

# General Instructions

**Working together to create financially and  
socially successful communities**

## 1. General Principles

- 1.1 Your client will be Folk2Folk Limited and Folk Nominee Limited (holding the security on behalf of the Lenders) (together “the Client”).
- 1.2 You may also act for a Borrower in the same transaction provided you can act in the Client’s best interests at all times and otherwise follow any particular conflict policies of Folk2Folk from time to time. Where you cannot act in the Client’s best interests, then you must inform Folk2Folk accordingly and Folk2Folk will suggest alternative representation for the Client and/or the Borrower.
- 1.3 You must not act for the Client in any transaction in which you have an interest, be it directly or for a connected party (to include a relative or spouse of one or more of the partners or members in your firm).
- 1.4 You must only accept the Client’s instructions if you have an up-to-date Professional Indemnity insurance policy that provides sufficient cover for the transaction.
- 1.5 These General Instructions should be read in conjunction with the instructions provided to you for each transaction (the Security Instructions) and the Step-by-Step Guide to Completing a Loan. Folk2Folk will require you to complete the Loan Agreement and effect the security as notified to you.
- 1.6 The Client requires the security for any loan to be a First Charge over freehold property (or leasehold with equivalent standing). You must ensure that the security provided by each Borrower or third party meets this requirement, unless otherwise indicated in any specific instruction given to you by Folk2Folk. Whilst these General Instructions and transaction-specific instructions must be read together, if there is a conflict between the two, Folk2Folk’s specific instructions will prevail.
- 1.7 The Client requires that each Borrower or third party will, at completion, have good and marketable title to the security, with the benefit of suitable rights and otherwise free from onerous encumbrances so that the security is fit for the current proposed use and free from prior mortgages or charges.

## 2. Title Investigation

- 2.1 On receipt of Specific Instructions from Folk2Folk, you should investigate title and raise any enquiries and requisitions of the Borrower as is appropriate in the circumstances. You must ensure that the standard Security Property Information Request completed by the Borrower has been received and you must raise any additional enquiries on the back of the replies.
- 2.2 We will notify you if we require you to undertake a Local Authority Search in the Security Instructions. If we do not, please take out ‘No Local Authority Search Indemnity Insurance’ in favour of the mortgagor (being Folk Nominee Limited and its beneficiaries and any of their successors). Folk2Folk’s preferred insurance provider is

Countrywide Legal Indemnities. The policy must cover Folk Nominee Limited and its beneficiaries (and successors) and must not be specific to institutional lenders.

- 2.3 We are always looking for ways to improve our efficiency when putting together a new loan, and we have found that one of the things that can cause delays to the process is the wait for the results of a local authority search.

In order to address this, we are adjusting our search process. Instead of ordering local authority searches straight away as we do currently, we now ask that you obtain two quotes, one for a PSG personal search and the other for a standard local authority search. PSG have told us that they should be able to get back to you within a day (often quicker) with an estimate for both timing and costs for each option. If there are delays in getting a quote, please telephone PSG to establish the reason for the delay.

Often, the personal search is going to be materially faster than one carried out by the local authority, so if you are advised that this is the case, and the cost is not disproportionate, please proceed on the basis of a personal search. This will hopefully minimise delays and speed up the process.

All other searches should be commissioned immediately upon receiving the instructions in the ordinary way.

- 2.4 For each instruction you are required to carry out an environmental search, energy and infrastructure search, a water and drainage search, and a mining search. Please use the Property Search Group (PSG) search provider. For more details please refer to the Step-by-Step Guide in Completing a Loan.
- 2.5 For each instruction you are required to carry out the searches in the PSG package any other searches that are likely to be appropriate to a particular security, taking into account its locality and other features, again we would ask that you submit these through PSG.
- 2.6 Prior to completion Folk2Folk will need appropriate Land Registry priority searches (in the name of Folk Nominee Limited) and a bankruptcy search against the Borrower or, in the case of a company, a search to ensure that the company has not commenced winding-up.
- 2.7 You must otherwise satisfy yourself that the security has a good and marketable title and reveal any issues to Folk2Folk. Please let Folk2Folk know if anything is revealed that will materially affect the security's value or its future marketability as soon as you become aware. Please complete and return the Report on Title at least 48 hours in advance of the target completion date. All matters arising in relation to the security which have been identified and/or disclosed during the due diligence process must be set out in the Report on Title along with any remedial action (for example indemnity insurance is to be put in place for a failed environmental search).

