West One

Commercial Mortgages **Criteria Guide**

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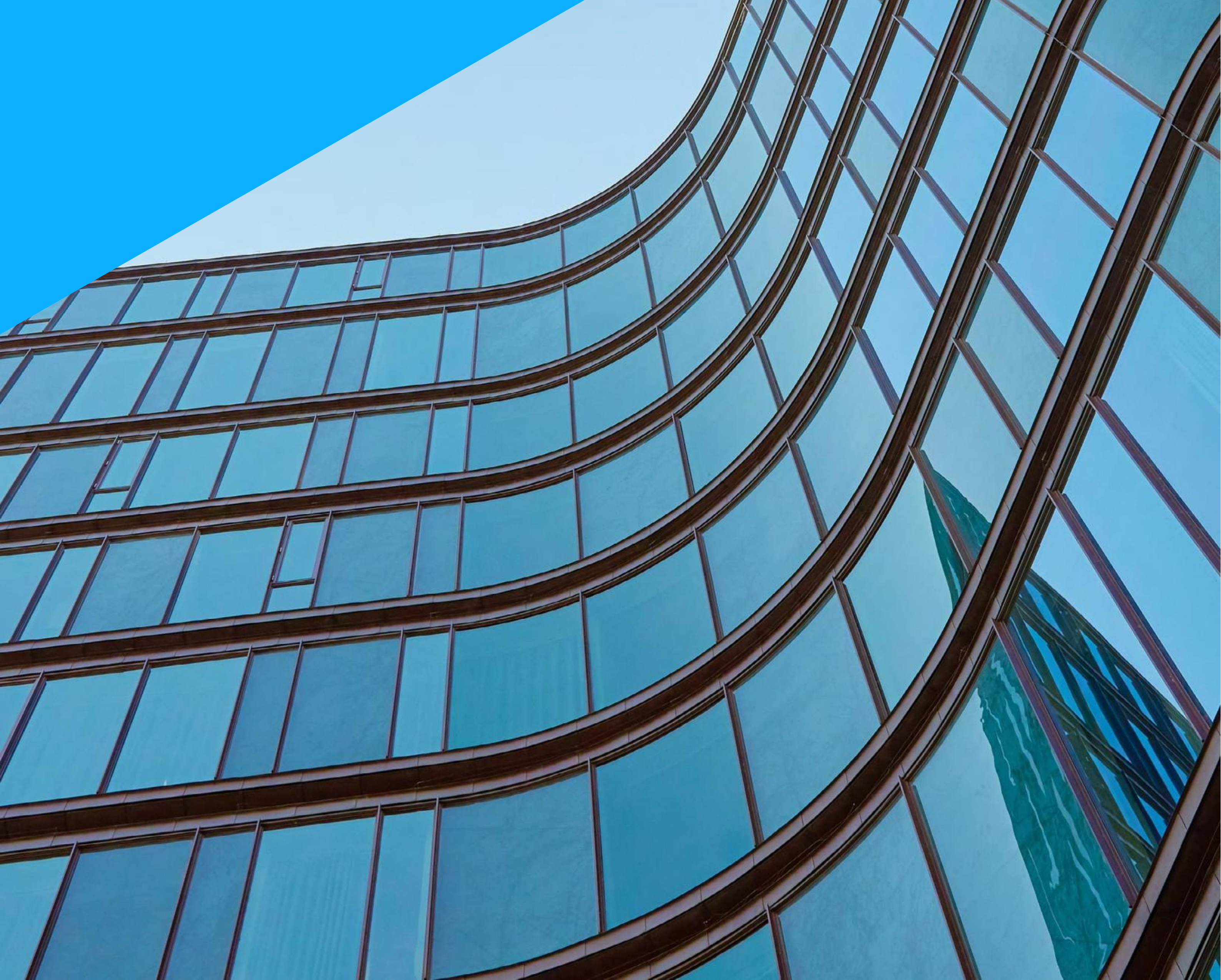

Table of contents

General

West One offers a range of 1st charge commercial loans and semi-commercial loans to individuals, and UK based SPVs and LLPs. Security is generally self-funding commercial property let on a long-term business lease and semi commercial properties.

