Fosters Financial

Self employed & want a mortgage?

Here is everything you need to know.

Let's get one thing straight.

Being self-employed does not mean you can't get a mortgage. It means you need to know how to present your application and you need the right broker in your corner.

The mortgage market has moved on. There are lenders out there who understand exactly how self-employed people earn money. They get it. The problem is most high-street banks still don't — and that's where a specialist broker makes all the difference.

At Fosters Financial, self-employed mortgages are one of our core specialisms. We've helped sole traders, limited company directors, contractors, freelancers, and portfolio landlords get mortgage offers when they thought the door was closed.

This guide is everything we'd tell you in that first conversation. No waffle. No jargon. Just the facts.

5M+	92%	200+
Self-employed workers in the UK	Of our SE applications placed successfully	Lenders we can access on your behalf

What's Inside

01 — The 5 Biggest Myths About Self-Employed Mortgages

Let's kill these off straight away. They're costing self-employed people opportunities every single day.

MYTH	**You can't get a mortgage if you're self-employed.**
REALITY	You absolutely can. Millions of self-employed people in the UK have mortgages. The process is different, but it's not closed. You need the right broker who knows which lenders to approach.

MYTH	**You need at least 3 years of accounts.**
REALITY	Many lenders will consider 2 years of accounts. Some lenders will consider 1 year in the right circumstances. Year one of trading is the toughest but it's not always impossible.

MYTH	**Lenders will use your lowest year's income.**
REALITY	Some do but plenty don't. Many lenders use an average of your last 2-3 years. Others use the most recent year if it's the highest. Your broker knows which lenders use which method and will match you accordingly.

MYTH	**You have to go through your bank.**
REALITY	Your high-street bank sees your account activity and knows your business — but that doesn't make them the best lender for you. Specialist lenders often offer better rates and far more flexibility for complex income cases.

MYTH	**Retaining profit in your company counts against you.**
REALITY	Not with every lender. Some specialist lenders will consider retained profits as part of your income assessment. This is a game-changer for company directors who draw a low salary and leave profit in the business.

02 — How Lenders Actually Assess Your Income

This is where most self-employed mortgage applications fall down not because the income isn't there, but because it wasn't presented right.

What lenders are looking for:

- Proofthat your incomeisreal, consistent, and sustainable.
- Evidence that your business is viable — not just a good year followed by a crash.
- That your declared income (what you told HMRC) supports the mortgage you're asking for.
- That your outgoings — personal and business — don't make the mortgage unaffordable.

How income is calculated — by lender type:

High Street Banks	Typically use an average of your last 2-3 years' net profit (sole trader) or salary + dividends (limited company). They tend to be conservative and less flexible. Good if your income is stable and straightforward.
Specialist Lenders	More flexible approach. May use the most recent year if it's higher. Some will consider retained profit for limited company directors. Will look at the full picture, not just a number on a tax return.
Building Societies	Often sit in the middle. More human underwriting — sometimes a case can be manually reviewed rather than put through an automated system. Great for borderline applications.
Private / Niche Lenders	For very high earners or complex structures. Can consider income in ways mainstream lenders won't — useful for portfolio landlords, multiple directorships, or irregular income patterns.

FOSTERS TIP

The number on your mortgage application must match your tax return.

If you've been minimising your declared income to reduce your tax bill, that's completely legal — but it will reduce what lenders will offer you. Start thinking about this 1-2 years before you want to buy.

03 — Sole Trader vs. Limited Company — What Changes?

The way your income is structured has a big impact on how lenders assess you. Here's what changes depending on how you trade.

Sole Trader

As asoletrader, your income is your net profit what's left after business expenses. This is what appears on your SA302 (your tax calculation from HMRC). Most lenders will use this figure directly.

- Lenders will typically use your last 2-3 years' SA302s and corresponding Tax Year Overviews.
- They'll average the figures or use the lower/most recent year depending on the lender.
- If your profits have increased year-on-year, make sure your broker highlights that trend.
- Seasonal fluctuations are normal lenders understand this, especially with the right broker.

Limited Company Director

This is where it gets more complex and where many self-employed people get caught out. As a director, you typically take a low salary and top it up with dividends. Some lenders only look at salary + dividends drawn. Others will consider the net profit of the business or retained profit.

- Salary + dividends is the most common basis most mainstream lenders use this.
- Net profit basis some lenders use the company's net profit, not just what you draw.
- Retained profit a growing number of specialist lenders will factor this in.
- If you're a director but not a majority shareholder, lenders treat you differently again.
- Always have both personal and company accounts to hand.

