

With effect from April 2018

# Our Buy-to-Let criteria guide.

Local banking  
for Britain



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## Adverse credit

### CCJs / defaults

Customers with CCJs and defaults can be considered, subject to credit score and possible underwriter referral. Any CCJs / defaults registered within the last 6 years (regardless of whether they are still outstanding or repaid) must be disclosed. Customers will be automatically declined when the following is applicable:

- Outstanding CCJ greater than £100 in the last 6 years.
- Satisfied or unsatisfied default greater than £100 in the last 12 months.
- Satisfied or unsatisfied default greater than £500 in the last 3 years.
- Two or more satisfied or unsatisfied defaults in the last 3 years.

### Arrears

Customers with arrears can be considered subject to credit score and possible underwriter referral. Mortgage arrears of 1 month or more within the last 6 years must be disclosed. Arrears for any other debt of 2 months or more within the last 6 years must be disclosed.

Customers will be automatically declined when the following is applicable:

- One month or more late with mortgage payment greater than £100 in the last 6 months.
- Two months or more late with payments on other individual debts identified via the credit search in the last 6 months.

### Bankruptcy / IVA / repossession / debt management arrangement

If any applicant has been in a state of bankruptcy, still have an outstanding bankruptcy restriction order against them, or been subject to an IVA or debt relief order within the last 6 years, applications will be declined.

## Affordability

In order to meet the self financing calculation for Buy-to-Let mortgages, the rental income is required to cover **the higher of** 145% of the mortgage interest at initial product pay rate **OR** 145% of the mortgage interest at a notional rate of 5.5%.

The self financing calculation must also cover the product fee if this is to be added to the loan.

Should the rental income be insufficient to meet the self funding calculation then the loan amount must be reduced to fit.

Personal income may not be utilised to meet any shortfall in rental income.

For Buy-to-Let applications the valuer will provide an expected market rental value figure.

## Availability

- Available to both purchase and remortgage customers.
- Maximum of 4 applicants.
- Maximum loan size £500,000.
- Maximum 75% LTV.
- Available to UK residents only (BFPO personnel permitted).
- Not available to first time buyers (any applicant).
- Minimum age at application – 25 (both applicants).
- Maximum age at the end of the term is 75.
- Maximum term is 40 years.
- Minimum property valuation – £50,000.
- The applicants must have a minimum income per application of £25k per annum. For joint applications this can be a combined income (e.g. Applicant 1: £15k, Applicant 2: £10k).
- Self employed – Applicant must have owned the business for a minimum of one year.
- We will lend to landlords with a maximum of 3 mortgaged Buy To Let properties, either with TSB or other lenders

## Deposits

All applicants must make a minimum personal deposit for the property relevant to their individual credit score, product or scheme. No element of this deposit should be represented by a personal loan.

**Family gift** – gifts from family are acceptable. The family member gifting the deposit must send a signed letter to us, a template of which is downloadable from the literature section of our website, containing the following information:

- Letter must be addressed to the Bank.
- Amount of gift.
- Details of the family member(s) gifting the deposit including full name, address and their relationship with the customer.
- Full name of the applicants, their current address and details of the property being purchased.
- Confirmation the gift is non-repayable (no claw back).
- Confirmation that they will have no interest in the property.
- Date (must be dated within the last 3 months).
- Gifts are only acceptable from the following family members:
  - Parents (including step-parents and parents of a spouse).
  - Siblings (including step-siblings and siblings of a spouse).
  - Son or daughter (including step-children and step-children of spouse).
  - Grandparents.
  - Aunts / Uncles (must be a family relation).
  - Cousins.
  - Nieces / Nephews.

**Vendor deposits and cashbacks (non new build properties)** – vendor gifted deposits are an unacceptable source of deposit for any non new build property. This does not impact buyers who are receiving gifted deposits to purchase new build properties or concessionary purchases. Concessionary purchases are not acceptable for BTL applications.

For property purchases we may on occasion request proof of deposit.

## Employment

Buy-to-Let applicants must be in receipt of a minimum income of £25k. For joint applicants this is the joint minimum income.

Income can only be taken from the following:

- Employed: Basic PAYE income only.
- Pension income.
- Self Employed: Latest year's income.

Additional income such as overtime / bonus / commission and additional benefit incomes are not acceptable for minimum income purposes.

Rental income, from mortgaged or mortgage free properties, cannot form part of the £25k minimum income requirement.

There is no minimum term of employment although self employed applicants must have owned the business for a minimum of 1 year.

Applicants must be registered for UK tax and their source of income must be from within the UK.

We reserve the right to ask for verification of income in certain circumstances.

For any queries regarding income, please contact your local Business Development Manager prior to submitting an application.

