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Frequently Asked Questions – High Income Contractor policy

Question: How will we calculate the annual salary to be used on affordability calculations?

Answer: We will use guaranteed elements from the pay slip such as salary/basic pay and holiday pay. On Umbrella Company Pay slips we will look for the pay figure after the Umbrella Company deduction. In line with our High Income Contractor policy, we will use a 46 week multiple to determine the annual figure to use in the affordability calculation. We understand that different Umbrella Companies will layout pay slips in a different way, so where it is not clear from looking at the pay slips which elements of pay are 'guaranteed' then further clarity from the Umbrella Company will need to be provided.

Question: What if the contractor is now on monthly pay slips, not weekly?

Answer: Instead of 4 weekly pay slips, 1 monthly pay slip should be obtained. To determine annual figure to use in affordability, take the monthly pay, multiply by 12, divide by 52 & then multiply by 46 weeks

Question: How will we treat cases where a new contract is just about to start/or only just started, and no pay slips have yet been received?

Answer: In these scenarios, we will need sight of the contract to underwrite the application. Once we have calculated the weekly rate from the contract, we will apply a 46 week multiple. On Umbrella Company cases, if no pay slips are available, in addition to sight of the contract, we will need to know the amount of levy to be applied to the weekly pay by the Umbrella Company as this amount needs to be deducted from the weekly guaranteed element, prior to applying the 46 week multiple.

Question: Why are you classing these cases as self-employed when the customer is now in receipt of PAYE pay slips (either on a Fixed Term contract with the hiring firm or via an Umbrella Company)?

Answer: Our High Income Contractor Policy was previously established to simplify our proposition for day rate contractors earning more than £75k. This change enabled us to base customer income on a multiple of their day rate instead of their annual accounts. We recognize that the recent IR35 changes has resulted in many of these types of day rate contractors now earning their income via Fixed Term or Umbrella Company PAYE contracts. By combining the aspects of our High Income Contractor policy, whilst allowing for the recent changes in how the contractor earns their income, we therefore require the cases to be submitted as 'self-employed'. If a customer wishes to apply under our standard PAYE contractor policy, they need to have a minimum of 12 months history of contracts and pay slips. So rather than be unable to assist such contractors during that period, this abridged policy will enable to help contractors who have gone through this recent transition

Question: As you are classing these cases as self-employed, is it the same packaging requirements as your normal self-employed policy?

Answer: No. You should provide the bank statements, contracts & payslips as described in our A-Z of lending criteria but DO NOT submit annual accounts or SA302's when applying our high income contractor policy. Please DO still submit a fully completed Mandatory Self Employed Application Submission Sheet.

Question: Are NatWest changing any existing policies for other types of contractor, such as standard PAYE contractor policy?

Answer: No, the guidance outlined above is only in relation to our High income Contractor Policy and how we provide further guidance to assist contractors in the above scenarios