



RIGHT TO OCCUPY LOAN AGREEMENT

170 Silvertrees | The Park Ecovillage, Findhorn

DRAFT EXEMPLAR — EXAMPLE ONLY

This DRAFT EXEMPLAR illustrates an optional proposed investment-linked Right to Occupy (RTO) arrangement for unit 170 Silvertrees. It is not a completed or binding agreement. The provisional property valuation, loan amount, rent and commencement particulars are examples and will be replaced with agreed figures. Any tenancy deposit belongs exclusively to the separate Rental Agreement and is not part of the RTO Loan.

Agreement particulars

Particular	Illustrative / to be completed before signing
Landlord	Park Ecovillage Trust (PET)
Lender(s) / tenant(s)	<i>Enter lender name(s)</i>
Property	170 Silvertrees, The Park Ecovillage, Findhorn, Moray [verify legal description]
RTO Loan Agreement Date	<i>Enter agreement date</i>
Linked Rental Agreement	<i>Enter tenancy reference or date</i>
Rental Agreement Commencement Date	<i>Enter tenancy commencement date</i>
Original RTO Loan Principal (L)	<i>Enter loan amount £</i>
Initial Property Market Value (V ₀)	<i>Enter certified value £</i>
RTO Loan Commencement Date	<i>Enter loan commencement date</i>
Basic Monthly Rent before RTO reduction (excludes HoCo)	<i>Enter agreed Basic Monthly Rent £</i>
HoCo — added after RTO reduction	<i>Enter current monthly HoCo £</i>
Tenancy deposit (if applicable)	Governed exclusively by the separate Rental Agreement; not part of the RTO Loan

BACKGROUND

A. PET is the landlord of the completed and functioning residential property, 170 Silvertrees, within the established Silvertrees cluster. The Property is already built and occupied in an established residential setting with existing neighbours.

B. The Rental Agreement and this optional RTO Loan Agreement are separate arrangements and may have different commencement dates. The Rental Agreement may commence before the RTO Loan Agreement. Occupation and security of tenure derive exclusively from the Rental Agreement and applicable law.

C. PET offers the RTO proposition as a voluntary investment opportunity, economically comparable to participation in changes in property value. The Lender may receive a return where the Property appreciates, but may also receive LESS than the original Loan where the Property decreases in value. This contractual loan is NOT a share of ownership, beneficial interest in the Property, title, equity security or right of sale. PET is currently seeking applicants interested in this investment proposition.

1. INTERPRETATION

1.1 “Agreement” means this Right to Occupy Loan Agreement, its Particulars and all Schedules, as duly completed and signed.

1.2 “Rental Agreement” means the separate tenancy agreement for the Property identified in the Particulars, together with lawful amendments. Its commencement date is determined independently under that agreement.

1.3 “RTO Loan” or “Loan” (L) means the entire sum advanced by the Lender to PET under this separate investment agreement and recorded in Schedule 1. The Loan is not divided into a tenancy deposit and investment capital. Any tenancy deposit is governed separately by the Rental Agreement.

1.4 “Initial Property Market Value” (V_0) means the open-market value of the completed Property established by a formal written valuation by a certified professional valuer instructed before the RTO Loan Commencement Date. The valuation report, valuation date and certified figure shall be made available to the Lender and expressly recorded in Schedule 1. The presently estimated value of approximately £120,000 is illustrative only and shall not replace that valuation.

1.5 “Scotland House Price Index” or “Index” means the official UK House Price Index (UK HPI), Scotland, all-property series, published by HM Land Registry with Registers of Scotland and the other official UK HPI producers, or its directly comparable official successor. The Index figures to be used are described in Schedule 2.

1.6 “Proportional Percentage” (P) means the original full RTO Loan principal L divided by the certified initial Property Market Value V_0 . This fixed percentage is used to determine the reduction applied to the Basic Rent only, excluding HoCo (after the 20-percentage-point reserve) and the Lender’s proportional share of the Property’s value on redemption, whether that value has increased or decreased. P is not reduced by subsequent tenant liabilities.

1.7 “Index-linked Property Value” (V_t) means V_0 adjusted in accordance with Schedule 2 using the Scotland House Price Index data applicable at the Loan Redemption Date, except where an independent valuation is validly requested under clause 9.6.

1.8 “Index-linked Adjustment” (A) means the positive or negative movement in redemption value determined under Schedule 3 by applying P to the change in Property value ($V_t - V_0$). It is sometimes described as an index-linked return; it is not a fixed annual rate of interest.

