



Commercial LENDING CRITERIA GUIDE



WELCOME



At The Cumberland, we are proud to offer a kinder banking experience.

The Cumberland has been operating for 175 years and has over 30 years' experience of providing Commercial lending.

Businesses who choose to work with us benefit from a relationship approach delivered by our knowledgeable and experienced team.

Scott McKerracher
Head of Commercial at The Cumberland

Find out more

cumberland.co.uk/business

TARGET MARKET & KEY LENDING CRITERIA

Borrower Type	UK registered Limited Companies, LLPs, Partnerships and Sole Traders with turnover up to £20 million
Loan Size	£100,000 to £6 million (aggregated £15 million)
Tenure	Up to 25 years with initial interest only periods of up to 2 years available
Interest Rate Type	Variable rate loans are provided against Commercial Variable Base Rate (CVBR). CVBR tracks the Bank of England base rate. The margin we price at is based on the risk profile of the business including the Loan to Value (LTV) We also provide fixed rates, including 3 and 5-year fixed rate options
Security	First charge over Freehold & Long Leasehold Property in England. Freehold only in Scotland Debentures / bond & floating charges and guarantees on a case-by-case basis. Other forms of security may be required depending on the structure of the transaction, e.g. letters of postponement
Geography	North of England, Scotland and the Isles, including Anglesey, Arran, Isle of Wight and Isles of Mull, Skye, Shetland, Orkney, Harris & Lewis, Bute and Islay

SECTORS WE LEND TO

Our key Commercial market is room-led Hospitality, but we also offer lending to businesses operating in the Food & Drink, Healthcare and Professional Services sectors.



HOSPITALITY

Hotels

Aparthotels &
Serviced Apartments

Guesthouses & B&Bs

Hostels & Bunkhouses

Pubs & Restaurants
with rooms



PROFESSIONAL SERVICES

Accountants

Solicitors

Surveyors

Letting Agents

Estate Agents

Financial Advisors



HEALTHCARE

Dentists

Vets

Children's Nurseries

Specialist Care Homes

Elderly Care Homes



FOOD & DRINK

Processors & Manufacturers

Wholesalers

Retailers including:

Convenience
Stores

Butchers
Off-licenses

Fruit &
Vegetable
Shops

Bakeries
Delicatessens

Organic
Food Shops

Farm Shops





HOSPITALITY

At The Cumberland, we have been supporting Hospitality businesses for over 30 years.

We are proud to offer our Commercial customers a kinder banking experience by providing a fully relationship-managed service via our experienced team.

We offer lending for the purchase or remortgage of Hotels, Guest Houses, Aparthotels and more.

Sub-sector	Max loan on individual asset	LTV – MV1	LTV – MV3	Debt Service Cover (based on adjusted EBITDA)	Tenure (max)
Hotels (i) - 3*+ plus or medium / high visitor ratings	£6m	70%	85%	135% payrate (+1%)	25 years
Hotels (ii) – corporate or wedding-led	£6m	70%	85%	135% payrate (+1%)	25 years
Guest Houses / B&Bs	£6m	70%	85%	135% payrate (+1%)	25 years
Hostels & Bunkhouses	£6m	70%	85%	135% payrate (+1%)	25 years
Aparthotels & Serviced Apartments	£6m	70%	85%	135% payrate (+1%)	25 years
High quality Pubs & Restaurants with rooms	£6m	55%	75%	150% payrate (+1%)	15 years
Lodge Parks / Holiday Let Parks / Event Parks	£6m	65%	85%	135% payrate (+1%)	25 years



HEALTHCARE

We are pleased to offer our relationship-managed service to Healthcare businesses, including Children's Nurseries, Veterinary Services, Dental Practices and Care Homes.

As part of our kinder banking ethos, it's our ambition to provide a kinder banking experience to individual Healthcare businesses, offering financial products via a team of knowledgeable and experienced bankers.

Sub-sector	Max loan on individual asset	LTV – MV1	LTV – MV3	Debt Service Cover (based on adjusted EBITDA)	Tenure (max)
Children's Nurseries	£6m	70%	100%	130% payrate (+1%)	25 years
Veterinary Services	£6m	75%	100%	125% payrate (+1%)	25 years
Dental Practices	£6m	75%	100%	125% payrate (+1%)	25 years
Care Homes (general & specialist)	£6m	70%	100%	135% payrate (+1%)	25 years



PROFESSIONAL SERVICES

Over the last 25 years of supporting Commercial businesses, we have built and nurtured strong relationships with key professional services in our core operating area of the north of England and Scotland.

