



# Commercial LENDING CRITERIA GUIDE



# WELCOME



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

The Cumberland has been operating for over 170 years and has over 20 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](https://cumberland.co.uk/business)

# TARGET MARKET & KEY LENDING CRITERIA

<b>Borrower Type</b>	UK registered Limited Companies, LLPs, Partnerships and Sole Traders with turnover up to £20 million
<b>Loan Size</b>	£100,000 to £5 million (aggregated £15 million)
<b>Term</b>	Up to 25 years with initial interest only periods of up to 2 years available
<b>Interest Rate Type</b>	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
<b>Security</b>	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
<b>Geography</b>	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 20 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)	Term (max)
Hotels (i) - 3*+ plus or medium / high visitor ratings	£5m	65%	85%	135% payrate / 110% stressed (+1%)	15 years
Hotels (ii) – corporate or wedding-led	£5m	55%	75%	165% payrate / 135% stressed (+1%)	15 years
Guest Houses / B&Bs (i) – larger, high quality	£5m	70%	85%	135% payrate / 110% stressed (+1%)	25 years
Guest Houses / B&Bs (ii) – smaller, medium quality	£5m	65%	85%	135% payrate / 110% stressed (+1%)	25 years
Hostels & Bunkhouses	£5m	55%	75%	165% payrate / 135% stressed (+1%)	15 years
Aparthotels & Serviced Apartments	£5m	65%	85%	135% payrate / 110% stressed (+1%)	15 years
High quality Pubs & Restaurants with rooms	£5m	55%	75%	175% payrate / 145% stressed (+1%)	15 years
Lodge Parks / Holiday Let Parks / Event Parks	£5m	65%	85%	135% payrate / 110% stressed (+1%)	15 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)	Term (max)
Children's Nurseries	£5m	70%	85%	130% payrate / 105% stressed (+1%)	25 years
Veterinary Services	£5m	70%	90%	125% payrate / 100% stressed (+1%)	20 years
Dental Practices	£5m	70%	90%	125% payrate / 100% stressed (+1%)	20 years
Care Homes (general & specialist)	£5m	60%	85%	150% payrate / 125% stressed (+1%)	20 years



## PROFESSIONAL SERVICES

Over the last 20 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	LTV – MV3	Debt Service Cover (based on adjusted EBITDA)	Term (max)
Accountants & Auditors	£5m	70%	90%	125% payrate / 100% stressed (+1%)	20 years
Solicitors	£5m	70%	85%	135% payrate / 110% stressed (+1%)	20 years
Financial Advisors	£5m	–	70%	145% payrate / 125% stressed (+1%)	20 years
Surveyors, Estate and Letting Agents	£5m	–	70%	135% payrate / 110% stressed (+1%)	20 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)	Term (max)
Retailers	£5m	70%	80%	150% payrate / 125% stressed (+1%)	15 years
Wholesalers	£5m	–	70%	175% payrate / 150% stressed (+1%)	15 years
Processors & Manufacturers	£5m	–	65%	185% payrate / 150% stressed (+1%)	20 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 term 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, term 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

<b>Aggregated</b>	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
<b>CFADS</b>	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
<b>CVBR</b>	Commercial Variable Base Rate. Commercial Lending reference rate that tracks Bank Base Rate
<b>DSC</b>	Debt Service Cover measures a business's surplus cash flow vs. its debt obligations
<b>EBITDA</b>	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
<b>LTV</b>	Loan to Value is the ratio of the value of the property security and the commercial mortgage shown as a percentage
<b>MV1</b>	Market Value as a continuing trading entity
<b>MV3</b>	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
<b>Payrate</b>	The rate payable on your borrowings against Commercial Variable Base Rate
<b>Security</b>	Collateral provided to support borrowings made available by the Society
<b>Stressed</b>	The rate payable on your borrowings against Commercial Variable Base Rate plus 1%
<b>Term</b>	Length of committed period borrowings will be made available



KINDER BANKING.

*It's in our*

NATURE.

The Cumberland