person means the person, any holding company (as defined in the Companies Act 2006) and any subsidiary (as defined in the Companies Act 2006) of any holding company of that person for the time being;

"Group Remortgage Loan" means a Replacement Loan which is not (i) an Internal Remortgage Loan or (ii) a Replacement Loan which the Lender can confirm is an External Remortgage Loan;

"Guarantee" in relation to a Lender means, together, these Rules and the Participation Notification relating to the Lender;

"Guarantor Mortgage Loan" means a Loan in relation to which a person who is not the Borrower provides a guarantee, security, cash deposit or other source of funds, in an

amount equal to 10% (ten per cent.) or more of the Original Principal Balance, as recourse available to the Lending Group Member in the event of a failure by the Borrower to make a payment due under the Loan;

"Independent Expert" in relation to a Disputed Claim (or any other dispute to which rules 19.2 to 19.5 apply) means a person with whom neither the Lender nor the Treasury has or have any connection and who is an expert in relation to the matters that are the subject of the Disputed Claim (or such other dispute);

"Interest" in relation to a Delinquent Loan means the unpaid interest due to the Lending Group Member under the Mortgage Terms up until (i) the date of sale of the Property by the Lending Group Member or otherwise pursuant to a Voluntary Sale, or (ii) the expiry of the period of nine (9) months from the Default Date (whichever is the earlier);

"Internal Remortgage Loan" means (i) a Replacement Loan in relation to which the Existing Loan was granted by the Lending Group Member, (ii) a Loan treated as an Internal Remortgage Loan pursuant to rule 5.2 or (iii) any Loan granted by the Lending Group Member not previously subject to the terms of the Guarantee in respect of which the Lending Group Member agrees any amendment to, or variation of, the terms thereof;

"Lender" means an Eligible Lender which has agreed with the Treasury to participate in the Scheme through a Participation Notification;

"Lending Group Member" in relation to a Lender means:

- (a) the Lender (or any division, brand or trading operation of the Lender specified as a Lending Group Member in the Participation Notification relating to the Lender or a supplement thereto); and
- (b) any other member of the Lending Group that is an Eligible Lender (or any division, brand or trading operation of such an entity), in each case that has been specified as a Lending Group Member in the Participation Notification relating to the Lender or a supplement thereto;

"Loan" means a loan (or, provided that they are granted at the same time, loans) granted by the Lending Group Member which is (or, in respect of more than one loan, are) secured by a mortgage over property;

"Loan to Value" in relation to a Loan means the Original Principal Balance of the Loan (inclusive of any arrangement or other fees payable by the Borrower as at the Date of Completion, other than where such fees are paid by the Borrower on or before the Date of Completion using funds that do not form part of the amount that is being advanced or that would otherwise have been advanced) expressed as a percentage of the Value of the Property (except that, if the Loan to Value would fall below the lowest Loan to Value range to which the Lending Group Member's participation in the Scheme (in relation to Loans of the relevant type) extends if the arrangement or other fees payable by the Borrower as at the Date of Completion were excluded, then such fees shall be excluded for the purposes of calculating the Loan to Value and accordingly the Loan shall not be an Eligible Loan);

"Loss" in relation to a Delinquent Loan means, without double counting, the Delinquent Balance plus the Allowable Costs and Interest and less the proceeds of sale of the Property;

"MCOB" means the Mortgages and Home Finance: Conduct of Business Sourcebook as contained in the Financial Conduct Authority's Handbook as from time to time amended, consolidated, modified, extended, re-enacted or replaced;

"month" means the period from one day in a calendar month to the numerically corresponding day in the following calendar month or, if there is no such numerically corresponding day, the last day in the following calendar month;

"mortgage" includes charge, and in relation to a Loan means a mortgage over a Property granted as security for the Loan;

"Mortgage Offer" in relation to a Loan means an offer of the Loan by the Lending Group Member to the Customer made in writing;

"Mortgage Terms" in relation to a Loan means the terms of the Lending Group Member in relation to the Loan, including the Mortgage Offer and the mortgage terms and conditions as may be amended from time to time;

"Net Loss" in relation to a Delinquent Loan granted by a Lending Group Member means an amount equal to the Loss less any Excluded Losses;

"New Loan" means a Loan which is not a Remortgage Loan;

"NS&I" means the Director of Savings;

"Offset Mortgage Loan" means a Loan in relation to which the outstanding balance by reference to which interest is calculated is determined by subtracting a credit balance on one or more accounts held with the Lender or a member of its Group from the amount owing under the Loan;

"Original Principal Balance" in relation to an Eligible Loan means the original amount of the Loan advanced by the Lending Group Member to the Borrower on the Date of Completion (and including any amount retained by the Lending Group Member in respect of essential work to the Property);

"Participation Notification" in relation to a Lender means the standard form notification from the Lender to the Treasury, under which the Lender agrees to participate in the Scheme and to comply with, to be bound by, and to be entitled to the benefit of the Guarantee. A copy of the Participation Notification can be found in Schedule 6;

"Parties" means the Treasury and the Lender;

"Principal Balance" in relation to an Eligible Loan and at any relevant time means the Original Principal Balance less any capital repayments that have been made, or are treated by the Lending Group Member as having been made, by the Borrower at or prior to that time;

"property" means a freehold, leasehold or commonhold dwelling;

"Property" in relation to a Loan means the property which is the subject of the mortgage securing the Loan;

"Publicly-Assisted Loan" means a Loan granted for the purchase of a property where:

- (a) the deposit for the purchase is paid in whole or in part by a local authority, or by any other public authority, and for this purpose—
 - (i) a public authority includes a person who makes funds available for deposits using money for the expenditure of which a local authority or other public authority is accountable, but

- (ii) a Loan is not a Publicly-Assisted Loan solely due to the fact that the funds for the deposit were (in whole or in part) made available to the Borrower through the Treasury's Help to Buy: ISA scheme, the Forces Help to Buy Scheme or from a Lifetime ISA; or
- (b) the purchase is otherwise funded by means of another Government or Government-supported scheme, including a local government or local government-supported scheme (but not including the First Homes Scheme; the Funding for Lending Scheme; the Help to Buy Equity Loan Scheme, any scheme put in place by the Government to address the effects of Coronavirus or Coronavirus disease; or any other scheme notified to the Lender in accordance with rule 22 as being excluded from this definition);

"quarter" means a period of three consecutive calendar months within a calendar year. The standard quarters are January – March, April – June, July – September and October - December;

"Recoverable Loss" in relation to a Delinquent Loan granted by a Lending Group Member means whichever of the following is applicable, multiplied by ninety-five per cent. (95%) (and subject to a minimum of zero):

- (a) the Net Loss; or
- (b) if lower, an amount calculated in accordance with the following

formula: $(LTV-80\%) \times V$

where:

LTV is the Loan to Value of the Loan (and for the avoidance of doubt expressed as a percentage); and

V is the Value of the Property; or

- (c) if lower, AL,

where:

AL is (x), an amount calculated in accordance with the definition of Loss, where the reference to **"proceeds of sale of the Property"** shall be replaced with a reference to **"80% of the Value"**;

"Recovered Monies" means all sums recovered, received or treated by the Lending Group Member as recovered or received by or on behalf of the Lending Group Member (whether from the Borrower or from any third party) in relation to a Shortfall (including, without limitation, by exercise of any right of netting, set-off or contribution available to the Lending Group Member or by sale by the Lending Group Member to a third party of any or all of its rights against the Borrower);

"Regulated Mortgage Contract" means a Loan which is a regulated mortgage contract within the meaning set out in Article 61(3) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);

"Relevant Personal Data" means any and all Personal Data that is transferred by or on behalf of a Lending Group Member to the Treasury in connection with the Guarantee;

"Remortgage Loan" means an External Remortgage Loan, a Group Remortgage Loan or an Internal Remortgage Loan;

"Replacement Loan" means a Loan granted by the Lending Group Member to one or more borrowers which is to be applied, or treated by the Lending Group Member as applied, in whole or in part in the repayment of an existing mortgage loan (which is secured by the same property as such Loan) to one or more of such borrowers (whether such existing mortgage loan was granted by the Lending Group Member or another mortgage lender);

"Representatives" means:

- (a) (in relation to the Treasury) NS&I, the Treasury Solicitor and the officials, employees, agents, professional advisers (including without limitation solicitors, auditors, insurers and accountants) and contractors of the Treasury, NS&I and the Treasury Solicitor; and
- (b) (in relation to the Lender) the directors, officers, employees, agents, professional advisers (including without limitation solicitors, auditors, insurers and accountants), contractors and delegates of or to the Lender or any of its other Lending Group Members;

"Required Period" means twenty four (24) months from the Default Date (or in the event that UK CRD shall provide for another period, that other period, as from the date on which the relevant provision of UK CRD takes effect), minus three (3) months;

"Scheme" means the 2025 Mortgage Guarantee Scheme Rules launched by the Treasury on 3 July 2025, as the same may be amended from time to time;

"Shortfall" in relation to each Eligible Loan means all and any sums due to the Lending Group Member from the Borrower following the sale of the Property by the Lending Group Member or otherwise pursuant to a Voluntary Sale (and which for the avoidance of doubt does not include any monies paid to the Lender by the Treasury in accordance with the Guarantee);

"Specified Rate" means, in respect of each calendar year, a rate per annum, determined by the Treasury as at approximately 1:00 p.m. (London time) on the first Business Day of such year, equal to the fixed rate per annum applicable to the National Loans Fund for public sector lending, published by the UK Debt Management Office (shown on the web page <https://www.dmo.gov.uk/data/pdfdatareport?reportCode=D7A.6> in the column headed **"Rate"** under the column headed **"Maturity"** under the column headed **"New Loan Rates"**), which would be payable in respect of a public sector loan whose maturity date falls during the period of one year thereof;

"TCA" means the Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part;

"Term" means the period beginning on the Commencement Date relating to the Lender and ending on the Termination Date;

"Termination Date" means the earlier of:

- (a) the date two (2) weeks from the day following the date of the Exit Notification; and

- (b) the date on which all obligations and liabilities of the Treasury and the Lender under the Guarantee have been discharged in full and in accordance with the Guarantee;

"Treasury" means the Commissioners of His Majesty's Treasury;

"UK CRD" means, together:

- (a) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018; and
- (b) the law of the United Kingdom or any part of it, which immediately before IP completion day (as defined in the European Union (Withdrawal Agreement) Act 2020) implemented Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;

as amended from time to time;

"Valuation" in relation to a Property means a professional valuation of the Property which is relied upon by the Lending Group Member for the purpose of making the Eligible Loan;

"Value" in relation to a Property means the value of the Property as at the Date of Completion, which shall be deemed to be the value expressed in the Valuation or (if lower) the purchase price of the Property, except that, where any amount is retained by the Lending Group Member in respect of essential work to the Property, the value shall be deemed to be:

- (a) the value that the Property would have if the essential works were carried out (as shown in the Valuation) or (if no such value is shown in the Valuation) the aggregate of the value expressed in the Valuation and the amount retained by the Lending Group Member; or (if lower)
- (b) the aggregate of the purchase price of the Property and the amount retained by the Lending Group Member;

"Voluntary Sale" in relation to an Eligible Loan in Default means a sale of the Property by the Borrower in order to repay all or part of the Loan where the Lending Group Member consents to such sale as an alternative to taking possession and in accordance with MCOB;

"year" means the period from one day in a calendar year to the numerically corresponding day in the following calendar year;

- 1.2 unless the context requires otherwise, the singular includes the plural and vice versa;
- 1.3 references to persons include bodies corporate, firms, unincorporated associations and governmental, semi-governmental and local authorities or agencies;
- 1.4 references to any statute, any Treaty or any provision of a statute or Treaty include references to that statute, Treaty or provision as amended, modified, re-enacted or re-adopted from time to time, and to instruments, regulations, orders, directions, guidance or other measures made under it and in force from time to time;

- 1.5 references to any instrument, regulation, order, direction, guidance or other measure include references to that instrument, regulation, order, direction, guidance or measure as amended, modified, re-enacted or re-adopted from time to time;
- 1.6 references to these Rules (or any of them) or any other document are to these Rules (or the relevant rule) or such document as in force and amended from time to time; and
- 1.7 words and phrases used or construed in the Guarantee have the same meaning or construction as in the Guarantee.

2. **COMMENCEMENT AND TERM**

- 2.1 In relation to each Lender and each other Lending Group Member, these Rules have effect from the Commencement Date relating to that Lender or such other Lending Group Member (as the case may be) until the Termination Date of the Guarantee relating to the relevant Lender.
- 2.2 In relation to each Lender, references in these Rules to (i) "**the Lender**" shall be to such Lender, (ii) "**the Participation Notification**" shall be to the Participation Notification relating to such Lender and (iii) "**the Guarantee**" shall be to the Guarantee relating to such Lender.
- 2.3 In relation to each Eligible Loan, references in these Rules to "**the Lending Group Member**" shall (unless the context otherwise requires) be to the Lending Group Member that granted the Loan.
- 2.4 Each Lender (a) shall procure that any third party administrator engaged by the Lending Group Member or another member of the Lending Group in relation to each Eligible Loan complies with the obligations under these Rules expressed to be applicable to the Lending Group Member and (b) shall be responsible for all acts and omissions of any such third party administrator to the same extent as if such acts and omissions were performed or not performed, as applicable, by it.

PART 2 – ELIGIBILITY

3. **ELIGIBLE LOANS**

- 3.1 A Loan is an Eligible Loan only if:
 - (a) the mortgagee is a Lending Group Member; and
 - (b) the Loan is in pounds sterling; and
 - (c) the Date of Completion is on or after the Commencement Date relating to the Lending Group Member but before the Closure Date or the Termination Date, and where a Closure Notice has been given to the Lender, the date of the Mortgage Offer is not later than three (3) Business Days following the date on which the Closure Notice was given; and
 - (d) the Loan is a repayment mortgage loan, and not interest only; and
 - (e) the mortgage is a first-ranking mortgage (and not a second or subsequent mortgage); and
 - (f) the Loan falls within the Loan to Value range specified in rule 7.1, and is of a type (that is, a New Loan or a type of Remortgage Loan) specified in the Lender's current

notice in respect of the Lending Group Member that is in effect under rule 7.2 or 7.3 ; and

- (g) in the case of an Internal Remortgage Loan or a Group Remortgage Loan:
 - (i) the Existing Loan is not in Arrears as at the date of the Mortgage Offer (or, in relation to a Loan falling within (ii) or (iii) of the definition of Internal Remortgage Loan, the date on which the relevant amendment or variation takes effect); and
 - (ii) the Lending Group Member and (if applicable) the other member of the Lending Group which granted the Existing Loan has no record of any failure by the Borrower(s) to make payment as and when due to the Lending Group Member or such other member of the Lending Group, as applicable, in the twelve (12) months preceding the date of the Mortgage Offer (or, in relation to a Loan falling within (ii) or (iii) of the definition of Internal Remortgage Loan, the date on which the relevant amendment or variation takes effect); and
- (h) the Loan is granted to one or more individuals:
 - (i) in the case of a New Loan, for the purchase by them; or
 - (ii) in the case of a Remortgage Loan, to be applied, or treated by the Lending Group Member as applied, in repayment of a loan to them for the purchase by them (or the Loan is treated as an Internal Remortgage Loan as a result of changes to a loan to them for the purchase by them),

of a residential property situated in the United Kingdom as the sole registered owners of the property, or as the only registered co-owners of it (and not as part of a shared ownership or shared equity scheme); and
- (i) subject to rule 3.2, the Loan is a Regulated Mortgage Contract, which is not a Buy-To-Let Loan, and the Lending Group Member has not granted the Borrower any consent to let, and accordingly at least one of those individuals intends to reside in the Property once it is purchased; and
- (j) no part of the Property is being purchased with funds received from a Publicly-Assisted Loan; and
- (k) the Loan is granted by the Lending Group Member only after the Lending Group Member has:
 - (i) satisfied itself that the Borrower is not (or, where there is more than one Borrower, that none of the Borrowers are) credit-impaired (as defined in Schedule 2 to these Rules); and
 - (ii) assessed that the Loan is affordable for the Borrower (or, if more than one, the Borrowers together) by (x) conducting an affordability assessment that takes into account the Borrower's (or, if more than one, each of the Borrowers') income, committed expenditure, and basic essential expenditure and quality-of-living costs, (y) conducting an affordability stress test against future interest-rate rises and (z) verifying the Borrower's (or Borrowers', as applicable) income as applied for the purpose of conducting the affordability assessment; and

- (l) the Loan is not (and has not become) ineligible under rule 5; and
- (m) the Loan is not an Offset Mortgage Loan or a Guarantor Mortgage Loan; and

3.2 A Loan is not prevented from being an Eligible Loan as a result of rule 3.1(i) if:

- (a) the Borrower is a member of the Regular Forces or the Reserve Forces (each as defined in section 374 of the Armed Forces Act 2006); and
- (b) he or she is unable to reside in the Property once it is purchased due to his or her continuing a service posting in that capacity; and
- (c) where the Loan is granted with consent by the Lending Group Member to the Borrower to let, such consent is granted in accordance with the Lending Group Member's normal policies to enable the Borrower to continue to undertake that service posting.

3.3 The Lender shall procure that each Lending Group Member shall act in good faith and use all reasonable endeavours to determine whether each Loan is an Eligible Loan.

4. INFORMATION TO BE PROVIDED TO BORROWER

4.1 In relation to each Loan which is intended to be an Eligible Loan, the Lender shall procure that the relevant Lending Group Member shall provide the Borrower, before the Borrower is obliged to make the first payment in accordance with the Mortgage Terms, with a document, in hard copy or electronic form, in the form specified by the Treasury. Such document shall include reference to the Fair Processing Information, unless the Treasury agrees that the Fair Processing Information may be given in another manner. For the avoidance of doubt, the provision of a document to a Borrower under this rule 4 includes provision to the Borrower of the information in the form of the document specified by the Treasury in such a way as the Lender may determine; provided the information is distinctly identifiable and readily accessible by, and plainly legible to the Borrower as such (including a reference to the fact that the information is that specified by the Treasury pursuant to these Rules).

5. LOANS INELIGIBLE OR CEASING TO BE ELIGIBLE

5.1 A Loan is not an Eligible Loan if at the Date of Completion the Guarantee is inoperative in relation to the Lender (due to its suspension, termination or for any other reason).

5.2 An Eligible Loan ceases to be eligible under the Guarantee (and the Guarantee ceases to apply in relation to it) if:

- (a) subject as provided below, the terms of the Loan or the mortgage are changed (except where (i) the change relates solely to the rate of interest and/or the manner in which such rate is set or determined (including, without limitation, a change from fixed to variable or discounted to fixed, and whether such change shall occur in accordance with the terms of the Loan or on the application of the Borrower), (ii) the change is as a result of the Lending Group Member amending its standard terms applicable to borrowers generally, (iii) the change is limited to the addition of a further Borrower or the subsequent release of such a person as a Borrower or (iv) where the changes are limited to those made for the purpose of assisting the Borrower as part of a forbearance process); or

- (b) the Borrower grants a tenancy or lease of the Property to another person with the consent of the Lending Group Member, unless:
 - (i) the consent was given after the Date of Completion for the purpose of assisting the Borrower as part of a forbearance process; or
 - (ii) the consent was given after the Date of Completion to a Borrower who is a member of the Regular Forces or the Reserve Forces (each as defined in section 374 of the Armed Forces Act 2006) to enable them to undertake a service posting in that capacity; or
 - (iii) the consent was given after the Date of Completion for compassionate reasons relating to the Borrower (including without limitation due to the death of a family member, the breakdown of a relationship or the Borrower moving to a care home or nursing home) and the Lending Group Member has obtained a statement from the Borrower as to the reason; or
 - (iv) the consent was given more than 12 months after the Date of Completion for reasons related to the employment of the Borrower and the Lending Group Member has obtained a statement from the Borrower as to the reason; or
- (c) the Lending Group Member grants a further Loan (excluding, for the avoidance of doubt, a Remortgage Loan in respect of the Eligible Loan) to the Borrower (or, if more than one, to any of the Borrowers) which is secured by a mortgage over property.