This Criteria Guide document outlines our general approach to the underwriting and assessment of applications. We are unable to cover every scenario within this document and therefore reserve the right to request additional documentation, reduce lending or decline any application at our discretion.

1. Applicants

Loans are available to individuals who are either British or EEA Nationals, EEA based ex-Pats or Sole Traders, UK based SPV and LLPs only.

First time Landlords are accepted – **see rate cards**

Portfolio Landlords are accepted – **see rate cards**

The maximum number of applicants is 4.

1.1 Individual applicants

- Minimum age 21 years at application.
- The maximum age of lead borrower is 80 years at the end of the loan term. If the security is fully self-funded, there is no maximum age limit.
- If not being legally represented, any applicant(s) aged 70 or over are required to receive Independent Legal Advice.
- Where applicant(s) do not have a full 24-month mortgage / rental history, the application may be considered on a referral basis and will be assessed holistically.
- All applicants must pass West One's due diligence checks which include PEP and Sanctions checks and in certain circumstances, enhanced due diligence may be carried out.

1.2 Sole Traders, Limited Companies / LLPs

Sole Traders are generally considered acceptable applicants.

Trading businesses are generally acceptable.

Limited Companies and LLPs are acceptable provided they are simple SPVs with only the property being offered as security being contained within it and have been established in England and Wales solely for the purpose of the investment and management of the property. In these instances:

- The maximum number of acceptable Directors/Shareholders is 4.
- Directors do not have to be shareholders.
- The Ultimate Beneficial Owner (UBO) in any structure must be identified and full anti-money laundering checks will be required on all directors, significant shareholders (20% or more) and those with beneficial interests.
- No minimum trading period is required, and newly formed companies may be considered however a bank account must be in place to allow a direct debit mandate to be set up at completion.

- Personal Guarantees (PGs) will generally be required from shareholders and UBOs on a joint and several basis. Independent legal advice will be required where PGs are given.
- Non-trading Limited Companies and LLPs that also own other properties within the SPV may also be considered on an Individual referral basis provided a letter of non-crystallisation Is provided.
- Debentures are usually taken against the borrowing entity.

1.3 Personal Guarantees

A Personal Guarantee (PG) equal to 100% of the loan size will be required from all Shareholders with a shareholding of 20% or more.

1.4 Nationality of Applicants

EEA Nationals are permitted on standard terms, providing they currently reside in the UK, and have been resident here for the last 12 months.

EEA applicants (with the exception of Irish citizens) will need to evidence that they have obtained settled or pre-settled status through the EU Settlement Scheme.

Individual applications from non-EEA Nationals, who have been residing in the UK for a minimum of 12 months, with permanent rights to reside / Indefinite Leave to Remain in the UK are generally acceptable with these applications being assessed holistically on their merits and may be subject to enhanced due diligence checks.

For Ex-Pat applications, the applicant must have at least 1 existing property in the UK. In addition, they must appoint an acceptable servicing agent in the UK (typically a Solicitor or Accountant).

Ex-pat applicants and non-EEA national applicants with no mortgage history due to unencumbered property in the UK will be considered on a referral basis.

1.5 Unacceptable Applicants

The following individuals are generally unacceptable, but strong referrals may be considered.

- ✖ Individuals with diplomatic immunity.
- ✖ Individuals with any unspent criminal convictions.
- ✖ Individuals employed by the introducing broker or packager.
- ✖ Individuals employed by the Enra Group.
- ✖ Individuals on the HM Treasury Sanctions List.

Please see rate cards for details of our plan specific requirements regarding Individuals who have been subject to a Property Repossession Order, IVA, Trust Deed, Debt Management Plans, Bankruptcy or Sequestration, CCJs, Defaults and Mortgage Arrears.

