



Lending Criteria Guidelines

INTERMEDIARY USE ONLY
Updated January 2026



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A brief summary for IFAs and Mortgage Brokers



Introducer fees

Introducer fees on new residential mortgage business will be paid at a rate of 0.40% of the mortgage value. The fee will be paid on completion of the mortgage.

The Society lends on properties in England, Wales, Scotland and Northern Ireland. Lending cannot be considered in Channel Islands or Isle of Man.

We are a provider of specialist mortgages for:

- Renovation** of derelict, deteriorated or redundant properties including listed buildings
- Conversion** of disused buildings such as barns, chapels, water towers and windmills
- Self-build** and Off-site build constructed of sustainable building materials and incorporating high levels of energy efficiency

As well as:

- Affordable Local Homes
- Live/work properties
- Community Living
- Shared Ownership
- Eco Homes
- Buy-to-let

Features of our mortgages include:

- Daily interest
- No higher lending charges
- Funds released on land (with planning permission) or unimproved property value
- Flexible release of funds in stages
- Discount payable based on the energy saving and environmental features of the property. Once the discounts are applied, they remain in place for the term of the mortgage.
- A dedicated broker online portal enabling brokers to submit and track cases 24/7.

Read David & Gills's story



Minimum application packaging checklist



Mandatory documents required (all applications)

1. Direct Debit Mandate – 'wet signature required' and include payment date.
2. Signed declaration form.



Proof of income

1. Latest 3 months' payslips (if employed) – last 6 months if using overtime/commission.
2. Latest 2 years' tax summary calculations and tax overviews (if self-employed) using net income and last 2 years' accounts if produced (we will do a companies' search to check all streams of income).
3. Latest 1 months' bank statement for main current account showing salary credits for each applicant. If retired, latest pension statement. If lending into retirement, latest pension projection.
4. Last 3 months' business bank statements.
5. For any other income sources please refer to the lending criteria.



Project information

1. Professional costings must meet the criteria below:
 - Professional letter headed costings provided by a contractor, a quantity surveyor or architect.

- If an applicant is providing their own costings, then individual contractor quotes on letterhead for all aspects of the project must be provided.
 - Include a contingency of 10%.
 - Include confirmation of any VAT being charged (even if being charged at 0% or claimed back).
 - Account for any renewables being installed as per predicted SAP rating (e.g. solar energy/air source heat pump).
2. Valid planning permission (where applicable) or evidence if not required.
 3. Plans (where applicable) – to include a minimum of elevations, floor plan and site layout (building regulation specifications are not required).
 4. Evidence of predicted or current energy rating:
 - Where a self-build or conversion please provide a full SAP calculation (usually 30-40 pages).
 - Where a renovation please provide a copy of the latest EPC certificate.



Other documents

1. Copy of the lease if property is leasehold.
2. Full benefits award letter if being used.
3. For let properties and proof of rental income (if applicable).
4. Up-to-date illustration of projected benefits for your repayment vehicle (if interest only/part & part).
5. Proof of own funds (where applicable).
6. Solicitor details (solicitor must be registered on LMS panel)

A group of people are gathered around a table, smiling and holding coffee cups. The scene is set in a bright, modern kitchen or cafe. A woman in a blue tank top is in the center, and a woman in a plaid shirt is on the right. A hand is visible on the left holding a blue cup. The background shows a red wall and a window with a view of a building.