- 2.8 Please ensure that all rights required for enjoyment of the property must be enforceable by the party holding the legal title and their successors in title. Such rights include rights of access, utilities and all necessary easements and wayleaves in respect of the security and in light of its current and proposed use, including any rights over adjoining land needed by the Borrower or Folk Nominee Limited as mortgagee, for the use and enjoyment of the property.
- 2.9 If any rights are required across adjoining land which is owned by the party holding the legal title, and the adjoining land is not charged to Folk Nominee Limited, please let Folk2Folk know and otherwise ensure that a suitable Legal Charge is entered into to grant future rights in the event of a future disposition and a protective restriction registered against the adjoining title.
- 2.10 Likewise, if rights are required across the security to access adjoining land owned by the party holding the legal title which is not charged to Folk Nominee Limited, the Legal Charge needs to suitably provide for future rights to be granted and a restriction against the security in favour of the adjoining title.
- 2.11 Please ensure that any consents required for the registration of the security are obtained.
- 2.12 You must consider all restrictive covenants and consider their effect on the security, including any past breach.
- 2.13 Please satisfy yourself that there are no restrictions regarding re-sale, including Options/Pre-emptions or similar arrangements that may affect the security.
- 2.14 The Client requires absolute title or, in the absence of absolute title, suitable title indemnity insurance, in favour of the mortgagor (being Folk Nominee Limited and its beneficiaries and any of their successors). The policy must cover Folk Nominee Limited and its beneficiaries (and successors) and must not be specific to institutional lenders.

### **3. Buildings Insurance**

- 3.1 Please ensure that any buildings comprised within the security are covered by suitable buildings reinstatement insurance. Please advise Folk2Folk if you need to know the required level of cover.
- 3.2 You will need to note the interest of Folk Nominee Limited as “sole loss payee” on the insurance policy and ensure that the relevant declaration is obtained from the Borrower which is set out in the Security Property Request.
- 3.3 The buildings insurance should be on standard terms and cover all reasonable insurance risks.
- 3.4 In instances where the property is leasehold, and a management company insures the buildings, policies tend to automatically cover lender’s interest. However, policies need

to be reviewed in each relevant case. Where the policy does not cover lender's interest you will need to specifically notify the insurer of Folk Nominee Limited's interest.

## 4. Title Indemnity Insurance

- 4.1 You are required to ensure that suitable defective title indemnity insurance policies are in place on completion to cover any matters that affect your ability to confirm that the property has otherwise a good and marketable title.
- 4.2 If there is an existing policy in place, you must check the suitability for our purposes.
- 4.3 Indemnity insurance must be for the benefit of Folk Nominee Limited (and its beneficiaries and any of their successors and must not be specific to institutional lenders) and any subsequent owner or mortgagee and have a suitable limit to cover the value of the property at completion, and that all relevant information is disclosed to the insurance company and does not contain any conditions which would invalidate or otherwise prejudice our interest.

## 5. Identification

- 5.1 Folk2Folk will obtain client identification from all our Lenders which will be provided to you. You, however, must satisfy yourself that this is suitable for your purposes and any regulatory obligations that you have.
- 5.2 You must be satisfied with the identity of any Borrower and if unrepresented they must produce identification to you (or a solicitor known to you or appear in a current legal directory or otherwise recognised by their professional body and are practicing at the address shown on their notepaper) and you must ensure that any signature matches their identification. Please keep a copy of the Borrower's identity for your file and for Land Registry purposes.
- 5.3 Where the Borrower is represented by solicitors or licensed conveyancers, these must be either known to you or you must check that they appear in a current legal directory or otherwise recognised by their professional body and are practicing at the address shown on their notepaper. If a suspicion still exists and you cannot obtain a suitably clear lawyer checker, then you must not advance monies until you are satisfied with the Borrower's representation.