1.6 Independent Legal Advice (ILA)

Independent Legal Advice will generally be required for the following (regardless of legal representation): -

- Occupiers who have difficulty understanding or do not speak English.
- Family members who previously have had a financial interest in the property and currently reside at the security address.
- Non benefiting applicants where the loan is for business purposes.
- Personal Guarantees for shareholders (20% or more) and UBOs (on a joint and several basis).

There may be other instances where Independent Legal Advice (ILA) is required given the often-unique nature of some applications. If ILA is deemed necessary, you will be notified by the underwriting team and an explanation for the requirement will be given.

2. KYC / Proof of Residency

Where available, identity and residency will be verified electronically (via credit reference agency services or biometric software checks); if electronic checks fail, certified proof of identity and residency will be required.

On standard applications, all applicants, directors of SPVs and UBOs must evidence their residency for the last 3 years.

All Ex-pat applicants must evidence residency for the last 3 years, covering both their UK and overseas address history.

The Electoral Roll will be used to check the applicant's UK residency for the last 3 years. If checks are unsatisfactory, proof of residency will be required for absent years along with an acceptable explanation for their absence from the electoral role.

West One takes its KYC and AML responsibilities very seriously and reserves the right to request further certified or original documentation at its discretion.

Please see our KYC list (Appendix 1) for acceptable documents.

Biometric Software Check

Where requested, applicants must pass a biometric software check. Any applicants failing this check will be reviewed on an individual basis and independent legal advice may be required.

Proof of Signature

Where requested, proof of signature will be required even if KYC has been satisfied electronically.

2.1 Politically Exposed Persons (PEPs)

Applications from Politically Exposed Persons may be considered subject to enhanced due diligence checks and approval will need to be provided by the company's MLRO (or nominated officer) before the loan is sanctioned.

3. Loan Purpose

Loans may be considered for any reasonable legal, domestic, business or family purpose.

If any building works are to be completed to the security property, these are generally acceptable provided that they are not structural in nature and on the proviso that there will be no negative impact to the value of the property whilst those works are ongoing.

Additionally, we will need to be satisfied that whilst the work is ongoing, there will be no impact on the income being generated by the property. We will also need confirmation that there are no special short-term arrangements in place with existing tenants (financial or otherwise).

Where funds are being used to repay a bridging loan or similar, we will need an explanation as to why bridging finance was used previously.

3.1 Loan Size

- Minimum net loan size is £50,000
- Maximum net loan size is £3,000,000. Loan amounts up to £5,000,000 will be considered on a referral basis.

3.2 Loan Term

Commercial

Capital repayment

- Minimum loan term is 5 years.
- Maximum loan term is 25 years.

Interest Only

- Minimum loan term is 5 years.
- Maximum loan term is 10 years.

Semi-Commercial

Capital repayment

- Minimum loan term is 5 years.
- Maximum loan term is 25 years.

Interest Only

- Minimum loan term is 5 years.
- Maximum loan term is 10 years.

4. Adverse Credit

Adverse Credit Definitions

Applications are not credit scored; they are manually underwritten with a full review of the credit search and business searches for Limited Company loans.

Mortgage Arrears

A secured arrear is classed as any payment on a mortgage or secured loan, not paid before the following payment due date.

Secured arrears are counted as the total number of missed payments in a set period (not the highest level of arrears).

Plan specific criteria applies - **see rate cards** for details.

Unsecured Arrears

An unsecured arrear is classed as any payment on an unsecured finance facility not paid before the following payment due date.

Comms suppliers and public utilities payment profiles do not generally form part of our unsecured arrears assessment however an explanation may be required where the arrears exceed the plan maximum.

Plan specific criteria applies - **see rate cards** for details.

Defaults

Plan specific criteria applies - **see rate cards** for details.

