

Self employment: let's make it clear

Check the facts

We consider a customer to be self-employed if they have a shareholding of 20% or more in a business or they have a shareholding in a Limited Liability Partnership (LLP). Check that your clients' business meets each aspect of our general criteria below:

- > The business has been in operation for at least two years with two years' accounts available.
- > The business has been profitable in each of the last two years.
- > For Limited Companies personal bank statements will be requested for self employed applicants where their shareholding is less than 100% per application.
- > Where the loan amount is greater than £1 million we will require two years full accounts or SA302's and the company must have been trading for a minimum of three years.
- > The business is solvent i.e. the capital account must be positive/assets must outweigh the liabilities in each of the last two years.

Acceptable income

Employment type	Acceptable income
Limited Company Director (>=20% shareholding)	The customer's share of the director's remuneration (salary) plus their share of the operating profits after taxation (net profit) for the last two years*
Sole Trader/Partnership	Last two years' net profits

* As we take into account the director's share of the operating profits after taxation, we do not allow dividends for limited companies.

The maximum loan to income multiple we will accept where one or more applicant is self-employed is 4.49.

Income verification

Employment type	Income verification requirements
Limited Company Director (>=20% shareholding)	<ul style="list-style-type: none"> > Accountant's certificate, or; > Last two years' accounts > Loans greater than £1 million the company must have been trading for a minimum of three years. > Three months' personal bank statements will be requested where their shareholding is less than 100% per application.
Sole Trader/Partnership	<ul style="list-style-type: none"> > Accountant's certificate, or; > Last two years' accounts, or; > Last two years' HM Revenue and Customs (HMRC) SA302 and corresponding Tax Year Overviews.** > Loans greater than £1 million the company must have been trading for a minimum of three years.
Limited Liability Partnership (LLP)	<ul style="list-style-type: none"> > Last two years' compensation statements Partnership (LLP) (which provide a breakdown of the customer's total remuneration for that particular year), or; > Letter from HR/finance director verifying the total remuneration for each of the last two years, or; > Last two years' HM Revenue and Customs (HMRC) SA302 and corresponding Tax Year Overviews.**

**HMRC SA302's and corresponding Tax Year Overviews are acceptable if printed by HMRC or from your customer's online HMRC Account. The Tax Calculation document printed from the customer's online account must indicate the tax return is 100% complete for each year evidenced. For all residential loan applications the income being used to assess affordability must be paid in GBP/£Sterling. We will require evidence of this income.

Example 1 - Limited Company

	Operating profit after taxation	Director's salary	Dividends	Net worth
Year 1	£50,000	£8,000	£25,000	£20,000
Year 2	£75,000	£8,000	£32,000	£30,000

Outcome: As the profits have increased Virgin Money would take an average of the profits plus the director's salary over the last two years. Income for the purposes of affordability is: £70,500.

Example 2 - Limited Company

	Operating profit after taxation	Director's salary	Dividends	Net worth
Year 1	£50,000	£8,000	£25,000	£20,000
Year 2	£35,000	£8,000	£25,000	£10,000

Outcome: As the profits have decreased Virgin Money would take the most recent year of profits plus the director's salary. Income for the purposes of affordability is: £43,000. An explanation of the decrease and a projection for the following year must be provided by the accountant.

Example 3 - Sole Trader

	Net profit	Drawings	Capital account
Year 1	£50,000	£25,000	£20,000
Year 2	£100,000	£100,000	£20,000

Outcome: As the profits have increased Virgin Money would take an average over the last two years. The income used for affordability would be £75,000.

Want to know more?

Talk to your dedicated **Business Development Manager**.