

first direct

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offset Mortgage Terms and Conditions

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1 The main subject matter of your Agreement with us

The main subject of your agreement with us is:

- a) We agree to make a loan facility available to you on the terms set out in the accompanying Offer document;
- b) Your loan facility is secured by a mortgage over the Property, (which security will be a first and only charge over the Property unless we agree otherwise), the agreed value of which for the purposes of your agreement with us is the Security Value referred to in the accompanying Offer document;
- c) You must repay your loan facility no later than the Repayment Date;
- d) You must repay the loan facility by monthly repayments at the rates and in accordance with the accompanying Offer document unless (and then only in the circumstances set out in the Offer document), the balance outstanding under the loan facility is no more than 80% of the Security Value;
- e) You must pay interest on your loan facility by monthly payments at the rates and in accordance with the accompanying Offer document;
- f) You may make voluntary capital repayments;
- g) You may in the circumstances set out in the accompanying Offer document redraw against capital repayments up to the amount of your Account Limit, the amount of which is equivalent to 80% of the Security Value (we may vary your Account Limit at our discretion);
- h) The Security Value may be increased if an increased value is given for the Property on a valuation made at your request in accordance with these terms and conditions;
- i) Provided you have complied with your obligations under your agreement with us, we only charge you interest on your net debit balance with us after combining the balance on your loan facility with the balances on certain other accounts you hold with us and deducting credit balances held.

2 Interpretation

- a) When we use the word “we” and “our” etc we mean **first direct** (a division of HSBC Bank plc) and any person who is entitled at any future date to exercise all or any of our rights under your agreement with us;
- b) When we use the word “you” we mean the person or persons accepting the accompanying Offer document, and words such as “you”, “yours” etc should be read in this way. If there is more than one of you, the terms of your agreement with us applies to each of you individually as well as jointly. This means that you are each liable for the whole loan facility and the obligations under your agreement and if any of you break any of the obligations we may enforce the obligations against all or any of you;
- c) When we use the word “Security”, we mean the Security mentioned on the accompanying Offer document;
- d) When we use the word “Property”, we mean the Property mentioned on the accompanying Offer document;
- e) When we use the word “loan facility” we mean the loan facility mentioned on the accompanying Offer document and any other sum payable by you under your agreement with us;
- f) When we use the term “Combined Accounts” we mean the loan facility and such other accounts held by you or either of you now or in the future as we agree to include within the interest set-off calculation described in paragraph 7 below;
- g) When we use the term “**first direct** account” we mean the **first direct** account mentioned on the accompanying Offer document (or other such account as we decide to treat as a Combined Account from time to time);
- h) When we use the term “Repayment Date” we mean the repayment date mentioned on the accompanying Offer document;
- i) When we use the words “Security Value”, we mean the value referred to as such in the accompanying Offer document or such value which may be substituted for it pursuant to the terms of your agreement with us;
- j) When we use the term “monthly repayments”, we mean the monthly repayments referred to on the accompanying Offer document, or as we shall otherwise advise you;
- k) When we use the term “our Standard Variable Rate” we mean our standard variable rate for offset Mortgages published by us from time to time;
- l) When we use the term “Payment Date” we mean the payment date we agree with you when the loan is first released to you or such other date that we may change it to at your request;
- m) When we use the term “Anniversary Date” we mean the anniversary date of the first drawdown under the loan facility or, if that date is not a business day, the next business day;
- n) When we use the words “business day” we mean a day and time on which the relevant banking offices and markets are open for business for the transaction involved.

3 Withdrawal from and cancellation of your Agreement with us

- a) We have entered into the Offer document with you on the basis of the information and financial details supplied by you or on your behalf. You must notify us immediately of any change in the information supplied in support of your application for your loan facility. You can withdraw from your agreement with us at any time before the first drawdown of credit. We can also withdraw from your agreement with us at any time before you make the first drawdown of credit in any of the following circumstances:
 - i) if there is a material change in your circumstances since you made your application, or any of the information given in support of your application is or becomes inaccurate;
 - ii) the Security is not completed to our reasonable satisfaction and/or if we have any reasonable doubts about the effectiveness or value of the Security;
 - iii) if any of the terms of your agreement with us including any Special Conditions mentioned on the accompanying Offer document are not complied with;
 - iv) if we have any reasonable doubts about your ability to meet your payment obligations under your agreement with us.
- b) The accompanying Offer document will be cancelled and withdrawn automatically and without notification if you do not make the first drawdown of credit within 6 months of the date the Offer document was produced. Any booking fee that you have paid is not refundable.