1.9 “Permitted Deductions” means (a) tenant liabilities arising under the Rental Agreement that are lawfully due, properly evidenced and agreed or finally determined, and (b) the Lender’s unpaid share of reasonable professional valuation fees payable under this Agreement, as evidenced by an invoice and agreed or finally determined. Permitted Deductions may be deducted only after the total gross Loan redemption sum has been calculated. Sums already recovered from a tenancy deposit or by another means must not be deducted again. Fair wear and tear and PET’s own repairing obligations are excluded.

1.10 “Termination Event” means an event listed in clause 8 which ends the RTO Loan arrangement and triggers the winding-up and repayment process under clause 9, subject to applicable Scots law. “Loan Redemption Date” means the effective date of that Termination Event, including any date expressly agreed under clause 8.9. Winding up means calculating and settling the sums due; it does not itself terminate the Rental Agreement. The provisions necessary to complete that process remain effective under clause 14.

1.11 References to days mean calendar days unless expressly stated to be Working Days; the singular includes the plural. References to the Lender include joint Lenders unless the context requires otherwise. No clause limits non-excludable statutory tenancy rights.

1.12 Any tenancy deposit required by PET shall be specified, collected, protected, administered and repaid in accordance with the separate Rental Agreement and applicable Scottish tenancy-deposit rules. No tenancy deposit is advanced, held or accounted for as part of the RTO Loan under this Agreement.

1.13 “Working Day” means a day other than a Saturday, Sunday or bank holiday in Scotland.

1.14 Obligations made or assumed by any individual shall be binding and enforceable against their executors and personal representatives;

1.15 Where the expression “Lender” shall include more than one person all obligations on the part of the Lender herein contained shall be binding jointly and severally on them and the survivor or survivors of them.

2. OCCUPANCY AND RELATIONSHIP TO RENTAL AGREEMENT

2.1 The Rental Agreement and this Agreement are separate contracts. The right to occupy the Property arises solely under the Rental Agreement. This Agreement does not grant possession, create a lease or confer ownership of the Property.

2.2 Except for the rent reduction provided by this Agreement, the repayment deductions permitted by clause 6.4 and the termination provisions in clause 8, neither agreement confers rights under, or varies the obligations of, the other.

2.3 A Termination Event does not itself terminate the Rental Agreement or give PET an additional right to recover possession. Any resulting rent adjustment must comply with applicable law. Nothing in this Agreement limits either party’s statutory rights or obligations.

3. LOAN AMOUNT AND COMMENCEMENT

3.1 The Lender shall advance the agreed RTO Loan principal L of £[amount] to PET on the separately agreed RTO Loan Commencement Date, with receipt in cleared funds acknowledged in writing. The one-bedroom RTO Loan range of £50,000–£60,000 is contemplated by the current Silvertrees HSP; the signed Loan amount shall be recorded in Schedule 1.

3.2 PET shall obtain a certified written open-market valuation V_0 of the completed Property and provide the Lender with a copy before the RTO Loan Agreement commences. The parties shall enter V_0 , the original Loan principal L, the Scotland HPI baseline, proportional percentage P and resulting rent discount in Schedule 1. The Rental Agreement has its own commencement date and may already be in force when this separate RTO Loan Agreement commences. The RTO Loan Agreement takes effect only on its separately agreed commencement date, upon PET receiving the Loan in cleared funds.

3.3 The RTO rent reduction applies only from the RTO Loan Commencement Date, not retrospectively to any earlier period of the Rental Agreement. The applicable rent and the effective date of any lawful rent adjustment must be documented under the Rental Agreement. Neither the Rental Agreement nor the right to occupy the Property depends on this Loan Agreement coming into force.

3.4 Neither party may increase or reduce the original RTO Loan principal during the term of this Agreement except by a separate written agreement expressly addressing any resulting change to the rent reduction or redemption calculation. Tenant liabilities do not reduce the original Loan principal or the Proportional Percentage used for calculation purposes, but may reduce the final amount repayable in accordance with clause 6.4.

3.5 No fixed annual contractual interest accrues on the Loan. Upon a Termination Event, the gross redemption value shall be the Index-linked Property Value V_t multiplied by the fixed Proportional Percentage P , as set out in Schedule 3. This may be more or less than the original Loan. Only afterwards may Permitted Deductions be subtracted from that gross amount as a final settlement adjustment. Default interest for late payment is dealt with separately in clause 10.