For the avoidance of doubt, the reference in rule 5.2(a) to the terms of the Loan or the mortgage being changed includes without limitation a reference to an advance of additional funds, a fresh grant of security (whether over the same property or a different property) or the release of one or more of the original Borrowers. In the event that the terms of the Loan or the mortgage are changed (other than as permitted by rule 5.2(b) (i), (ii), (iii) or (iv)), the amended Loan shall be treated as an Internal Remortgage Loan and shall cease to be eligible under the Guarantee unless the requirements for Internal Remortgage Loans to be eligible under the Guarantee as set out in these Rules (including, without limitation, rule 3, rule 7.2, rule 7.3, rule 16 and rule 17) are satisfied at that time by the Lender in relation to it.

- 5.3 Subject to rule 5.4, an Eligible Loan ceases to be eligible under the Guarantee (and the Guarantee ceases to apply in relation to it) if it (or any rights, obligations or interests in it or the mortgage securing it) is or are assigned or transferred to a person other than the Lending Group Member without the prior written consent of the Treasury.
- 5.4 An Eligible Loan (and any rights, obligations or interests in it or the mortgage securing it) may be assigned or transferred by the Lending Group Member to another person (or from that person to another person) where:
 - (a) the Treasury has agreed to the assignment or transfer in writing in advance of it taking place; or
 - (b) the assignment or transfer meets the conditions in rule 5.5.
- 5.5 The conditions are that the assignment or transfer is to:
 - (a) another of the Lender's Lending Group Members; or

- (b) the Bank of England to be utilised as collateral in any operations under the Bank of England's Sterling Monetary Framework, the Funding for Lending Scheme (FLS), the Term Funding Scheme (TFS) or the Term Funding Scheme with additional incentives for small and medium-sized enterprises (TFSME): but in each case only for so long as the Lending Group Member remains economically exposed to such Eligible Loan pursuant to such operations, the FLS, the TFS or the TFSME.
- 5.6 Notwithstanding rule 5.4, the benefit of the Guarantee may not be assigned or transferred by the Lender to any other person without the prior consent in writing of the Treasury. In the event that the Treasury does give such consent, references in these Rules and the Participation Notification to the Lender shall be read as references to such assignee or transferee, and the remaining provisions of these Rules and the Participation Notification shall be read and construed accordingly.
- 5.7 If an Eligible Loan (or rights, obligations or interests in it or the mortgage securing it) is or are assigned or transferred by the Lending Group Member to another person (or from that person to another person) in accordance with rule 5.4, then (except to the extent that the Treasury agrees otherwise in giving consent under rule 5.4(a) or the context otherwise requires) any Loss suffered or expected to be suffered by the assignee or transferee shall be deemed for the purposes of these Rules and the Guarantee to be a Loss suffered or expected to be suffered by the Lending Group Member (and not by the assignee or transferee) such that the Lender shall be as entitled to make a Claim, and receive payment in respect thereof, in respect of such Eligible Loan as if the Eligible Loan (or such rights, obligations or interests) had not been assigned or transferred (and in such a case the measure of the Lending Group Member's Loss shall be the same as the measure of the assignee's or transferee's actual Loss), and all references in these Rules or the Guarantee to the Lending Group Member in relation to:
- (a) costs, fees, charges or expenses of the Lending Group Member; or
 - (b) amounts owing, payable, paid or treated as paid to the Lending Group Member; or
 - (c) sale, possession, foreclosure or other proceedings by the Lending Group Member; or
 - (d) recoveries by the Lending Group Member,
- shall be deemed to include references to such assignee or transferee.

PART 3 – LENDING AND ARREARS ETC. POLICIES AND PRACTICES

6. LENDING AND ARREARS ETC. POLICIES AND PRACTICES

- 6.1 The Lender must ensure that, when acting in connection with the Scheme and throughout the process of originating, administering and managing Eligible Loans (including its approach to arrears and repossessions), the Lender, each member of the Lending Group and any third party administrator engaged by the Lender or by a member of its Group:
- (a) acts in accordance with the objective of the Scheme to support the provision of high loan-to-value residential mortgages to borrowers who can afford them; and
 - (b) acts in accordance with the ordinary-course of business, lending, fraud, arrears and repossessions policies, practices and procedures of the Lender and its Group (including the policies, practices and procedures which the relevant Lending Group Member would apply in the ordinary course of business when originating,

administering, structuring, managing, recovering arrears or seeking repossession in relation to any Loan which is equivalent or similar to an Eligible Loan), to the extent consistent with (i) the business, lending, fraud, arrears and repossessions policies, practices and procedures of a reasonable and prudent mortgage lending organisation, (ii) regulatory principles and standards applicable to it and (iii) good industry practice; and

- (c) acts in a fair and equitable way and without distorting its normal distribution of mortgage lending, or its approach to arrears and repossessions, beyond the changes that are necessary to meet the Scheme's objectives.

- 6.2 If the Lender or another member of its Group engages another person to manage its arrears and repossession operations, the Lender must procure that that person, in its approach to arrears and repossessions, does not treat Loans which are subject to the Guarantee differently from those which are not.

PART 4 – PARTICIPATION IN SCHEME: LOAN TO VALUE BANDS

7. LOAN TO VALUE BAND FOR ELIGIBLE LOANS

- 7.1 A Loan is not eligible under the Guarantee unless it is in the loan-to-value range of more than ninety per cent. (90%) and less than or equal to ninety-five per cent. (95%).
- 7.2 The Lender must notify the Treasury in writing whether, in respect of each Lending Group Member, such Lending Group Member's participation in the Scheme on and from the Commencement Date extends to: (i) Loans of all types (that is, New Loans and Remortgage Loans), (ii) Loans of all types other than Internal Remortgage Loans or (iii) New Loans only, and must provide such notification at the same time it submits its Participation Notification, or as soon as practicable thereafter.
- 7.3 Subject to prior consultation with the Treasury, the Lender may, on behalf of any Lending Group Member, at any time on or after the Commencement Date give the Treasury a further notice of the kind described in rule 7.2 which supersedes the original notice under rule 7.2 or any subsequent notice under this rule 7.3. Any such notice shall take effect at the end of the last day of the calendar month in which it is given (unless it is given less than five (5) Business Days before the end of that calendar month, in which event it shall take effect at the end of the last day of the immediately following calendar month) or, if later, the date specified therein (provided that such date is no more than three (3) months following the date of the notice). For the avoidance of doubt, a notice under this rule 7.3 may be a notice that the Lending Group Member no longer wishes to participate in the Scheme (that is, in respect of Loans of any type), in which case the Guarantee shall cease to apply in relation to any Eligible Loan of that Lending Group Member in respect of which the Date of Completion is after the date on which such notice takes effect (but without otherwise affecting any liability incurred under the Guarantee).
- 7.4 Each and every Eligible Loan granted by a Lending Group Member with a Date of Completion which falls during the period in respect of which a notice under rule 7.2 or 7.3 is in effect (and being of a type specified in such notice) must be notified by the Lender to the Treasury under rule 16.1 and Schedule 1 to these Rules and shall be subject to the Guarantee.
- 7.5 The Lender shall procure that no Lending Group Member shall grant any Eligible Loans without the Lender notifying them to the Treasury in accordance with rule 7.4.

PART 5 – SUSPENSION OF GUARANTEE AND TERMINATION

8. SUSPENSION OF GUARANTEE OBLIGATIONS

8.1 Where the Treasury is of the opinion that:

- (a) an Event of Insolvency has occurred or is likely to occur in relation to the Lender; or
- (b) the Lender or another of its Lending Group Members has, or may have, committed serious or persistent breaches of the regulatory requirements governing Regulated Mortgage Contracts; or
- (c) a suspension of the Guarantee is necessary to comply with any decision, direction, judgment, finding or other measure resulting from a regulatory investigation or proceedings initiated in court or before a tribunal or arbitration body against the Treasury or His Majesty's Government in relation to the Guarantee under any applicable UK legislation for the control of state subsidies or pursuant to the TCA, or is necessary to reach or give effect to an agreed resolution of any such investigation or proceedings; or
- (d) it is necessary to suspend the operation of the Guarantee; or
- (e) an amount due to the Treasury by way of a Commercial Fee under Part 10 of these Rules remains outstanding more than three (3) months after the due date for payment; or
- (f) material information required to be provided to the Treasury under Part 9 of these Rules has not been provided in accordance with those provisions for at least three (3) consecutive months; or
- (g) either the Prudential Regulation Authority or the Financial Conduct Authority has advised the Treasury that in its opinion and having regard to its statutory objective the Lender's participation in the Scheme should be suspended; or
- (h) the Lender fails to perform or observe any of its obligations under these Rules or the Guarantee where such failure is material (in the opinion of the Treasury, acting reasonably) and (except where, in the opinion of the Treasury, acting reasonably, the failure is incapable of remedy, when no such continuation or notice as is referred to in this rule 8.1(h) will be required) the failure continues for a period of ten (10) Business Days following the giving of notice by the Treasury to the Lender requiring the same to be remedied,

the Treasury may serve a written notice on the Lender to that effect (a "**Guarantee Suspension Notice**").

8.2 Subject to rules 8.3 and 8.5, the Treasury shall not be liable for any Recoverable Losses in relation to any Eligible Loan in respect of which the Date of Completion is on or after the twentieth (20th) Business Day following the day on which a Guarantee Suspension Notice was received by the Lender pursuant to rule 8.1 (or such later day as may be specified in the Guarantee Suspension Notice) (the "**Guarantee Suspension Date**"), unless the Eligible Loan is granted with the Treasury's prior written consent (in which case the Guarantee applies in relation to that Eligible Loan).

8.3 A Guarantee Suspension Notice suspends the applicability of the Guarantee to any Eligible Loan in respect of which the Date of Completion is on or after the Guarantee Suspension

Date (subject to and in accordance with rule 8.2) but does not otherwise affect any liability incurred under the Guarantee.

