Mortgage lenders – verification of income for clients

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Verification of income for clients

Members regularly feed back to us the problems they have when assisting clients with mortgage applications. This has become particularly difficult since the Financial Conduct Authority introduced rules in 2014 requiring lenders to make sure borrowers could afford their repayments now and in the future.

HMRC has also experienced a huge increase in requests for forms SA302 (tax calculations) to support mortgage applications. It considers that this diverts resources from dealing with other taxpayer queries and helping people to pay the correct tax.

HMRC has therefore been working with the Council of Mortgage Lenders (CML) to understand the needs of its members and to reach agreement on the changes HMRC can make to the online self-assessment (SA) account so that lenders will accept online documents.

HMRC has made the necessary changes and is now recommending that lenders accept documents that the individual can print from their own SA online account or documents produced by agents from commercial software together with supporting information printed from online records.

It is not mandatory for lenders to accept the documents that HMRC recommends. However, the department has produced a 28-page guide for lenders explaining what is available from an individual's online account, what documents self-assessment taxpayers can provide about their income, and how to interpret the information available. This guidance cannot be accessed on GOV.UK but is available on the CIOT and ATT websites.

Under the procedure agreed between HMRC and the CML lenders can ask for a:

- Tax calculation – this shows the customer's reported income and HMRC's calculation of the tax due on that income.
- Tax year overview – this shows the total tax due and how much the customer has paid in tax directly to HMRC.

The guide explains different versions of these documents and the different ways that individuals can obtain the calculation and overview. For example individuals:

- Who send their tax return through their HMRC online account can print both documents from their online account.
- Who send a paper tax return will automatically receive a paper SA302 tax calculation when HMRC processes their tax return.
- Who send their return using commercial software (which generally includes the situation where an agent prepares the return on behalf of the client) can print off their tax calculation through the software. They would need to be registered for and log into their official online account to obtain a tax year overview but an agent would be able to access this if registered as an authorised agent.
- Can request both documents from HMRC if necessary.

HMRC has also produced two quick guides to:

- Printing copies of HMRC online tax calculation and tax year overview. This sets out for individuals the steps the individual needs to go through to print the documents.
- Printing your clients' HMRC online tax calculation and tax year overview, which provides agents with the details on how to print a client's tax calculation (where HMRC software is used) and how to print a client's tax year overview. HMRC's understanding is that lenders will be providing copies of this to agents.

These are also available on the CIOT and ATT websites.

Not all lenders have signed up to abide by this agreement with HMRC but as at 8 January 2016 these have:

Aldermore	Bank of Ireland
Bank of Scotland	Barclays

Britannia	Birmingham Midshires
Cheltenham & Gloucester	Cheshire Mortgage Corporation
Co-operative Bank	Coventry Building Society
Danske Bank	Darlington Building Society
Ecology Building Society	GE Money Home Lending
Godiva Mortgages Ltd	Halifax
Holmesdale Building Society	Kensington Mortgages
Leeds Building Society	Lloyds Bank Morgages PLC
Nationwide Building Society	National Westminster Bank
Newcastle Building Society	Nottingham Building Society
Platform	Post Office Ltd
Precise Mortgages	Royal Bank of Scotland
Saffron Building Society	Santander
Scottish Building Society	Scottish Widows

HMRC has asked agents to challenge lenders if they fail to adhere to the agreement to accept the self-serve SA302. The CIOT and ATT would also like to hear about any resistance members encounter.

HMRC has announced that it will no longer fax SA302s. This follows changes to the government security classifications stating that fax is no longer considered a secure means of communication for particular documents.