We recognise the vital role these businesses play in our local communities, and we are pleased to offer our services to Accountants & Auditors, Solicitors, Financial Advisors and Surveyors, Estate and Letting Agents.

This means more businesses can benefit from kinder banking delivered by The Cumberland through our relationship-managed service.

Sub-sector	Max loan on individual asset	LTV – MV1	Debt Service Cover (based on adjusted EBITDA)	Tenure (max)
Accountants & Auditors	£6m	75%	125% payrate (+1%)	25 years
Solicitors	£6m	75%	135% payrate (+1%)	25 years
Financial Advisors	£6m	70%	135% payrate (+1%)	25 years
Surveyors, Estate and Letting Agents	£6m	70%	135% payrate (+1%)	25 years



FOOD & DRINK

We offer Commercial lending to Food & Drink Retailers, Wholesalers, Processors & Manufacturers.

Whether your client is looking to expand or refinance, our dedicated team of relationship managers are here to help.

Sub-sector	Max loan on individual asset	LTV – MV1	LTV – MV3	Debt Service Cover (based on adjusted EBITDA)	Tenure (max)
Retailers	£6m	70%	100%	150% payrate (+1%)	15 years
Wholesalers	£6m	70%	–	150% payrate (+1%)	25 years
Processors & Manufacturers	£6m	65%	–	150% payrate (+1%)	25 years

INFORMATION CHECKLIST

All Commercial cases are different, but we have listed below what we typically need from you to progress:

- ✓ Borrower name and legal entity(s) type & structure
- ✓ Location of the business and industry sector
- ✓ Summary of the funding requirement, length of tenure and capital & interest or interest only repayment structure (i.e. refinance, asset or business purchase or another purpose)
- ✓ Level of equity or cash contribution – loan to cost or loan to value
- ✓ Evidence of affordability – EBITDA or CFADS (historic, current or projected)
- ✓ Property details – location of security subjects, Freehold/Leasehold, estimated MV1 and MV3 value

Additional Information likely to be required for a full application**:

- Completed Commercial Mortgage Application Form
- Detailed funding requirement including:
 - Full detail on funding requirement
 - Amount, source and evidence of contribution
 - Details of third-party debt not being refinanced (amount, tenure and monthly repayment)
 - Business background
 - Legal entity(s) type and structure
 - Key parties and beneficial owner details
 - Details and experience of management team and roles
 - Overview of the sector, current market conditions, competition and USPs
 - Evidence of affordability (i.e. EBITDA and CFADS)
 - Details of security available (i.e. property / debenture / personal guarantee)
- 2 years trading history for applicant and / or target property (to be evidenced by annual financial accounts and possibly management accounts)
- Debtor, creditor and stock list (sector dependent)
- Financial projections (if material change to historic trading position is anticipated)
- 2 years trading history for any linked businesses (i.e. subsidiaries or holding companies)
- Asset Liability and Income and Expenditure Form
- Rental schedule (if borrower or any linked businesses have leased property)
- 2 months business bank statements
- 2 months personal bank statements for key account parties
- 2 years mortgage statements from the borrower (business, not personal)

**Other information may be required following analysis

GLOSSARY OF TERMS

Aggregated	Is the grouping together of counterparties who are related in such a way that the credit risks attaching to the individual counterparties cannot be treated in isolation. Counterparties are customers within the building society who have debt / lending exposure
CFADS	Cashflow Available for Debt Servicing. Cash generated by a business or investment after deducting all operating expenses, taxes, and capital expenditures and adjusting for movements in working capital
CVBR	Commercial Variable Base Rate. Commercial Lending reference rate that tracks Bank Base Rate
DSC	Debt Service Cover measures a business's surplus cash flow vs. its debt obligations. The ratios are to meet or exceed the rate payable on borrowings against Commercial Variable Base Rate plus 1%
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation, EBITDA is a measure of a company's net income – also known as earnings or profit – with non-cash expenses added back to operating income
LTV	Loan to Value is the ratio of the value of the property security and the commercial mortgage shown as a percentage
MV1	Market Value as a continuing trading entity
MV3	The market value assuming the property is vacant, the business is closed, inventory has been removed, no accounts or records of trade are available and justices, licences and consents are lost or are in jeopardy
Payrate	The rate payable on your borrowings against Commercial Variable Base Rate
Security	Collateral provided to support borrowings made available by the Society
Tenure	Length of committed period borrowings will be made available



KINDER BANKING.

It's in our

NATURE.

The Cumberland 