4. LENDER'S OBLIGATIONS

4.1 The Lender shall not assign or create a charge over rights under this Agreement without PET's prior written consent, except where such restriction would be unlawful.

5. LANDLORD'S OBLIGATIONS

5.1 PET shall maintain clear records of the original RTO Loan principal, the certified Initial Property Market Value, Scotland HPI baseline, rent-reduction percentage, properly evidenced Permitted Deductions and all redemption calculations. PET shall provide the Lender with the supporting records relevant to any calculation or deduction under this Agreement.

5.2 Subject to the Rules of the Titleholders' Association, offer the Lender the right to attend and vote at Titleholders' Association meetings in respect of the Property.

5.3 To insure the Property and the landlord's fixtures and fittings for the full reinstatement value thereof under a comprehensive policy.

6. TENANT LIABILITIES AND REPAYMENT DEDUCTIONS

6.1 Any tenancy deposit, including its amount, protection, permitted uses, dispute procedure and repayment, shall be dealt with solely in the separate Rental Agreement. This RTO Loan Agreement does not provide for PET to retain any part of the RTO Loan as a tenancy deposit.

6.2 PET may seek to recover only reasonable and substantiated sums lawfully due under the Rental Agreement, including unpaid rent or charges, tenant-caused damage beyond fair wear and tear, missing items, or tenant-responsibility cleaning and remedial costs. PET may also recover the Lender's unpaid share of reasonable professional valuation fees payable under this Agreement. Amounts recovered through a tenancy deposit or otherwise must not be recovered a second time.

6.3 PET shall provide an itemised statement and supporting evidence of proposed deductions, including the relevant invoice for professional valuation fees. Tenant-liability deductions shall allow for the move-in inventory, fair wear and tear, age and expected life of items, non-betterment and PET's repairing duties. The Lender must be given the opportunity to dispute any proposed amount.

6.4 The agreed or finally determined balance of Permitted Deductions (D), comprising unpaid tenant liabilities after any separate tenancy-deposit settlement and unpaid professional valuation fees payable by the Lender under this Agreement, may be deducted from the TOTAL gross RTO Loan redemption amount AFTER the original proportional share of the Property's value at the Loan Redemption Date has been calculated. The Proportional Percentage and gross redemption calculation are not reduced by such deductions. No sum may be recovered twice.

6.5 Disputed tenant liabilities and professional valuation fees shall be dealt with under clause 12 or by a competent tribunal or court, as applicable; tenancy disputes remain subject to the Rental Agreement. Until a proposed sum is agreed or finally determined, it shall not be treated as a Permitted Deduction. PET shall distinguish any tenancy-deposit settlement from calculation and payment of the RTO Loan redemption. The repayment period is governed by clause 9.1.

7. ALTERATIONS

7.1 Tenant-funded improvements shall not automatically change the Lender's fixed Proportional Percentage. Any treatment of material improvements in the redemption valuation or calculation must be agreed in writing when approval is given.

8. TERMINATION OF THIS AGREEMENT

8.1 The RTO Loan arrangement shall end on lawful termination of the Rental Agreement, unless an earlier Termination Event occurs under clauses 8.2–8.7 or termination is agreed under clause 8.9. Subject to those protections and mandatory law, the Lender has no unilateral contractual right to withdraw the Loan, require its early repayment or terminate the RTO Loan arrangement while the Rental Agreement continues.

8.2 The death of the Lender, subject to any survivorship, succession, estate-administration and other rights that apply under the Rental Agreement and Scots law.

8.3 The Lender permanently ceasing occupation of the Property where the Rental Agreement lawfully terminates as a result. Ceasing occupation alone, while the Rental Agreement continues, does not give the Lender a right to early redemption.

8.4 The Landlord giving notice of its intention to sell the Property, other than a qualifying transfer to the Findhorn Foundation or an assignment permitted by clause 11 (as contemplated in the original RTO). Such notice concerns possible Loan redemption only: it does not itself end the Rental Agreement or entitle PET to vacant possession.

8.5 The Landlord ceases or threatens to cease to carry on the whole or a substantial part of its business, a petition is presented for an administration order to be made in relation to the Landlord, or a receiver or administrative receiver or other similar official is appointed in relation to the whole or any part of the undertaking or assets of the Landlord.