## Exposure limits

An individual or group of customers cannot have:

- More than 1 main residence and 3 non main residence properties with TSB. The non main residence properties include; Buy-to-Let, Second Homes, Existing Consent to Lease.
- More than £2 million of non residential mortgages with TSB.

Where a customer is a joint party to any mortgage loan(s) these, together with the exposure associated with them, will count towards these limits.

If the total TSB debt, including the application you are processing, is £500,000 or more, and the customer holds any other mortgage commitments (either with TSB or other lenders) that are to remain outstanding, the Property Portfolio form should be completed.

## New build properties

The maximum we will currently consider lending on initial occupancy / new build and flats for Buy-to-Let mortgages is 65%.

This is defined as any property that was first occupied less than 6 months ago.

An initial occupancy / new build property is classed as any property being occupied and / or sold for the first time on the open market in its current state and includes converted and refurbished properties. These will fall into one of the following categories:

- Newly built property.
- Refurbished property i.e. refurbishment of an existing residential property. Typically a refurbished property will be considered as initial occupancy where the vendor is a builder / developer and the property has been vacated to allow for the refurbishment to be undertaken.
- Newly converted property i.e. conversion of an existing non residential property, e.g. an existing mill converted into flats.
- A property, either new or converted (as above), that has been tenanted and is now offered for sale by the builder / developer

Property must be subject to one of the following building control and monitoring requirements:

- Building Standards Indemnity Scheme from a warranty provider accepted by TSB.
- Professional consultant where small, solely residential development of no more than 15 units – consultant must meet qualifying criteria.
- An acceptable guarantee from a development corporation or local authority where they are the vendor.

A final inspection is required to confirm completion of the new property unless covered by an acceptable new build warranty provider. Retrospective new build warranties are not acceptable.

### New build cash incentives

- Cash Incentives up to 5% of the property value are acceptable.
- Cash incentives or any other incentives > 5% are not acceptable.

## Occupancy

### Intending to reoccupy during the term

Customers looking to let temporary during the mortgage term and then themselves or a family member reoccupy will not be approved for lending.

### Occupancy restriction

Buy-to-Let properties that are subject to an occupancy restriction will be declined.

### Family occupancy

Letting to family members is not permitted on a new Buy-to-Let mortgage. These must be processed as a Second Home Loan.

## Portability

An existing portable Buy-to-Let product may be ported onto a new Buy-to-Let property.

Buy-to-Let products cannot be ported onto a residential property and residential products cannot be ported onto Buy-to-Let properties.

## Property

The minimum valuation amount for all lending is £50,000. All flats must have a minimum habitable internal area of 30 sqm (excluding balconies or terraces).

### Condition

Not available for properties which require renovation prior to letting. This does not include minor redecoration, but the property needs to be in sufficiently good condition that the valuer believes it is immediately habitable and can provide an immediate rental figure per month. For example, where a property requires complete replacement of the bathroom and / or kitchen, this would render it ineligible for a BTL application.

### Energy rating

All properties must meet a minimum energy efficiency standard by law. We will not accept Energy Performance Certificates (EPC) of F or G unless there is a documented exemption, or changes to improve the rating are agreed in writing by the applicant. A template letter is available to download [here](#). This confirmation letter must be completed and returned to us for the application to go ahead. The Private Rented Sector (PRS) Exemption Register can be found here <https://prsregister.beis.gov.uk/>

### Leasehold property

For leasehold property there must be a minimum of 70 years at completion. Shorter lease terms are only accepted on certain central London estates and subject to specific criteria.

Commonhold property is not accepted.

### High rise flats

A high rise block of flats is classed as a block containing more than four storeys, including the ground floor.

We will not consider an application for a mortgage where there are more than 8 storeys within the block (ground floor + 7 floors).

### Flats above business premises

These can be considered subject to valuer's comments.

Properties which are above, adjacent or near to commercial premises may be acceptable subject to the following:

- Flats over commercial premises must be in separate ownership to the commercial premises.
- The proximity of the commercial use must not affect the quiet enjoyment of the property. Consideration should be given to the location of the property.

The property must be located in a desirable area with good demand, readily saleable and readily marketable. For example, properties which are adjacent to, or in very close proximity to a public house, night club, petrol station, laundrette, pet shop or hot food takeaway where the method of cooking is likely to cause smell or fumes would not be deemed as suitable security. This is not an exhaustive list.

Properties located above convenience stores / small supermarkets are acceptable.

Any residential security must have a suitable access, which must not be through a business premises. Where the intended security is a flat situated adjoining or over the premises, the business property cannot be owned by the same person as this would have legal implications in the event of repossession.

### Studio flats

Studio Flats are unacceptable (excluding central London > 30 sqm).

- Central London is defined by the following postcodes;
  - NW
  - W
  - WC
  - EC
  - SE
  - SW
  - E
  - N

### Ex local authority properties

We will not consider a mortgage application for ex-local authority flats where there are more than four storeys in the block. This also applies to maisonettes and Scottish tenements. Balcony / open deck access arrangements within the block are not acceptable.

