

Essential Reference Paper E

Dated 2011

[INSERT NAME OF LOCAL AUTHORITY]

LLOYDS TSB BANK PLC

LLOYDS TSB SCOTLAND PLC

SECTOR TREASURY SERVICES LIMITED

**LOCAL LEND A HAND MORTGAGE
SCHEME INDEMNITY DEED**

ADDLESHAW GODDARD

Contents

Clause		Page
1	Definitions and interpretation	1
2	Lending criteria and Product Agreements.....	5
3	Indemnity.....	5
4	Deposit arrangement.....	8
5	Default interest	10
6	Representations	10
7	Payment mechanics.....	12
8	Set-off.....	12
9	Tax gross-up	13
10	Currency clauses	13
11	Information	13
12	Data protection.....	13
13	Commission	16
14	Irresponsible lending and Borrower treatment.....	16
15	No obligation to lend	17
16	Costs and expenses.....	17
17	Certificates and determinations	17
18	Partial invalidity	17
19	Remedies and waivers.....	17
20	Assignment	17
21	Publicity.....	18
22	Miscellaneous	18
23	Notices	18
24	English language.....	19
25	Counterparts	19
26	Governing law	19
27	Enforcement.....	20
 Schedule		
1	Information	23
2	Commission	25
3	Policies and Obligations.....	26
4	Postcode areas	28

Between

- (1) **[Insert name of Authority]** of [insert address of Authority] (**Authority**);
- (2) **Lloyds TSB Bank plc** of Barnett Way, Gloucester, GL4 3RL (**Lloyds**);
- (3) **Lloyds TSB Scotland plc** of Henry Duncan House, 120 George Street, Edinburgh, EH2 4LH (**Lloyds Scotland**); and
- (4) **Sector Treasury Services Limited** of 40 Duke's Place, London, EC3A 7NH (**Sector**).

It is agreed

1 Definitions and interpretation

1.1 Definitions

In this Deed:

Additional Scheme means any scheme similar to the Scheme entered into between Sector, Lloyds and Lloyds Scotland and another local authority other than the Authority

Applicable Law means applicable laws, rules and regulations and legally binding requirements applicable to the Lenders

Arrears means amounts due and payable by a Borrower under a Product Agreement which have not been paid when they fall due and which remain unpaid at the relevant date

Baseline LTV means 75%

Borrower means each borrower that meets the Eligibility Criteria and enters into a Product Agreement with a Lender

Break Costs means the costs incurred by Lloyds arising from the withdrawal of any amount from the Money Market Account or any Subsequent Money Market Account (such withdrawal being made to the Corporate Deposit Account or otherwise) prior to the expiration of the Term such withdrawal being made by Lloyds pursuant to the exercise of the rights of Lloyds or Lloyds Scotland under clause 8

Business Day means a day (other than a Saturday or Sunday) on which banks are open for general business in London

Commission means the commission set out in schedule 2 and payable under clause 13

Corporate Deposit Account means the Lloyds' corporate markets corporate deposit account opened by the Authority with Lloyds in accordance with clause 4.1

Data means any data or information either provided by the Lender to Sector and/or the Authority under this Deed or obtained by Sector and/or the Authority in the performance of their obligations under this Deed including without limitation any personal data within the meaning of the Data Protection Act 1998

Data Protection Laws means the Data Protection Act 1998 (as amended), the Privacy and Electronic Communications (EU Directive) Regulations 2003 and all applicable EU directives, regulations or codes of practice (to the extent that such codes of practice have legal effect) relating to data protection or the privacy of individuals

Declaration Notice means a notice given by the Lender to the Authority stating that: (a) a Sale Shortfall has arisen; (b) the amount of such Sale Shortfall; and (c) the Differential

Default Rate means 3% above the Lloyds TSB base rate from time to time

Deposit Amount means £♦

Differential means £Y on the date of the relevant mortgage offer where $Y = \text{Property Value} \times (\text{LTV} - \text{Baseline LTV})$

Eligibility Criteria means:

- (a) each Borrower in relation to the Mortgage is a first time buyer (or in the case of joint Borrowers at least one of them is a first time buyer) in accordance with the Lender's standard criteria for determining eligibility for first time buyers from time to time
- (b) the Loan is for an amount of up to £♦
- (c) the relevant Property is in one of the postcode areas set out in schedule 4,

or such other eligibility criteria as is agreed in writing between the Authority and the Lenders from time to time

Excess means the amount determined in accordance with clause 4.4

Extended Indemnity Period means the period of seven (7) years starting from the date of completion of the relevant Product Agreement and expiring on the date which falls on the seventh (7th) anniversary of such date of completion

Indemnity means the indemnity set out in clause 3.1

Indemnity Limit means the Deposit Amount together with all interest, costs, expenses and other amounts payable by the Authority under this Deed (for example, any costs of enforcement of the Lender's rights under this Deed or default interest payable on any outstanding sum)

Indemnity Period means for each Product Agreement the Initial Indemnity Period or where relevant the Extended Indemnity Period

Indemnified Obligations means all money and liabilities now or hereafter due, owing or incurred to a Lender by any Borrower under the Scheme Agreements (or any of them) in whatsoever manner in any currency or currencies whether present or future, actual or contingent, whether incurred solely or jointly with any other person and whether as principal or surety together with all interest accruing on such moneys and liabilities and all costs, charges and expenses incurred by the Lender under any Scheme Agreement to which that Borrower is a party. **Indemnified Obligations** shall not include any further advance or additional borrowing advanced to a Borrower under a Scheme Agreement

Initial 5 Year Term means the period commencing with the date of the transfer from the Corporate Deposit Account of the Deposit Amount to the Money Market Account by the Authority and ending on the fifth (5th) anniversary of such date

Initial Indemnity Period means in relation to each completed Product Agreement the period of five (5) years starting from the date of completion of the relevant Product Agreement and expiring on the date which falls on the fifth (5th) anniversary of such date

Lender means either Lloyds or Lloyds Scotland who acts as creditor under the Scheme Agreements and reference to "Lenders" is reference to both Lloyds and Lloyds Scotland and includes their successors and assignees whether in law or in equity to the Scheme Agreements

Loan means the principal sum advanced by the Lender under the applicable Product Agreement

LTV means the value of the applicable Loan expressed as a percentage of the Property Value (subject to a maximum of 95%)

