



Lenders must move with the times to meet needs of today's workers

Short-term contracts, fluctuating wages, and a reliance on bonus and tip payments can make it harder to secure a mortgage. But Chris Holmes, Senior Product & Proposition Manager at Hinckley & Rugby, says changes to the building society's Income Flex product are designed to address the needs of a changing workforce.

To paraphrase a well-known corporate slogan, every bit of income helps when it comes to getting on and moving up the property ladder.

In today's market, affordability remains tough, thanks to the higher interest-rate environment and over a decade of rising property prices. Figures from the Office for National Statistics show that last year, the average property in England was around 8.3 times the average full-time employee's salary.

However, those who are self-employed, work part-time, are on temporary or zero-hours contracts, or have part of their remuneration paid by bonus payments or tips may potentially be looking at even starker income multiples due to the restrictive lending criteria applied by many mainstream lenders.

It is with this in mind that Hinckley & Rugby for Intermediaries has made a number of significant improvements to the criteria on its Income Flex mortgage. These changes mean more people can take advantage of this flexible product, while also allowing those who benefit to borrow more – giving broker clients a better chance of securing the property they want.

So, what changes have we made? One of the biggest is to allow those working in the hospitality, leisure, catering, and service sectors to include 100 per cent of tips in income calculations. Technically known as Tronc payments, these tips are often a significant part of workers' remuneration in these industries.

Recent legislation has been introduced to ensure workers keep these tips, gratuities, and service charges in full. These new rules, effective from October 1, should hopefully mean a boost in income for many people working across these sectors.

Given this legal protection, it seems unreasonable that some lenders do not take these payments into account when assessing income and calculating whether it is sufficient to support a mortgage.

Provided there is evidence of these payments over the past year, Hinckley & Rugby will now factor tips into income calculations, helping many in these service industries when it comes to homeownership.

At the same time, Hinckley & Rugby will also now accept 100 per cent of a stipend income (again with 12 months' evidence) and will consider loans of up to 80% LTV where this income is the primary source. This should benefit many students or trainees receiving grants or payments from employers, charities, or other organisations to help with living costs.

These are not the only changes we've made. Hinckley & Rugby has also extended the maximum LTV available to certain categories of workers. Both agency workers and those on zero-hour contracts can now apply for mortgages at 80% LTV – previously, the maximum LTV was 75%.

In both cases, this will offer enhanced borrowing opportunities to those employed in more temporary roles or working on irregular hours.

Additionally, we have removed the minimum income requirement for day-rate contractors. This should enable more of these contractors to apply for an Income Flex loan, although brokers should note that a minimum contract term of three months is still required.

We have also amended the criteria for borrowers who rent out a room in their property. This income can now be fully utilised up to the government's tax-free threshold of £7,500 a year. Hinckley & Rugby will accept higher lodger payments, but only if this is the primary income.

This package of measures underlines our commitment to supporting borrowers who don't necessarily fit the 'typical' income profile of someone in a PAYE role with a nine-to-five job. All evidence suggests that more and more of the workforce now falls outside this narrow criterion – but many high-street lenders have been slow to adapt their borrowing requirements to meet the needs of the modern workforce.

As a lender, we take a more flexible approach to underwriting and borrowing. Rather than requiring applicants to fit a set of specific criteria, our Flex product range can be tailored to accommodate the individual circumstances of broker clients, while still offering competitive pricing.

At Hinckley & Rugby, we pride ourselves on doing things differently. As a mutual organisation, we have been helping people with their housing needs for almost 160 years, and we have only been able to do this by evolving our proposition to ensure it continues to meet the needs of ordinary working people.

Laura Sneddon, Head of Mortgage Sales and Distribution at Hinckley & Rugby for Intermediaries

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