8.6 The holder of any security takes possession (or attempts to take possession) of the whole or any part of the undertaking or assets of the Landlord, or any creditor or other person enforces (or attempts to enforce) or levies (or attempts to levy) any diligence, distress, execution, attachment, sequestration or other process against the whole or any part of the undertaking or assets of the Landlord.

8.7 The Landlord initiating or consenting to judicial proceedings concerning liquidation, insolvency, composition, reorganisation or similar arrangements with creditors generally or any class of creditors, or conveying or assigning assets for the benefit of creditors.

8.8 Clauses 8.2 and 8.4–8.7 preserve the Lender's protection on death and the specified sale, business-cessation, enforcement and insolvency events; PET's consent is not an additional condition for those Termination Events. A Termination Event triggers the winding-up and repayment process under clause 9 but does not itself end the Rental Agreement or enlarge any right to recover possession. Repayment obligations survive until discharged, subject to mandatory law.

8.9 PET and the Lender may terminate the RTO Loan arrangement at any time by mutual written agreement specifying the Loan Redemption Date. Such termination shall trigger the winding-up and repayment process under clause 9 and shall not, of itself, terminate the Rental Agreement.

8.10 Where this Agreement terminates but the associated Rental Agreement continues, the rent reduction provided for under the Rental Agreement by virtue of this Agreement shall cease upon full payment of the net redemption amount due under clause 9. Thereafter, the rent payable under the Rental Agreement shall revert to the full Basic Monthly Rent, without any RTO reduction, plus the applicable HoCo charge, in accordance with the terms of the Rental Agreement.

9. PROCEDURE UPON WINDING UP

9.1 Following a Termination Event, PET shall pay the net redemption amount due in cleared funds within FORTY-FIVE (45) Working Days after PET and the Lender have agreed that amount in writing or, where it is disputed, after that amount has been established by a binding determination under clause 12. The repayment period runs from agreement or binding determination of the net amount, not from the Termination Event.

9.2 Within FIVE (5) Working Days of a Termination Event (or a later legally operative redemption date), PET shall provide a written RTO Loan Redemption Statement setting out the original Loan principal L , certified V_o , fixed proportional percentage P , starting and terminal Scotland HPI observations, the index-linked Property Value V_t , the positive or negative adjustment A , gross redemption $G = V_t \times P$, any separately itemised and properly established Permitted Deductions, and the resulting net amount due.

9.3 The Index-based redemption value shall be calculated under Schedule 2 using the latest relevant Scotland monthly Index observation officially published on or before the Loan Redemption Date. Later revisions do not automatically reopen an agreed calculation unless the parties agree in writing.

9.4 PET and the Lender shall record in writing their agreement on the gross RTO Loan redemption, any Permitted Deductions and the resulting NET amount payable. Payment shall be made within the period specified in clause 9.1.

9.5 PET shall promptly provide supporting calculations for any challenge. PET and the Lender shall distinguish any disagreement about Index valuation or Loan redemption from disputes concerning the separate tenancy deposit. No tenant liability may be recovered twice.

9.6 If the Lender does not accept PET's Index-linked Property Value, they may request an independent valuation of the Property as at the Loan Redemption Date by the District Valuer of HM Revenue & Customs for the district, or another professionally qualified valuer agreed by both parties. The independent valuation replaces V_t for the calculation of gross Loan redemption, while the original V_o and P remain unchanged. The parties shall each bear 50% of the reasonable costs of that professional valuation.

9.7 The independent valuer shall be instructed by PET, given the Property particulars, baseline value and the assumptions in Schedule 2, and asked to issue a written valuation with reasons as soon as reasonably practicable. The valuation shall be treated as determinative of V_t absent manifest error, fraud or any remedy available under Scots law. Disputes over deductions or other legal questions remain subject to clause 12.

9.8 Where an independent valuation is requested, PET shall issue an amended Loan Redemption Statement promptly. The resulting net redemption amount shall be paid within FORTY-FIVE (45) Working Days after written agreement or binding determination of that amount in accordance with clause 9.1. PET's initial five-Working-Day statement duty under clause 9.2 remains applicable.

9.9 The gross Loan redemption is calculated using the Property value at redemption and the fixed original proportional percentage P . An increase in Property value increases the redemption amount; a decrease reduces it. There is no guarantee that the original Loan principal will be returned in full. Permitted Deductions, if any, are applied only AFTER gross redemption has been calculated.