Money Market Account means a money market account held by the Authority with Lloyds opened by the Authority in accordance with the provisions of clause 4.1 into which the Authority will place the funds invested in the Corporate Deposit Account at the beginning of the Initial 5 Year Term

Mortgage means a first legal mortgage entered into between a Lender and a Borrower

Monthly Payment means in relation to any Product Agreement the amount in the ordinary course of administration of that Product Agreement due to be paid by the Borrower on each Monthly Payment Date (including but not limited to interest and, where applicable, contractual repayments of the principal) as determined in accordance with the Product Agreement

Monthly Payment Date means in relation to each Product Agreement the day in the month when a Monthly Payment falls due

Party means a party to this Deed

Pipeline Loans means a prospective mortgage loan to be advanced by the Lender to a prospective Borrower in respect of which the Lender has issued to the prospective Borrower a written offer of mortgage loan

Policies and Obligations means the Lender policies and obligations set out in schedule 3

Premium means the premium Return payable by Lloyds to the Authority in respect of the Money Market Account above such return as Lloyds would be reasonably prepared to pay on a similar deposit account held by a similar depositor for the same period

Product means the mortgage product or products to be offered by the Lender in connection with the Scheme to Borrowers

Product Agreement means an agreement entered into between the Lender and a Borrower under which the Lender provides the Product to the Borrower

Property means any property of a Borrower charged to the Lender pursuant to a Mortgage

Property Value means the purchase price of the Property or the relevant valuation (whichever is lower) at the date of the Product Agreement

Return means the fixed return payable by Lloyds to the Authority under the terms and conditions for the Money Market Account or any Subsequent Money Market Account

Sale Proceeds means the proceeds of sale of a Property pursuant to a Mortgage less any costs, fees and expenses incurred by the Lender, any of its agents or any receiver in relation to such sale

Sale Shortfall means, in respect of a Borrower, the amount by which the Indemnified Obligations exceed the Sale Proceeds

Scheme means the Local Lend a Hand Mortgage Scheme under which the Authority gives assistance to Borrowers in the form of the indemnity set out in this Deed to enable them to obtain a Loan from the Lender

Scheme Agreements means the Product Agreement, the Mortgage and any other agreement entered into between the Lender and a Borrower in connection with the Scheme

Security means a mortgage, charge, pledge, lien, assignment or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect

Subsequent Money Market Account means a money market account held by the Authority with Lloyds and opened by the Authority in accordance with the provisions of clause 4.5 and/or clause 4.6

Tax means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same)

Tax Deduction means a deduction or withholding for or on account of Tax from a payment to Lloyds or Lloyds Scotland

Term means in relation to the Money Market Account the period from the date of investment of funds in the Money Market Account until the end of the Initial 5 Year Term and in the case of any Subsequent Money Market Account the term for the account as set out in the terms and conditions for such account and as notified to the Authority at the time of investment

1.2 Interpretation

- (a) Unless a contrary indication appears, a reference in this Deed to:
- (i) Lloyds, Lloyds Scotland, a Borrower, the Authority and Sector or any other person shall be construed so as to include, where relevant, its successors in title, permitted assigns and permitted transferees;
 - (ii) clauses are references to clauses of this Deed;
 - (iii) any agreement or instrument is a reference to that agreement or instrument as amended, novated, supplemented or restated (however fundamentally);
 - (iv) a provision of law is a reference to a provision of any treaty, legislation, regulation, decree, order or by-law and any secondary legislation enacted

under a power given by that provision, as amended, applied or re-enacted or replaced whether before or after the date of this Deed; and

- (v) a time of day is a reference to London time.
- (b) Clause and schedule headings are for ease of reference only.
- (c) Words importing the plural shall include the singular and vice versa.

1.3 **Third party rights**

- (a) Unless expressly provided to the contrary in this Deed a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Deed.
- (b) The consent of any person who is not a Party is not required to rescind or vary this Deed or any other agreement entered into under or in connection with it.

1.4 **Deed**

This Deed is intended to take effect as a deed notwithstanding the fact that any Party may only execute this Deed under hand.

2 Lending criteria and Product Agreements

- 2.1 Subject to clause 14.2 and the requirements of the Eligibility Criteria, nothing in this Deed shall in any way fetter or restrict the Lender in determining its lending criteria and/or the manner in which it applies in relation to any offer of mortgage and/or Product Agreement and it is acknowledged by the Authority that such lending criteria may change and/or be modified over the term of the Deed without any requirement on the part of the Lender to notify and/or consult with and/or obtain the consent of the Authority regarding such change or modification.
- 2.2 It is acknowledged by the Authority that the Lender may, over the term of the Deed, amend the terms of the Scheme Agreements provided always that to the extent that such changes may have a material impact on the Authority's liability under this Deed any such changes shall comply in all material respects with the requirements of Applicable Law including the terms of the Unfair Terms in Consumer Contract Regulations 1999 and Principle 6 of the Financial Services Authority's Principles for Businesses.

3 Indemnity

3.1 **Indemnity**

In consideration of, inter alia, the payment of the Premium and subject to clause 3.4, the Authority irrevocably and unconditionally:

- (a) agrees with the Lender that it will be liable as a principal debtor and primary obligor to indemnify the Lender against any cost, loss or liability it incurs as a result of a Borrower not paying any of the Indemnified Obligations to the extent of any Sale Shortfall on the date when it is expressed to be due; and
- (b) undertakes with the Lender that on receipt of a Declaration Notice in relation to any Borrower during the relevant Indemnity Period the Authority shall immediately on demand pay as principal debtor and primary obligor the Sale Shortfall to the Lender.

3.2 Indemnity Period

- (a) In relation to each Product Agreement the Indemnity will continue for the Initial Indemnity Period.
- (b) Where at any point during the six (6) months preceding the end of the Initial Indemnity Period a relevant Borrower has at any point during that six (6) month period been in Arrears on their loan account with the Lender by more than three (3) Monthly Payments the Indemnity Period will be the Extended Indemnity Period.
- (c) For the purposes of clause 3.2(b) where on any Monthly Payment Date the relevant Borrower has made partial payment only of any Monthly Payment any outstanding amount of the Monthly Payment due, represented as a percentage of such Monthly Payment at that time, shall be taken into account and aggregated within any other partially missed Monthly Payments to determine the total missed Monthly Payments.
- (d) Where a Borrower makes any payment to the Lender to be applied in satisfaction of any Arrears arising under their Product Agreement such payment shall be applied to the earliest accruing Arrears first.

