



## CONDITIONS IN LOAN APPROVAL

**M**ost lenders satisfy themselves fully about all matters the subject of their security before issuing a written letter of approval. If the loan exceeds 75% of the cost of the property, it is not unusual however for the loan to be made conditional on the Borrower taking out an Indemnity Bond to cover the excess. Other lending institutions approve loans subject to survey or, in the case of loans by Life Insurance Companies, subject to the Borrower taking out an additional Life Assurance Policy.

The normal condition that Solicitors acting for the Purchaser insert in the Contract for the protection of their client is a clause to say that the Contract is subject to a loan approval being obtained. It is not usual to go on to provide that the Contract is subject to compliance with any of the conditions mentioned above, even though their compliance may be outside the power of the Purchaser. The Mortgage Protection or Life Assurance might be refused or approved on terms that would be extremely onerous to the Purchaser. Solicitors giving undertakings to Banks and completing purchases without protecting their clients against such risks may well be negligent. It is suggested that Solicitors acting for a Purchaser should use a standard type of clause and the following is suggested as a reasonable wording:

THIS CONTRACT shall be subject to the Purchaser obtaining approval for a loan of £ ..... from ..... on the security of the premises PROVIDED ALWAYS that if this loan has not been approved in writing within ..... weeks from the date hereof either party shall be entitled to rescind this Contract and in such event the Purchaser shall be refunded his deposit without interest, costs or compensation.

(If the loan approval is conditional on a Survey satisfactory to the Lending institution or a Mortgage Protection or Life Assurance Policy being taken out or some other condition compliance with which is not within the control of the Purchaser the loan shall not be deemed to be approved until the Purchaser is in a position to accept the loan on terms which are within his reasonable power or procurement),  
(Delete as appropriate).

In the opinion of the Conveyancing Committee, this is a reasonable Clause to use to make a Contract subject to loan. The Committee advise strongly against a Solicitor giving an undertaking to a Bank to obtain bridging finance unless and until he is certain that all conditions of the loan can be complied with.

### UPDATE:

1. With regard to housing loans it is compulsory for all borrowers to take out mortgage protection insurance unless such insurance is refused for health or age reasons.
2. This note should be read in conjunction with the current Certificate of Title/Guidelines/Undertaking as agreed with the lenders.