Everyone's story
gets a chance
to thrive



Loan types & sizes			
Current residential mortgage rates and charges. www.ecology.co.uk/mortgages/brochures/			
Maximum Loan-to-value	As specified in the current residential mortgage rates and charges document. LTV based on the lower of the purchase price or valuation.		
Minimum Loan	As specified in the current residential mortgage rates and charges document.	Maximum Loan	As specified in the current residential mortgage rates and charges document.
Mortgage terms			
Minimum Term	5 years.	Maximum Term	As specified in the current residential mortgage rates and charges document.
Age requirements			
Minimum Age	18 years.	Maximum Age	<p>Borrowers should be no more than 85 years old at the end of the mortgage term for residential and BTL mortgages.</p> <p>Where the term of a mortgage would go beyond the lower of an applicant's intended retirement age or 75 years of age, evidence of post retirement income projection is required. For borrowers which at the point of application are >55 years old or <15 years from their declared retirement age, affordability must be assessed on both their current and projected retirements income.</p> <p>Where the applicant has indicated that their retirement age is beyond state pension age, we will assess whether this is feasible, based on the nature of the role being performed.</p>
Applicant residency status			
Applicant Residency Status	<p>Provable UK residency for a minimum of 24 months is required. Where applicants do not have UK citizenship they will need to provide evidence of a valid passport and one of the below:</p> <ul style="list-style-type: none">• Indefinite leave to remain in the UK.• EU settled status.• EU pre-settled status.• Right to reside in the UK.		



Main Income

Income Component	Description	Evidence
Basic net salary	<p>Minimum 3 months continuous employment. Probation periods may be acceptable.</p> <p>If the applicant is on Maternity/Paternity/Parental Leave/Any other declared, an Employer reference is required to confirm return to work hours, level of pay and return to work date. The applicant will also need to declare any future childcare costs.</p> <p>If the applicant is employed by family, the company accountant must provide an accountant's reference.</p> <p>100% Used.</p>	<ul style="list-style-type: none"> • Last 3 months' payslips • Employer's reference may be requested
Contractual Allowances	<p>If part of employment contract e.g. car allowance, home-working, housing allowance, large town allowance, shift allowance.</p> <p>100% Used.</p>	<ul style="list-style-type: none"> • Last 3 month's payslips • P60s, YTD payslips, contracts and previous employment evidence may be used as evidence. • Employer's reference may be requested.
Bonus – Discretionary	50% of latest year.	<ul style="list-style-type: none"> • Last year's bonus evidenced by payslips/P60 • Employer's reference may be requested.
Bonus – Guaranteed	100% of latest year.	<ul style="list-style-type: none"> • Last two year's bonus evidenced by payslips/P60s • Employer's reference may be requested.

Appendix E-2



Income Component	Description	Evidence
Second job	<p>Minimum 3 months continuous employment. Probation periods may be acceptable.</p> <p>If the applicant is on Maternity/Paternity/Parental Leave/ Any other declared, an Employer reference is required to confirm return to work hours, level of pay and return to work date. The applicant will also need to declare any future childcare costs.</p> <p>If the applicant is employed by family, the company accountant must provide an accountant's reference.</p> <p>100% Used.</p>	<ul style="list-style-type: none"> • Last 3 months' payslips • Employer's reference may be requested
Fixed term contracts	<p>Minimum of 12 months' track record required. 6 months' further contract in place or 6 months remaining.</p> <p>100% used.</p>	<ul style="list-style-type: none"> • Last 3 months' payslips. Latest year's P60, and evidence of contract with 6 months remaining • Employer's reference may be requested
Agency & zero hours	<p>Where 2 or more years history of stable income evidenced or where bank nurses, locum doctors or supply teacher income.</p> <p>100%</p>	<ul style="list-style-type: none"> • Last 3 months' payslips • Latest years P60 • Minimum 24 months history (zero-hours) • Minimum 12 months history in same profession (agency)
Self employed	<p>Average salary, drawings, dividends, partnership profits or net profit payable over the last 2 years. If latest year is lower than average latest year to be used.</p> <p>If the applicant is not required to submit a tax return, an accountant's reference is acceptable. If no accountant cannot use this income.</p> <p>If applicant is on Maternity/Paternity/Parental Leave/Any other declared, we will require 1 year's full tax summary calculation to verify current level of income.</p> <p>Where a shareholding is less than 20% we will treat the applicant as employed.</p>	<ul style="list-style-type: none"> • Accountant's reference (if not self assessment) • Latest 2 Years' Tax Summary Calculations