3.3 Declaration Notice

- (a) The Lender may serve on the Authority a Declaration Notice in relation to the Indemnified Obligations in respect of a Borrower if:
 - (i) within the Indemnity Period the Borrower has breached any term of any relevant Scheme Agreement; and
 - (ii) the Lender has not reached an arrangement which is satisfactory to the Lender (in its sole discretion) for the payment of the Arrears or remedying the breach; and
 - (iii) a Sale Shortfall has arisen on the sale of the Property (on a sale by the Lender, the Borrower or any other party).
- (b) The Authority acknowledges and agrees that the Lender shall be entitled to exercise all of its rights under all of the Scheme Agreements in its sole discretion and in the interests of the Lender (including but not limited to in determining the sale price of any Property) subject to compliance with the Lender's legal obligations.

3.4 Indemnity Limit

- (a) In relation to the Indemnified Obligations of each Borrower the liability of the Authority under the Indemnity is limited to the Differential for that Borrower's Product Agreement.
- (b) The Authority's total aggregate liability under the Indemnity provided under this Deed is limited to the Indemnity Limit.

3.5 Continuing indemnity

This Deed is a continuing indemnity and will extend to the ultimate balance of the Indemnified Obligations, regardless of any intermediate payment or discharge in whole or in part.

3.6 **Reinstatement**

If any discharge, release or arrangement (whether in respect of the obligations of any Borrower or any Security for those obligations or otherwise) is made by the Lender in whole or in part on the faith of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of the Authority under this clause 3 will continue or be reinstated as if the discharge, release or arrangement had not occurred.

3.7 **Waiver of defences**

The obligations of the Authority under this Deed will not be affected by an act, omission, matter or thing which, but for this clause, would reduce, release or prejudice any of its obligations under this Deed (without limitation and whether or not known to it or to the Lender) including:

- (a) any time, waiver or consent granted to, or composition with, any Borrower or other person;
- (b) the release of any Borrower or any other person under the terms of any composition or arrangement with any creditor of any such entity or person;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or Security over assets of, any Borrower or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any Security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of a Borrower or any other person;
- (e) any amendment (however fundamental) or replacement of any Security or any agreement or other instrument providing for or entered into in connection with the Indemnified Obligations;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Security or any agreement or other instrument; or
- (g) any insolvency or similar proceedings.

3.8 **Authority intent**

Without prejudice to the generality of clause 3.7, the Authority expressly confirms that it intends that this Deed shall extend from time to time to any (however fundamental) variation, extension or addition of or to any agreement providing for any Indemnified Obligation.

3.9 **Immediate recourse**

The Authority waives any right it may have of first requiring the Lender to proceed against or enforce any other rights or Security or claim payment from any person before claiming from the Authority under this Deed. This waiver applies irrespective of any law or any provision of any agreement or other instrument to the contrary.

3.10 Appropriations

Until all amounts which may be or become payable by each and every Borrower to the Lender have been irrevocably paid in full, the Lender may:

- (a) refrain from applying or enforcing any other moneys, Security or rights held or received by the Lender in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Authority shall not be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from the Authority or on account of the Authority's liability under this Deed.

3.11 Deferral of Authority's rights

Until all amounts which may be or become payable by any Borrower to the Lender have been irrevocably paid in full and unless the Lender otherwise directs, the Authority will not exercise any rights which it may have by reason of performance by it of its obligations in respect of the Indemnified Obligations or by reason of any amount being payable, or liability arising, under this clause 3:

- (a) to be indemnified by a Borrower;
- (b) to claim any contribution from any Borrower of any Borrower's obligations to the Lender;
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Lender in respect of the Indemnified Obligations or of any other guarantee, indemnity or Security taken pursuant to, or in connection with, the Indemnified Obligations by the Lender;
- (d) to bring legal or other proceedings for an order requiring any Borrower to make any payment, or perform any obligation, in respect of which any Authority has given a guarantee, undertaking or indemnity under clause 3.1;
- (e) to exercise any right of set-off against any Borrower; and/or
- (f) to claim or prove as a creditor of any Borrower in competition with the Lender.

If the Authority receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Lender by a Borrower to be repaid in full on trust for the Lender and shall promptly pay or transfer the same to the Lender for application towards the Indemnified Obligations.

3.12 Additional Security

This Deed is in addition to and is not in any way prejudiced by any other guarantee, indemnity or Security now or subsequently held by the Lender.

4 Deposit arrangement

- 4.1 Shortly after the date of execution of this Deed and prior to the creation of any Indemnified Obligations under this Deed, the Authority shall open the Corporate Deposit Account and the

Money Market Account with Lloyds and shall credit the Deposit Amount to the Corporate Deposit Account.

4.2 At the beginning of the Initial 5 Year Term any amount credited to the Corporate Deposit Account under clause 4.1 shall be transferred to the Money Market Account. The transfer of monies envisaged under this clause 4.2 shall occur prior to the creation of any Indemnified Obligations under this Deed.

4.3 On the last day of the Initial 5 Year Term (or where this is not a Business Day, the next following Business Day) all monies held in the Money Market Account will be transferred to the Corporate Deposit Account.

4.4 Following the transfer under clause 4.3 the Authority may withdraw from the Corporate Deposit Account an amount equal to or less than the Excess. The Excess shall be calculated as follows:

$$A - (B + C)$$

where

A = the Deposit Amount less an amount equal to any Excess (or part thereof) previously withdrawn from the Corporate Deposit Account under this clause 4.4 and/or clause 4.6 and/or any amount set off against the Corporate Deposit Account in accordance with the provisions of this Deed

B = the aggregate of the Differential for all Loans advanced by the Lenders and indemnified by the Authority under this Deed which are still outstanding at that time

C = the aggregate of the Differential for all Pipeline Loans, if any, in respect of the Lenders at the relevant time

4.5 Following a transfer under clause 4.3 and any withdrawal of the Excess under clause 4.4, the Authority may open a Subsequent Money Market Account available with Lloyds at that time or may retain the deposit in the Corporate Deposit Account. Any investment into a Subsequent Money Market Account shall be made in accordance with the terms thereof and shall be held in such Subsequent Money Market Account until the end of the Term. Following the end of the Term any funds held in the account shall be transferred to the Corporate Deposit Account.

