

Substantial benefit when lending to co-borrowers

When can I add someone as a co-borrower?

You can include someone as a co-borrower on a home loan application if they are receiving a benefit from the loan. Refer to the minimum standard table on this fact sheet for instructions on establishing a benefit.

If the benefit is substantial, you can include the person as a co-borrower. If the benefit might not be a substantial benefit, please ensure:

- You have taken reasonable steps to make sure they understand the risks associated with entering into the loan, and understand the difference between being a co-borrower and a guarantor.
- You have taken into account the reasons why they want to be a co-borrower.
- You are satisfied they're not experiencing financial abuse.

A substantial benefit means an equal or greater interest in the use of the loan funds, for example assets purchased, debt refinanced or other acceptable loan purposes.

Minimum standards – determining benefits

An individual must volunteer to be a co-borrower and should derive a benefit from the loan.

For the Bank's purposes, benefit can be established through an affirmative answer to one of the three tests detailed below.

Test	The individual must...
Does the individual derive benefit through ownership of the asset for which the loan is required?	Receive, as part of the transaction, direct ownership of part of the purchased item. Where ownership of the property is expressed to be as 'tenants in common' the percentage of ownership must be a minimum of 10%. Generally, a percentage ownership of 10% and greater would be considered acceptable.
Will the individual obtain a different benefit?	Have part of the loan monies made available at their direction. For example: <ul style="list-style-type: none">– The payment of a debt owed to a third party by the individual.– Discharge of a loan from another Bank that was in the individual's name, irrespective of who owns the security.– Owner Occupied property to be purchased is to be the principal place of residence of the co-borrower.
Are the applicants in a married or de facto relationship where the borrower's finances are combined?	Obtain a benefit. A benefit is always deemed to arise when there is a 'spousal relationship' between the parties to the loan, even where the financed property will be in one party's name solely.

If the answer to at least one of these tests is 'Yes', the individual is eligible to be a co-borrower.

Other things to consider:

- A borrower must be able to service the loan amount based on their income and total repayment commitments.
- You can't add a borrower to an application for servicing purposes only. Additional borrowers must receive benefit or substantial benefit from the loan.
- A spousal or other close family relationship isn't automatically considered an acceptable reason for a substantial benefit.
- We don't accept servicing guarantors for Home loans.

What is a spousal relationship?

Spousal relationship means a relationship where the couple are married or in a de-facto relationship. A de-facto relationship means the couple are:

- Not legally married to each other.
- Not related by family.
- In a relationship as a couple living together on a genuine domestic basis.

What constitutes receiving independent financial, legal or accounting advice?

It requires verbal confirmation from the co-borrower that they have received independent financial, legal or accounting advice to continue with the loan even though they might not receive a substantial benefit. Your customer is responsible for interpreting this advice. Bankwest does not require evidence of the advice given.

What will the process look like in our application screens?

You will have three scenarios to choose from, as outlined below. In case of a complex structure with multiple loan purposes, it is advisable to err on the side of caution and choose response 2, selecting all reasons that apply.

Where there is more than one borrower to a housing loan application, the following are required to be answered for each borrower.

Response Options

1. The co-borrower has confirmed they will receive a substantial benefit from the loan.
 - a. You will acquire 50% or more legal equitable interest on assets purchased with the loan funds.
 - b. 50% or more of the loan funds are to repay your debts or other obligations owed by you.
 - c. Other – provide detail.
2. The co-borrower has confirmed they may not receive a substantial benefit from the loan and has confirmed they still wish to proceed as a co-borrower. Reasons for wanting to be a co-borrower are:
 - a. Spousal asset protection, tax benefits or debt reduction.
 - b. Independent financial, legal or accounting advice received.
 - c. Substantial benefit from at least one of the loan purposes.
 - d. Access to cash or equity (for example personal investments, goods or travel).
 - e. Buying a vehicle where only one borrower can be the registered owner.
3. The co borrower has confirmed that they will not receive a substantial benefit from the loan and does not want to proceed.