Appendix E-2



Income Component	Description	Evidence
Private pension	<p>Net pension income.</p> <p>Income must be paid on a regular monthly basis.</p>	<ul style="list-style-type: none"> • Latest 2 Years' Tax Summary Calculations
Umbrella Companies	<p>If applicants are paid through an umbrella company they will be treated as self-employed.</p> <p>Average 2 years' net profits or latest year if lower.</p>	<ul style="list-style-type: none"> • Employer's reference
Construction Industry Scheme	<p>Applicants are treated as self-employed. Average net income over last 2 years or latest year if lower.</p>	<ul style="list-style-type: none"> • Latest 2 Years' Tax Summary Calculations

Appendix E-3

Additional Income



Income Component	Description	Evidence
Child Maintenance	<p>3 months' evidence of receipt.</p> <p>100% used if child is under 14. If child is over 14 unable to use this income.</p>	<ul style="list-style-type: none"> Latest Child Maintenance Agency Notice, Consent Order or 3 months payments evidenced via monthly bank statements
Rental income surplus	100% net income used. (Profit from UK land and property minus finance costs)	<ul style="list-style-type: none"> Latest Year's Tax Summary Calculation
Regular investment income	Average net income over latest 2 years or latest year if lower.	<ul style="list-style-type: none"> Accountant's reference Latest 2 Years' Tax Summary Calculations
Overtime/commission	100% of average paid over a minimum 6 month period.	<ul style="list-style-type: none"> Last 6 months' payslips P60 evidencing receipt

Benefits Income

Income Component	Description	Evidence
Carer's Allowance	100% used.	<ul style="list-style-type: none"> Latest benefit award document
Foster Carer's Allowance	Average net income over latest 3 years or latest year if lower.	<ul style="list-style-type: none"> Latest 3 Years' Tax Summary Calculations
Personal Independence Payment (formerly disability living allowance)	100%	<ul style="list-style-type: none"> Latest benefit award notice
State Pension	100% Used.	<ul style="list-style-type: none"> Latest pension award document
War Widow(er) Pension	100% Used.	<ul style="list-style-type: none"> Latest pension award document

Appendix E-4



Additional Benefits Income

Income Component	Description	Evidence
Attendance Allowance	100% Used.	<ul style="list-style-type: none"> Latest award statement
Child Benefit	<p>If any borrower receives an income of more than £60,000 a year Child Benefit should not be included as part of their income.</p> <p>100% used if child is under 14. If child is over 14 unable to use this income.</p>	<ul style="list-style-type: none"> Latest benefit award document
Child Tax Credit	100% used if child is under 14. If child is over 14 unable to use this income.	<ul style="list-style-type: none"> Latest benefit award document Income/Childcare declared on award document must match current level of income/expenditure
Constant Attendance Allowance	100% Used.	<ul style="list-style-type: none"> Latest benefit award document
Employment & Support Allowance	100% Used.	<ul style="list-style-type: none"> Latest benefit award document
Guardian's Allowance	100% used if child is under 14. If child is over 14 unable to use this income.	<ul style="list-style-type: none"> Latest benefit award document
Industrial Injuries Disablement Benefit	100% Used.	<ul style="list-style-type: none"> Latest benefit award document
Pension Credit	100% Used.	<ul style="list-style-type: none"> Latest benefit award document
Universal Credit	<p>Must have been in receipt for last 6 months.</p> <p>100% of average over last 6 months used.</p> <p>Rental element cannot be used as income.</p>	<ul style="list-style-type: none"> Latest 6 Months' benefit award document



Income Component	Description	Evidence
Reduced Earnings Allowance	100% Used.	<ul style="list-style-type: none"> Latest benefit award document
Working Tax Credit	100% Used.	<ul style="list-style-type: none"> Latest benefit award document Income declared on award document must match current level of income.