4.6 Following the transfer under clause 4.5 the Authority may withdraw from the Corporate Deposit Account an amount equal to the Excess at that time. The Authority may then opt to reinvest the remainder held in the Corporate Deposit Account in a Subsequent Money Market Account available with Lloyds at that time or may retain the deposit in the Corporate Deposit Account. Following such investment in a Subsequent Money Market Account the provisions of clauses 4.5 and 4.6 will apply to any investment at the end of the Term.

4.7 The Authority must continue to hold an amount equal to or more than the aggregate of the Differential for all Loans advanced by the Lenders and indemnified by the Authority under this Deed (together with the aggregate of the Differential for the Pipeline Loans in respect of the Lenders at that time) in the Corporate Deposit Account, the Money Market Account and/or any Subsequent Money Market Account until no Indemnified Obligations remain owing by Borrowers to the Lender.

4.8 The Authority shall pay to Lloyds its Break Costs attributable to all or any part of the sums credited to the Corporate Deposit Account, the Money Market Account and/or any

Subsequent Money Market Account being withdrawn by operation of clause 8 during the Initial 5 Year Term or at any time prior to the expiration of the Term for such account in accordance with the terms and conditions for the relevant account. Where the sums are withdrawn from the Corporate Deposit Account, the Money Market Account and/or any Subsequent Money Market Account by operation of clause 8 in addition the amount of such Break Costs shall also be withdrawn from such account (in addition to any sums withdrawn in accordance with clause 8) at the time the relevant withdrawal is made and shall be paid to Lloyds at the point the withdrawal is made from the relevant account.

- 4.9 Lloyds shall, as soon as reasonably practicable after a demand by the Authority, provide written confirmation of the amount of its Break Costs for any period in which they accrue.

5 Default interest

- 5.1 If the Authority fails to pay any amount payable by it under this Deed on its due date, interest shall accrue on the overdue amount from a date being twenty (20) Business Days after the due date up to the date of actual payment (both before and after judgment) at the Default Rate. Any interest accruing under this clause 5 shall be immediately payable by the Authority on demand by the Lender.

- 5.2 Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount with monthly rests but will remain immediately due and payable.

6 Representations

- 6.1 The Authority represents and warrants to Lloyds and Lloyds Scotland that:

- (a) it is a local authority established and existing under the laws of England and Wales;
- (b) it has the power to own its assets and carry on its business as it is being conducted;
- (c) the obligations expressed to be assumed by it in this Deed are legal, valid, binding and enforceable obligations;
- (d) the entry into and performance by it of its obligations under, and the transactions contemplated by, this Deed do not and will not conflict with:
 - (i) any law or regulation, or judicial or official order, applicable to it;
 - (ii) its constitutional documents; or
 - (iii) any agreement or instrument binding upon it or any of its assets;
- (e) it is not in default under any agreement to which it is a party to an extent or in a manner which might have a material adverse effect on its ability to perform its obligations under this Deed;
- (f) it has the power to enter into, perform and deliver its obligations under, and has taken all necessary action to authorise its entry into and its performance and delivery of the obligations under this Deed and the transactions contemplated by this Deed;
- (g) no limit on its powers will be exceeded as a result of the giving of the indemnity contemplated by this Deed;
- (h) all authorisations required or desirable:

- (i) to enable it lawfully to enter into, exercise its rights and comply with its obligations in this Deed;
 - (ii) to make this Deed admissible in evidence in its jurisdiction of incorporation,
- have been obtained or effected and are in full force and effect.

6.2 Lloyds represents and warrants to the Authority that:

- (a) it is a company established and existing under the laws of England and Wales;
- (b) it has the power to own its assets and carry on its business as it is being conducted;
- (c) the obligations expressed to be assumed by it in this Deed are legal, valid, binding and enforceable obligations;
- (d) the entry into and performance by it of its obligations under, and the transactions contemplated by, this Deed do not and will not conflict with:
 - (i) any law or regulation, or judicial or official order, applicable to it;
 - (ii) its constitutional documents; or
 - (iii) any agreement or instrument binding upon it or any of its assets;
- (e) it is not in default under any agreement to which it is a party to an extent or in a manner which might have a material adverse effect on its ability to perform its obligations under this Deed;
- (f) it has the power to enter into, perform and deliver its obligations under, and has taken all necessary action to authorise its entry into and its performance and delivery of the obligations under this Deed and the transactions contemplated by this Deed;
- (g) all authorisations required or desirable:
 - (i) to enable it lawfully to enter into, exercise its rights and comply with its obligations in this Deed;
 - (ii) to make this Deed admissible in evidence in its jurisdiction of incorporation.

6.3 Lloyds Scotland represents and warrants to the Authority that:

- (a) it is a company established and existing under the laws of Scotland;
- (b) it has the power to own its assets and carry on its business as it is being conducted;
- (c) the obligations expressed to be assumed by it in this Deed are legal, valid, binding and enforceable obligations;
- (d) the entry into and performance by it of its obligations under, and the transactions contemplated by, this Deed do not and will not conflict with:
 - (i) any law or regulation, or judicial or official order, applicable to it;
 - (ii) its constitutional documents; or

- (iii) any agreement or instrument binding upon it or any of its assets;
- (e) it is not in default under any agreement to which it is a party to an extent or in a manner which might have a material adverse effect on its ability to perform its obligations under this Deed;
- (f) it has the power to enter into, perform and deliver its obligations under, and has taken all necessary action to authorise its entry into and its performance and delivery of the obligations under this Deed and the transactions contemplated by this Deed;
- (g) all authorisations required or desirable:
 - (i) to enable it lawfully to enter into, exercise its rights and comply with its obligations in this Deed;
 - (ii) to make this Deed admissible in evidence in its jurisdiction of incorporation.