- 8.4 The Treasury's consent under rule 8.2 may be given in relation to specific Eligible Loans, or categories of Eligible Loans, and be given subject to any conditions which the Treasury considers appropriate.
- 8.5 The Treasury may serve a written notice (a "**Revocation Notice**") on the Lender to the effect that a Guarantee Suspension Notice is revoked with effect on and from a date specified in the Revocation Notice (the "**Suspension Revocation Date**"); and if a Revocation Notice so states the Treasury shall be liable for any Recoverable Losses in relation to any Eligible Loan in respect of which the Date of Completion is on or after the Guarantee Suspension Date (or any later date specified in the Revocation Notice) but before the Suspension Revocation Date.
- 8.6 The application of rule 8.1(c), (d) or (g) is a matter to be determined by the Treasury.
- 8.7 Subject to rule 8.8 the Treasury must consult the Lender before deciding to serve a Guarantee Suspension Notice.
- 8.8 Rule 8.7 does not apply where the Treasury considers that prior consultation could materially prejudice their, or His Majesty's Government's, rights or interests, or that it is not practicable in the circumstances (but in such a case the Treasury shall undertake such consultation (if any) as they are reasonably able to undertake, as soon as they are reasonably able to undertake it).

9. **TERMINATION BY THE LENDER**

- 9.1 The Lender may, at any point, announce its intention to terminate its participation in the Scheme by serving a written Exit Notification to the Treasury. The Exit Notification does not need to be in a prescribed form, but it must be served by email to the Director of His Majesty's Treasury Financial Services Group to be effective. The Lender's participation will end on the Termination Date.
- 9.2 The Termination Date is the date two(2) weeks from the day following the date of the Exit Notification.
- 9.3 Following the Termination Date, the Guarantee will not apply to any new Loans. The Guarantee will continue to apply to a Lender's existing Eligible Loans unless the Exit Notification expressly requests that those Loans also be released from the Guarantee.
- 9.4 During the period between the Exit Notification and the Termination Day, the Guarantee will continue to be available for new Eligible Loans where the Date of Completion predates the Termination Date.

10. **CLOSURE BY THE TREASURY**

- 10.1 The Treasury may, at any point, announce its intention to close the Scheme by serving a written Closure Notice to the Lender. The Scheme will terminate on the Closure Date.

PART 6 – REPOSSESSIONS AND CLAIMS

11. **WHEN CLAIMS MAY BE MADE**

- 11.1 Subject to rule 11.2, the Lender may make a Claim in respect of a Recoverable Loss if:

- (a) the Property has been sold and the extent of the Lending Group Member's Loss has been determined;
- (b) a period of not more than seven (7) years has elapsed since the Date of Completion; and
- (c) the Lender has submitted documentation, a list of which the Treasury shall have specified to the Lender, evidencing that, in relation to the relevant Delinquent Loan, the Lending Group Member (and any person engaged by the Lending Group Member to manage its arrears and repossession operations) is or are to their knowledge not in breach of:
 - (i) Section 13 of MCOB; or
 - (ii) in the event of repossession, the Ministry of Justice's Pre-Action Protocol for Possession Claims based on Mortgage or Home Purchase Plan Arrears in Respect of Residential Property; and
- (d) the Lender notified the Treasury as part of the information provided pursuant to rule 16.1 (subject to rule 16.3) in respect of each quarter in which the Lending Group Member became aware of the Default; and
- (e) the Lender submits to the Treasury the amount of its Net Loss following the sale of the Property;

11.2 If, following payment of a Claim by the Treasury, the Lender or the Treasury becomes aware that the Delinquent Loan to which the Claim related was entered into, or actions or omissions in relation to these Rules and/or the Guarantee were taken or not taken in respect thereof, as a consequence of any fraudulent or criminal act (including, without limitation, fraudulent misrepresentation) on the part of the Lending Group Member, its directors, officers, employees or agents or any other person acting on behalf of the Lending Group Member, in each case as finally determined by a court, an arbitrator or any relevant United Kingdom regulatory authority, and which was not taken into account as an Excluded Loss in the calculation of the Recoverable Loss, the relevant Party shall promptly notify the other thereof. The Lender shall (i) return to the Treasury in full the amount paid by the Treasury in respect of the Claim (less an amount equal to the amount of any Recovered Monies previously allocated and paid to the Treasury in accordance with rule 14) and (ii) pay interest to the Treasury on such amount at the Specified Rate for the time being from the date of payment by the Treasury of such Claim, in each case within twenty (20) Business Days of the date of the notification.

11.3 For the avoidance of doubt, rule 11.2 is without prejudice to the obligation of the Lender to deduct Excluded Losses of which it is aware when calculating a Recoverable Loss in respect of which it makes a Claim.

12. **REDUCTION OF CLAIMS**

If a Borrower pays any amount outstanding in respect of an Eligible Loan to the Lending Group Member before a Claim submitted to the Treasury in respect of that Loan has been paid, the Claim shall be recalculated and (if and to the extent relevant) deemed to be reduced accordingly.

13. **REMITTANCES FOR CLAIMS**

13.1 Any time the Lender wishes to submit a Claim, it must notify the Treasury of the Claim details using the notification process set out in rule 22 and include:

- (a) the information set out in Schedule 3 to these Rules in relation to each Eligible Loan in respect of which such Claim is made;
- (b) the amount payable by the Treasury in respect of such Claim, calculated as:
 - (i) the total amount of the Claim ("**C**");
 - (ii) less the amount of any Recovered Monies that have been allocated to the Treasury but not yet paid ("**RM**"); and
 - (iii) adjusted in accordance with any Claim Amount Adjustment determined in accordance with rule 13.2(e) and/or rule 19 that has not been reflected in a previous Claim made by the Lender ("**CA**"); and
- (c) details for each of the components C, RM and CA used in the calculation above.

13.2 Any amount payable under rule 13.1 shall be paid by the Treasury to the Lender no later than the last Business Day of the Quarter immediately following the calendar month in respect of which the corresponding Claim is submitted (the "**Settlement Date**"), subject to the following:

- (a) the Treasury shall have no obligation to pay a Claim on or before the Settlement Date unless they shall have received the information referred to in rule 13.1; and
- (b) if in relation to any Claim the Treasury is not satisfied that the requirements of rule 3.1, rule 11.1 and this rule have been met, or not satisfied as to the calculation of any amount of Recovered Monies it may notify the Lender of such fact, in which event the Claim shall be a Disputed Claim; and
- (c) if the Treasury notifies the Lender of a Disputed Claim on or before the third (3rd) Business Day before the Settlement Date, the amount payable under this rule 13 shall be adjusted to the amount which the Treasury considers to be payable; and
- (d) for the avoidance of doubt, nothing in these Rules shall prevent the Treasury notifying the Lender of a Disputed Claim under paragraph (b) above after the payment referred to this rule 13 has been made; and
- (e) if as a result of the dispute procedures set out in rules 19.1 to 19.5 the amount payable by the Treasury to the other under this rule 13 is determined to be different from that actually paid pursuant to this rule 13.2, the amount of the balance (together with any amount of expenses payable by the Treasury to the other pursuant to rule 19.5) shall be a Claim Amount Adjustment for the purposes of rule 13.1(b)(iii).

13.3 All payments under this rule 13 by the Treasury to the other shall be made by or on behalf of the Treasury to such bank account as the Lender shall have notified in writing to the Treasury on or before the Commencement Date relating to the Lender (or, in the event of a change, notified not less than five (5) Business Days before the date on which the relevant payment is due).

- 13.4 If the Treasury fails to make a payment due under this rule 13 by the applicable due date, it shall be liable to pay interest to the Lender on the outstanding amount at the Specified Rate for the time being.
- 13.5 The Treasury shall have no responsibility for the allocation by the Lender between it and its other Lending Group Members of any monies paid to the Lender by the Treasury pursuant to these Rules or the Guarantee.

PART 7 – RECOVERIES

14. RECOVERIES FROM BORROWER AND THIRD PARTIES AFTER CLAIM PAID

- 14.1 Save as permitted by rules 14.2 to 14.4 the Treasury waives any right of subrogation they may have against a Borrower and third parties (including, without limitation, solicitors and valuers) in respect of Claims paid under the Guarantee.
- 14.2 To the extent permitted by law, following payment of a Claim the Lender shall, or (as the case may be) shall procure that the relevant Lending Group Member shall, use commercially reasonable efforts to recover, seek and pursue, and reimburse itself in respect of, any Shortfall ("**Recovery Efforts**") from:
- (a) a Borrower in accordance with its Arrears and Possessions Procedures; and
 - (b) any third party in accordance with normal business practice,
- save that the Lending Group Member shall not be obliged to pursue any Recovery Efforts unless it, in its absolute discretion, considers it appropriate to do so. For the avoidance of doubt, Recovery Efforts shall include (i) exercise of any rights of netting, set-off and contribution available to the Lending Group Member and (ii) sale by the Lending Group Member to a third party of any or all of its rights against the Borrower.
- 14.3 The Lending Group Member shall at all times have conduct of all Recovery Efforts and the Treasury agrees to be bound by all adjustments, settlements and compromises made by the Lending Group Member in seeking or pursuing any Loss.
- 14.4 Recovered Monies shall be allocated as follows as soon as reasonably practicable after receipt thereof by the Lending Group Member:
- (a) first, to the Lender in the discharge of all Allowable Costs paid or payable by the Lending Group Member in pursuing Recovered Monies and all associated legal fees; and
 - (b) secondly, to the Lender, to the extent that the Recovered Monies when added to the proceeds of sale of the Property represent up to eighty per cent. (80%) of the Value of the Property; and
 - (c) thirdly, to the Treasury in reimbursement of the amount paid by the Treasury in respect of the Claim; and
 - (d) fourthly, as to the balance, to the Lender.

PART 8 – MONITORING COMPLIANCE

15. MONITORING COMPLIANCE

Ongoing compliance

15.1 The Lender must implement policies and procedures (including internal controls and governance processes) to oversee compliance with the Scheme Rules throughout its participation in it, and it must review these controls regularly to ensure they remain adequate.

15.2 The Treasury can review the Lender's compliance in line with rules 15.3 and 15.4 below.

Spot-checks

15.3 Subject to rule 15.4, at any time prior to the Termination Date, and upon reasonable notice being given to the Lender, the Treasury (or an agent acting on behalf of the Treasury) may conduct an audit ("**a Spot-Check**") of a sample of Loans originated by the Lender and its other Lending Group Members to ensure that these Rules have been complied with in relation to those Loans.