Unacceptable Income

- Foreign Income
- Crypto currency
- Trust Income
- Retained Profit
- Gifted income
- Income paid in cash
- Agency income unacceptable where < 2 years history of stable income (except for bank nurses, locum doctors and supply teachers where these may be acceptable)
- Bursary Income
- Seasonal Income



Commitments

Mortgage/Tenancy	<p>Mortgage:</p> <ul style="list-style-type: none">• Full details and proof of payments will be required for all current and previous mortgages, including second charges, held in the last 2 years unless credit search information is available.• For buy-to-let or let to buy, when the current mortgage will remain, rental income must cover the whole mortgage repayment. In addition, confirmation will be required from the current lender that they are in agreement with the tenancy and a copy of the tenancy agreement will be required. <p>Tenancy:</p> <ul style="list-style-type: none">• Full details will be required for all current and previous tenancies held in the last 12 months.• A landlord's reference may be obtained for all applicants who are renting, including confirmation that payments have been made satisfactorily.
Expenditure	<p>Regular commitments in respect of loans, credit cards, hire purchase agreements, mail order, maintenance etc. will be deducted from income as follows:</p> <ul style="list-style-type: none">• Loans, hire purchase, maintenance – Monthly payment made.• Credit cards and mail order commitments – 3% of outstanding balance.• Buy now pay later finance, the future monthly payment will be deducted. <p>Commitments ending within 6 months, where evidenced on the credit file, may be excluded. Credit card balances paid in full for at least 6 months can be excluded from commitments.</p> <ul style="list-style-type: none">• Child care costs – will be included in the affordability calculation.• On other encumbered properties any shortfall (i.e. where the rental income is less than 100% of the borrowing commitment) the difference will be treated as a commitment. <p><i>Further details on next page.</i></p>



Commitments	
Expenditure cont.	Where an applicant is paying for alternative accommodation (rent, mortgage etc.) this should be included in affordability as an ongoing cost. <i>Rent or mortgage payments for alternative accommodation can be excluded from the calculation where savings to cover this cost for 2 years can be evidenced. These savings cannot also be used to cover project costs or contingency.</i>
Regular Significant Outgoings	Regular significant outgoings such as gambling will be considered on a case-by-case basis and at the underwriter's discretion an acceptable deduction for expenditure will be made. For more extreme cases where the regularity and amounts are excessive in the context of the applicant(s) lifestyle, the application may be declined. Where the applicant(s) are significantly in their overdraft but operating within their agreed facility, a 3% deduction of the highest overdraft amount over the latest 3 month period is deducted. In extreme cases where the overdraft facility is breached, the application may be declined.
Impaired Credit	
Criteria	The Society will consider applications where there is historic Impaired Credit/CCJ/IVA/ Bankruptcy/Debt Management Plan/Debt Relief Order where these were settled. Please refer to our credit history parameters on page 14 for guidance. Applications will not be considered where repossession has previously occurred.



Credit Status	$\leq 80\% \text{ LTV}$	Between >80 to $\leq 90\% \text{ LTV}$	$> 90\% \text{ LTV}$
Mortgage/Secured Loan	No more than 1 missed payment in the last 2 years	No more than 1 missed payment in the last 3 years	No missed payments in the last 3 years
Unsecured Loan	No more than 1 missed payment in the last 2 years	No more than 1 missed payment in the last 3 years	No missed payments in the last 3 years
Credit Card/Store Card/Mail Order/Communications/utilities	No more than 2 missed payments in the last 2 years	No more than 2 consecutive missed payments in the last 3 years	No more than 1 missed payment in the last 3 years
CCJ/Sheriff Court Decrees	Active CCJ/SCD – not considered Must have satisfied CCJ over 3 years ago OR CCJs registered over 12 months up to 36 months ago are permitted where settled or < £100	Active CCJ/SCD – not considered Must have satisfied CCJ over 3 years ago OR CCJs registered over 12 months up to 36 months ago are permitted where settled or < £100	Active CCJ/SCD – not considered Must have satisfied CCJ over 3 years ago OR CCJs registered over 12 months up to 36 months ago are permitted where settled or < £100
Default Defaults on Communication and Utilities accounts may be considered where settled and < £100.	Active Default not considered Must have satisfied default over 3 years ago	Active Default not considered Must have satisfied default over 3 years ago	Active Default not considered Must have satisfied default over 3 years ago