7 Payment mechanics

- 7.1 All payments by the Authority under this Deed shall be made for value on the due date at the time and in the currency in which the Indemnified Obligations are due and payable or in such funds specified by Lloyds or Lloyds Scotland as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- 7.2 Payment shall be made to such account with the Lender (or such other bank) as the Lender specifies.
- 7.3 All payments to be made by the Authority under this Deed shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

8 Set-off

- 8.1 Following twenty (20) Business Days' notice to the Authority, Lloyds may set off any matured obligation due from the Authority under this Deed (to the extent beneficially owned by Lloyds) against any matured obligation owed by Lloyds to the Authority (including but not limited to funds held in the Corporate Deposit Account), regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, Lloyds may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. If the obligations relate to monies held in the Money Market Account or any Subsequent Money Market Account Lloyds may transfer the monies to the Corporate Deposit Account for the purposes of this clause 8.1.
- 8.2 Following twenty (20) Business Days' notice to the Authority, Lloyds Scotland may set off any matured obligation due from the Authority under this Deed (to the extent beneficially owned by Lloyds Scotland) against any matured obligation owed by Lloyds Scotland to the Authority (and for these purposes funds held in the Corporate Deposit Account shall be deemed to be a matured obligation owed by Lloyds Scotland to the Authority and Lloyds agrees to pay to Lloyds Scotland sums which Lloyds Scotland confirms are owing to it pursuant to this Deed and to which it is entitled pursuant to this clause 8), regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, Lloyds Scotland may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. If the obligations relate to monies held in the Money Market Account or any Subsequent Money Market Account Lloyds may transfer the monies to the Corporate Deposit Account for the purposes of this clause 8.2.

- 8.3 The Authority acknowledges that where any transfer is made from the Money Market Account and/or a Subsequent Money Market Account to the Corporate Deposit Account by Lloyds for the purposes of the exercise of the rights of set-off for the benefit of Lloyds and/or Lloyds Scotland set out in this clause 8, the Authority shall be liable for any Break Costs incurred as a result of such transfer which shall be deducted from the Money Market Account or the Subsequent Money Market Account at that time in accordance with clause 4.8.

9 Tax gross-up

- 9.1 The Authority shall make all payments to be made by it under this Deed without any Tax Deduction, unless a Tax Deduction is required by law.
- 9.2 If a Tax Deduction is required by law to be made by the Authority, the amount of the payment due from the Authority shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- 9.3 If the Authority is required to make a Tax Deduction, the Authority shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- 9.4 The Authority shall deliver to Lloyds or Lloyds Scotland evidence reasonably satisfactory to Lloyds or Lloyds Scotland that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

10 Currency clauses

If a payment is made to the Lender under this Deed in a currency (**Payment Currency**) other than the currency in which it is expressed to be payable (**Contractual Currency**), the Lender may convert that payment into the Contractual Currency at the rate at which it (acting reasonably and in good faith) is able to purchase the Contractual Currency with the Payment Currency on or around the date of receipt of the payment and to the extent that the converted amount of the payment falls short of the amount due and payable the Authority will remain liable for such shortfall and such shortfall shall form part of the Indemnified Obligations.

11 Information

- 11.1 The Lender agrees to provide the information specified in schedule 1 to Sector on a monthly basis no later than the fifteenth (15th) day of the month following the month to which the information applies.
- 11.2 The Lender shall have no obligation to provide the information specified in schedule 1 where the provision of such information would contravene any of the data protection principles contained in the Data Protection Act 1998.

12 Data protection

- 12.1 In this clause the terms personal data, data subject, data processor, data controller and processing shall have the same meanings given to them in the Data Protection Act 1998 (the **Act**).
- 12.2 It is acknowledged that for the purposes of the Act the Lender is the data controller and Sector and/or the Authority are acting as data processors on behalf of the Lender in respect of personal data provided by the Lender to Sector and/or the Authority.

- 12.3 Sector and the Authority acknowledge that the Lender owns the Data and they each undertake that:
- (a) they will only process the Data in accordance with the Lender's express instructions under this Deed, the Data Protection Laws or as provided in writing by the Lender's authorised representative;
 - (b) they will keep a record of all processing of personal data that they carry out on behalf of the Lender;
 - (c) they will not, and they will ensure that their personnel will not, store, copy, use, alter, delete, access or otherwise interfere with the Data for any purpose other than as strictly necessary to perform their respective obligations under this Deed;
 - (d) they will comply with the Policies and Obligations;
 - (e) they will take all reasonable steps to ensure the reliability of their employees who have access to the Data and shall in particular ensure that all employees:
 - (i) have been appropriately vetted;
 - (ii) are informed of the confidential nature of the Data;
 - (iii) undertake regular training on Data Protection Laws, privacy and information security; and
 - (iv) are aware both of Sector/the Authority's duties and their personal duties and obligations under the Data Protection Laws and this Deed;
 - (f) neither the Data nor any parts of it shall be disclosed to any third party (including any group company of Sector or the Authority), agents or subcontractors by Sector or the Authority without the express prior written consent of the Lender;
 - (g) they will ensure that all Data collected can be lawfully processed, by all Parties, in accordance with this Deed; and
 - (h) if requested by the Lender, they will provide to the Lender a copy of all personal data held by them in the format and on the media reasonably specified by the Lender.
- 12.4 Sector and the Authority shall each ensure that they have appropriate technical and organisational measures in place (including but not limited to, appropriate policies communicated to Sector or Authority personnel, management of ongoing compliance and effective security measures) in respect of the Data to prevent unauthorised or unlawful processing or use of, access to, or accidental loss, destruction or damage of, the Data and shall ensure that the Data is:
- (a) stored in such a manner that they are segregated from the other data held by Sector or the Authority for purposes not relating to this Deed;
 - (b) not accessible by any parties who are not authorised to access such Data; and
 - (c) held securely in accordance with such security arrangements and policies as the Parties may agree from time to time (such agreement not to be unreasonably withheld or delayed) and in particular are held in accordance with the Policies and Obligations.

