

THE SPECIALIST LENDING FILE STANDARD

What a defensible second charge, bridging or debt consolidation file must contain, so a firm can prove why each case was right, years after completion.

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PURPOSE AND SCOPE

This standard sets out what a defensible specialist lending file must contain, so that a firm can prove why each recommendation or referral was right for the client, years after completion.

- Who it is for: directly authorised mortgage firms, master brokers, packagers and the IFAs, accountants and estate agents who introduce clients to them.
- What it covers: second charge mortgages, regulated and unregulated bridging, and any case where secured borrowing consolidates existing debt.
- What it is not: it is not legal or compliance advice, and it does not replace FCA rules. It describes good evidence against the FCA's existing expectations, mainly MCOB 4 (advising and selling), MCOB 11 (responsible lending), the Consumer Duty (PRIN 2A) and FG21/1 on vulnerable customers.
- Why it exists: complaints about secured lending often arrive five or more years after completion, through a subject access request or a claims firm. By then the adviser may have left and memory has gone. If the reason is not on file, the firm cannot defend the case.

CORE PRINCIPLES

Every file should pass one test: could a stranger, reading only the file in six years' time, see why this was right for this client?

- 1 Reasons, not records. A fact find shows what the adviser knew. The file must also show what they concluded and why.
- 2 Written at the time. Evidence created at or before the recommendation counts. Notes added after a complaint carry little weight.
- 3 Alternatives shown, not assumed. Where a cheaper or simpler route existed, the file says why it was not used.
- 4 Total cost, not monthly cost. A lower monthly payment is never the sole justification for securing debt.
- 5 The client's words. Objectives and priorities are recorded in the client's own terms where possible, not in product language.
- 6 Willing to say no. A file can end in a decline or a referral elsewhere. That outcome is evidence of good practice, not a failure.
- 7 Proportionate. A simple case needs a short file. Complexity, vulnerability and consolidation each raise the bar.

SECTION A. DEBT CONSOLIDATION RATIONALE

A consolidation file must show that securing the debt leaves the client better off overall, or that a clearly stated non-financial reason justifies the extra cost.

Required evidence

- A1** A list of every debt being consolidated: lender, balance, rate, monthly payment and remaining term
- A2** Total cost to repay each debt on its current terms, against total cost once secured
- A3** The break-even term: the longest secured term at which consolidation still costs the client no more than keeping the debts
- A4** The chosen term, and the reason for any term beyond break-even
- A5** Which debts were left out, and why (for example 0% balances or debts near the end of their term)
- A6** Alternatives considered: repayment plan, debt advice charity, further advance, remortgage, doing nothing
- A7** The risk explained to the client: unsecured debt becomes secured on their home
- A8** What happens to the cleared credit facilities (closed, reduced, or a recorded reason they stay open)
- A9** Any sign the client is in financial difficulty, and whether free debt advice was signposted

Red flags that need a written justification

- Term extends well beyond break-even with no stated reason
- Short-term or low-balance debts consolidated over 15–25 years
- Repeat consolidation within five years
- Payment reduction is the only stated objective
- Fees added to the loan exceed the interest saved

SECTION B. PRODUCT ROUTE CHOICE

The file must show why a second charge (or bridge) was chosen over the other ways of raising the same money.

What the file must record for each route

- Further advance from existing lender: Whether it was requested or checked, and the lender's answer or criteria reason
- Remortgage: Early repayment charges on the first charge, the rate the client would lose, and the total-cost comparison
- Second charge: Why it beats both of the above on cost, speed or eligibility, with figures
- Unsecured loan: Whether the amount and credit profile made it viable, and why it was not used
- No borrowing: Whether the objective could be met by budgeting, debt advice or delay

A one-line statement such as "second charge suits client" does not meet the standard. The comparison must use the client's actual figures.

SECTION C. BRIDGING EXIT EVIDENCE

A bridging file must show a credible exit, evidenced at the time of advice, and what happens to the client

if that exit fails.