4 Security Value

We will alter the agreed Security Value if, following your first drawdown of credit:

- i) you notify us in writing that you wish to obtain an altered Security Value; and
- ii) you instruct at your expense a surveyor nominated by us; and
- iii) that surveyor carries out a valuation of the Property and in that valuation the value of the Property is greater than the original agreed value given as the Security Value.

The amount of the value given in that valuation will be substituted for and become the Security Value for the purposes of your agreement with us.

5 Property Insurance

You must ensure the Property is insured on or before your first drawing to its full replacement value with a reputable Insurer and that such insurance cover is maintained at all times whilst the loan facility is outstanding to us.

6 Payments

- a) You will pay any monthly repayments and/or monthly interest payments due under the Offer document commencing on the Payment Date;
- b) If the Payment Date falls on a day that is not a business day, payment must be made the next day that is a business day;
- c) We may change the amount of the monthly repayments and/or monthly interest payments in order to reflect any change in the interest rate applicable to your loan facility. We will notify you of any change in writing. You must pay any monthly repayment and/or monthly interest payment due each month in accordance with this paragraph 6;
- d) Any capital repayments will be applied to reduce the capital outstanding under your loan facility on the day they are received by us;
- e) We will deduct any sums payable to us from the **first direct** account on the Payment Date (or any other date that has been agreed for payment) each month. You must make sure that there are sufficient available funds in this account to pay any amount that is payable;
- f) Any sums due which are unpaid (which for the avoidance of doubt includes sums which we recharge to your loan facility due to there being insufficient available funds or insufficient available overdraft in your **first direct** account) will be debited to your loan facility (even though this may cause you to exceed your credit limit) and once debited will attract interest accordingly;
- g) If you make a payment by cheque we may not treat that payment as received until the cheque itself has been paid by your bank.

7 Interest and Account Combination

- a) We will calculate interest on the outstanding debit balance of your loan facility daily;
- b) Subject to paragraph 9(e) below, when calculating interest we will combine the debit balance on your loan facility with the debit balance(s) on your other Combined Account(s) and we will deduct from this any credit balances on your other Combined Account(s) to give your Net Debit Balance and we will only charge you interest on this sum;
- c) If we cease to combine your Combined Accounts in accordance with our right to do so under paragraph 9(e) below, interest will be charged separately on the outstanding balance of your loan facility and any other accounts which have a debit balance;
- d) Interest will be charged monthly in arrears and we will charge you one final interest payment on the Repayment Date or on the next Payment Date after the Repayment Date;
- e) Interest is charged at the rate mentioned on the accompanying Offer document. We may change the Standard Variable Rate in order to reasonably reflect the fact that any of the following have occurred or are about to occur, provided that we do not do so for any arbitrary or improper purpose:
 - i) any change in the base rate (the Repo rate), or any rate that replaces it, as set by the Bank of England or by any bank that takes over responsibility for setting such a rate;
 - ii) any change in interest rates charged by other major banks or financial institutions in the UK mortgage market;
 - iii) any change in the cost to us of the money we lend;
 - iv) any event which requires a change to the interest rate in order to comply with any rate guarantee given by us;
 - v) any change in the law, regulation or in Codes of Practices or the making of a recommendation, requirement or decision made by any court, Ombudsman, regulator or similar body;
 - vi) any reorganisation of our business by it being acquired by or by our acquiring another bank or organisation (so that customers with similar categories of agreements can be treated in a similar way);
 - vii) any event beyond our control.We will give you notice of such changes either in writing (which includes statement messages) or electronically no later than 30 days after the change comes into effect.
- f) If you are in arrears (see paragraph 14(b) below) the interest rate (for both variable and fixed rate mortgages) may be varied in respect of the arrears. We will do this to meet our obligations as required by the Financial Services Authority, the independent watchdog that regulates financial services (including mortgages). We will notify you of any changes in the same way as mentioned in sub paragraph (e) above;
- g) Except where you are required to pay a combined capital and interest payment, we will notify you of the amount of interest payable each month in writing (which includes statement messages) before it is due to be paid. You must pay the interest each month in accordance with clause 6(a).

8 Variation in Percentage Rate above our Standard Variable Rate

We may at our discretion increase the percentage above our Standard Variable Rate that you must pay on three months' notice. We will exercise this right reasonably to reflect the increased risk and/or cost to us of your failing to comply with your obligations under the loan facility and not for any arbitrary or improper purpose and in any event so that it is never increased to more than 1% above our Standard Variable Rate.