- 12.5 If any part of the Data and/or related equipment ceases to be required for the performance of Sector and/or the Authority's respective obligations under this Deed, including without limitation upon termination for whatever reason, Sector and/or the Authority shall return such Data and equipment to the Lender, or at the Lender's discretion destroy or procure the destruction (and provide written confirmation to the Lender) of the same.
- 12.6 If Sector or the Authority receives any complaint, notice or communication which relates directly or indirectly to the processing of Data or to a Party's compliance with Data Protection Laws (including but not limited to a request from an individual to whom the Data relates for access to such Data or to amend, transfer or delete such Data) or becomes aware of any unauthorised, unlawful or dishonest conduct or activities, or any breach of the terms of this Deed relating to Data, it shall immediately notify the Lender and it shall provide the Lender will full co-operation and assistance in relation to any such complaint, notice or communication.
- 12.7 If a Party is served with an enforcement notice or other information notice or a special information notice (together, **Notices**) by the Information Commissioner, the other Parties shall take steps within such time as the first Party shall in writing reasonably require, being steps and time specified in such Notices for complying with the principle or principles in question.
- 12.8 Neither Sector nor the Authority shall transfer Data outside the European Economic Area without the prior written consent of the Lender which the Lender shall be entitled to withhold for any reason.
- 12.9 Sector and the Authority will each take all such steps communicated in writing to Sector and/or the Authority by the Lender as the Lender reasonably considers are necessary in order to comply with the Lender's own obligations under Data Protection Laws.
- 12.10 Sector and/or the Authority, for the purposes of facilitating the Lender's compliance with the Data Protection Laws, shall furnish to the Lender copies of such security, audit and control reports generated by Sector and/or the Authority's auditors as are directly relevant to such compliance.
- 12.11 Sector and/or the Authority shall immediately inform the Lender:
- (a) if any Data is lost or destroyed or becomes damaged, corrupted, or unusable. Sector and/or the Authority will restore such Data held by it at its own expense;
 - (b) if it becomes aware of any unauthorised or unlawful processing, loss of, damage to or destruction of the Data; and
 - (c) if it becomes aware of any advance in technology and methods of working which mean that Sector or the Authority or the Lender should revise the security measures referred to in this Deed.
- 12.12 Sector shall indemnify the Lender on demand and keep the Lender indemnified fully at all times against all losses (up to the Data Protection Indemnity Limit) arising out of any failure by Sector or its employees or agents to comply with its obligations under this clause 12 and any equivalent or similar provisions within Additional Schemes, the Data Protection Laws or the Policies and Obligations.
- 12.13 For the purposes of clause 12.12, provided the information provided to Sector is only limited to that information set out in schedule 1 the Data Protection Indemnity Limit:

- (a) is £1,000,000 (one million) where the aggregate of lending under the Scheme and any Additional Scheme is under £100,000,000 (one hundred million);
- (b) shall be increased by £1,000,000 (one million) where the lending under the Scheme and any Additional Scheme exceeds £100,000,000 (one hundred million); and
- (c) shall be increased thereafter by further amounts of £1,000,000 (one million) for each additional £100,000,000 (one hundred million) of lending (or part thereof) under the Scheme and any Additional Scheme.

12.14 For the purposes of clause 12.12, to the extent that information provided to Sector at its request is in addition to that set out in schedule 1 the Data Protection Indemnity Limit:

- (a) is £5,000,000 (five million) where the aggregate lending under the Scheme and any Additional Scheme is under £500,000,000 (five hundred million);
- (b) shall be increased by £1,000,000 (one million) where the lending under the Scheme and any Additional Scheme exceeds £600,000,000 (six hundred million); and
- (c) shall be increased thereafter by further amounts of £1,000,000 (one million) for each additional £100,000,000 (one hundred million) of lending (or part thereof) under the Scheme and any Additional Scheme.

12.15 Sector excludes liability under clause 12.12 for any loss of actual or anticipated revenue, savings or profits arising from its participation in the Scheme and any Additional Scheme.

12.16 The Authority shall indemnify the Lender on demand and keep the Lender indemnified fully at all times against all losses (up to the limit of £1,000,000 (one million) where the information provided is only that set out in schedule 1 or £5,000,000 (five million) where information is provided in addition to that set out in schedule 1) arising out of any failure by the Authority or its employees or agents to comply with its obligations under this clause 12, the Data Protection Laws or the Policies and Obligations.

12.17 The Authority excludes liability under clause 12.16 for any loss of actual or anticipated revenue, savings or profits arising from its participation in the Scheme.

12.18 Upon giving reasonable prior written notice the Lender will have the right to perform audits in relation to compliance by Sector and/or the Authority with the provisions of this clause 12 and Sector and the Authority hereby agree at all reasonable times to give the Lender access to all the premises at or from which Sector and/or the Authority process the Data and/or carries on their business and to provide (or facilitate the provision to) the Lender of access to all relevant materials maintained and/or retained by or on behalf of Sector and/or the Authority.

13 Commission

The Lender shall pay the Commission to Sector in accordance with schedule 2.

14 Irresponsible lending and Borrower treatment

14.1 Provided that the Lender has complied in all material respects with the application of its lending criteria, the Authority shall remain liable under the Indemnity set out in this Deed in the event of any allegation or claim by the Borrower that the Borrower is not liable to fulfil its obligations under the Scheme Agreement because in making the associated loan to the Borrower, the Lender acted irresponsibly.

14.2 Other than the different standards applicable in respect of LTV ratios and/or maximum loan values, the Lender agrees with the Authority that it shall deal with Borrowers in accordance with standards which are not materially different from the standards applicable from time to time to other borrowers from the Lender (not being Borrowers) who meet the criteria set out in (a) of the definition of Eligibility Criteria.

15 No obligation to lend

The Lender shall have the right at any time to stop entering into any new Product Agreements with Borrowers under this Deed. The reasons why the Lender may wish to stop entering into Product Agreements include, but are not limited to, the following:

- (a) where, in the Lender's reasonably held opinion, it considers that the Authority may not meet its obligations under this Deed;
- (b) where, in the Lender's reasonably held opinion, to continue to lend to Borrowers under this Deed may bring the name of the Lender into disrepute; and
- (c) due to commercial, regulatory or taxation reasons the Lender does not wish to fund any new lending under the Scheme.

16 Costs and expenses

The Authority shall pay to the Lender the amount of all reasonable costs and expenses (including legal fees, stamp duties and any value added tax) incurred by the Lender in connection with the enforcement of, or preservation of, any rights under this Deed on a full indemnity basis.

17 Certificates and determinations

Any certificate or determination by Lloyds or Lloyds Scotland of a rate or an amount payable under this Deed is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

18 Partial invalidity

If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

19 Remedies and waivers

No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy available to it under this Deed or otherwise in respect of the Indemnified Obligations shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Deed and in any other agreement providing for or entered into in connection with the Indemnified Obligations are cumulative and not exclusive of any rights or remedies provided by law.

20 Assignment

20.1 Lloyds and Lloyds Scotland may, in whole or in part, assign or otherwise transfer or allot any part of its rights under this Deed.