15.4 The maximum size of the sample of Loans audited during a Spot Check (calculated, in respect of each Lending Group Member, by reference to the total number of the Eligible Loans granted by such Lending Group Member at the date of commencement of the Spot Check) shall be:

- (a) if the total number of the Eligible Loans granted by the Lending Group Member subject to the Guarantee is equal to or less than two hundred and fifty (250), twenty (20) or ten per cent. (10%) of that total number (whichever is the greater); and
- (b) if the total number of such Eligible Loans is greater than two hundred and fifty (250) but equal to or less than one thousand (1,000), twenty five (25) or five per cent. (5%) of that total number (whichever is the greater); and
- (c) if the total number of such Eligible Loans is greater than one thousand (1,000), (i) fifty (50) or three per cent. (3%) of that total number (whichever is the greater) or, if lower, (ii) 300.

General

15.5 A Spot Check shall be based on such audit questions as the Treasury may consider to be appropriate. If and to the extent necessary to avoid any breach of applicable law (including, without limitation, the Data Protection Legislation), information relating to Loans which are outside the Scheme may be provided to the Treasury on an anonymised basis.

15.6 If during the course of a Spot Check the Treasury discovers that:

- (a) the policies and procedures (including internal controls and governance processes) that the Lender and its other Lending Group Members have in place to ensure compliance with these Rules have not been complied with; or
- (b) these Rules have not been complied with in any material respect; or
- (c) the information provided by the Lender to the Treasury pursuant to these Rules is incomplete or inaccurate; or
- (d) no or insufficient progress has been made in relation to any recommendations arising from the Spot Check.

details of the discoveries shall be brought to the Lender's attention in a report prepared by or on behalf of the Treasury, which will include any recommendations that the Treasury may have.

- 15.7 If a Spot Check discloses a significant number of instances of non-compliance (of any of the kinds specified in rule 15.6) the Treasury (or an agent acting on behalf of the Treasury) may:
- (a) conduct an additional Spot Check within a reasonable period and produce a further report to the Lender; and/or
 - (b) require the Lender to notify the Prudential Regulation Authority and/or the Financial Conduct Authority (or any successor body to either of them) of such instances of non-compliance.
- 15.8 If following a further report under rule 15.7(a) it is discovered (by a further Spot Check or otherwise) that remedial action has not been implemented by the Lender or that further instances of non-compliance are occurring, the Treasury may convene, upon reasonable notice, a meeting with representatives of the Lender.
- 15.9 The Lender shall send an appropriate representative to such a meeting, at which the Lender and the Treasury will use its best endeavours to agree a plan of action to address any outstanding matters arising from a Spot Check. An additional Spot Check may be conducted by the Treasury (or an agent acting on behalf of the Treasury) to assess the Lender's progress in implementing the plan of action.
- 15.10 In the event that mutual agreement between the Lender and the Treasury to resolve any outstanding matters cannot be achieved having followed the above process, the Treasury shall give the Lender ten (10) Business Days written notice to comply with the Treasury's recommendations.
- 15.11 If a notice given under rule 15.10 is not complied with to the satisfaction of the Treasury, the Treasury shall have the option to terminate the Guarantee as it applies to any new Loan in respect of which the Date of Completion is on or after the twentieth (20th) Business Day following notice in writing by the Treasury to the Lender (but without otherwise affecting any liability incurred under the Guarantee).
- 15.12 In the event that the Guarantee is terminated as stated in rule 15.11, the Treasury must immediately notify the Prudential Regulation Authority and the Financial Conduct Authority or any successor body to either of them.
- 15.13 For the avoidance of doubt, the provisions in rules 15.6 to 15.12 are without prejudice to the Treasury's rights to suspend the applicability of the Guarantee pursuant to rule 8.

PART 9 – PROVISION OF INFORMATION TO TREASURY

16. INFORMATION TO BE PROVIDED TO TREASURY

- 16.1 The Lender shall provide the information described in Schedule 1 to these Rules in secure electronic form to the Treasury on or as soon as practicable after the Date of Completion in respect of the relevant Eligible Loan or (as the case may be) within twenty (20) Business Days following the end of each quarter during the Term (as indicated in that Schedule 1).
- 16.2 In paragraph 16.1 above the reference to secure electronic form means such form as is appropriate to ensure the protection of personal data in accordance with current best practice in relation to the handling of customer personal data in the retail financial services industry.

- 16.3 If the Lender becomes aware of an error or inaccuracy in any of the information provided by it to the Treasury (whether pursuant to rule 11, rule 13, this rule 16 or otherwise), it shall notify the Treasury thereof (and provide the corrected information to the Treasury) as soon as reasonably practicable.

PART 10 – COMMERCIAL FEE

17. COMMERCIAL FEE

- 17.1 The amount of the Commercial Fee to be paid by the Lender to the Treasury shall be calculated, in respect of each Eligible Loan, as a percentage (the "**Relevant Percentage**") of the Original Principal Balance of the Loan. The Relevant Percentage shall be calculated by the Treasury on an annual basis and notified to the Lender.
- 17.2 The Lender shall be liable to pay to the Treasury the Commercial Fee quarterly in arrear in an amount equal to (a) the Relevant Percentage applicable for that calendar year (or the relevant part thereof, as the case may be) in which the relevant calendar month (or part thereof) falls in accordance with rule 17.1 multiplied by (b) the aggregate of the Original Principal Balance in respect of all Eligible Loans (within each relevant Loan to Value range) granted by the Lender or another of its Lending Group Members and in respect of which the Date of Completion falls in the relevant calendar month.
- 17.3 In respect of each quarter the Treasury shall notify the Lender in writing or in electronic form of the total amount payable by the Lender for that quarter as soon as reasonably practicable, and no more than thirty (30) Business Days after the end of that quarter, calculated in accordance with rule 17.2.
- 17.4 Subject to rule 20.1, the amount calculated pursuant to rule 17.2 must be paid:
- (a) by or on behalf of the Lender into a bank account operated by the Treasury specifically for that purpose the details of which are notified by the Treasury in writing to the Lender; and
 - (b) within twenty (20) Business Days of the receipt of a notice under rule 17.3.
- 17.5 In the event that the Lender notifies the Treasury in accordance with rule 16.3, and without prejudice to the Treasury's other rights under these Rules, the Treasury may recalculate the amount of the relevant Commercial Fee in the light of the corrected information provided under rule 16.3, and an appropriate adjusting payment shall be made by the relevant Party to the other in such manner as the Treasury may determine. If any such adjusting payment shall be payable to the Treasury, the Lender shall pay interest to the Treasury on the amount of such adjusting payment at the Specified Rate for the time being from the date on which the relevant Commercial Fee would have been payable if such error had not occurred.
- 17.6 If the conditions in rule 17.7 are met the Treasury may at any time during a calendar year serve a notice in writing on the Lender stating that any one or more of the Relevant Percentages determined under rule 17.1 in relation to that calendar year is or are to be increased or decreased. Where a notice under this rule 17.6 has been given, the increase or decrease shall take effect in relation to Eligible Loans in the relevant Loan to Value range(s) in respect of which the Date of Completion falls in or after the calendar month immediately following that in which the notice is given. For this purpose, if the notice is given less than ten (10) Business Days before the end of a calendar month, it shall be deemed to have been given in the immediately following calendar month.

17.7 The conditions are that:

- (a) the Treasury has consulted the Lender about the proposed change, and allowed a reasonable time for consideration of its response; and
- (b) the Treasury acts reasonably in determining the change.

18. ADJUSTMENT OF COMMERCIAL FEE FOR SUBSIDY-RELATED REASONS

18.1 If the conditions in rule 18.2 are met the Treasury may at any time before the Termination Date serve a notice in writing on the Lender stating that the Commercial Fee determined under rule 17.1 (or adjusted under rule 17.6) in relation to any specified calendar year or part thereof (including the current or any or all previous calendar years or any part thereof) and any specified Loan to Value range is to be increased or decreased.

18.2 The conditions are that:

- (a) the Treasury has consulted the Lender about the proposed change, and allowed a reasonable time for consideration of its response; and
- (b) the Treasury acts reasonably in determining the change; and
- (c) the change is necessary to comply with any decision, direction, judgment, finding or other measure resulting from a regulatory investigation or proceedings initiated in court or before a tribunal or arbitration or other body against the Treasury or His Majesty's Government in relation to the Guarantee or the Scheme under any applicable UK legislation or Treaty to which the UK is a party for the control of state subsidies or pursuant to the TCA, or is necessary to reach or give effect to an agreed resolution of any such investigation or proceedings.

18.3 The application of rule 18.2(c) is a matter to be determined by the Treasury.

18.4 Where a notice has been given under rule 18.1 increasing the Commercial Fee:

- (a) the Lender shall be liable to pay to the Treasury, in respect of Commercial Fees payable under rule 17.2 up to the day on which the notice is served, an amount equal to the Commercial Fee as modified by the notice multiplied by the number of Eligible Loans in respect of which a Commercial Fee is payable up to the time the notice was given, less any amount already paid or owing under rule 17.2; and
- (b) (if applicable) the Commercial Fee for the remainder of the calendar year in which the notice was given shall be the Commercial Fee as modified by the notice.

18.5 The amount referred to in rule 18.4(a) must be paid:

- (a) by or on behalf of the Lender into a bank account operated by the Treasury specifically for that purpose the details of which are notified by the Treasury in writing to the Lender; and
- (b) within twenty (20) Business Days following the day on which the notice is given.

18.6 If rule 18.5(b) is not complied with the Lender shall be liable to pay interest to the Treasury on any outstanding amount at the Specified Rate for the time being from the date on which payment was due to the date of actual payment.

- 18.7 The dispute procedure in rules 19.2 to 19.5 shall be applicable, with any necessary modifications, in respect of the calculation of amounts owing pursuant to a notice given by the Treasury under rule 18.1.