9 Combined Accounts

- a) You, or either of you, may ask us to introduce new Combined Accounts at any time by telephoning us or writing to us and if we decide to treat such accounts as combined they will become Combined Accounts;
- b) A Combined Account must be an account in your name or, if your loan facility is in joint names, in either or both of your names. Where the Loan facility is in your name only, accounts which you hold jointly with one other **first direct** account holder may also be classified as Combined Accounts. However, sole accounts belonging to the other account holder will not be classified as Combined Accounts;
- c) An account will cease to be a Combined Account upon receipt by us of a request from the account holder, or where there are two, either of them, asking us to exclude it;
- d) An account may cease to be a Combined Account if we exclude it. We may do this in relation to joint accounts, if any account holder notifies us of a dispute with the other account holder;
- e) Should any of the Combined Accounts become the subject of a legal restriction of any type, we may, at our discretion, cease to combine the account until the restriction is satisfied or removed;

- f) We may cease combination of accounts if you fail to comply with any of your obligations under your agreement with us;
- g) Each of you authorises us to disclose to the other of you the balances, sort codes, account numbers and account limits on your Combined Accounts;
- h) Your agreement with us gives you no rights in a Combined Account, which you do not already have.

10 Variation of Combined Accounts

- a) For as long as your Combined Accounts are combined for interest calculation purposes the terms and conditions applicable to your Combined Accounts, are varied in the following manner:
 - i) debit interest is calculated in accordance with paragraph 7 above;
 - ii) no credit interest will be paid on your Combined Accounts which have credit balances.
- b) In all other respects, the terms and conditions applicable to your Combined Accounts shall continue to apply without alteration.

11 Capital Repayments

- a) You must repay your loan facility on or before the Repayment Date;
- b) Where the balance outstanding under the loan facility is more than 80% of the Security Value, you are required to make monthly Capital Repayments as specified in the accompanying offer document. Your obligation to make Capital Repayments will cease as described in paragraph 12 below. However, you may, if you wish, make capital repayments at any time in addition;
- c) You must make your own arrangements to ensure that you are in a position to repay the loan facility and if we ask you to, to provide evidence to our reasonable satisfaction that you will be in a position to do so.

12 Balance Outstanding no more than 80% of the Security Value

In the circumstances set out in the accompanying Offer document, where the balance outstanding under the loan facility is and remains no more than 80% of the Security Value, then from the next following Anniversary Date you will not be required to make monthly Capital Repayments.

13 Redrawings and Account Limit

- a) Your Account Limit is referred to on the accompanying Offer document. To the extent that you make capital repayments that reduce the outstanding balance of the loan facility to below your Account Limit, you, or if your loan facility is in joint names, either of you, may redraw the amount of the capital repaid, subject to a maximum of 80% of the Security Value;
- b) You may make such drawings electronically, by telephoning us or writing to us, so long as you satisfy us as to your identity when doing so;
- c) Where the loan facility is in joint names, we reserve the right to restrict the ability to redraw any capital repaid, if any one of the joint account holders tells us of a dispute between them.

14 Events of Default

- a) Your loan facility will become immediately due and payable on demand by us and no further sums may be drawn by you under your agreement with us if any of the following events occur:
 - i) anything said by you (or on your behalf) in support of your loan facility application or while your agreement with us is in force and having a material effect on our decision to lend or to continue to lend to you is inaccurate;
 - ii) there is any failure to complete any of the legal formalities relating to the Security;
 - iii) you fail to pay any amount payable under your agreement with us when due (which, for the avoidance of doubt includes, without limitation, not ensuring there are sufficient available funds in your **first direct** account mentioned in paragraph 6(h) above to meet the amount payable each month);
 - iv) you fail to comply with any other obligations under your agreement with us;
 - v) there is any breach of any obligation imposed by the Security;
 - vi) if any of you become bankrupt or enter into any arrangement with your creditors or a receiver, administrator or trustee is appointed over any part of your assets or any of you is subject to similar proceedings;

- vii) if, after the date of our Security, you give to anyone else or anyone else acquires any other security or similar interest over or in the Property, which in our reasonable opinion adversely affects our Security.
- b) If you fail to pay any amount payable under your agreement with us when due and or we make demand (in this event or if any of the other events mentioned in paragraph 14(a) above occur you will be in arrears and if we make demand:
 - i) we may cease to combine accounts for interest calculation purposes under paragraph 7 above;
 - ii) you will continue to pay interest on your loan facility as provided in paragraph 7 until it is repaid in full;
 - iii) we may use any money in any account you have with **first direct** and/or HSBC Bank plc to reduce or repay the amount owing under your agreement with us;
 - v) you will pay us on a full indemnity basis any costs, expenses incurred and our reasonable charges in enforcing compliance with or remedying any breach of your agreement with us or the Security or recovering your loan facility;
 - vi) any money incurred under paragraph (iv) above (whether demanded or not) will be debited to your loan facility (even though this may cause you to exceed your Account Limit) and once debited will attract interest accordingly.
- c)
 - i) Where you borrow or may borrow from us, we may give details of this loan facility and any other accounts with us on which you may borrow (together "the accounts") and how you manage the accounts to credit reference agencies. This information is used by lenders when considering your applications for credit.
 - ii) If you borrow and do not repay in full and on time or make proposals for repayment acceptable to use within 28 days of demand and the amount is not in dispute, we may tell credit reference agencies who will record the outstanding debt. If details of your default are given to credit reference agencies, this may make it difficult for you to obtain credit elsewhere in future.