## 6. Valuations

- 6.1 Folk2Folk will provide specific instructions if a full valuation has been provided and whether you are to review the valuation as part of your work. Otherwise, you can carry out the services to the Client without sight of a valuation.

## 7. Completion and Registration of the Charge

- 7.1 It is important that a Borrower and any Third Party of Guarantors signs the security documentation at the earliest possible opportunity. We will require from you the copy Legal Charge signed by the Borrower (and any other security documentation), together with our standard Report on Title, financial statement and copies of your priority search (in favour of the Lenders) and bankruptcy searches in order that Folk2Folk can check that everything is in order before authorising completion of the loan agreement and subsequent release of funds. You will usually then be authorised to date the Legal Charge and deal with registration. In the event the Borrower is a company, you will need to satisfy yourself that the company has the necessary authority and has passed the appropriate resolutions to enter into all relevant security documents and you will attend to the valid registration of the Legal Charge at Companies House.
- 7.2 If the matter is linked to a purchase and you are not acting for the Borrower then you must ensure you receive a valid solicitors undertaking from the Borrower's solicitors strictly in the form of the precedent pre-completion undertaking.
- 7.3 You must proceed to register the security documentation as soon as possible following completion and in all events within the priority period of the priority search obtained by you. In the case of a purchase, please ensure that the purchaser solicitor complies with its undertaking to register the documents.
- 7.4 In all cases, it is for you to ensure that the Client has a valid charge over the security that has been properly registered and that Folk Nominee Limited's priority in accordance with our instructions is maintained.
- 7.5 The Legal Charge includes a request by the proprietor of the land to record a restriction at the Land Registry to prevent dispositions without consent. This must be registered using form RX1; a standard form is on the Portal for you to use. In the case of a purchase please draft and provide the RX1 to the Borrower's solicitor. The Legal Charge may also include the provision for further advances and a form CH2 must also be registered at the Land Registry. Please note that the further advances are unlimited for the purposes of Land Registry Fee calculations.
- 7.6 If the security documents include a deed of postponement, that also needs to be registered at the Land Registry and if it is a company postponing its interest at Companies House as well.

## 8. Insolvency Considerations

- 8.1 You must obtain a clear bankruptcy search against each Borrower (and each mortgagor or guarantor) if any.
- 8.2 You must advise Folk2Folk immediately if you become aware of any bankruptcy/insolvency proceedings in relation to the Borrower.

- 8.3 If you are made aware that a transaction at an undervalue has taken place within five years (for individuals) or two years (for corporate transferors) prior to the date of the security documentation, then you must arrange for suitable defective title indemnity insurance.
- 8.4 You must satisfy yourself that any transfer to the Borrower cannot be set aside for undervalue.
- 8.5 If the transfer involves partnership property, you must be satisfied that adequate consideration has been provided with reference to a dissolution/partition agreement (if appropriate). Failing which the transfer should be treated as a transfer at an undervalue.
- 8.6 If the transfer is at an undervalue then you must be satisfied that Folk2Folk and its Lenders will acquire its interest in good faith or will be protected by the relevant insolvency legislation. In cases where a transfer is made by an individual at an undervalue, you must obtain a clear bankruptcy search and a statutory declaration of solvency from the donor.
- 8.7 In all cases, you must be satisfied that the Client can acquire its interest with the protection of statutory provisions relating to insolvency and if this is not the case then you must obtain suitable defective title indemnity insurance.
- 8.8 You must advise Folk2Folk immediately if the proposed security is being purchased by the Borrower and the seller has not owned the property or been the registered proprietor of the property for at least six months.

## 9. Occupiers

- 9.1 If you become aware of any corporate or personal occupiers of the property (other than children or the Borrower/mortgagor) then you must ensure that they have suitably postponed their interest in the security in favour of the Lenders.
- 9.2 You must ensure that where there is a third-party interest in the property that is not the Borrower/Mortgagor then you must alert this to Folk2Folk for further instructions, and prepare a deed of postponement. There is a standard form deed of postponement on the portal for you to use.
- 9.3 Where the Borrower is not the legal owner of the property, you must ask for specific instructions to specify details of the Borrower and separately the Mortgagor and you must ensure that the appropriate Third Party Legal Charge is prepared (and where specified in the Security Instructions, any Guarantee).
- 9.4 You must not make any material alterations to Folk2Folk's security documentation unless you have Folk2Folk's prior approval.

