

YOUR CLIENT'S FIRST PAYMENTS

We have created this handy guide to help you explain to your clients the way that first payments work, depending on their completion date.

You may want to pass this on to your clients, or use some of the examples below to help explain their first payment to them.

First payment date reminders

- No payment is taken in the month the customer completes.
- The chosen completion date will determine the collection date and the amount of the first monthly payment.
- The first payment will always be greater than the regular monthly payment because it includes accrued interest from the completion month. Regular monthly payments are always set to be taken by Direct Debit on the 1st of the month.
- If there is not 16 working days between the day the mortgage completes and the first of the following month, the first payment will be taken 16 working days after the completion date.
- If the payment day falls on a weekend or bank holiday, the payment will be collected on the next working day. If the next working day is in the following month, the payment will be taken on the previous working day.
- The customer will receive confirmation of their first payment amount and regular monthly payments in the welcome letter which is sent post completion.

Where your client can find their payment information

Section 6 of the ESIS "Amount of each instalment" illustrates that the first payment will differ from the regular monthly payments. However, the variation of the amount will depend on the day of the month the ESIS is generated as the illustration assumes this day is the completion day.

More detailed information on what a customer must pay can be found in section 5 of the Mortgage Conditions "What you have to pay and when you have to pay it".

Completion and first payment date examples

EXAMPLE 1

A mortgage of £301,500 completed on the 1 June 2023

The **first payment** of **£3,671.01** was taken on the **1 July 2023**.

The first payment included interest accrued between 1-30 June and the regular payment for July, making the first payment almost double the amount of the regular payment; an additional £1,657.79.

The **second payment** of **£2,013.22** was taken on the **1 August 2023** at the regular monthly payment amount.

Key takeaway

The customer's first payment is almost double the regular monthly payment amount because it includes July's regular monthly payment and a month of accrued interest from June.

EXAMPLE 2

A mortgage of £200,000 completed on the 8 June 2023

The **first payment** of **£2,192.63** was taken on the **1 July 2023**.

The first payment included interest accrued between 8-30 June and the regular payment amount for July; an additional £686.85.

The **second payment** of **£1,505.78** was taken on the **1 August 2023** at the regular monthly payment amount.

Key takeaway

The customer's first payment includes 22 days of accrued interest from June and July's regular monthly payment amount.

EXAMPLE 3

A mortgage of £211,500 completes on the 15 June 2023

The **first payment** of **£1,913.99** was taken on the **7 July 2023**, 16 working days after the completion date.

The first payment included interest accrued between 15-30 June and July's regular monthly payment amount; an additional £592.43.

The **second payment** of **£1,321.56** was taken on the **1 August 2023** at the regular monthly payment amount.

The customer has 22 calendar days between the first and second payment.

Key takeaway

The first payment includes the regular amount for July and 16 additional days of accrued interest from June and leaves 22 calendar days before the next payment is due.

EXAMPLE 4

A mortgage of £242,250 completes on the 22 June 2023

The **first payment** of **£1,883.56** was taken on the **14 July 2023**, 16 working days after the completion date.

The first payment included interest accrued between 22-30 June and July's regular monthly payment amount; an additional £396.63.

The **second payment** of **£1,486.93** was taken on the **1 August 2023** at the regular monthly payment amount.

The customer has 17 calendar days between the first and second payment.

Key takeaway

The first payment includes the regular monthly amount for July, 9 additional days of accrued interest from June and leaves 17 calendar days before the next payment is due.

EXAMPLE 5

A mortgage of £69,850 completed on the 29 June 2023

The **first payment** of **£573.91** was taken on the **21 July 2023**, 16 working days after the completion date.

The first payment included interest from 29 to 30 June and July's regular monthly payment amount.

The **second payment** of **£543.52** was taken on the **1 August 2023** at the regular monthly payment amount.

The customer has 10 calendar days between 2 payments.

Key takeaway

The customer has 11 calendar days between 2 payments.

Points to consider if there is any flexibility on the completion date

If a mortgage completes on the first day of the month, the first payment will be almost double the amount of the regular monthly payment. So, whilst the customer will make no payment in the completion month, there will be a large payment due in the second month.

If the mortgage completes on the last working day of the month, the first and the second payment could be due for payment within 7 working days of each other. These payments will still be collected in 2 different calendar months.

If the mortgage completes mid-month there is generally at least 2 calendar weeks between the first and second payment. And although the first payment amount will always be greater than the regular monthly payment amount, it is likely to only be between 9-16 days of accrued interest at this point in the month.