

With effect from September 2020

# Our Buy-to-Let criteria guide.



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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, with the latest in the last 3 years.
- Satisfied CCJ greater than £500 in the last 6 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, held in the customers personal name, limited company, or any other legal entity, 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 / Great Grandparents. (including Step Grandparents).
  - Aunts / Uncles (must be a family relation).
  - Cousins.
  - Nieces / Nephews.
  - Brother/Sister in Law accepted when giftor is the brother/sister of the applicant or their spouse.

**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.
- Landlords with more than 3 mortgaged Buy To Let properties, held in the customer personal name, limited company, or any other legal entity, either with TSB or other lenders are unacceptable.

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.

## Large Loans

Our dedicated Large loans underwriting team are here to support you and your customers.

We assess a number of variables to determine what we refer for manual assessment. These include the loan to value of the application and loan amount.

This page provides you with all you need to know when submitting an application for a large loan, but if you want to find out more, talk to your Business Developments Manager, or call and speak to one of our office based Business Development Manager on **0345 307 3355** option 3.

### Key Criteria

#### Large loan referrals

Applications meeting the following criteria will be referred to our Underwriting team for a full manual review.

- Loan amount  $\geq$  £400,000.
- Loan amount  $\geq$  £350,000 with a LTV of  $\geq$  60%.
- All remortgage with additional borrowing applications (including unencumbered and transfer of equity applications) where amount of equity being released is  $\geq$  £300,000 and exceeds 50% of the equity available.

Applications outside these criteria will follow our standard process.

#### Submitting your application

Application Process	Evidence required to support application
Step 1 – Submit application	
Step 2 – Underwriter Review	Application will be referred direct to Underwriting team
Step 3 – Underwriter Decision	<p>Your underwriter may ask you to provide any of the following:</p> <ul style="list-style-type: none"> <li>• Bank statements</li> <li>• Evidence of earned income</li> <li>• Evidence of declared assets</li> <li>• Proof of deposit</li> <li>• If capital raising, evidence required e.g. Estimates for</li> <li>• home improvements</li> <li>• Portfolio summary form</li> </ul>

## New Build Properties

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

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.

Retrospective new build warranties are not acceptable.

Leasehold new build properties must have a minimum unexpired lease term of 123 years at mortgage commencement.

### New build mortgage offer

- New build mortgage offers are valid for 180 days and are eligible for an extension of up to 28 days if the property doesn't complete in time.
- Applications are eligible for a further 180-day extension subject to successful re-valuation, credit search and affordability checks.
  - To request an extension, please contact **0345 307 3355 – Option 2**. The latest we can process the mortgage offer extension is 14 days after the initial mortgage offer expiry if this is your customer's first extension, or
  - 14 days after the expiry of the 28-day extension.

### 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 an immediate family member (their spouse, civil partner, parent, brother, sister, child, grandchild or grandparent) is not permitted on a new Business Buy to Let/Consumer 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.

## Product transfers

We offer a product transfer service through Rate Switch.

Please refer to our website or product guide for more information.

## Property

Flats with balcony/open deck access arrangements within the block are not acceptable. 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 privately rented properties in England & Wales must meet the minimum energy efficiency regulations by law. We will not accept properties with Energy Performance Certificates (EPCs) of F & G unless a valid exemption has been registered. If improvements need to be made to improve the EPC rating of the property, we will not provide a mortgage offer until the improvements have been completed and an updated EPC is available confirming the higher rating. The Private Rented Sector (PRS) Exemption Register can be found here – [Exemption register](#) The EPC register can be found here -

<https://www.epcregister.com>

### Leasehold property

Leasehold properties must have a minimum unexpired term of 70 years at mortgage commencement, and 30 years remaining at mortgage redemption.

New build leasehold properties must have a minimum unexpired lease term of 123 years at mortgage commencement.