15 Euro

- a) In your agreement with us "euro" shall mean the 'euro unit' as defined in Regulation (EC) No.1103/97 pronounced by the Council of the European Union;
- b) We shall not be under any obligation to accept any instructions, receive or make any payment or carry out any other transaction denominated in the euro or in sterling if it exists as a denomination of the euro on a day on which HSBC Bank plc is not normally open for general business in London whether or not such a day is a business day for transactions in the euro or sterling as a denomination of the euro;
- c) If the substitution of sterling by the euro results or will result in our opinion in a change in Market Conditions we may notify you of any amendment to your agreement with us which we consider necessary to reflect any such change. Your agreement with us shall be deemed to be amended accordingly with effect from the date specified in such notification or if no such date is specified from the date of notification;
- d) When we use the words "market conditions" we mean generally accepted conventions or market practices (including any clearing bank or relevant inter bank market practices) relating to the place or date of payment, the method of interest rate fixing, the calculation of interest, or other convention whether involving such factors as the day count basis, the meaning of "business day" the disappearance of any relevant reference rates or price sources, the basis of settlement, or otherwise.

16 Severance and Modification of Terms

- a) If any of the terms (or part of a term) of your agreement with us becomes invalid or unenforceable in any way under any law, the validity of the remaining terms (or part of the term) will not in any way be affected or impaired;
- b) If any invalid or unenforceable terms (or part of a term) would not be invalid or unenforceable if its form or effect were modified in any way, it shall be deemed to have such modified form or effect so long as we consent;
- c) If your agreement with us is unenforceable or otherwise against any one or more of you none of the rest of you will be released from your obligations under your agreement with us.

17 Our Rights of Transfer

- a) We may sell or transfer our rights and obligations under your agreement with us, including under your loan facility and the Security for it, to anyone at any time;
- b) If we sell or transfer any or all of our rights, benefits or obligations:

- i) your own rights and obligations under your agreement with us will stay exactly the same but you will be bound to any person or organisation to whom we sell or transfer;
- ii) that person or organisation will have all our rights and powers instead of us;
- iii) we will be released from our obligations to you so far as these are assumed by that person or organisation;
- iv) you will not exercise any right of set-off you may have, now or at any time in the future, in respect of your loan facility.

18 Variation of Terms

- a) If your agreement with us is in a category of mortgage agreements which we think would benefit from enhanced or additional services, we may make changes to any terms and conditions that apply to you to give you the benefit of such enhanced or additional services. We will give you 30 days written notice of such changes before they take effect;
- b) We can also change the terms and conditions of your agreement with us in order to reasonably reflect the fact that any of the following have occurred or are about to occur, provided that we do not do so for any arbitrary or improper purpose:
 - i) any material change in conditions in or affecting the UK mortgage markets;
 - ii) any change in the lending practices of banks and other financial organisations offering similar services to your agreement with us (including the terms on which they offer such services);
 - iii) any change in the law, regulation or in Codes of Practice or the making of a recommendation, requirement or decision by any court, Ombudsman, regulator or similar body;
 - iv) any change to the systems we use to manage our accounts, including changes in the technology we use;
 - v) any reorganisation of our business by it being acquired by or by our acquiring another bank or organisation (so that customers with similar categories of agreements can be treated in a similar way);
 - vi) any event beyond our control;

We will give you 30 days written notice of any such change and the amendment shall take effect from the date specified in such notice. There is also a specific power to amend your agreement with us in the event of substitution of Sterling by the Euro, set out in Clause 15 above.

19 Statements

We will provide statements free of charge twice a year, unless you require them for a different period or more frequently. We recommend that you check your statements regularly. If any statement has an entry which seems to be wrong, you should tell us as soon as possible so that we can resolve the matter. If there is more than one of you, we will send, at no additional charge, a statement to each of you unless you ask us not to.

20 Portability of fixed and discounted rate facilities

If you move house you can transfer this mortgage to another property subject to:

- i) any replacement loan facility being taken up simultaneously with the repayment of your existing loan facility and;
- ii) our satisfaction as to your financial status at the relevant time and;
- iii) our normal assessment criteria.

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