## 10. Completion Deductions

- 10.1 You must deduct Folk2Folk's commission and disbursements in accordance with the Folk2Folk invoice provided to you, the legal search fees, and your agreed fee, prior to releasing the drawdown to the Borrower and pay fees and disbursements due to Folk2Folk to our fees account at the soonest possible opportunity by same day Faster Payment/CHAPS, details of which are below:

Account name: Folk2Folk Limited Fees Account  
Sort Code: 20-50-40  
Account number: 53414345  
Account held at: Barclays Bank plc

Please quote the Borrower name as reference

## 11. Post Completion

- 11.1 You shall notify us and provide Land Registry and Companies House entries to Folk2Folk as soon as possible following completion of registration. You must also return to Folk2Folk the original Legal Charge, Loan Agreement and other security documents and any indemnity insurance policies.
- 11.2 You must send confirmation to Folk2Folk of the noting of Folk Nominee Limited's interest as "sole loss payee" on the Borrower's policy of insurance.

## 12. Lender Changes/Replacement

- 12.1 By accepting instructions in respect of a loan you confirm and accept and acknowledge any future lenders who may be replaced into the loan. You shall act on the following terms:
- 12.1.1 Your client will be Folk2Folk and Folk Nominee Limited (on behalf of the new lender) (the 'New Client').
- 12.1.2 The provisions 1.3, 1.6, 1.7, 2.5, 2.13, 5.1, 8.1-8.7 above shall apply equally to the new matter. These obligations are summarised in our Lender Replacement Step-by-Step Guide on the portal.
- 12.1.3 You must obtain verification from the Borrower (through Folk2Folk) that the replies given as part of the Borrower's original loan application (or the information obtained from the Sellers if a purchase) are still true and relevant and that there have not been any substantive events or changes to the security or the Borrower's circumstances. You must have also seen verification from the Borrower that there has been no incidence of flooding or contamination.

- 12.1.4 You will put in place “no Local Authority search” insurance for the benefit of Folk Nominee Limited (and its beneficiaries), and conduct a Land Registry Search and Bankruptcy search. We will not require any further searches or due diligence on the Property unless we notify you separately.
- 12.1.5 You will confirm that the Report on Title previously submitted, based on the replies to enquiries from the Borrower and the limited searches requested in 12.1.4, is still true and valid.
- 12.1.6 Your fees will be in accordance with the then current fee structure.

### 13. Leasehold Property

Folk2Folk only accept leasehold property as suitable security provided that the leasehold interest is equivalent to a freehold interest. In other words, that it is a long leasehold interest, free of onerous covenants such as forfeiture and restrictions on dealing with the property and any other provisions that you would not ordinarily expect to see in a freehold title including but not limited to those below. If this is not the case in any particular transaction, you must satisfy yourself that our specific instructions have indicated that we are happy with a lesser title.

**Note: We require the original of all leases to be returned to us, you must therefore ensure that you provide the Land Registry with a certified copy.**

If the title to the Property is leasehold, please note and comply with the following requirements:

- 13.1 You must revert to us for further instructions if the Lease has less than 7 years left to run.

#### 13.2 Forfeiture Provisions

- 13.2.1 A lease that can be forfeit if the tenant is made bankrupt or goes into liquidation or on the appointment of an administrator, receiver, or a receiver and manager or where the tenant enters into an arrangement for the benefit of the tenant’s creditors may not be acceptable to us. You must report to us if such a forfeiture provisions exists.

