

## Summary of acceptable self-employed income types

Self-employed type	Income types	Will we accept it?
Sole trader	Net profit	Yes. 100%. For applications with LTV of over 75%, in the event of a rise in profits, we would be looking to take an average of the profits for the past 2 years. This is subject to underwriter discretion and we will consider each application on its merits. Where there has been a decrease in net profit, we will use the latest lower figures. An explanation for a fall in profits may be requested, subject to underwriter discretion.
	Use of home office	Yes. We can add up to 100% of the deduction back to the net profit.
Partnership	Share of net profit	Yes. 100%. For applications with LTV of over 75%, in the event of a rise in profits, we would be looking to take an average of the profits for the past 2 years. This is subject to underwriter discretion with each application treated on its merits. Where there has been a decrease in net profit, we will use the latest lower figures. An explanation for a fall in profits may be requested, subject to underwriter discretion.
	Share of use of home office	Yes. A proportion of this can be added to calculate the gross income based on the partner's share of net profit.
Limited company	Share of dividends	Yes. 100%. For applications with LTV of over 75%, in the event of a rise in profits, we would be looking to take an average of the profits for the past 2 years. This is subject to underwriter discretion with each application treated on its merits. Where there has been a decrease in net profit, we will take the latest figures. Our underwriters may also request further information for the fall in profits so it is advisable to submit an explanation for this with the application as this can reduce delays in the underwriting assessment.
	Share of directors' remuneration	Yes. 100%
Contractors earning more than £75,000 a year	12 months of contract income with minimum of 6 months' historic contract income	Yes. 100%. We will calculate their income as their average weekly income multiplied by 46

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# NatWest Intermediary Solutions A guide to self-employed mortgages



NatWest

With so many more people earning a living from being self-employed, running a small business or doing contract work, it's important to understand what we require when considering mortgage applications from these types of customers.



### Definition of self-employed

- An individual who earns income from running a business as a sole trader or partnership
- An individual who earns income as a director of a small limited liability company
- An individual who earns income from contract work, whether long or short term, where they pay their own tax and National Insurance (NI)
- An individual who owns 20% or more of a limited company or a Limited Liability Partnership (LLP)

### Flexible underwriting

We have a team of experienced underwriters who are specifically dedicated to assessing applications from self-employed customers. They will take a flexible, common sense approach to each case.

We recognise that many customers move from sole trader status to a partnership or limited company status so we will take the whole of their self-employed history into account when assessing their application.

Because we are happy to consider an applicant's total self-employed history, it means that we are better placed to cater for unusual scenarios or circumstances.

In all circumstances, if you feel there is additional information that could support an application, please discuss this with your BDM. Please make sure that you include this information when you submit the application.

### Assessing affordability

We'll need a full 2 years' trading history, evidenced by either the latest accounts (must not be dated more than 18 months before the date of application) or Online Tax Self-Assessment and Tax Year Overview.

The income we will assess is:

- For sole traders – drawings or net profit figure
- For partnerships – share of net profit
- For applicants running limited companies – salary and dividends
- For contractors who have set up a limited company within the last 2 years (where they own 100% of the company) - 1 year's finalised accounts or HMRC tax assessment
- For contractors earning more than £75,000 a year - we will calculate their income as their average weekly income multiplied by 46 providing they can evidence that over a 12 month-period (incorporating the date of application) they have received or will receive sufficient income from one or more contracts and they have received a minimum of 6 months' income from one or more contracts immediately preceding the date of application.

Where significant business expenses that are not reimbursed as part of the applicant's contract are identified on the application, 3 months' bank statements (personal or business) must be provided evidencing these.

- For applicants running limited companies, under certain circumstances we may be able to consider retained profits. This will be at the discretion of an underwriter.
- For Foster Carers - HMRC generally treats Foster Carers as being self-employed. However, the Online Tax Self-Assessment and Tax Year Overview are only used to determine any tax and National Insurance payable after any qualifying amount has been deducted. Foster Carers can provide local authority confirmation of the last 2 years' payments received, with confirmation of on-going sustainability. We will take into account the gross income when assessing affordability.

### Criteria governing the credibility of a business

To be able to consider income from a business it must:

- have been operating for at least two years and have two years' accounts/figures available
- have been profitable in each of the last two years and the profits must support any dividends taken
- be solvent i.e. the capital account must be positive; the assets must outweigh the liabilities in each of the last two years.

Please refer to our *Packaging requirements* guide for details of the income evidence and supporting documentation we request to assess mortgage applications from self-employed customers including high earning self-employed contractors.

