

A straightforward, human approach to helping the self-employed

We're getting closer to the 12th April, and there's fresh optimism for all as we begin to see the light at the end of the lockdown tunnel.

There's going to be a rush from business owners to re-open and start trading again – I for one will be rushing to my hairdresser!

Whilst, the number of self-employed individuals in the UK is currently unknown as we begin to press ahead to 'normal life', what we do know is there has been lots of discussion around how difficult it is for the self-employed when it comes to mortgage applications.

In this short article, we will aim to address this, and illustrate how a straightforward and human approach can assist self-employed borrowers.

Added complexity

When it comes to a self-employed mortgage application, it's true that there is an added layer of complexity on how their income is assessed.

This is due to their irregular pattern of income, how their income is derived, and even the industry that they may be operating in.

This can make such applications a challenge for lenders' that are heavily reliant on an automated system which cannot get to grips with the various scenarios that form a self-employed application.

As we've found in the last 6 months, service levels have been stretched, as mainstream lenders struggle to underwrite cases as they previously have and need to utilise a manual underwriting approach.

This has certainly been a challenge for many, but the good news for advisors right now is that lenders like Pepper Money can manually underwrite applications that are 'complex' swiftly – seeing offers being turned around in days rather than months.

Taking a human approach to complex cases is what Pepper Money do best, so we've prepared some top tips for helping more self-employed customers during this trying time for them.

How Pepper Money are helping the self-employed:

- One year's trading accounts are accepted
- We use the latest year for affordability when your customer has been trading for two years or more
- Income validation is assessed from the latest month of business bank statements (credits from self-employment x 12) however, in cases where there are insufficient credits received in the latest month, we can take an average over the last 3 months to support declared income.
- We accept 'add backs' for controlling Limited Company Directors, including pension contributions, car & also use of home as office allowance, to help boost affordability.
- We can help day rate contractors who are in an existing contract and able to demonstrate a minimum 12 months' history (daily rate x 5 x 46).
- When reviewing an application, we consider if the business is going to continue to be viable in the near future? Pepper Money look for reasons to lend rather than refuse, so if you can answer 'Yes' to this question before submitting that's certainly a good start.
- If your customer decided to take the Self-Employment Income Support Scheme this is not automatically viewed as a negative. As part of any self-employed application, explain why your customer chose to the support. For example, many applicants took the grant and/or loan to protect their business and were not planning on using the money unless necessary.
- If your customer's credit score is likely to result in a fail with a high street lender, consider a specialist lender such as Pepper Money who don't use credit scoring or tick box forms as part of their lending decisions. The result is a fairer, and often more generous lending decision.

If you need help with a self-employed application, [get in touch with your local BDM at Pepper Money](#). Once you've submitted a case, your dedicated Case Owner will be there to help from application to offer.