Credit Status	$\leq 80\% \text{ LTV}$	Between >80 to $\leq 90\% \text{ LTV}$	$> 90\% \text{ LTV}$
Debt Relief Order/ Debt Management Plan	Must have been cleared for at least 2 years	Must have been cleared for at least 3 years	Not considered
Bankruptcy/IVA	Satisfied for 6 Years	Satisfied for 6 years	Not considered
Payday loans	None in the last 24 months	None in the last 24 months	None in the last 24 months
Repossessions	Not considered	Not considered	Not considered
Overdrafts	No more than 2 instances of unauthorised overdraft usage in the last 2 years (subject to a maximum of £100)	No more than 2 instances of unauthorised overdraft usage in the last 2 years (subject to a maximum of £100)	No unauthorised overdraft usage in the last 2 years (subject to a maximum of £100).
Deferred payment credit (Buy now pay later, KLARNA)	No missed payments in the last 24 months	No missed payments in the last 24 months	No missed payments in the last 24 months



Repayment Strategy

Capital & Interest	Permitted.
Interest Only	<p>Permitted on specific products – refer to the current residential mortgage rates and charges document. Interest only lending is not permitted when lending into retirement.</p> <p>Repayment strategy:</p> <p>Must be held in the UK in Sterling.</p> <p>Endowment policy</p> <ul style="list-style-type: none">• Projection from the provider based on current value and contribution levels.• Term must coincide with or mature before expiry of the mortgage term. <p>Commutable sum from pension</p> <ul style="list-style-type: none">• Projected tax-free cash value.• Term must coincide with or mature before expiry of the mortgage term. <p>ISA or Savings Plan</p> <ul style="list-style-type: none">• Value of existing savings/investment vehicles, including projected value where further regular contributions will be made. <p>Sale of property</p> <ul style="list-style-type: none">• Sale of other UK property where there is evidence the net value of the asset is sufficient to repay the mortgage.• Interest Only without an acceptable repayment vehicle is not offered, even temporarily during any construction period.
Part and Part	<p>Permitted on specific products – refer to the current residential mortgage rates and charges document.</p> <p>Repayment strategies accepted as per Interest Only.</p>



Security

Property Types	Acceptable security types:
	<p>Houses:</p> <ul style="list-style-type: none">• Detached/semi-detached/terraced/townhouse/bungalow• Shared Ownership• Flat roof properties• Properties with agricultural ties• Flying freehold <p>Flats:</p> <ul style="list-style-type: none">• Maximum 4 storeys• Shared Ownership• Leasehold with remaining term on the lease of at least 50 years at the term end• Flats above occupied shops and commercial premises (with due regard to the nature of the activity in such premises)• Studio Flats are acceptable where $\geq 35m^2$
Unacceptable Security	<p>The following types of property are not acceptable:</p> <ul style="list-style-type: none">• Freehold flats• Holiday/second homes• Mobile homes• Park homes• Bedsits• Houseboats• Properties which are affected by Japanese Knotweed where category A & B <ul style="list-style-type: none">• HMO properties• Studio Flats unacceptable where $< 35m^2$• Multiple residential• properties on a single title• Holiday Lets
Unacceptable Defective Properties	<ul style="list-style-type: none">• Airey• Boot• Boswell• Butterley• Cornish Type 1• Cornish Type 2• Dorran• Dyke• Gregory• Hawksley• Laing Easiform <ul style="list-style-type: none">• Myton• Newland• Orlit• Parkinson Frame• PRC Limited• Reema Hollow Panel• Schindler• Smith• Stent• Stonecrete• Tee Beam <ul style="list-style-type: none">• Tarran• Underdown• Unity• Waller• Wates• Wessex• Whitson Fairhurst• Wimpey No Fines• Winget• Woolaway