- 20.2 On any assignment of this Deed and/or the Scheme Agreements and its rights under them by the Lender, in whole or in part and in law or in equity, Lloyds will act as an agent for such assignee in respect of the set-off rights in clause 8 and the provisions of clause 8.2 shall apply to such assignee as if references to Lloyds Scotland were references to such assignee and Lloyds will enforce those set-off rights on behalf of the assignee.
- 20.3 The Authority may not transfer any of its obligations under this Deed or enter into any transaction which would result in any of those obligations passing to another person. This clause 20.3 shall not restrict the transfer of its obligations under this Deed on a transfer of all the Authority's rights, obligations and liabilities by way of statutory instrument to a successor organisation.
- 20.4 The Lender may at any time transfer its rights under any Scheme Agreements to a third party by way of assignment or otherwise provided always that the Lender undertakes such transfer in accordance with the relevant provisions of the applicable Scheme Agreement in respect of how and when the Lender may transfer its rights under the Scheme Agreement.
- 20.5 The Lender shall ensure that any third party to which it transfers its rights under this Deed or under any Scheme Agreement has the necessary regulatory permissions to take a transfer of such rights.

21 Publicity

Neither Sector nor the Authority shall issue (or knowingly allow to be issued on its behalf) any press release, marketing and promotional literature or other publicity which refers to the Indemnity or this Deed, the Scheme Agreements or the participation of Lloyds or Lloyds Scotland in the Scheme unless such press release or publicity is required by law or Lloyds or Lloyds Scotland has given its prior written consent to such press release or publicity such consent not to be unreasonably withheld or delayed.

22 Miscellaneous

- 22.1 Nothing contained in this Deed shall be deemed to create any partnership or joint venture between the Parties, nor any relationship of principal or agent.
- 22.2 No provision of this Deed may be amended, modified, discharged or terminated other than by the express written agreement of the Parties.
- 22.3 Sector's participation in the Scheme is on a non-exclusive basis and nothing in this Deed shall prevent Sector developing similar schemes with or entering into any agreement with other mortgage lenders.
- 22.4 The Authority's participation in the Scheme is on a non-exclusive basis and nothing in this Deed shall prevent the Authority participating in a scheme similar to the Scheme with or entering into an agreement or deed similar to the Deed with other mortgage lenders.

23 Notices

- 23.1 Any communication to be made under or in connection with this Deed shall be made in writing and, unless otherwise stated, must be made by letter.
- 23.2 The address (and the department or officer, if any, for whose attention the communication is to be made) of the Authority, Lloyds, Lloyds Scotland and Sector for any communication or document to be made or delivered under or in connection with this Deed is:

(a) in the case of the Authority:

Address:

Attention:

(b) in the case of Lloyds:

Address: Lloyds Banking Group, 2nd Floor, Collinsons Building, Trinity Road, Halifax, West Yorkshire, HX1 2RG

Attention: Commercial Mortgages

(c) in the case of Lloyds Scotland:

Address: Lloyds Banking Group, 2nd Floor, Collinsons Building, Trinity Road, Halifax, West Yorkshire, HX1 2RG

Attention: Commercial Mortgages

(d) in the case of Sector:

Address: 40 Duke's Place, London, EC3A 7NH

or any substitute address or department or officer as may be notified in writing to Lloyds or Lloyds Scotland (or Lloyds or Lloyds Scotland may notify the Authority, if a change is made by Lloyds or Lloyds Scotland) by not less than five (5) Business Days' notice.

23.3 Any communication or document made or delivered by one person to another under or in connection with this Deed will be effective only when it has been left at the relevant address or five (5) days after being deposited in the post postage prepaid in an envelope addressed to it at that address and, if a particular department or officer is specified as part of its address details provided under clause 23.2, if addressed to that department or officer.

23.4 Any communication or document to be made or delivered to Lloyds or Lloyds Scotland will be effective only when actually received by Lloyds or Lloyds Scotland and then only if it is expressly marked for the attention of the department or officer identified above (or any substitute department or officer as Lloyds or Lloyds Scotland shall specify for this purpose).

24 English language

Any notice or other document given or provided under or in connection with this Deed must be in English.

25 Counterparts

This Deed may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

26 Governing law

This Deed and any non-contractual obligations arising out of or in connection with it are governed by the laws of England and Wales.

27 Enforcement

Jurisdiction of English courts

- 27.1 The courts of England and Wales have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to the existence, validity or termination of this Deed or any non-contractual obligation arising out of or in connection with this Deed) (a **Dispute**).
- 27.2 The Parties agree that the courts of England and Wales are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- 27.3 This clause 27 is for the benefit of Lloyds and Lloyds Scotland. As a result, Lloyds and Lloyds Scotland shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, Lloyds and Lloyds Scotland may take concurrent proceedings in any number of jurisdictions.

This Deed has been executed as a Deed by the Authority and signed by Lloyds, Lloyds Scotland and Sector on the date stated at the beginning of this Deed.

SIGNATURES

¹The Authority

The common seal of *[insert name of Authority]*)
was affixed to this deed in the presence of)
)

.....
Authorised officer

.....
Authorised officer

Lloyds TSB Bank plc

Signed as a deed by *[insert name]*
as attorney for **Lloyds TSB Bank plc**
in the presence of

.....
[insert name] as attorney for Lloyds TSB
Bank plc

.....
Signature of witness

Name

Address

.....

¹ Form of execution for each Authority to be reviewed in respect of their constitutional requirements and procedures

Lloyds TSB Scotland plc

Signed as a deed by *[insert name]*
as attorney for **Lloyds TSB Scotland plc**
in the presence of

.....
[insert name] as attorney for Lloyds TSB
Scotland plc

.....
Signature of witness

Name

Address

.....

Sector Treasury Services Limited

Signed as a deed by *[insert name]*
as an authorised signatory for and on behalf of
Sector Treasury Services Limited
in the presence of

.....
Authorised signatory

.....
Signature of witness

Name

Address

.....