FOSTERS TIP

Don't assume your accountant's approach to tax planning helps your mortgage.

Accountants are brilliant at minimising tax. But aggressive tax efficiency can reduce your declared income significantly which directly impacts what lenders will offer. Talk to your broker before your next year-end.

04 — Contractors and Freelancers — Your Own Chapter

If you work on contracts day rate or fixed term some lenders have a completely different way of assessing you. And it's often better.

The day rate method:

Several lenders will assess contractor income based on your day rate rather than your accounts. The calculation is straightforward:

Day Rate	x 5 days	x 46-48 weeks	= Annualised Income
£350/day	x 5	x 46 weeks	£80,500
£450/day	x 5	x 46 weeks	£103,500
£600/day	x 5	x 46 weeks	£138,000

What you'll need as a contractor:

- Currentcontract(ormost recent contract if between contracts).
- Evidence of contracting history — typically 12-24 months.
- CV showing continuity in the same field or profession.
- Some lenders require a minimum contract length remaining.
- Between contracts? Some lenders allow a gap of up to 6-8 weeks.

FOSTERS TIP

IR35 doesn't automatically close the door.

Working inside IR35 changes how some lenders view your income but it doesn't rule out a mortgage. We work with lenders who understand IR35 and have criteria built around it.

05 — How Many Years' Accounts Do You Need?

This is the question we get asked more than any other. The answer isn't as simple as people think.

Trading History	Options Available	Notes
Less than 1 year	Very limited	Possible in rare cases very few cases
1 year	Limited but possible	A growing number of lenders will consider
2 years	Good selection	Many lenders will consider
3+ years	Full market access	All lender types available.

What if my income is going up does that help?

Yes. An upward trend in income is a strong positive signal for lenders. If your profit was £40k in year one, £55k in year two, and £70k in year three, many lenders will be more comfortable using the most recent figure. Your broker will know which lenders take this approach.

What if my income has dropped?

This is where it gets trickier. A declining income raises questions for lenders about sustainability. If there's a clear reason a bad year, a restructure, a deliberate business decision your broker can help present the context. Some lenders will manually underwrite cases where the story makes sense.

FOSTERS TIP

Start planning 12-18 months before you want to apply.

If you're not quite there yet on trading history, talk to us now. We'll tell you exactly what to work toward and when to apply.

FOSTERS TIP

Get your SA302s from HMRC online — not from your accountant.

Lenders want SA302s directly from HMRC, either downloaded from your Government Gateway account or via your accountant's software. A letter from your accountant alone is not always accepted.

06 — What Documents You'll Need to Get Ready

Being prepared is halfthebattle.Self-employedmortgage applications don'tfailbecause of income — they fail because of missing paperwork. Here's what to have ready.

SOLE TRADER — KEY DOCUMENTS

- [ ] SA302 tax calculations for the last 2-3 years (download from your HMRC online account)
- [ ] Tax Year Overviews for each corresponding year
- [ ] 3 months' personal bank statements
- [ ] 3-6 months' business bank statements
- [ ] Proof of ID (passport or driving licence)
- [ ] Proof of address (utility bill or council tax, dated within 3 months)
- [ ] Accountant's certificate (some lenders require this)

LIMITED COMPANY DIRECTOR — KEY DOCUMENTS

- [ ] SA302s and Tax Year Overviews for the last 2-3 years
- [ ] Last 2-3 years of company accounts (signed by your accountant)
- [ ] 3 months' personal bank statements
- [ ] 3-6 months' business bank statements
- [ ] Company registration number and details
- [ ] Proof of ID and proof of address
- [ ] Accountant's letter confirming your role and shareholding (some lenders)

CONTRACTOR / FREELANCER — KEY DOCUMENTS

- [ ] Current contract (with start date, end date, and day rate clearly stated)
- [ ] CV showing employment/contracting history
- [ ] Last 12-24 months of contracts if available
- [ ] 3-6 months' personal bank statements
- [ ] Proof of ID and proof of address
- [ ] Some lenders will also want SA302s

07 — How to Boost Your Chances Before You Apply

There's plenty you can do in the 6-18 months before applying to put yourself in the strongest possible position.

01 **Clean up your credit file**

Check your credit report on Experian, Equifax, and ClearScore. Look for errors, out-of-date addresses, or old accounts that need closing. Register on the Electoral Roll at your current address if you haven't already.

02 **Don't apply for credit**

Avoid credit applications in the 3-6 months before your mortgage. Each hard search leaves a mark. Multiple searches in a short period can raise lender concerns.