- The property must be readily saleable and not a lone owner occupied flat within a Local Authority tenanted block.
- The property must be of standard construction.

### Unacceptable properties

- Bedsits not considered.
- Must not be split into separate units of accommodation (e.g. house converted into two flats).
- Freehold flats.
- Farms / small holdings or other properties where there is land subject to current agricultural use.
- Flats over shops where the owner of the shop and flat would be the same person.
- Any property over which buildings insurance cannot be arranged.
- Grade 1 listed Properties.
- Thatched properties.
- Properties with restricted occupancy/covenants, including
  - Age Restriction e.g. over 55's.
  - Time spent at property e.g. 11 / 12 Months.
  - Restricted to agriculture use.
- Non traditional houses where adjoining property hasn't been repaired.
- Single Skin construction > 1 Storey.
- Large Panel System Flats.
- Blocks of flats > 8 storeys.
- Studio Flats (excluding Central London).
- Properties with more than 10 acres of land.

### Number of bedrooms

The maximum number of bedrooms allowed for a Buy-to-Let property is five. A property must have at least a kitchen and one living room to be suitable for mortgage (excluding studio flats, see above).

This is subject to the valuer's assessment of habitable rooms that could be used as bedrooms and will include any reception rooms considered usable for that purpose.

## Remortgages

- The property must have been registered in the applicant's name (or at least one of the applicants' names) for a minimum of 6 months unless the property has been inherited and the applicant is a beneficiary.
- Applications where the applicant is not a beneficiary of the inherited property, and the beneficiary has owned the property for less than 6 months, are not acceptable.
- The maximum LTV we will consider lending on Buy-to-Let remortgages is 75%.

### Capital raising

Where the applicant is looking to raise additional capital, we are unable to lend for the following purposes:

- Timeshares.
- Injection into a business.

Where the property is mortgage free (unencumbered), these applications are also treated as remortgages.

### Debt Consolidation

Where an applicant wants to consolidate their secured and unsecured debts, the following policy will apply:

- The debt consolidation must be on a repayment basis only.
- Any debt consolidation should be set up on a single sub account and must be separate to other borrowing.
- Debt consolidation can be taken into retirement.

TSB will not lend to customers who fall into one of the following categories:

- Are in financial difficulty (i.e. cannot afford their current borrowing).
- Have less than 12 months repayments left on their current debt or intend to repay the debt in the next 12 months at the time of their mortgage application.
- Consolidation of student loans, child maintenance payments, long service advance of pay (property deposits) or pay day loans.

## Residency

Buy-to-Let mortgage applicants must have permanent rights to reside in the UK and must have resided in the UK for the past 12 months.

Applicants on visas are not acceptable for Buy-to-Let purposes.

### Enhanced Due Diligence

Where a customer's nationality is of a sanctioned country we will complete Enhanced Due Diligence checks as part of the application process. This will include verification of evidence to confirm the source of deposit for the mortgage.

## Scheme compatibility

Buy-to-Let is not available in conjunction with any other schemes.

## Tenancy requirements

A maximum of 5 unrelated occupiers / tenants is allowed.

- An AST (assured shorthold tenancy) under the Housing Act 1988 will be required.
- If the total rental is in excess of £100,000 an AT (assured tenancy) is required.
- In Scotland a Private Residential Tenancy (PRT) is required.

A maximum 12 months tenancy term is acceptable for cases in England, Wales and Northern Ireland.

The following types of tenancies are not acceptable:

- Multiple tenancies where each tenant signs a separate agreement and / or has separate facilities.
- Rent Act protected tenants or an agent of these.
- A tenant or anyone else who lives at the property who has diplomatic immunity.

## Unacceptable lets

- Not available to companies or trusts.
- Not available for Houses of Multiple Occupancy (HMOs).
- Not available for holiday lets.
- Property may not be let to students; tenants claiming housing benefit or rent rebate; asylum seekers or persons with diplomatic immunity.
- Applications will not be accepted where the purchaser intends letting the property to a housing association or local authority.
- Applications will not be accepted where the purchaser intends letting the property to the seller on a 'sale and leaseback' arrangement.
- Not available for customers looking to let temporary during the mortgage term and then themselves or a family member reoccupy.

Not available for properties which require renovation prior to letting. This does not include minor redecoration, but the property needs to be in sufficiently good condition that the valuer believes it is immediately habitable and can provide an immediate rental figure per month. For example, where a property requires complete replacement of the bathroom and / or kitchen, this would render it ineligible for a Buy-to-Let application.

To find out more...

**Contact** your Business Development Manager  
**Call** 0345 307 3355  
**Click** [intermediary.tsb.co.uk](https://intermediary.tsb.co.uk)

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