Required evidence

- C1** Whether the loan is regulated (secured on a home the client or family occupies) or unregulated, and the reason for that classification
- C2** The primary exit: sale, refinance or other, with supporting evidence (agent valuation, refinance agreement in principle, development timetable)
- C3** A realistic timeline against the loan term, including a buffer
- C4** A fallback exit if the primary one fails
- C5** Total cost of the bridge at the planned term and at full term, including rolled or retained interest, exit fees and extension fees
- C6** For refinance exits: evidence the client is likely to qualify once the bridge ends
- C7** For sale exits: whether the asking price is supported, and the effect of a 10% lower sale price

Red flags

- Exit depends on an event outside the client's control with no fallback
- Term equals the expected exit date with no buffer
- Unregulated classification on a property with any family occupation

SECTION D. VULNERABILITY

The file must show that the adviser looked for signs of vulnerability, and what they changed if they found any.

Required evidence

- D1** A recorded check against the four FG21/1 drivers: health, life events, resilience and capability
- D2** Where a driver was present: what adjustment was made (more time, a third party present, simpler explanations, a cooling-off period)
- D3** Evidence the client understood the key risks, in their own words or by a recorded check-back question
- D4** Consent recorded for holding any health or personal information
- D5** Where financial difficulty is a driver: free debt advice signposted before any recommendation

A file that records "no vulnerability identified" with no sign of a check does not meet the standard. Consolidation cases often involve low financial resilience, so the check carries more weight there.

SECTION E. FEES AND FAIR VALUE

The file must show every party's fee and commission, and that the total was fair for the work and the loan size.

Required evidence

- E1** Broker fee, master broker or packager fee, lender procurement fee and any introducer payment, each shown separately in pounds
- E2** Total fees as a percentage of the net loan
- E3** Whether fees are added to the loan, and the extra interest that causes over the full term
- E4** When the client was told about each fee, and that this was before they committed

E5 For fees above the firm's own fair value threshold: a written reason linked to the work done

E6 Confirmation that product choice was not influenced by procurement fee level

Open question: The standard should set a reference threshold (for example, total fees above a set percentage of a small loan need a written reason). The figure needs agreeing with the compliance lead.

SECTION F. INTRODUCER REFERRAL RATIONALE

The introducer's own file must show why they referred the client, even though the full advice sits with the broker.

This is the gap most firms miss. When a complaint arrives years later, the question "who introduced this client, and why?" often has no written answer.

Required evidence

F1 The client's need as the introducer understood it, in a sentence or two

F2 Why specialist secured lending was a reasonable route to explore, rather than other help

F3 Which firm the client was referred to, and why that firm

F4 Any payment the introducer receives, and confirmation it was disclosed to the client

F5 Confirmation the introducer did not advise on the loan itself

F6 Where debt consolidation was involved: whether the introducer saw signs of financial difficulty, and whether free debt advice was mentioned

The introducer's note is short. It is not a suitability report. It is the record that protects the introducer if the referral is ever questioned.

GRADING

Each file gets one of four grades, so firms, software and reviewers all reach the same answer for the same file.

- Meets standard: Every required item present, no unexplained red flags. What happens: Proceed.
- Meets with notes: All items present, minor gaps in wording or detail. What happens: Proceed; adviser tidies the file within an agreed period.
- Gaps to fix: A required item is missing, or a red flag has no written reason. What happens: Do not submit until fixed.
- Does not meet: The evidence points against the recommendation (for example, consolidation costs the client more with no valid reason). What happens: Stop; re-advise, decline or refer elsewhere.

Software can apply the first three grades automatically, as a pre-check. "Does not meet" always needs a human reviewer, and no automated grade counts as compliance sign-off.

GOVERNANCE

- Publisher: Lending Intelligence Ltd publishes and maintains the standard, free of charge.
- Co-author: Jordan Example (demo) reviews every version. Demo biography: a compliance specialist in UK second charge and bridging lending. To be replaced before launch.
- Review cycle: At least once a year, and after any relevant FCA publication.
- Versioning: Numbered releases with a public changelog.

- Openness: Any software provider may implement the standard. There is no fee to say a product is "built to the standard".

CHANGELOG

- 0.1** 29 October 2026. First consultation draft: core principles, sections A–F and grading.
- 1.0** Planned. Final release after consultation, with the Section E fee threshold agreed.

Information for professional intermediaries, not advice. Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up repayments on a mortgage or any other debt secured on it.