PART 11 - DISPUTES

19. CLAIMS DISPUTES

- 19.1 In the event of a Disputed Claim the Lender and the Treasury shall endeavour to reach an amicable agreement regarding the amount of any adjustment to the Disputed Claim (a "**Claim Amount Adjustment**") within twenty (20) Business Days of the Treasury notifying the Lender of the Disputed Claim.
- 19.2 If the Lender and the Treasury is unable to reach agreement regarding the Disputed Claim within that period, then the Lender and the Treasury shall appoint an Independent Expert (the "**Independent Expert**") to determine the dispute. If the Lender and the Treasury is unable to reach agreement regarding the appointment of the Independent Expert within five (5) Business Days, then either party may apply to the president for the time being of the Institute of Chartered Accountants in England and Wales to make the appointment.
- 19.3 The Lender and the Treasury shall make such written and/or oral submissions to the Independent Expert, and shall provide any documents or information, as the Independent Expert may require to determine the dispute based on his or her own skill, judgement and experience. For the avoidance of doubt, the Independent Expert shall act as an expert and not as an arbitrator.
- 19.4 The Independent Expert shall be required to submit a written report containing his or her findings and determinations in relation to the dispute to the Lender and the Treasury within twenty (20) Business Days of receipt of the submissions, documents and information referred to in rule 19.3.
- 19.5 The Independent Expert's report shall be final and binding on the Lender and the Treasury, and the Independent Expert shall determine whether the expenses of the dispute procedure set out in this rule 19 should be shared equally between the Lender and the Treasury or should be awarded solely against the Lender or the Treasury.

20. COMMERCIAL FEE DISPUTES

- 20.1 If, following receipt of a notice under rule 17.3, the Lender disputes the calculation of the total amount of the Commercial Fee payable by the Lender for the relevant calendar month, the Lender shall within twenty (20) Business Days of the receipt of the notice:
- (a) advise the Treasury in writing of the basis on which it considers the calculation to be incorrect and the amount which, in the Lender's opinion is payable; and
 - (b) provide to the Treasury such evidence as the Lender considers appropriate to support its position; and
 - (c) pay to the Treasury the amount referred to in rule 20.1(a) into the bank account referred to in rule 17.5(a).
- 20.2 The Treasury shall consider any representations made and evidence provided by the Lender under rules 20.1(a) and 20.1(b) and, if they consider it appropriate to do so, recalculate the total amount payable by the Lender under rule 17.2.

- 20.3 The Treasury shall notify the Lender in writing of any decision under rule 20.2 within ten (10) Business Days of the receipt by the Treasury of the representations and evidence provided by the Lender pursuant to rules 20.1(a) and 20.1(b).
- 20.4 Subject to rules 19.1 to 19.5, if the amount payable in accordance with the Treasury's decision under rule 20.2 is greater than the amount paid by the Lender under rule 20.1(c) the Lender shall pay the balance to the Treasury within twenty (20) Business Days of the receipt by the Lender of the notice referred to in rule 20.3.
- 20.5 Subject to rules 19.1 to 19.5, if the amount payable in accordance with the Treasury's decision under rule 20.2 is less than the amount paid by the Lender under rule 20.1(c) the Treasury shall pay the balance to the Lender within twenty (20) Business Days of the receipt by the Lender of the notice referred to in rule 20.3.
- 20.6 If rule 17.5(b), 20.4 or 20.5 is not complied with the Lender or the Treasury (as applicable) shall be liable to pay interest to the Treasury or the Lender (as applicable) on any outstanding amount at the Specified Rate for the time being.
- 20.7 The Treasury and the Lender shall act reasonably in the exercise of their rights and obligations under rules 17.1 to 17.5 and rules 20.1 to 20.6 and shall endeavour to resolve any dispute informally.
- 20.8 In the event that a dispute cannot be resolved informally, rules 19.2 to 19.5 apply, with any necessary modifications, to a dispute under rules 17.1 to 17.5 and rules 20.1 to 20.6.
21. **ADMINISTRATION DISPUTES**
- 21.1 The Treasury shall agree with the Lender processes and procedures for resolving any disputes relating to the administration of the Scheme to the extent not expressly set out in these Rules.

PART 12 - NOTICES, DATA PROTECTION AND CONFIDENTIALITY

22. **NOTICES ETC.**
- 22.1 A notice or other communication required or permitted to be given by the Treasury or the Lender pursuant to these Rules or the Guarantee shall be sent by email to an email address specified by the recipient Party in advance, and shall be marked as described in rule 22.5.
- 22.2 A notice or other communication sent in accordance with rule 22.1 shall be taken as delivered one (1) Business Day after being sent by email to the address specified.
- 22.3 Where a Party entitled to receive it so requests in advance (either generally or in relation to specific notices or other communications), a notice or other communication required or permitted to be given by the other Party pursuant to these Rules or the Guarantee shall also be delivered by hand at or mailed by first class certified mail to the address set forth at the start of the Participation Notification.
- 22.4 A notice or other communication sent by first class certified mail pursuant to rule 22.3 shall be taken to be sufficiently served and delivered two (2) Business Days after the date of posting.
- 22.5 A notice or other communication to the Treasury shall be marked for the attention of Director of Financial Services, and a notice or other communication to the Lender shall be marked for the attention of the person or persons specified in the Participation Notification.

- 22.6 A Party may change the details recorded for it in rule 22.5 or give a different address in the United Kingdom to which notices or communications are to be sent, by notice to the other Party in accordance with rules 22.1 to 22.4.

23. **DATA PROTECTION**

- 23.1 For the purposes of these Rules, "Controller", "Processor", "Data Subject", "Personal Data", "Personal Data Breach", "Process" and "Processing" have the meanings ascribed to them in the GDPR.
- 23.2 With respect to any Processing undertaken by either Party of the Relevant Personal Data in connection with this Agreement, the Parties shall each be considered to be independent Controllers.
- 23.3 Notwithstanding the remaining provisions hereof, when Processing the Relevant Personal Data in connection with this Agreement each Party shall comply with all applicable Data Protection Legislation.
- 23.4 The Lender shall (and shall procure that each member of the Lending Group and each third party administrator engaged by the Lender or a member of its Group shall):
- (a) ensure that all Relevant Personal Data has been obtained and processed, and is disclosed to the Treasury, in compliance with all Data Protection Legislation; and
 - (b) not do or omit to do anything in effecting a disclosure of Relevant Personal Data to the Treasury that would cause the Treasury to be in breach of any Data Protection Legislation; and
 - (c) without limiting rule 23.4(a) above, promptly upon becoming aware thereof, notify the Treasury in respect of any Relevant Personal Data that has been disclosed to the Treasury which becomes inaccurate or incomplete, and promptly provide the Treasury with a corrected and completed version of that Relevant Personal Data; and
 - (d) do all such things as are reasonably requested by the Treasury to enable the Treasury to comply with the requirements of all Data Protection Legislation.
- 23.5 Without limiting rule 23.4, the Lender shall (and shall procure that each other member of the Lending Group shall) provide to each Data Subject in respect of the Processing of the Relevant Personal Data (the "**Relevant Data Subjects**"):
- (a) such information, in the form expressly approved in writing by the Treasury, as the Treasury considers to be necessary to identify the Treasury and details of each purpose for which the Treasury may Process Relevant Personal Data together with such other information as the Treasury considers to be necessary to satisfy the obligations of the Treasury under Articles 12-14 GDPR (and any equivalent obligations under any other Data Protection Legislation); and
 - (b) such additional information as part of the Lender's (or the relevant member of the Lending Group's) fair processing information that it provides to Data Subjects in order to identify the Treasury as a recipient of the Relevant Personal Data, together with all other information required in accordance with applicable Data Protection Legislation,

in each case, as required with respect to the Treasury's Processing of Relevant Personal Data pursuant to, or in accordance with, these Rules or the Guarantee (the "**Fair Processing Information**"). For the avoidance of doubt, all references to the Treasury for these purposes include references to NS&I acting on their behalf.

- 23.6 The Lender shall ensure that the Fair Processing Information is provided on or before the Date of Completion in respect of the relevant Eligible Loan.
- 23.7 The Lender shall notify the Treasury in writing in the event that the Lender (including any other member of the Lending Group and any Processor acting on behalf of either the Lender or any member of the Lending Group):
- (a) becomes aware of a Personal Data Breach which affects the Relevant Personal Data or any other Personal Data Processed in connection with the Scheme, within 72 hours of becoming aware;
 - (b) receives a complaint from one or more Data Subjects relating to the Processing of the Relevant Personal Data and such complaint relates to the Treasury; or
 - (c) is subject to, or in its reasonable opinion is likely to become subject to, a formal investigation or enforcement action by the Information Commissioner (or any other regulatory body with the legal authority to undertake such action in respect of the Lender) in connection with the Processing of the Relevant Personal Data or any other Personal Data processed in connection with the Agreement,

and in each case, such written notice shall be provided to the Treasury promptly and, in the case of 23.7(a), within 72 hours of the Lender becoming aware of the Personal Data Breach.

- 23.8 To the extent that the Treasury's exercise of any of its rights under these Rules or the Guarantee would cause them to be subject to any law of a jurisdiction other than the United Kingdom that imposes obligations:
- (a) in respect of the use of information the same as or similar to Personal Data; or
 - (b) which are similar in nature to any of those in the GDPR and which apply to any information provided to the Treasury, in each case by or on behalf of the Lender or any member of the Lending Group or any relevant third party administrator pursuant to, or in accordance with, these Rules or the Guarantee,

the Lender shall (and shall procure that each other member of the Lending Group and each third party administrator engaged by the Lender or a member of its Group shall) do all such things as may be necessary in order to ensure that access to and use of the information by the Treasury pursuant to, or in accordance with, these Rules or the Guarantee complies with that law. Without prejudice to the foregoing, the Lender shall notify the Treasury of the requirements of that law (as they relate to the Treasury's access to and use of the information pursuant to, or in accordance with, these Rules or the Guarantee) and shall discuss with the Treasury the steps that it intends to take, and shall keep the Treasury informed of the steps it does take, to comply with this rule 23.8.

- 23.9 The Lender acknowledges and agrees that nothing in these Rules or the Guarantee shall result or be deemed to result in the Lender or any other member of the Lending Group or any relevant third party administrator, on the one hand, and the Treasury, on the other, becoming joint Data Controllers with respect to any Personal Data (including the Relevant Personal Data) or other information and accordingly the Treasury shall have no liability with respect to any breach of the obligations of the Lender or any other member of the Lending

Group or any relevant third party administrator as a Data Controller from time to time, and nor shall the Lender or any other member of the Lending Group or any relevant third party administrator have any liability with respect to any breach of the obligations of the Treasury as a Data Controller from time to time (other than to the extent that any such breach of the obligations of the Treasury is caused by the Lender's breach of this rule 23

- 23.10 Nothing in these Rules or the Guarantee shall require disclosure of "**Special Category Data**" (as defined in the GDPR).