Schedule 1

Information

- 1.1 Applications for Loans made to the Lender but where an offer of Loan has not yet been made to the relevant applicant detailing
- (a) the Property postcode and the last three digits of the mortgage account number
 - (b) name of the Authority
 - (c) purchase price of the Property
 - (d) valuation (to be left blank if the information is not available)
 - (e) aggregate amounts of Loans applied for
 - (f) estimated aggregate base amounts of Loan amounts applied for (being 75% of the purchase price of the Property)
 - (g) aggregated estimated indemnity amount (being the excess of the Loan amounts applied for over 75% of the purchase price of the relevant Properties)
- 1.2 Offers of Loan made by the Lender which have not completed detailing:
- (a) the Property postcode and the last three digits of the mortgage account number
 - (b) name of the Authority
 - (c) Property Value
 - (d) aggregate amounts of Loans offered
 - (e) aggregate estimated base amounts of Loans offered (being 75% of the Property Value)
 - (f) aggregated proposed indemnity amounts (being the excess of the Loan amounts offered over 75% of the Property Values of the relevant Properties)
- 1.3 Loans which have completed in the relevant period detailing:
- (a) the Property postcode and the last three digits of the mortgage account number
 - (b) name of the Authority
 - (c) Property Value
 - (d) aggregate amounts of Loans advanced
 - (e) aggregate base amounts of Loan amounts advanced (being 75% of the Property Value)
 - (f) aggregated indemnity amounts (being the excess of the Loan amounts advanced over 75% of the Property Value of the relevant Properties)

- 1.4 Number of Loans, together with outstanding Loan and date of origination, where the Initial Indemnity Period has been extended under this Deed.
- 1.5 The Property postcode and the last three digits of the mortgage account number for accounts in respect of Loans where repossession proceedings have been commenced.

Schedule 2

Commission

- 1 This schedule applies to all Product Agreements entered into between the Lender and a Borrower in connection with the Scheme.
- 2 For each Product Agreement that completes under the Scheme, the Lender will pay to Sector Commission of 0.2% x Loan.
- 3 The Lender will pay the Commission to Sector in the month following the month of completion of the relevant Product Agreement. For the avoidance of doubt, this clause 3 shall apply regardless of whether Sector has introduced the Authority to the Lender or not.
- 4 If the Lender, by mistake, makes a payment by way of commission to Sector which has not been earned, then Sector will, on written demand by the Lender, repay the commission to the Lender.
- 5 The Lender shall have a right of set-off in respect of any money payable by the Lender to Sector against any money payable by Sector to the Lender whether payable under this Deed or otherwise. Any such set-off shall constitute a valid discharge by the Lender of its liability in the amount of the sums set-off. Exercise by the Lender of this right of set-off shall be without prejudice to any other rights or remedies available to the Lender at law or in equity.
- 6 The Commission payable under this Deed is inclusive of Value Added Tax, to the extent that Value Added Tax is payable.

Schedule 3

Policies and Obligations

1 In this schedule:

Lender Information means all personal data and any information (including confidential information), in any format or media and however it is conveyed or received, that relates to the business affairs, development, trade secrets, business plans, know-how, personnel or companies of the Lender, including all intellectual property rights together with any information derived from any of the above

Lender Policies means the Lender information and security policies and any other relevant Lender policies in force from time to time relevant extracts from which have been made available to Sector and the Authority

Lender Records means information including Lender Information which provides evidence of business activity

Sub-Contractor means any sub-contractor engaged by Sector and/or the Authority to perform the services hereunder on its behalf

2 General security obligations

Use of Lender Information

2.1 Except as otherwise agreed, neither Sector nor the Authority shall:

- (a) collect, process or otherwise make use of Lender Information for any purpose other than that which is required in order to perform its obligations in accordance with this Deed;
- (b) purport to sell, let for hire, assign rights in, declare a trust of or otherwise dispose of or commercially exploit any Lender Information; or
- (c) make any Lender Information available to any third party other than as strictly required to perform its obligations in accordance with the terms of this Deed.

Safeguarding Lender Information

2.2 Sector and the Authority shall encrypt all Lender Information held on any portable device in all media (including but not limited to a laptop, CD, USB memory stick, back up tapes) in compliance with best industry practice.

2.3 Sector/the Authority shall use reasonable endeavours to prevent any unauthorised use, alteration or destruction of Lender Information by any Sector/Authority employee or any Sub-Contractor.

2.4 Where Sector or the Authority provides services from a site where the Authority also provides services to, or is shared with, a third party or parties, Sector and/or the Authority shall at the Lender's request and cost:

- (a) restrict access to Lender Information in any shared environment such that any person who does not require access to such information may not gain such access; and
- (b) ensure that any Lender Information stored on Sector's or the Authority's systems is logically separated from Sector's/the Authority's and any third parties' data.

3 Security policy

- 3.1 Sector and the Authority shall at all times have a security policy (**Security Policy**) covering the performance of its obligations under this Deed. The Security Policy shall be designed to protect all Lender Information and shall be periodically updated and audited in accordance with this schedule.
- 3.2 Sector and the Authority must ensure that the Security Policy is updated regularly whenever it considers it necessary to do so and must in any event update the Security Policy if the Lender reasonably believes that the security policy is inconsistent with Lender Policies.

4 Storage and destruction

- 4.1 Sector/the Authority shall protect all Lender Information held by Sector/the Authority by adopting a 'clear desk' policy in respect of such information and disposing of such information securely by treating it as confidential waste.
- 4.2 Sector/the Authority shall provide Sector/Authority employees with locking filing cabinets to house any Lender Information when such is not in use, and facilities for the secure disposal of such information.
- 4.3 Sector/the Authority shall ensure that any Lender Information held by Sector/the Authority is disposed of by or on behalf of Sector/the Authority in a manner consistent with Lender retention requirements as notified to Sector/the Authority from time to time in a manner that protects the confidential nature of the Lender Information. The current requirement is that unless otherwise advised by the Lender all Lender Information shall be stored by Sector/the Authority in a secure manner and under appropriate controls and restrictions on use for the data retention period and that thereafter it shall at the option of the Lender be returned to the Lender or else destroyed securely with confirmation of such destruction being supplied by Sector/the Authority within five (5) Business Days thereafter.
- 4.4 Sector/the Authority shall ensure that any Lender Information held by Sector/the Authority is disposed of by or on behalf of Sector/the Authority in a manner which protects the confidential nature of the Lender Information.

5 Records management

- 5.1 Sector/the Authority shall ensure that any Lender Records held by Sector/the Authority are disposed of by or on behalf of Sector/the Authority in accordance with applicable law and in a manner consistent with Lender requirements notified to Sector/the Authority.
- 5.2 Sector/the Authority shall ensure that Lender Records are readable, retrievable and reproducible during their lifetime and that appropriate controls are put in place to ensure the authenticity, accuracy and integrity of Lender Records.

Schedule 4
Postcode areas