County Court Judgements (CCJS) / Court Decrees

Plan specific criteria applies - **see rate cards** for details.

IVAS, Debt Management Plans and Arrangements to Pay

Applicants who are or who have been subject to IVAs, Debt Management Plans or an Arrangement-to-pay – please **see rate cards** for details.

Bankruptcies & Repossessions

Applicants subject to current or past Bankruptcies or whom have had a property repossessed – please **see rate cards** for details.

5. Property

General

West one will take a 1st legal charge in all instances

Security must be located in England and Wales.

Security must be either Commercial or Semi-commercial property which is either owner occupied, currently let or is intended to be let to a third party for the duration of the loan term.

For plan selection purposes, Semi-commercial properties are defined as security where the residential element being more than 50% of the overall square footage of the security. All other properties will need to be submitted as Commercial applications.

The residential element of owner occupied/owner operated semi-commercial properties cannot exceed 40%.

For semi-commercial properties the residential element must be self-contained unless the whole of the security is occupied by the same tenant.

Leases

An acceptable commercial lease must be in place for all commercial investment properties. In the event of multi-let commercial property, licenses may be considered if the applicants have sufficient experience in this area.

ASTs (residentially occupied property)

All residentially occupied properties must be let on a standard AST apart from short term and holiday lets.

Longer term corporate lets for periods of up to 60 months can be considered.

All tenancy agreements must be on the basis that the rent is paid monthly and that no premium is paid.

If the passing rent is in excess of £100,000 per annum, the rental agreement must specifically be referred to our acting solicitor for approval.

If the property is not currently let, we will require a Rental Assessment from the valuer. We will also require an explanation as to why a tenant is not in situ and when the property will be let.

Properties let to DSS tenants or similar are generally acceptable, either directly or through a Housing Association let.

Tenant occupation must be for wholly residential purposes and no business can be run from the residential element of the premises.

Holiday Lets and Short Term lets are acceptable provided they are assessed on a standard residential AST let basis. West One will need evidence that there are funds in place to cover the monthly mortgage payments if the passing rent is seasonal and there is any lull in the receipt of the passing rent.

Properties let to family members are unacceptable.

5.1 Security Types

Acceptable security is either fully commercial or semi-commercial and is typically commercial investment property and owner-operated and owner-occupied property. Given the varied nature of commercial lending, properties considered as suitable security are considered and assessed on an individual basis.

Security types that are unacceptable are Land, Care Homes, Public Houses, Nightclubs and Petrol Stations.

5.2 Tenure

Leasehold	The minimum remaining lease term at the end of our loan period is 50 years for Capital Repayment loans and 55 years for Interest Only loans. Where the loan is Interest Only and the remaining lease term is less than 65 years at the end of our loan term and the loan term is 10 years or less, the valuer must base his valuation on the remaining lease term at the end of our loan (rather than the current lease term).
Freehold	Acceptable
Commonhold	Not Acceptable
Flying Freehold	Considered if total area less than 10% of the property. Must be confirmed by the surveyor.

5.3 Additional Security

In some instances, loans may be considered additional security can be taken on other property or land when there is an increased degree of risk. In these instances, a separate valuation report may be required.

5.4 Property Valuation Reports

Mortgage Valuations (Full Internal Inspection)

- All applications must have the security property value confirmed via a Mortgage Valuation, addressed to West One and dated within the last 3 months.
- Valuations will be instructed via the panel management companies. Our Valuer Panel is maintained by our Internal Valuation Team and all valuers are subject to satisfactory due diligence checks and adequate PI cover being in place.
- LTVs are generally calculated using the valuer's vacant possession figure.
- Valuations will be instructed by West One broker instructions are not acceptable (unless pre-agreed) and will only be instructed once the relevant fee has been received to cover the cost of the valuation.
- A re-typed report is acceptable provided it is dated within the last 3 months and was carried out via one of the approved panel management companies; the original valuation report must be provided.
- Where the valuation report includes either an increase in value or an increase in the rental figure, the lower figure will be used unless strong supporting evidence can be provided.
- Valuation reports showing retentions will confirm the property is unacceptable security.