### Ground Rents

Our Ground Rent criteria, subject to valuation and insurance being available on standard terms, is as follows:

Ground rents on properties built pre-2005 are acceptable subject to being reasonable throughout the lease term:

- Increases linked to RPI or similar index are acceptable.
- Ground rents which double periodically every 20 years or more are acceptable.
- Ground rents which double periodically less than every 20 years are unacceptable.

Ground rents on properties built since January 2005 are subject to the above criteria, plus a maximum cap:

- 0.1% of Market Value per annum for new build houses
- The higher of 0.1% of market value or £250 per annum for new build flats/maisonettes and all second hand/resale properties.

Commonhold property is not accepted.

### Estate Management Charges

Our Estate Management Charge criteria, subject to valuation and insurance being available on standard terms is as follows:

- Estate Management Charges on properties built pre-2005 are acceptable.
- Estate Management Charges on properties built since January 2005 are capped to a maximum of the higher of 0.2% of the Market Value or £500.

### High rise flats

There is no maximum number of floors permitting there is a lift to the floor of the subject property.

For blocks without a lift, the subject property cannot be located higher than the 4th floor (ground plus three).

Flats with balcony/ open deck access arrangements within the block are not acceptable.

### 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 acceptable across the UK, subject to valuer's comments and a minimum habitable internal floor area of 30sqm (excluding balconies or terraces).

## Ex local authority properties

- The maximum number of floors acceptable to TSB in an ex-local authority block is 6 storeys (ground plus 5). Blocks higher than this are unacceptable. This also applies to maisonettes and Scottish Tenements.
- Ex-local authority flats are not considered unless the majority of the building is owner-occupied.
- The property must be of standard construction.

## Unacceptable properties

- Bed-sits
- Property split into separate units of accommodation (e.g. house converted into two flats without separate leases)
- Freehold flats
- Flats over shops where the owner of the shop and flat would be the same
- Farms/ small holdings or other properties where there is land subject to current agricultural use
- Any property over which buildings insurance cannot be arranged on standard terms
- Grade 1 & Grade 2\* listed properties.
- Thatched properties.
- Non traditional PRC houses where the adjoining property has not been repaired.
- Single skin construction >1 storey.
- Large panel system properties.
- Properties with more than 10 acres of land.
- Properties with restricted occupancy / covenants, including:
  - Age restriction e.g over 55s
  - Time spent at property e.g. 11/ 12 months
  - Agricultural use

## Number of bedrooms

There is no maximum number of bedrooms allowed for a Business/Consumer Buy to Let property. 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.

## Rate Switch

We offer a product transfer service through Rate Switch.

Please refer to our website or product guide for more information.

## 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 additional borrowing is being used to repay unsecured debts, the amount being raised for debt consolidation must not be greater than 20% of the property value. In some instances TSB may request evidence of what the additional borrowing is being used for (e.g. written estimates for costs of home improvements).

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 outstanding to pay on their current debts or intends to pay the debt in the next 12 months, at the time of the mortgage application. This is not applicable for Credit Cards, overdrafts or other revolving debts.
- 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.

Brokers are required to advise the customer that any funds paid into the mortgage account from sanctioned countries are not accepted.

## Scheme compatibility

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

## Tenancy requirements

A maximum of 4 unrelated occupiers/ tenants in England & Wales, 3 in Scotland per AST.

- An AST (assured shorthold tenancy) under the Housing Act 1988 is required in England & Wales.
- In Scotland, a PRT (Private Residential Tenancy) is required.

A maximum 12 months tenancy term is acceptable for cases in England and Wales. 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 for:

- Companies or trusts.
- Houses of Multiple Occupancy (HMOs).
- Holiday lets.
- Property may not be let to
  - Asylum seekers or persons with diplomatic immunity.
  - Designated student accommodation./
  - Properties where tenants have exclusive use of services.
  - Tenancies where the rent is guaranteed by the builder.
- Applications will not be accepted where the purchaser intends letting the property to a housing association or local authority.
- Or where the purchaser intends letting the property to the seller on a 'sale and leaseback' arrangement.
- Or 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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We are members of the Financial Services Compensation Scheme and the Financial Ombudsman Service.