24. **CONFIDENTIALITY**

- 24.1 Subject to rules 24.2 to 24.6, each Party shall, and shall procure that its Representatives shall, keep confidential all confidential information relating to the other Party (and the other Party's business affairs) that it or its Representatives obtain in connection with these Rules or the Guarantee or the negotiations leading up to them ("**Confidential Information**"). Each Party shall, and shall procure that its Representatives shall, only use the Confidential Information in the proper performance of such Party's obligations and exercise of its rights under these Rules or the Guarantee and shall not divulge any of the Confidential Information to any other person without the prior written consent of the other Party, unless permitted to do so by rule 24.2, 24.3, 24.4, 24.5 or 24.6.

- 24.2 A Party or its Representatives may disclose Confidential Information if and to the extent that:

- (a) such disclosure is required by law or by any competent regulatory body; or
- (b) the information is properly disclosed pursuant to an applicable rule, order or award in the course of proceedings before any court (or to any other person to whom a dispute is referred in accordance with these Rules or the Guarantee) to which that Party is a party; or
- (c) the information is disclosed on a confidential basis to that Party's Representatives in connection with these Rules or the Guarantee; or
- (d) the disclosure is agreed in writing from time to time by the Parties; or
- (e) the disclosure is to a ratings agency or an auditor of the Lender and is necessary to comply with a requirement of the agency or auditor.

- 24.3 Rule 24.1 does not apply to a Party in relation to Confidential Information to the extent that that Party can show:

- (a) that the information was already, or has subsequently become, published or publicly available for use other than through a breach of these Rules or the Guarantee or of any confidentiality obligation owed by that Party; or
- (b) that the information was already lawfully in its possession (without restriction on disclosure or use) before it obtained the information in connection with these Rules or the Guarantee or the negotiations leading up to them; or
- (c) that the information has subsequently lawfully been disclosed to it (without restriction on disclosure or use) by a person who is not a Party and who itself lawfully obtained the information and is not under any obligation restricting its disclosure or use; or

- (d) from its records that it has derived the same information independently of that obtained by it in connection with these Rules or the Guarantee or the negotiations leading up to them.

24.4 Rule 24.1 does not prevent the Treasury or its Representatives disclosing Confidential Information:

- (a) to Parliament (including any Committee of the House of Commons or the House of Lords); or
- (b) on a confidential basis, to any minister of the Crown, any UK government department, agency or authority, the Bank of England (including, without limitation, the Prudential Regulation Authority), the Financial Conduct Authority, the Financial Policy Committee or any other governmental, banking, taxation or regulatory agency or authority; or
- (c) for the purpose of reporting on the establishment, performance or operation of, or compliance with, the Scheme.

24.5 If the Treasury is requested to disclose any Confidential Information pursuant to the provisions of the FOI Act (an "**FOI Request**"), the Treasury shall (to the extent practicable and permissible under the FOI Act and consistent with the Code of Practice of the Secretary of State for Constitutional Affairs on discharge of public authorities' functions under Part 1 of the FOI Act):

- (a) notify the Lender in writing of the nature and content of such FOI Request as soon as practicable; and
- (b) prior to the making of a disclosure pursuant to an FOI Request, for a period of no less than five (5) Business Days (or if the Treasury considers there to be exceptional circumstances, such shorter period as the Treasury considers reasonably practicable) consult with the Lender as to:
 - (i) whether such FOI Request is valid; and
 - (ii) whether or not disclosure pursuant to the FOI Act is required; and
 - (iii) (if the Treasury determines that disclosure pursuant to the FOI Act is required) the scope and content of any proposed disclosure,

and, as part of such consultation process, the Treasury shall take into account any representation from the Lender as to whether the Confidential Information is commercially sensitive or falls within one or more of the exemptions set out in Part II of the FOI Act and any other representations from the Lender as to whether or not there is an obligation to disclose such Confidential Information and/or the extent of any such required disclosure; and

- (c) (if the Treasury determines that disclosure of any Confidential Information pursuant to the FOI Act is required and the Lender has objected to such disclosure or the extent of the proposed disclosure) give the Lender as much prior notice as is reasonably practicable prior to such disclosure being made; and
- (d) subject to the above, the Treasury shall be responsible for determining at their absolute discretion whether and to what extent disclosure of any Confidential Information pursuant to the FOI Act is required.

24.6 Nothing in this rule 24 shall restrict or prevent the publication by the Treasury of any information (whether Confidential Information or otherwise):

- (a) in accordance with any publication scheme (as defined in the FOI Act) adopted and maintained by the Treasury in accordance with the FOI Act; or
- (b) in accordance with any model publication scheme (as defined in the FOI Act) applicable to the Treasury as may be published from time to time by the UK Information Commissioner.

In deciding whether to publish information (whether Confidential Information or otherwise) in accordance with any publication scheme or model publication scheme in accordance with the preceding paragraph, the Treasury shall have due regard to whether, in their sole opinion, such information would be exempt from disclosure under the FOI Act.

24.7 The obligations in this rule 24 (together with any applicable exceptions and qualifications set out in this rule) shall survive the termination of the Guarantee.

PART 13 – LAW AND JURISDICTION

25. GOVERNING LAW AND JURISDICTION

25.1 These Rules and the Guarantee shall be governed by and construed in accordance with English law.

25.2 In relation to all matters arising under or in connection with these Rules or the Guarantee, the Parties submit to the exclusive jurisdiction of the English courts.

26. SCOTLAND

26.1 To the extent that they apply in relation to Loans relating to Properties situated in Scotland, these Rules and the Guarantee shall apply with the modifications set out in Schedule 5.

27. NORTHERN IRELAND

27.1 To the extent that they apply in relation to Loans relating to Properties situated in Northern Ireland, these Rules and the Guarantee shall apply with the modifications set out in Schedule 5.

PART 14 – SUPPLEMENTARY

28. AMENDMENTS TO RULES

28.1 Subject to rule 28.3 the Treasury may, at any time and at their exclusive and absolute discretion, amend or supplement the terms of these Rules or the Guarantee by giving written notice to the Lender, provided that such amendment or supplement does not:

- (a) prejudicially affect, or purport prejudicially to affect, any liabilities of the Treasury incurred under the Guarantee before such amendment or supplement takes effect; or
- (b) otherwise have retrospective effect (unless it is to correct an error or omission of a wholly technical nature and the correction is not prejudicial to the rights or interests of the Lender).

- 28.2 Without limiting the discretion of the Treasury under rule 28.1, an amendment or supplement under rule 28.1 may be made where it is necessary to comply with any decision, direction, judgment, finding or other measure resulting from a regulatory investigation or proceedings initiated in court or before a tribunal or arbitration body against the Treasury or His Majesty's Government in relation to the Guarantee or the Scheme under any applicable UK legislation for the control of state subsidies or pursuant to the TCA, or is necessary to reach or give effect to an agreed resolution of any such investigation or proceedings
- 28.3 The Treasury shall consult with the Lender and take into account its opinions and comments before making any amendment or supplement under rule 28.1, unless the Treasury determines that the proposed amendment or supplement should be implemented as a matter of urgency and it is not practicable for such consultation to take place.
- 28.4 An amendment or supplement under rule 28.1 does not take effect until the expiry of a period of twenty (20) Business Days following the day on which notice of the amendment or supplement is given to the Lender.
- 28.5 The Treasury must act reasonably when making any amendment or supplement under rule 28.1.
- 28.6 The application of rule 28.2 is a matter to be determined by the Treasury.
- 28.7 The Treasury shall agree with the Lender processes and procedures for consultation with the Lender pursuant to rule 28.3 (including without limitation consultation with an appointed group of representatives of the Lenders collectively).
- 28.8 Without prejudice to rules 28.1 to 28.7, the Treasury may (in accordance with the provisions set out in the Guarantee) waive any breach by the Lender of any provision of these Rules on such terms as the Treasury may determine.
29. **OUTSOURCING**
- 29.1 The Treasury may outsource any aspect of the administration of their rights and obligations under these Rules or the Guarantee to another person.
- 29.2 If the person referred to in rule 29.1 is a person other than NS&I, the Treasury shall give prior written notice to the Lender.
- 29.3 The Lender acknowledges that the Scheme is being administered on behalf of the Treasury by NS&I, and agrees that it shall, and shall procure that each of its other Lending Group Members shall, co-operate fully with NS&I in relation to such administration. The Treasury accept responsibility for the acts and omissions of NS&I as though they were the Treasury's own acts and omissions, and shall procure that NS&I complies with the obligations under the Rules expressed to be applicable to the Treasury.
30. **INVALIDITY AND SEVERABILITY**
- 30.1 If any part of the Guarantee proves to be invalid, illegal or unenforceable, in whole or in part, the other provisions of the Guarantee shall nevertheless continue in full force and effect.
- 30.2 If any invalid, illegal or unenforceable provision in the Guarantee would be valid, legal and enforceable if some part of it were modified or deleted, the provision will apply with whatever modifications or deletions are necessary to make it valid, legal or enforceable.

31. **WAIVER**

- 31.1 Delay in exercising, or failure to exercise, any right or remedy in connection with the Guarantee shall not operate as a waiver of that right or remedy. The waiver of a right to require compliance with any provision of the Guarantee in any instance shall not operate as a waiver of any further exercise or enforcement of that right and the waiver of any breach shall not operate as a waiver of any subsequent breach.
- 31.2 No waiver in connection with the Guarantee shall, in any event, be effective unless it is in writing, refers expressly to the paragraph or rule under which such right or remedy is created, is duly signed by or on behalf of the party granting it and is communicated to the other party in accordance with these Rules.

32. **NO PARTNERSHIP**

- 32.1 Nothing in the Guarantee is to be construed as establishing or implying any partnership or joint venture between the Treasury and the Lender, or as appointing either of them as the agent or employee of the other. Neither the Treasury nor the Lender shall hold out the other as its or their partner or joint venturer. Except, and to the extent, that these Rules expressly state otherwise, neither the Treasury nor the Lender may incur any expenses or negotiate on behalf of the other or commit the other in any way to any person without that other's prior written consent.

33. **COSTS**

- 33.1 The Lender shall bear its own costs and expenses incurred in connection with the preparation, negotiation, completion and implementation of the Guarantee. The Treasury shall be entitled to recoup its costs and expenses in relation to such matters from the Lender by taking them into account in determining the Commercial Fees payable by the Lender (and the Treasury shall only be entitled to recoup such costs and expenses from the Lender to the extent that it does so take them into account).

