

DECISION IN PRINCIPLE

Mortgage Adviser Guidance Document

1 WHAT IS A DECISION IN PRINCIPLE (DIP)?

A Decision in Principle (DIP) is an initial indication from a mortgage lender confirming how much a client may be able to borrow based on basic financial information and an affordability check.

It may also be referred to as:

- Agreement in Principle (AIP)
- Mortgage in Principle
- Lending Certificate

A DIP helps:

- confirm affordability
- identify credit issues early
- strengthen a client's position when making an offer on a property

Important: A DIP does not guarantee that a mortgage will be approved. The lender will still carry out full underwriting checks during the application stage.

2 IMPACT FS MORTGAGE ADVICE PROCESS

At Impact Financial Services, advisers must follow the structured mortgage process before submitting a full mortgage application.

- 1 Client Enquiry
- 2 Fact Find
- 3 Affordability Assessment
- 4 Decision in Principle (DIP)
- 5 Property Offer
- 6 Full Mortgage Application
- 7 Mortgage Offer
- 8 Completion

The DIP stage sits between the affordability assessment and the full mortgage application.

3 WHEN SHOULD A DIP BE OBTAINED?

A DIP should normally be obtained when:

- the client is actively searching for a property
- the client wants confirmation of their borrowing capacity
- an offer on a property is about to be made
- the estate agent requests proof of borrowing capacity

Advisers should avoid running unnecessary multiple DIPs.

4 INFORMATION REQUIRED BEFORE RUNNING A DIP

Before submitting a DIP with a lender, advisers must collect sufficient information.

Personal details

- Full name
- Date of birth
- Nationality
- Marital status

Address history

Minimum 5 years.

Employment & income

- Employment status
- Salary
- Bonuses / overtime
- Self-employed income
- Other income sources

Credit commitments

- Credit cards
- Personal loans
- Car finance
- Student loans
- Child maintenance

Monthly expenditure

- Household expenditure
- Childcare costs
- Insurance
- Utilities

Property info (if known)

- Property value
- Deposit amount
- Loan amount required
- Property type

5 IMPACT FS REQUIREMENT – PRO SYSTEM

All mortgage cases at Impact Financial Services must be recorded in **Pro System CRM** before a DIP is submitted.

- full compliance record
- proper case tracking
- suitability documentation

6 CREATING A MORTGAGE CASE IN PRO SYSTEM

Before running a DIP, advisers must create a Mortgage Case in Pro System.

Step 1 – Create client record

- personal details
- contact information
- address history

Step 2 – Create mortgage case

- property value
- deposit
- loan amount requested
- mortgage purpose (purchase / remortgage / BTL)

Step 3 – Complete affordability

- income breakdown
- credit commitments
- dependants
- monthly expenditure

Step 4 – Record client consent

- client understands credit check may take place
- client gives consent for DIP submission

Consent must be recorded in Pro System case notes before any credit search is run.

7 AFFORDABILITY CHECKS

Before submitting a DIP, advisers should review affordability using tools available in the Hub:

- Affordability calculators
- Stamp Duty Calculator
- LTV / Rental Cover Tables (for BTL cases)

8 SELECTING THE APPROPRIATE LENDER

The adviser must select a lender based on: affordability results, lending criteria, client credit profile, deposit level, and property type.

High street lenders

- Barclays
- HSBC
- Halifax
- Nationwide

Specialist lenders

- Precise
- Aldermore
- Kensington
- Pepper Money

Where possible, advisers should prioritise lenders offering **soft credit search** DIPs.

9 SOFT VS HARD CREDIT SEARCHES

✓ Soft search

- does not affect the client's credit score
- is visible only to the client

Many lenders now offer soft footprint DIPs.

✗ Hard search

- appears on the client's credit file
- may affect the credit score

Avoid unnecessary multiple hard searches.

10 POSSIBLE DIP OUTCOMES

After submitting a DIP, the lender will return one of the following outcomes:

DIP Approved

The case meets initial lending criteria. The adviser may proceed to the full mortgage application.

DIP Refer

The case requires manual underwriting review. Additional documents or clarification may be required.

DIP Declined

The case does not meet the lender's criteria. The adviser should consider alternative lenders.

11 RECORDING THE DIP OUTCOME IN PRO SYSTEM

Once a DIP result has been received, advisers must update the case in Pro System.

Update case status

- DIP Approved
- DIP Refer
- DIP Declined

This ensures a full compliance audit trail.

Upload documents

- DIP certificate
- lender decision document or screenshot

12 WHAT HAPPENS AFTER A DIP IS APPROVED?

If the DIP is approved, the adviser should:

- 1 Confirm the client's realistic property budget
- 2 Ensure all documentation is collected
- 3 Confirm lender suitability
- 4 Submit the Full Mortgage Application

The lender will then carry out: full affordability checks, credit verification, document review, and property valuation.

13 WHEN ADVISERS SHOULD NOT RUN A DIP

A DIP should **not** be submitted when:

- the client has not completed a Fact Find
- income details are unclear
- deposit source is not confirmed
- the client is not actively considering property purchase
- there is insufficient information to assess affordability

Running unnecessary credit checks may negatively impact the client's credit profile.

14 COMPLIANCE REMINDER

All mortgage advice must comply with:

- FCA Mortgage Conduct of Business (MCOB) rules
- Impact Financial Services internal procedures
- client suitability requirements

Advisers must ensure that the lender selected is appropriate, affordability has been assessed, and a full advice process has been followed.

15 KEY PRINCIPLE – IMPACT ADVICE STANDARD

At Impact Financial Services, the purpose of a DIP is not simply to obtain lender approval. The adviser must ensure that:

- the mortgage is affordable
- the lender selected is suitable
- the advice is in the client's best interests

A DIP is only one step within the full mortgage advice process.

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