03 **Keep your accounts clean**

Lenders look at your bank statements. Gambling transactions, frequent overdraft use, or large unexplained cash movements can cause problems. Keep it tidy.

04 **Talk to your accountant early**

If you want to maximise your mortgage options, you may need to declare more income — which means paying more tax. It's a trade-off. Your accountant and your broker need to be aligned.

05 **Save a bigger deposit**

More deposit = lower LTV = better rates and more lender options. At 85% LTV you'll unlock a wider market. At 75% LTV even more so.

06 **Reduce personal debt**

Car finance, loans, and credit card balances all reduce your affordability. Clearing them before you apply can meaningfully increase what lenders will offer.

08 — Bad Credit and Self-Employed — Is It Still Possible?

The short answer: sometimes, yes. It depends on the type of credit issue, when it happened, and how severe it was.

Issue	Impact	Options
Late payments (1-2)	Low-medium	Most lenders look past isolated late payments
Defaults	Medium-high	Depends on age, amount, and whether satisfied.
CCJ (County Court Judgment)	High	Satisfied CCJs over 3 years old can still find options.
IVA / Debt Management	Very high	Possible once discharged, usually after 3-6 years.
Bankruptcy	Very high	Possible after discharge, typically 3+ years minimum.
Missed mortgage payments	Very high	Most lenders are sensitive to this. Some Options

The combination of adverse credit and self-employed income is challenging but it's not always a dead end. The key is understanding the full picture before approaching any lender. A hard credit search on the wrong lender makes things worse. A broker assesses first, then acts.

FOSTERS TIP

Never apply direct to a lender if you have adverse credit.

A declined application leaves a footprint on your credit file and makes the next application harder. Always speak to a specialist broker first who can soft-search lenders without damaging your score.

09 — The Application Process — Step by Step

Here's exactly what to expect when you work with Fosters Financial on yourself-employed mortgage.

STEP 1	**Free Initial Consultation** We start by understanding your situation — how you trade, how long you've been self-employed, what you want to buy, and your timeline. No cost, no commitment.
STEP 2	**Income Assessment** We review your accounts, SA302s, or contract details and identify which lenders are the right fit for your income structure. We tell you what you can borrow — and why — before we go anywhere near a lender.
STEP 3	**Credit Check** We run a soft credit check (no footprint on your file) to understand your credit position and factor that into our lender recommendation.
STEP 4	**Agreement in Principle** Once we've identified the right lender, we get you an AIP — a conditional approval that gives you confidence to offer on a property.
STEP 5	**Document Collection** We'll give you a precise list of everything we need. You pull it together, we review it, and we submit it right first time.
STEP 6	**Full Application** We submit your full application with a supporting letter explaining your income structure and any context that helps your case. We're in your corner throughout.
STEP 7	**Valuation and Underwriting** The lender assesses your application and instructs a valuation on the property. We chase, update you, and deal with any queries that come back.
STEP 8	**Mortgage Offer** The formal offer is issued. We review it with you and make sure everything is exactly as expected. Then it's over to your solicitor for completion.

> ***"Being self-employed shouldn't mean settling for second best. The right broker finds the right lender. Every time."***

10 — Your Self-Employed Mortgage Checklist

Work through this before your first broker appointment. The more of these you can tick off, the stronger your position.

DOCUMENTS TO GATHER

- [ ] Last 2-3 years SA302s (downloaded from HMRC Gateway)
- [ ] Corresponding Tax Year Overviews
- [ ] Last 2-3 years of company accounts (if Ltd company)
- [ ] 3 months' personal bank statements
- [ ] 3-6 months' business bank statements
- [ ] Current contract and CV (if contractor)
- [ ] Passport or driving licence (proof of ID)
- [ ] Utility bill or council tax statement dated within 3 months (proof of address)

FINANCIAL HEALTH CHECKS

- [ ] Checked credit report on at least 2 platforms (Experian, ClearScore, Equifax)
- [ ] Registered on the Electoral Roll at current address
- [ ] No pending credit applications in the last 3 months
- [ ] Personal bank statements are clean — no excessive overdraft use
- [ ] Outstanding debts reviewed and reduced where possible

BEFORE YOU APPLY

- [ ] Spoken to your accountant about income declaration for next year-end
- [ ] Have a realistic deposit figure confirmed and ready
- [ ] Know your budget — monthly payment you can comfortably afford
- [ ] Have a rough target property value and area in mind
- [ ] Booked a free consultation with a specialist self-employed mortgage broker

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Over the moon!

"So impressed with the professionalism, customer focus, communication, and most of all optimism that they showed throughout the process."

★★★★★ Trustpilot Verified