FF ADDENDUM

# BUY TO LET

Checks to ensure that there is no possibility that the individual

you are dealing with is trying to “work the system”.

|  |  |
| --- | --- |
| **Advice process:** | TICK WHEN DONE |
| Confirm whether the client falls into the regulated or the unregulated environment, then explain why. (Should include a full discussion of what client is trying to do, and also determine “how much the client knows”). |  |
| Assuming a CBTL, Confirm client status in relation to the BTL, does he / she understand that in the event that the tenant defaults, that the mortgage payment still needs to be found |  |
| Check if they have every rented out a property before, even if a long time ago, this could affect CBTL status |  |
| Do they have their own property, mortgaged or not? |  |
| Any previous issues with mortgages.  |  |
| Does the client have, or has investigations been made, as to the rental market in the specific area – average rents, yields etc rental income needs to exceed the mortgage payment – could be up to 145%.  |  |
| Is the expected rental realistic. |  |
| Credit reference report to be obtained on the client or provided by the client.  |  |
| Is the property of the best type, 1,2,3,4 bed etc |  |
| Is the client going to use a rental agency or manage it themselves? In the event they are to manage themselves, this could be a warning that it could be rented to family and not to usual type tenants, as this will keep prying eyes away.  |  |
| Obtain an estimate from a reputable letting agent as to the expected rental |  |
| Establish the client’s asset position, do they have emergency funds available to complete repairs on the property etc |  |
| Plans for repayment of the mortgage if done on interest only. (usually sale of property?) |  |
| Formal client declaration on file that he is not going to rent property out to family.  |  |

Although you are not permitted to actually ADVISE a client if a BTL or LTB is a good proposition, you are able to ensure that you have discussed all aspects of the proposed solution.

# Let to buy:

Very similar to the above, but obviously, as the client is potentially going to

“*rent out main residence”* to facilitate the move, it needs to be verified

what are they are actually going to do……?

|  |  |
| --- | --- |
| **Advice process:** | TICK WHEN DONE |
| Has client **considered all options**, why does he not want to “sell first”? have they tried? |  |
| If client is desperate to buy a property that he has found, does he understand the risks? |  |
| Check if they have every rented out a property before, even if a long time ago, this could affect CBTL status |  |
| Any previous issues with mortgages.  |  |
| Does the client have, or has investigations been made, as to the rental market in the specific area – average rents, yields etc |  |
| Is the expected rental realistic. |  |
| Credit reference report to be obtained on the client or provided by the client. |  |
| If client is a company director, check companies house, and ensure that everything look correct. Check accounts / companies house returns etc  |  |
| Is the property of the best type, 1,2,3,4 bed etc |  |
| Is the client going to use a rental agency or manage it themselves? In the event they are to manage themselves, this could be a warning that it could be rented to family and not to usual type tenants, as this will keep prying eyes away.  |  |
| Obtain an estimate from a reputable letting agent as to the expected rental |  |
| Establish the client’s asset position, do they have emergency funds available to complete repairs on the property etc |  |
| Plans for repayment of the mortgage if converting to interest only etc.  |  |
| Formal client declaration on file that he is going to rent it out under a normal tenancy and not to family |  |