10. DEFAULT

10.1 If PET does not pay a redemption amount when due under clause 9, it shall pay simple default interest at 5% per annum on the overdue sum from the following day until actual payment, subject to any mandatory law or judicial determination. This is distinct from the positive or negative index-linked adjustment to the Loan value.

10.2 Any Permitted Deductions shall be dealt with exclusively in accordance with clause 6 and shall affect only the net amount repayable, not the original Proportional Percentage or gross redemption calculation.

11. ASSIGNATION BY LANDLORD

11.1 The Landlord shall not assign its rights in this Agreement and/or convey its interest in the Property to persons other than a Housing Landlord or Co-operative or Registered Social Landlord, other than to provide a security to a bank or lending institution, without the written approval of the Lender.

12. ARBITRATION AND REMEDIES

12.1 Disputes between the parties to this Agreement will first be settled through mediation, using the services of an independent mediator. In the event that mediation fails to settle the dispute between the parties with regard to this agreement, or the interpretation, construction or implementation thereof, at the demand of either party such dispute shall be promptly submitted to a panel of three arbitrators drawn from the Findhorn Ecovillage Community. One of such arbitrators shall be appointed by each of the Landlord and the Lender, and the third shall be appointed by the two arbitrators so appointed. The decision of a majority of the arbitrators shall be final and binding on the parties hereto.

12.2 A disputed Index-linked Property Value may be addressed by independent expert valuation under clause 9.6. A disagreement about legally chargeable deductions, tenancy rights or contractual interpretation is not determined by the property valuer.

12.3 Nothing in this Agreement restricts either party from referring a matter to the First-tier Tribunal for Scotland or the Scottish courts where they have jurisdiction, or from exercising mandatory statutory rights.

13. NOTICES

13.1 Any notice required to be given by either party to this Agreement, in relation to the Agreement, shall be in writing. Any notice to the Lender shall be sufficiently served if delivered by hand to the Property or if sent by recorded delivery post addressed to the Lender at the Property. Any notice to the Landlord shall be sufficiently served if delivered by hand to the Landlord's Registered Office or if sent by recorded delivery post addressed to the Landlord at its Registered Office. The date of service of any notice will be deemed to be the date of delivery if the notice is delivered by hand or two Working Days after the date of posting if the notice is served by post and in proving such service it shall be sufficient to prove that the notice was properly addressed and posted.

14. FORCE AND EFFECT

14.1 Following a Termination Event, this Agreement shall remain in force to the extent necessary to complete winding up, including calculation and payment of redemption, lawful deductions, disputes and records. Once all sums lawfully due have been discharged and outstanding disputes resolved, winding up is complete and this Agreement shall cease to have effect.

15. GOVERNING LAW

15.1 This Agreement shall be governed by and construed in accordance with Scots law, subject to any jurisdiction conferred by statute on the First-tier Tribunal for Scotland or any court.

SIGNATURES — EXAMPLE FIELDS

Signed for and on behalf of Park Ecovillage Trust (PET): _____
 Name and capacity: _____ Date: _____
 Signed by Lender / tenant 1: _____ Date: _____
 Signed by Lender / tenant 2 (if applicable): _____ Date: _____

The signature lines above illustrate where the agreed parties would sign a completed agreement.

SCHEDULE 1 — LOAN PARTICULARS AND RENT CALCULATION

This Schedule preserves the rent-discount methodology in Schedule 1 of the original Silvertrees RTO. The full original Loan L is used for the rent discount and determines the fixed proportional share P of the Property's value at redemption. The RTO discount is applied ONLY to the Basic Monthly Rent, excluding HoCo. The HoCo is added in full AFTER calculating the discounted Basic Rent and is governed by the Rental Agreement. PET provisionally estimates the completed Property at approximately £120,000, but a certified professional valuer will establish the actual initial value V_0 before the RTO Loan Agreement commences. The Rental Agreement may commence on an earlier, independently agreed date.