- 13.2.2 We may be prepared to accept a lease that can be forfeited on the grounds of non-payment of rent and breach of covenant provided the following conditions have been satisfied:

- i) the landlord agrees in the lease that before taking any steps to forfeit the lease:
  - (a) prior notice will be served on us of any intention to forfeit; and

- (b) we will be allowed a reasonable period say, 28 days, to remedy the breach before the Landlord will commence any action to forfeit.
- ii) For new leases, appropriate wording should be introduced.
- iii) For existing leases, with no provision for notice to a mortgage charge, we require:
  - (a) A deed of variation, where the lease has a premium, to include a forfeiture clause preventing re-entry without notification to a charge on the basis of Form 130, Volume 22(3) of the fifth edition of the Encyclopaedia of Forms and Precedents (7) 2 “Qualification where there is a charge”;
  - (b) where it is not possible to obtain a deed of variation to any existing lease, or the lease does not have a premium, you should arrange for a landlord’s undertaking as details in Appendix (I), to be signed by the Landlord. This must be provided to us with your letter of confirmation that registration of our charge is complete.

**This requirement is waived where the original lease was for a term of 60 years or more and the total of rent and service charge payable under the lease do not exceed £100 per annum.**

### 13.3 Breach of Covenant

- 13.3.1 You must make enquiries as to whether there is any breach of any of the covenants in the lease and inform us immediately if you are or become aware of any such breach.
- 13.3.2 A current receipt, confirming that all rent and service charge payments have been paid to date must be seen before drawdown. If no such receipt is available but you are satisfied that our security will not be prejudiced then we will be prepared to proceed subject to your written confirmation of the same.

### 13.4 Management Company

- 13.4.1 Where a management company has responsibility for the structure, the walls, roof, and ground, you should consider whether it has an estate in the land and check that the members of the company are tenants. If you cannot be satisfied in this respect, there should be a covenant by the landlord to carry out the obligations of the management company in case it defaults.
- 13.4.2 You should obtain a company search and obtain and check the management company’s last three years published accounts. You should report any apparent problems to us. If the Property is being used for commercial

purposes and has not been recently constructed we would expect a “sinking” fund to have been established to meet the cost of major repairs. Apparent problems with the management company should be reported to us.

#### 13.4.3 Where the property is only part of a building

If the Property comprises part of a building you are required to:

- i) Satisfy yourself that each of the tenants is under an obligation to insure, maintain and repair the building or part thereof and that there is adequate provision in the lease of the Property that will allow the landlord or management company to enforce the obligations against other tenants at the request of the Borrower; and
- ii) Take reasonable steps to check that obligations to pay towards a service charge is reasonable and report where the amount recovered from all tenants paying service charge is in excess of 100% of costs incurred.

### 13.5 General Requirements

13.5.1 Where we have informed you that we will provide you with a valuation or we have provided you with details of what we understand to be the principal terms of the lease, we require you to verify these details and to contact us immediately if any of the terms are different from our understanding.

13.5.2 Any rent review provision in the lease should not be likely to produce a rent which is in excess of the market value for that Property, or, if the review is linked to the Retail Price Index (“the RPI”), an increase in excess of the change in the RPI.

13.5.3 The permitted use must not be personal to a named tenant or unusually restrictive.

13.5.4 There should be no option for early determination of the lease other than following complete destruction of the property and in such case, you should report to us if there is no provision for the tenant and/or Mortgagor/Chargor to receive compensation from the insurance monies.

13.5.5 There should be no unusual restrictions on alienation of the lease.

13.5.6 You must review the lease to ensure that its terms are sufficient to ensure that the Borrower has the benefit of all Appurtenant Rights, including rights of support. The terms of the lease should make satisfactory provision for insurance, maintenance and repair of the Property and, where appropriate, the whole building including its structure, foundations main walls, roof, common parts, common services and grounds.