To get a better idea of which option to select, use the following guide

The application involves more than one borrower:

If the co-borrower	Then you should
Will receive an equal or greater use of the loan funds for the whole application	Select Option 1a above.
Won't receive, or might not receive, an equal or greater use of the loan funds for the whole application	<ul style="list-style-type: none"> – Make sure the co-borrower understands they might not receive a substantial benefit from the loan funds. – Confirm they still want to continue as a co-borrower. <p>If yes, select Option 2 above and the relevant options from a-e.</p> <p>If no, select Option 3 above.</p> <p>Do not continue with the application. Give your customer a copy of the Co-borrower Substantial Benefits key fact sheet. (https://www.bankwest.com.au/content/dam/bankwest/documents/legal-library/PDS_20200622-152438.pdf)</p>

The loan purpose is buying, building or renovating a property that will be owned by co-borrowers on the loan:

If the co-borrower	Then you should
Will own equal or greater share of the property	Select Option 1a above.
Is borrowing with their spouse and structuring for asset protection, tax advantages or debt reduction	Select Option 2a above.
Has received independent financial, legal or accounting advice	Select Option 2b above.
Does not meet any of the above requirements	<p>Select Option 3 above.</p> <p>Don't continue with the application.</p> <p>Give your customer a copy of the Co-borrower Substantial Benefits key fact sheet. (https://www.bankwest.com.au/content/dam/bankwest/documents/legal-library/PDS_20200622-152438.pdf)</p>

The loan purpose is to refinance an existing debt that is owned by co-borrowers on the loan:

If the co-borrower	Then you should
Is currently liable for an equal or greater share of the debt	Select Option 1b above.
Is borrowing with their spouse and is structuring for asset protection, tax advantages or debt reduction	Select Option 2a above.
Has received independent financial, legal or accounting advice	Select Option 2b above.
Does not meet any of the above requirements	<p>Select Option 3 above.</p> <p>Don't continue with the application.</p> <p>Give your customer a copy of the Co-borrower Substantial Benefits key fact sheet. (https://www.bankwest.com.au/content/dam/bankwest/documents/legal-library/PDS_20200622-152438.pdf)</p>

The loan purpose is to purchase a vehicle that will be owned by co-borrowers on the loan:

If the co-borrower	Then you should
Will own the vehicle	Select Option 1a above.
Will not own the vehicle but their co-borrower is their spouse who will own the vehicle	Select Option 1a for the vehicle owner and Option 2e for the non-vehicle owner.
Does not meet any of the above requirements	Select Option 3 above. Don't continue with the application. Give your customer a copy of the Co-borrower Substantial Benefits key fact sheet. (https://www.bankwest.com.au/content/dam/bankwest/documents/legal-library/PDS_20200622-152438.pdf)

The loan purpose is to access cash out/equity releases (for example, personal investments, goods, travel, holiday, gifts):

If the co-borrower	Then you should
Will receive an equal or greater share of the cash out / equity release*	Select Option 1b above.
Will not receive an equal or greater share of the cash out / equity release*, but is aware of what the cash out / equity release will be used for and is happy to proceed as co-borrower	Select Option 2b and Option 2d above.
Does not meet any of the above requirements	Select Option 3 above. Don't continue with the application. Give your customer a copy of the Co-borrower Substantial Benefits key fact sheet. (https://www.bankwest.com.au/content/dam/bankwest/documents/legal-library/PDS_20200622-152438.pdf)

*Cash out/equity release includes gifts to third party non-borrowers (i.e. child, grandparent, other family member), such as vehicles, property and debt payments.

The loan purpose is to refinance existing individual loans into joint names, plus purchase a jointly owned investment property:

If the co-borrower	Then you should
Will own: — 50% of the newly purchased investment property — 100% of their existing property and 0% of the other co-borrowers' existing property	The benefit could be based on value and existing debt level, so each borrower should be treated as not gaining substantial benefit. Ensure they understand the risk. If co-borrowers are happy to proceed, select Option 2a or 2b or 2c above.
Is uncomfortable being liable for the other co-borrower's existing debt.	Select Option 3 above. Don't continue with the application. Give your customer a copy of the Co-borrower Substantial Benefits key fact sheet. (https://www.bankwest.com.au/content/dam/bankwest/documents/legal-library/PDS_20200622-152438.pdf)