Variable	Current agreement value
Original full RTO Loan principal L	Enter original loan amount £
Provisional property-value estimate — example only	£120,000 (subject to certified pre-commencement valuation)
Initial agreed Property Market Value (V_0)	Enter certified initial value £
Fixed Proportional Percentage $P = L \div V_0 \times 100$	Enter proportional percentage %
Threshold reserved under original method	20 percentage points
Rent Reduction Percentage $R = P - 20\text{pts}$	Enter rent reduction percentage %
Basic Monthly Rent (BEFORE RTO reduction; excludes HoCo)	Enter Basic Monthly Rent £
Discounted Basic Monthly Rent = Basic Rent $\times (1 - R/100)$	Enter discounted Basic Rent £
HoCo (added in full AFTER the RTO Basic Rent reduction)	Enter monthly HoCo £
Total monthly charge for Basic Rent + HoCo	Enter total monthly charge £
Tenancy deposit and other separate charges	Only as specified in Rental Agreement; never part of the RTO discount calculation
Rental Agreement Commencement Date	Enter tenancy commencement date
RTO Loan Commencement Date	Enter loan commencement date
Published Scotland HPI baseline at RTO Loan Commencement	Enter index month, level and publication date

Worked illustration only (not contractual): for $L = £55,000$ and provisional $V_0 = £120,000$, $P = 45.8333\%$; the rent reduction is 25.8333% of Basic Rent after reserving 20 percentage points. The current Basic Monthly Rent of £349.24, EXCLUDING HoCo, reduces to £259.02. The current HoCo charge of £22.55 is then ADDED IN FULL, giving an illustrative monthly rent plus HoCo of £281.57. The full 45.8333% share is also used to calculate redemption, whether the Property value rises or falls. See Appendix A for the worked rent illustration.

The Basic Rent may increase while this Agreement remains in force, subject to the Rental Agreement and applicable law. Any increase shall be calculated on the Basic Rent before the RTO reduction. The same agreed RTO reduction percentage shall then be applied to the revised Basic Rent to determine the discounted Basic Rent payable. HoCo remains separately payable in full and is not subject to the RTO reduction. The agreed reduction percentage remains unchanged unless the parties formally amend the Loan and Schedule 1.

SCHEDULE 2 — SCOTLAND HOUSE PRICE INDEX AND INDEPENDENT VALUATION

A. Standard Index-linked valuation

S2.1 The official reference is the UK House Price Index (UK HPI), Scotland, all-property Index series, produced jointly by HM Land Registry, Registers of Scotland, the Office for National Statistics and the other

UK HPI partners. Relevant public sources:

<https://www.ros.gov.uk/data-and-statistics/property-market-statistics/uk-house-price-index> and
<https://www.gov.uk/government/collections/uk-house-price-index-reports>.

S2.2 PET will obtain the certified written valuation of the existing completed Property and agree the initial value V_0 before the RTO Loan Commencement Date. At Loan Commencement, record the latest all-property Scotland Index monthly observation officially published on or before that date, including the observation month, Index number and publication date (I_0). At loan redemption, use the latest all-property Scotland Index observation officially published on or before the Loan Redemption Date (I_t). The Rental Agreement may have commenced earlier; that earlier date is not used as the Index baseline.

S2.3 Calculate the Index coefficient as $C = I_t \div I_0$. Then $V_t = V_0 \times C$. The Index is measured as a numerical index, not by using the published average Scottish house price as though it were the Property's value. Where the original series is rebased, the same consistently rebased series must be used for I_0 and I_t .

S2.4 "Applicable at Loan Redemption" means the latest officially published Scotland HPI index observation available on or before the Loan Redemption Date, recognising publication delay. PET shall show the observations used in its redemption statement.

S2.5 If the published index is discontinued, the parties shall use a substantially equivalent official successor with matching geographical coverage, recording the choice and calculation in writing. Any unresolved disagreement is dealt with under clause 12.

B. Alternative professional valuation at Lender's request

S2.6 Only if the Lender disputes the value determined under Part A, the Lender may request the independent valuer defined in clause 9.6, whose reasonable costs are shared equally (50% each).

S2.7 For the professional valuation, the property is the completed existing residential unit, valued at the Loan Redemption Date on an open-market, vacant-possession basis, assuming the occupation and RTO Loan arrangements have ended for valuation purposes. The valuer shall disregard any effect of those arrangements and separately identify any disputed effect of tenant-funded improvements. No assumption that the property is still under construction shall be made.

S2.8 The independently determined market value as at the Loan Redemption Date substitutes for V_t in Schedule 3 but does not revise the certified original V_0 or fixed P. Increases and decreases in value both affect the gross redemption sum. Any tenant liabilities remain subject to clause 6.