- 13.5.7 You must report to us if it becomes apparent that the landlord is either absent or insolvent. In the case of a leasehold title of a residential flat we may still accept the Property as security where the landlord is either absent or insolvent but only if defective title indemnity insurance is arranged before completion and we are satisfied with the residual term of the lease.
- 13.5.8 You must obtain any necessary consent to or prior approval of the assignment to the Borrower and the Charge. Where the consent/licence of the landlord and/or superior landlord and/or third parties are required, please ensure that these are obtained prior to completion and are provided to us with your letter of confirmation that registration of our charge is complete. We will accept a restriction in the lease of the tenant's ability to mortgage, charge or assign the lease only where consent to such an action cannot be unreasonably withheld.
- 13.5.9 You are required to give notice of our charge to the Landlord; all superior landlords sign the form of notice detailed in Appendix 2 (whether required by the terms of the lease or not). Further, you should give notice of the Charge to any other appropriate part, as required by the provisions of the lease. These notices must be provided to us with your letter of confirmation that the registration of our charge is complete.
- 13.5.10 The Borrower's insurance arrangements must comply with the terms of the lease. You are required to check the terms of the lease and advise us if the terms of the lease are not being complied with.
- 13.5.11 A shared ownership or "staircasing" lease will not be acceptable to us unless we have confirmed to you in writing that we are prepared to lend in such circumstances. In addition to the criteria listed in this clause we will require you to advise us on the "staircasing" terms.
- 13.5.12 If any terms of the lease do not meet our requirements and you cannot arrange a deed of variation to be executed on or before completion then you are required to advise us on the need for defective title indemnity insurance.

## 14. Tenanted Properties

Tenants should occupy the property on the basis of formal written agreement made between the Borrower (or a previous owner in whom the title to the property was vested) and the tenant.

You are required to send us the original or a certified copy of the counterpart lease(s) or licence(s) unless registered at the Land Registry. We do not require you to send us Assured Shorthold Tenancy agreements.

## 14.1 Where the Property is occupied on the basis of a lease

Please note our requirements as follows:

### 14.1.1 There must be a covenant to pay rent:

14.1.1.1 We require that the rent provisions are stated in clear language and that the lease specifies the dates for payments.

14.1.1.2 Rent must be payable in money and the dates and the provisions for rent review must be clear (e.g. on the usual quarter days). Peppercorn rents are acceptable where the original lease term is for 99 years or more and a premium was payable.

14.1.1.3 If a service charge is payable, then the provisions must be stated in clear language.

14.1.1.4 You must advise us if there is a rent-free period that has not yet expired.

### 14.1.2 There must be an express covenant to repair:

14.1.2.1 The minimum acceptable to us is that the tenant covenants to maintain the interior of the Property in its current state at the commencement of the lease and a schedule of condition should be made available to confirm the current state.

14.1.2.2 Where the tenant is to be responsible for the maintenance of the exterior and interior of the Property again the minimum standard acceptable to us will be that the exterior and interior of the Property is maintained in its current state at the commencement of the lease and a schedule of the conditions should be available to confirm the current state.

### 14.1.3 The alienation provisions should provide that:

14.1.3.1 the tenant should deal only with the whole of the Property and only with the landlord's prior written consent.

14.1.3.2 for commercial property where the tenant wishes to assign a lease created after 1 January 1996, the lease must provide for the landlord to require the tenant to enter into an Authorised Guarantee Agreement.

14.1.3.3 where an underlease is being created or exists at completion this must be created under an obligation to ensure that the underlease incorporates the terms of the head lease, includes any necessary rent

review provisions and prohibits any variations of the terms of the underlease without the landlord's consent.

14.1.3.4 alienation of part must be absolutely prohibited unless we specifically confirm to the contrary.

14.1.4 We will require that the lease provides that the tenant will not without the previous written consent of the Landlords, (and then only to the extent permitted by and in accordance with any conditions attached to the consent) make any structural or material alteration to, or pull down or remove any or any part of, any buildings, fixtures and fittings, services and service media in, on or associated with the Property.

14.1.5 We will require that the lease provide for the tenant to yield up the Property at the expiry or earlier determination of the lease with vacant possession.

14.1.6 We will expect the lease to provide for forfeiture for non-payment of rent, breach of covenant and insolvency/bankruptcy. Where the tenant has paid a substantial premium for a long-term lease we will relax this requirement and will not require the forfeiture clause to include insolvency /bankruptcy.

14.1.7 The lease should contain provisions requiring the tenant to forward to the landlord a copy of all notices received relating to the Property and should require that the tenant will join in with the landlord in making such representation as the landlord deems fit in respect of that notice.