Drive-by Valuations

Generally unacceptable

AVM

Generally unacceptable

5.5 Specialist Reports

Applicant(s) will be required to obtain any specialist reports recommended by a surveyor within a mortgage valuation report.

Commonly requested reports include Coal Mining, Timber and Damp reports, Electrical, Arborist / Tree Surgeon reports and Cavity Wall Tie reports.

5.6 Structural Reports

Applicant(s) will be required to obtain a structural report, if recommended by a surveyor within the mortgage valuation report.

- Structural Engineers reports must be addressed to the applicant, or a letter of reliance obtained, and are only acceptable from members of the following bodies:
  - The Institution of Structural Engineers (www.istructe.org.uk)
  - The Institution of Civil Engineers (www.ice.org.uk)
- Properties subject to ongoing movement or where monitoring is required are not acceptable.
- Properties that have suffered historic movement, or where a structural engineer's report is recommended, will be considered on a referral basis.

5.7 Flood Areas

For property in a known or suspected flood area, a flood check will be completed. West One reserves the right to apply further conditions upon review of the Flood report.

5.8 Insurance

In all instances, we require Building insurance with the reinstatement value as per the valuation report. Additionally, in cases with parcels of land Public Liability Insurance will be required.

5.9 Energy Performance Certificates

All loans where a security is to be let and an EPC rating certificate is required will need to show a rating of A-E EPC's are valid for 10 years.

6. Income

- All applications must have at least one applicant currently employed, self-employed or in receipt of private pension with a minimum income of £50,000 pa.
- Proof of income may be required in addition to evidence of the income / rent being used to service our loan.

6.1 Affordability

West One uses a Debt Service Cover Ratio (DSCR) to establish affordability for its commercial loans that are Self-Funding and using Total Secured Debt to Income (TSDI) assessment for Owner Occupied securities, with the income to be evidenced by a fully completed Accountant's Certificate, using our template. Other sources of income such a payslips, SA302s and similar may also be considered as additional income.

Our minimum required thresholds are shown below.

Semi-Commercial

- Self-Funding
  - Limited Company Borrowers: - Minimum DSCR 120%*
  - Individual Borrowers: - Minimum DSCR 130%*
- Income Serviced
  - Limited Company Borrowers: - Standard Maximum TSDI -50%**
  - Individual Borrowers: - Standard Maximum TSDI -50%**

**Affordability is generally based using the lower of the passing rent on the AST / Lease or the valuer's rental assessment figure.*
***TSDI up to 60% may be considered on a referral base, with the application being considered holistically.*

Commercial

- Self-Funding:
  - Limited Company Borrowers: - Minimum DSCR 120%*
  - Individual Borrowers: - Minimum DSCR 130%*
- Income Serviced:
  - Limited Company Borrowers: - Standard Maximum TSDI -50%**
  - Individual Borrowers: - Standard Maximum TSDI -50%**

**Affordability is generally based using the lower of the passing rent on the AST / Lease or the valuer's rental assessment figure.*
***TSDI up to 60% may be considered on a referral base, with the application being considered holistically.*

All DSCR calculations are calculated against the higher of the pay rate or West One's current stress rate as outlined in our stress test policy. Please see rate card for details of our current stress rate.

All DSCRs are calculated on an interest-only basis.

Top slicing

Top slicing is not generally offered but may be considered by prior referral, with applications being considered holistically.

7. Credit Profile

A credit search will be required on all applicants who are party to the loan to provide credit history for all addresses occupied in the last 3 years. All credit searches are valid for 60 days from the date of the search.

Applications are not credit-scored and all applications are manually underwritten with a full review of the credit search being assessed for conduct and affordability purposes.