SCHEDULE 3 — INVESTMENT LOAN VALUE AT REDEMPTION

The original full RTO Loan principal L determines both the rent reduction and the fixed proportional percentage $P = L \div V_0$. Gross Loan redemption equals the proportional percentage P multiplied by the property value V_t at the Loan Redemption Date. Equivalently, $G = L + P \times (V_t - V_0)$. The index-linked adjustment may be POSITIVE or NEGATIVE. Only AFTER the gross redemption calculation may properly established Permitted Deductions D be deducted. Any tenancy-deposit settlement is governed by the Rental Agreement and must not result in double recovery.

Symbol	Meaning / calculation
L	Original full RTO Loan principal advanced to PET
V_0	Certified initial Property Market Value
V_t	Property Value at Loan Redemption by Scotland HPI (or expert valuation)
P	Fixed original share = $L \div V_0$ (decimal)
ΔV	Change in Property value = $V_t - V_0$ (may be positive or negative)
A	Index-linked adjustment = $P \times \Delta V$ (may be positive or negative)
G	Gross Loan redemption = $V_t \times P = L + A$
D	Agreed or finally determined unpaid tenant liabilities and Lender's professional valuation fees, not recovered elsewhere
N	Net repayment: the Gross Redemption Amount less Permitted Deductions.

The amount of the gross Loan redemption may be greater than, equal to or less than the original Loan principal, depending on changes in the Property value. Permitted Deductions, if any, are applied only to the final repayment total.

Illustration: with an original Loan of £55,000 and V_0 of £120,000, $P = 45.8333\%$. At +10% property-value change, $V_t = £132,000$ and gross Loan redemption $G = £60,500$. At -10%, $V_t = £108,000$ and gross redemption $G = £49,500$. If the tenant owes £1,000 in agreed liabilities not otherwise settled, PET repays £59,500 in the +10% case or £48,500 in the -10% case.

Redemption statement / calculation record

Required line	PET statement value
Loan Redemption Date	Enter redemption date
PET statement issued (within 5 Working Days)	Enter statement date
I_0 (observation and official publication)	Enter baseline index and publication date
I_t (observation and official publication)	Enter terminal index and publication date
Initial property value V_0	Enter certified initial value £
Property value at Loan Redemption V_t	Enter redemption property value £
Original full RTO Loan L	Enter original loan amount £
Fixed original proportional share $P = L \div V_0$	Enter fixed proportional share %
Property-value change $\Delta V = V_t - V_0$	Enter property value change £
Index-linked adjustment $A = P \times \Delta V$	Enter index-linked adjustment £
Gross redemption $G = V_t \times P = L + A$	Enter gross redemption £
Itemised Permitted Deductions D (after any other settlements)	Enter deductions £ and evidence reference
Net Loan repayment N (gross redemption less deductions; no repayment below £0)	Enter net repayment £
Net amount agreed or binding determination made on	Enter agreement or determination date
PET payment deadline (45 Working Days under clause 9.1)	Enter payment deadline
Payment date and reference	Enter payment date and reference

APPENDIX A — ILLUSTRATIVE RENT CALCULATION

EXAMPLE ONLY — These figures illustrate an RTO Loan of £55,000 with a provisional initial Property Value of £120,000, current Basic Monthly Rent of £349.24 (excluding HoCo) and HoCo of £22.55 per month. The Basic Rent alone is reduced by the RTO discount; HoCo is added in full afterwards. The certified initial valuation and actual contractual rent and charges must be recorded before signature.

Rent calculation: RTO Loan £55,000; property value £120,000

Input / calculation	Illustrative result
Provisional initial Property Market Value V_0	£120,000.00
Original full RTO Loan principal L	£55,000.00
Fixed proportional share $P = L/V_0$	45.8333%
Original rent-formula threshold	20 percentage points
Rent reduction ($P - 20$ points)	25.8333%
Current Basic Monthly Rent before RTO discount (excludes HoCo)	£349.24
Basic Monthly Rent AFTER RTO discount (excludes HoCo)	£259.02
Current HoCo charge (added AFTER Basic Rent discount)	£22.55
Illustrative total monthly Basic Rent + HoCo	£281.57

The current Basic Monthly Rent is £349.24, with HoCo separately charged at £22.55. Applying the 25.8333% RTO reduction solely to Basic Rent produces £259.02. Adding HoCo afterwards produces an illustrative total of £281.57 per month, excluding any other separately payable charges. The full £55,000 Loan is used in the rent-reduction calculation. The Rental Agreement determines the actual agreed Basic Rent, HoCo and any future lawful variation.