**For properties with a commercial use we have the following additional requirements;**

14.1.8 Where the lease term exceeds 5 years, it must provide for rent to be reviewed on an upward only basis:

14.1.8.1 the rent review clause should also provide for an independent surveyor or valuer to assess the new rent, if the parties cannot agree it, and give details as to any assumptions the valuer is to make in assessing the new rent;

14.1.8.2 provision should be made in the lease for the Borrower to responsible for buildings and loss of rent insurance, but the cost should be recoverable from the tenant(s);

14.1.8.3 both the service charge and insurance monies should be recovered as additional rent. The covenant to pay rent and any additional rent must be expressed to be payable without deduction or set-off.

14.1.9 The lease should provide for insurance monies to belong to the landlord absolutely. If this is not the case, you should advise us.

14.1.10 You must consider the proposed use:

14.1.10.1 where we or our valuer's report states that the tenant is to use the premises for a particular purpose you must advise us if this is not provided for in the lease. We require you to report if you regard the "use provisions" as unduly restrictive as this may affect the marketability and value of the Borrower's interest in the Property;

14.1.10.2 if use is for a potentially polluting purpose we will require that the lease contains covenants by the tenant not to commit waste and to comply with requirements of any relevant planning consents and legislation relating to the use of the property;

14.1.10.3 where the use is for a hotel, restaurant or otherwise for the sale of alcohol or for any other use requiring licences (e.g. a care home) from a regulatory/statutory or government body, we will require the lease to contain covenants in relation to the Justices Licences/other licences to the effect that the tenant must covenant to renew, maintain and preserve the Term. The tenant must covenant to transfer the Licences to the landlord or other nominated persons. The tenant should irrevocably appoint the landlord as attorney of the tenant to deal with the licences in order to preserve them in the event of default by the tenant in relation to the licences.

14.1.11 Where the premises are used for business purposes, we will require you to confirm as to whether a court order has been obtained or the notice procedure pursuant to The Regulatory Reform (Business Tenancies) Order 2000 correctly followed excluding sections 24-28 of the Landlord and Tenant Act 1954. It is important that you ensure the details provided by the valuer in his report or alternatively provided by us are correct in this respect. If we have not provided any specific instructions you will be required to report whether the provisions have been excluded or not. We will need to ensure that whether a court order has been obtained or not or the notice procedure followed that the actual circumstances have been taken into account by our valuer and us in the assessments of marketability and value of the Borrower's interest in the Property.

14.1.12 If the Property is used as residential accommodation, it will not be acceptable to us for the tenant(s) to gain security of tenure. You must advise us if the tenant(s) has security of tenure. If occupation is on the basis of Assured Shorthold Tenancy you must make enquiries and satisfy yourself that the tenancy complies with the legal requirements for an Assured Shorthold Tenancy.

14.1.13 It is not normally acceptable to us for the tenant to have the benefit of any option or right of pre-emption unless it is statutory. You must advise us if

such a provision exists. If such a provision exists or is proposed you must report fully and advise what effect such a provision will have on our security. If an existing tenant has the benefit of such an agreement and it is confirmed by us in writing as acceptable to us you must ensure that all the requirements of the option or pre-emption have been complied with in relation to the transaction and the creation of the Charge. Further if the tenant has a statutory right of pre-emption in respect of the freehold you must make enquiries and satisfy yourself that the correct procedures have been followed by the Borrower prior to the purchase of the freehold.

## **15. Licence**

We will not accept licences that could be construed by a court as a lease conferring on the tenant security of tenure. We prefer to see short term lease excluded from the provision of section 24-28 of the Landlord and Tenant Act 1954. You are required to report whether any licence granted to a tenant/licensee in relation to the Property could be construed as conferring security of tenure on the tenant either now or in the future.

## **16. Tenancies at Will**

We will not accept tenancies at will that could be construed by a court as a lease conferring on the tenant security of tenure. You are required to report specifically whether any tenancies at will relating to the Property could be interpreted by a court as periodic tenancies. We prefer to see a short-term lease excluded from the provision of section 24-28 of the Landlord and Tenant Act 1954. You are required to report whether any tenancy at will relating to the Property could be construed as conferring security of tenure on the tenant either now or in the future.