Mortgage Types

Purchase of Existing Properties	<ul style="list-style-type: none">Permitted (provided that the property complies with the Society's ecological requirements).Provided that building insurance can be obtained.
Re-mortgage	<ul style="list-style-type: none">Acceptable if the property complies with the Society's ecological requirements.
Self-build	<ul style="list-style-type: none">Permitted (provided that the property complies with the Society's ecological requirements).Provided that building insurance can be obtained.Outline planning permission required as a minimum. <ul style="list-style-type: none">Full plans and professional build costs required.Eligible for our C-Change discounts (see page 20).Available on repayment or Interest Only (see our repayment strategy criteria).
Debt Consolidation	The Society will only provide debt consolidation for secured mortgage debt or repayment of family loans.
Renovation	<ul style="list-style-type: none">Permitted (provided that the property complies with the Society's ecological requirements).Provided that the property has a minimum Energy Performance Rating of 'E' on completion of works.Provided that building insurance can be obtained. <ul style="list-style-type: none">Planning permission required where applicable.Full plans and professional build costs required.Eligible for our C-Change discounts (see page 20).Available on repayment or interest-only (see our repayment strategy criteria).
Conversion	<ul style="list-style-type: none">Permitted (provided that the property complies with the Society's ecological requirements).Provided that building insurance can be obtained.Outline planning permission required as a minimum. <ul style="list-style-type: none">Full plans and professional build costs required.Eligible for our C-Change discounts (see page 15).Available on repayment or interest-only (see our repayment strategy criteria).
Shared Ownership	<ul style="list-style-type: none">Permitted (provided that the property has a minimum Energy Performance Rating of '85B').Minimum purchase share is 25%. <ul style="list-style-type: none">The maximum LTV ratio considered by the Society is 95% of the share being purchased.Eligible for our C-Change discounts (see page 15).Available on a repayment basis only.



Mortgage Types

Buy-to-let	<ul style="list-style-type: none">Permitted (provided that the property complies with the Society's ecological requirements).Provided that the property has a minimum Energy Performance Rating of 'C' on completion of works.	<ul style="list-style-type: none">A maximum portfolio of no more than 3 properties (including the property being mortgaged with the Society).Rental income must exceed the mortgage payment by 135%.Maximum term 35 years.Available on repayment or Interest Only basis.
Eco Homes	<ul style="list-style-type: none">Permitted (provided that the property complies with the Society's ecological requirements).Provided the property has a minimum Energy Performance Rating of '85B' currently.Supports non-standard construction types so long as it applies with our ecological requirements above and buildings insurance can be obtained.	<ul style="list-style-type: none">If property built in last 10 years an acceptable build warranty or professional consultants certificate is required.Available on repayment or interest-only (see our repayment strategy criteria).Not available on flats.Maximum term of 35 years
Affordable Local Homes	<ul style="list-style-type: none">Permitted (provided that the property complies with the Society's ecological requirements).Provided the property has a minimum Energy Performance Rating of 'C' currently.Provided property meets the discounted market sale criteria.	<ul style="list-style-type: none">A maximum mortgage term of 35 years is available (subject to eligibility).If property built in last 10 years an acceptable build warranty or professional consultants certificate is required.Available on a repayment basis only.
Community Living Mortgage	<ul style="list-style-type: none">Permitted (provided that the property complies with the Society's ecological requirements).Provided the property has a minimum Energy Performance Rating of 'C' currently.Provided property has a suitable co-housing lease.	<ul style="list-style-type: none">A maximum mortgage term of 35 years is available (subject to eligibility).If property built in last 10 years an acceptable build warranty or professional consultants certificate is required.Available on repayment or interest-only (see our repayment strategy criteria).



Our C-Change discounts are a unique way for your client to save money on their mortgage. The discounts are available on mortgages for self-builds, existing energy efficient homes, renovations and conversions.

The following table outlines the 2 types of discount available under our C-Change scheme. For further details, please visit ecology.co.uk/mortgages/c-change-discounts.

C-Change discounts				
Type of discount	Interest rate reduction (applied from SVR)	Applicable to	When applicable	Project suitability
C-Change sustainable homes	0.50% - 1.50%	The whole of the mortgage balance outstanding. The higher the energy rating, the higher the discount.	At completion, if confirmation of energy rating is available. Otherwise, as soon as confirmation of energy rating is achieved.	Self-build Off-site build Conversion Shared Ownership
C-Change retrofit	0.25% - 1.50%	The whole of the mortgage balance outstanding. The size of the discount will depend on the number of grade improvements achieved within the Energy Performance Certificate (EPC). 0.25% discount for each EPC grade improvement.	Once works are complete and a new EPC verifying the upgrade is received.	Renovation



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Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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EcologyBS

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