34. **THIRD PARTIES**

- 34.1 A person who is not a party to the Guarantee has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Guarantee.

SCHEDULE 1

Information To Be Provided To Treasury

The information referred to in rule 16.1 is as follows.

Initial data (when a Loan is entered into the Scheme)	Quarterly data
Unique Reference	Unique Reference
Lender	Lender
Brand	Brand
Previous mortgage arrears	Reporting month
Number of CCJs or equivalent	Current balance
Value of CCJs or equivalent	Current exposure
Bankruptcy or IVA Flag	Remaining term
Opening Loan Value	Payment due
Opening Loan origination date	Customer payment amount
Opening Loan Exposure	Current interest rate
Original Loan to Value	Current Product Rate Type
Loan term	Indexed property value
Flexible features flag	Current LTV
Initial Interest Rate	Behavioural PD
Interest Revision Date	Behavioural EAD
Interest Rate Type	Behavioural LGD
Reversion rate	Account status
Reversion type	Collections status
ERC End Date	Redemption date
Primary Borrower Year of Birth	Months in arrears
Primary Borrower type	Arrears balance
Primary Borrower gross income	Potential Impairment Indicators 1
2nd Borrower Year of Birth	Potential Impairment Indicators 2
2nd Borrower gross income	Potential Impairment Indicators 3
3rd Borrower Year of Birth	Potential Impairment Indicators 4

Initial data (when a Loan is entered into the Scheme)	Quarterly data
3rd Borrower gross income	Potential Impairment Indicators 5
4th Borrower Year of Birth	Potential Impairment Indicators 6
4th Borrower gross income	Potential Impairment Indicators 7
Property type	Default date
Property postcode	Recovered monies after claim
New Property	Possession date
Construction year	
Valuation Amount	
Original Valuation Type	
New Loan, External Remortgage Loan, Group Remortgage Loan or Internal Remortgage Loan	

SCHEDULE 2

Credit-Impaired Borrowers

A borrower is credit-impaired for the purpose of rule 3.1(l)(i) if the borrower is a customer who:

- (a) within the last two (2) years before the Date of Completion has owed overdue payments, in an amount equivalent to three (3) months' payments, on a mortgage or other loan (whether secured or unsecured), except where the amount overdue reached that level because of late payment caused by errors by a bank or other third party; or
- (b) has been the subject of one or more county court judgments, in respect of a debt or debts with a total value greater than £500 (five hundred pounds sterling), except for any debt satisfied one month or less from the date of the judgment or three (3) years or more before the Date of Completion; or
- (c) has been subject to an individual voluntary arrangement or bankruptcy order which was in force at any time within the last three (3) years before the Date of Completion.

SCHEDULE 3

Claims: Information to be Submitted for Eligible Loans

Lenders will need to submit evidence of the following, in order for a Claim to be valid:

- (a) The mortgage securing the Loan is a first-ranking mortgage and the mortgagee is a Lending Group Member.
- (b) The Loan is secured against a residential property in the UK.
- (c) The Loan was a repayment mortgage loan, and not interest only, at the Date of Completion.
- (d) The Loan was a Regulated Mortgage Contract, and not a Buy-To-Let Loan, at the Date of Completion, and the Lending Group Member has not granted any consent to let, or the Loan complies with rule 3.2 or rule 5.2(b) (as the case may be).
- (e) The Loan falls within a Loan to Value range specified in the Lender's notice in effect under rule 7.2 or 7.3 in relation to the Lending Group Member at the Date of Completion and is of a type specified in such notice.
- (f) The Loan was granted to one or more individuals in compliance with rule 3.1(h).
- (g) The Date of Completion (and, if applicable, date of the Mortgage Offer and date of the Customer's application in writing) in relation to the Loan was/were within the dates specified by these Rules.
- (h) The Lending Group Member has assessed that the Loan is affordable for the Borrower (or, if more than one, the Borrowers together) by (x) conducting an affordability assessment that takes into account the Borrower's (or, if more than one, each of the Borrowers') income, committed expenditure, and basic essential expenditure and quality-of-living costs, (y) conducting an affordability stress test against future interest-rate rises and (z) verifying the Borrower's (or Borrowers', as applicable) income as applied for the purpose of conducting the affordability assessment.
- (i) The Lending Group Member satisfied itself, before granting the Loan, that the Borrower was not (or, where there was more than one Borrower, that none of the Borrowers were) credit-impaired as defined in Schedule 2 to these Rules.
- (j) The Lending Group Member has not breached the requirements referred to in rule 11.1(c)(i) and (ii).
- (k) No part of the Property was being purchased with funds received from a Publicly-Assisted Loan.
- (l) If the Loan is an Internal Remortgage Loan or a Group Remortgage Loan:
 - (i) the Existing Loan was not in Arrears as at the date of the Mortgage Offer (or date of amendment or variation, where applicable); and
 - (ii) the Lending Group Member and (if applicable) the other member of the Lending Group which granted the Existing Loan had no record of any failure by the Borrower(s) to make payment as and when due to the Lending Group Member or such other member of the Lending Group, as applicable, in the

twelve (12) months preceding the date of the Mortgage Offer (or date of amendment or variation, where applicable).

- (m) The Loan was not an Offset Mortgage Loan or a Guarantor Mortgage Loan.
- (n) The Loan is not (and has not become) ineligible under rule 5.
- (o) The Default Date and the following in respect of the amount of the Claim:
 - (i) the proceeds of sale;
 - (ii) the Principal Balance;
 - (iii) the Interest;
 - (iv) the Excluded Loss;
 - (v) all other Allowable Costs;
 - (vi) the Recovered Monies; and
 - (vii) the Net Loss.
- (p) The Loan was not, at the Date of Completion, the subject of a mortgage indemnity guarantee, insurance or similar product designed, in return for the payment of a premium or fee, to make good the Lending Group Member against any losses resulting from default by the Borrower (or Borrowers) in respect of such Loan.

SCHEDULE 4

Modifications: Scotland

These Rules apply with the following modifications in relation to Loans relating to Properties in Scotland:

- (a) in rule 1.1 under the definition of "**Business Day**" the reference to "England and Wales" shall be a reference to "Scotland";
- (b) in rule 1.1, the reference to "an exchange of contracts" shall be a reference to "a conclusion of missives (or equivalent binding contract)";
- (c) in rule 1.1, the reference to a "mortgage over property" or a "mortgage over a Property" shall be a reference to "a standard security within the meaning of the Conveyancing and Feudal Reform (Scotland) Act 1970";
- (d) in rule 1.1, the reference to "freehold, leasehold or commonhold" shall be a reference to "heritable";
- (e) in rule 1.1, the reference to "possession" shall be a reference to "enforcement action (whether in the courts or otherwise)";
- (f) in rules 5.4 and 5.5, the reference to "assignment" (wherever occurring) shall be a reference to "assignation";
- (g) rule 11.1(c)(ii) shall be deleted and replaced with the following wording:
- (h) "(ii) in the event of repossession, the requirements of section 24A of the Conveyancing and Feudal Reform (Scotland) Act 1970, section 5B of the Heritable Securities (Scotland) Act 1894, or the Applications by Creditors (Pre-Action Requirements) (Scotland) Order 2010; and";
- (i) in rule 19.2, the reference to "in England and Wales" shall be a reference to "of Scotland";
- (j) in Schedule 3, paragraph (b), the reference to "**county court judgments**" shall be a reference to "judgments of the Sheriff Court or Court of Session"; and
- (k) in Schedule 3, paragraph (c), the reference to "has been subject to an individual voluntary arrangement or bankruptcy order which was in force" shall be a reference to "has signed a trust deed or has been sequestrated".

SCHEDULE 5

Modifications: Northern Ireland

These Rules apply with the following modifications in relation to Loans relating to Properties in Northern Ireland:

- (a) in rule 1.1, the reference to "England and Wales" shall be a reference to "Northern Ireland";
- (b) rule 11.1(c)(ii) shall be deleted and replaced with the following wording:
- (c) "(ii) in the event of repossession, the revised Pre-Action Protocol for Possession Proceedings Based on Mortgage Arrears in Respect of Residential Property dated 30 August 2011 and published by the Northern Ireland Courts and Tribunals Service; and"; and
- (d) in rule 19.2, the reference to "the president for the time being of the Institute of Chartered Accountants in England and Wales" shall be a reference to "the chairperson for the time being of the Chartered Accountants Ulster Society (a district society of Chartered Accountants Ireland)".

SCHEDULE 6

Participation Notification

BY SIGNING THIS PARTICIPATION NOTIFICATION, you agree to comply with, be bound by, and be entitled to the benefit of the Scheme in your capacity as Lender. This Participation Notification should be read alongside the Rules, which together form your agreement (the “Agreement”) with the Treasury to participate in the Scheme as a Lender.

1. INTERPRETATION

- 1.1 Unless otherwise indicated, defined terms in this Participation Notification have the same meaning as in the Rules.
- 1.2 In addition to the Lender, each of the entities set out in the Annex to this Participation Notification (if any) shall be a Lending Group Member.

2. The Scheme

- 2.1 The Scheme is an arrangement between the Treasury and mortgage lenders to promote the wider availability of 91-95% loan-to-value mortgage lending in the residential property market in the United Kingdom.
- 2.2 The Treasury has agreed to guarantee each Lender that accepts the terms of the Scheme against losses incurred by it and its other Lending Group Members in relation to defaults under Eligible Loans to the extent set out in this Participation Notification and the Scheme Rules.

3. ENTRY INTO THE GUARANTEE

- 3.1 With effect from the date the Lender signs this Participation Notification the Treasury irrevocably guarantees to the Lender that it will pay to it all Claims in respect of Recoverable Losses when the same become due for payment in accordance with the terms of the Rules.
- 3.2 To validly sign this Participation Notification the Lender must sign this Participation Notification and send the signed version to the Director of His Majesty's Treasury Financial Services Group by email.

[Lender signature]

Signed on behalf of the Lender **[Lender name]**

[Date]

Annex to the Participation Notification

Lending Group Members

The following entities are Lending Group Members for the purposes of this Participation Notification: