

ACCEPTABLE TENANCIES FOR BUY TO LET MORTGAGES

This document explains the types of tenancy and letting arrangements you can use if your mortgage with us is a **Buy to Let mortgage**.

It forms part of your mortgage agreement with us and sits alongside your **Buy to Let Mortgage Terms and Conditions**. If a word has a special, technical meaning in those terms and conditions, it has the same meaning here.

1. Who can live in the property

1.1 The property must **not** be lived in by:

- you
- anyone who has given a guarantee for your obligations under your mortgage agreement
- anyone related to you (and for these purposes a person is “related” to you if they are your spouse, civil partner, parent, grandparent, sibling, child, grandchild, aunt, uncle, cousin, niece, nephew or any person (whether or not of the opposite sex) whose relationship to you has any of the characteristics of any of those persons)

1.2 The property must be let in line with the rules in this document.

2. Who you can let the property to

You must only let the property to the type of tenant described in this document (we refer to this in this document as an “acceptable tenant”) using a written tenancy agreement or, in Wales, an occupation contract.

3. Letting to individual tenants

3.1 **If the property is in England**

(a) Any tenancy must:

- be an **assured periodic tenancy** under the Housing Act 1988, as amended
- not be an excluded tenancy or licence, a regulated tenancy, an agricultural tenancy or agricultural occupancy or any other arrangement where the landlord would not be able to seek possession using the usual statutory possession grounds for assured tenancies

(b) If a tenancy was granted before later law changes affecting residential tenancies, you must make sure:

- it was validly created, and

- it can still be ended under the current legal possession process without undue delay
- (c) Any deposit must be protected in an authorised tenancy deposit scheme in accordance with Chapter 4 of Part 6 of the Housing Act 2004.

3.2 If the property is in Scotland

- (a) The tenancy must be:
- a **Private Residential Tenancy** if it was created on or after 1 December 2017
 - a **Short Assured Tenancy** if it was created before 1 December 2017

Private Residential Tenancy

If the tenancy was created on or after 1 December 2017:

- it must be a Private Residential Tenancy under the Private Housing (Tenancies) (Scotland) Act 2016
- you must give our legal adviser evidence that the Private Housing (Tenancies) (Scotland) Act 2016 has been complied with

Short Assured Tenancy

If the tenancy was created before 1 December 2017:

- it must be a Short Assured Tenancy under the Housing (Scotland) Act 1988
- it must be for at least 6 months
- you must give our legal adviser evidence that the Housing (Scotland) Act 1988 has been complied with
- the tenancy agreement must allow the landlord to end the letting on no more than 2 months' notice if there is no fixed term, or if the fixed term has ended
- you must not convert a Short Assured Tenancy into a Private Residential Tenancy

- (b) Any deposit must be protected in a tenancy deposit scheme approved by the Scottish Ministers under the Tenancy Deposit Schemes (Scotland) Regulations 2011.

3.3 If the property is in Wales

- (a) The letting must be an **Occupation Contract** that is a **Standard Contract** under the Renting Homes (Wales) Act 2016.
- (b) The occupation contract must:
- be a single contract
 - fully comply with the Renting Homes (Wales) Act 2016, including all required fundamental terms
 - be for either 6 months or 12 months
- (c) You must give our legal adviser evidence that the Renting Homes (Wales) Act 2016 has been complied with, including that you have provided the written statement within the timeframes set out in the Renting Homes (Wales) Act 2016.

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- (d) If a letting was made before later law changes affecting residential tenancies, you must make sure:
- it was validly created, and
 - it can still be ended under the current legal possession process without undue delay
- (e) If the occupation contract:
- is for a fixed term of 2 years or more, or
 - is a converted occupation contract, or
 - is a periodic occupation contract
- it must include a break clause that allows the landlord to end the letting on 6 months' notice, or 2 months' notice where the law allows, under sections 194 and 195 of the Renting Homes (Wales) Act 2016.
- (f) Any deposit must be protected in a tenancy deposit scheme approved by the Welsh Ministers in accordance with Schedule 5 to the Renting Homes (Wales) Act 2016.

4. Letting to companies or other organisations

4.1 You may let the property to one of the following corporate tenants:

- a limited company registered in England, Wales or Scotland
- a local authority
- a university, university college, or publicly funded further education or higher education institution
- a housing association registered under the Housing Associations Act 1985

4.2 Corporate letting for the tenant's employee

If you let to a corporate tenant for occupation by that tenant's employee, the following rules apply.

- (a) If the property is in England or Wales, the tenancy or occupation contract must not be a regulated tenancy under the Rent Act 1977.
- (b) The letting must:
- be under a single written agreement
 - be for a fixed term of no more than 60 months
 - not continue after the fixed term ends
- (c) Before the fixed term ends, you must either:
- grant a new fixed term of no more than 60 months, or
 - recover possession of the property
- (d) You must not accept rent unless there is a written tenancy for a fixed term.

- (e) The agreement must not allow the tenant unilaterally to extend the term.
- (f) The agreement must require the tenant to pay open market rent at least monthly.
- (g) If the term is more than 5 years, the rent must be reviewed regularly by reference to a suitable index or open market rent.
- (h) The agreement must include a term allowing:
 - you,
 - us, or
 - in England and Wales, a receiver appointed by us

to end the tenancy immediately and recover vacant possession if any of the events in condition 25 (When we can ask you to repay the Outstanding Balance immediately) of the Buy to Let Terms and Conditions happen.

- (i) The agreement must also:
 - not restrict the landlord's ability to sell the property
 - include a forfeiture or irritancy clause allowing early termination if rent is not paid, the tenant breaches the agreement, or the tenant becomes insolvent
 - not allow the tenant to set off their costs against rent or other sums due to the landlord
 - contain only standard landlord obligations and no unusual or onerous obligations on the landlord
 - clearly state any landlord services that are being provided

4.3 Rent to rent arrangements, including where the occupier is vulnerable

- (a) If you use a rent to rent arrangement, the same rules as in section 4.2 above apply.
- (b) In addition, where the tenant occupies the property or provides assistance or support to occupiers, the tenancy must not give the tenant **security of tenure** under the Landlord and Tenant Act 1954 or any equivalent law.

5. Rules that apply to all lettings

All lettings must also meet the following rules.

5.1 The tenancy agreement or occupation contract must:

- be in writing
- be the standard form of residential letting used in the country where the property is located
- not contain any term that could materially prejudice our rights or remedies as lender, our security over the property or our ability to obtain possession, vacant possession or sale of the property if we enforce our security
- not allow subletting, except where a corporate tenant sublets to the final individual occupiers

- require open market rent to be paid at least monthly
 - be given to us if we ask for a copy
- 5.2 You must meet all legal requirements relating to the tenancy under the Immigration Act 2014.
- 5.3 If you are letting to an individual occupier, the property must only be used as a private home for:
- the tenant, and
 - the tenant's immediate family
- 5.4 In the case of a corporate letting, occupation must only be by the corporate tenant's employees, students or tenants, as applicable, and their right to occupy must not last longer than the corporate tenant's term.
- 5.5 You must obtain references for any proposed tenant covering:
- ability to pay rent, and
 - character
- You must provide those references to us if we ask for them, unless you have a Holiday Lets Mortgage and the property is being let as an approved short-term or holiday let.
- 5.6 You must give our legal adviser evidence that all legal requirements relating to the tenancy or occupation contract have been met. This includes, where relevant:
- tenancy deposit rules
 - prescribed information and required documents
 - immigration status checks
- 5.7 If the property is leasehold, you must:
- get the landlord's consent to the letting if the lease requires it, and
 - comply with any other relevant lease conditions
- 5.8 Before and during the tenancy, you must comply with all landlord obligations that apply to you. This includes, where relevant:
- repair and repairing standards
 - providing an Energy Performance Certificate
 - gas safety checks
 - electrical safety checks
 - fire safety requirements, including mains smoke alarms
- 5.9 You must make sure your buildings insurer knows that the property is let under a tenancy or occupation contract.

6. Tenants you must not let to

The following are not acceptable tenants:

- tenants under an assured, protected or statutory tenancy that is not permitted under this document
- holiday lets, unless you have our Holiday and Short Term Lets mortgage product
- you
- anyone who has given a guarantee for your obligations under your mortgage agreement
- anyone related to you (and for these purposes a person is “related” to you if they are your spouse, civil partner, parent, grandparent, sibling, child, grandchild, aunt, uncle, cousin, niece, nephew or any person (whether or not of the opposite sex) whose relationship to you has any of the characteristics of any of those persons)
- the seller of the property
- where you are a company or LLP, any of your shareholders, directors or members

7. Extra rules for HMOs

These extra rules apply if your mortgage is over an **HMO** (House in Multiple Occupation).

An HMO is generally a house or flat where 3 or more unrelated people from 2 or more households live as their main or only home and share basic facilities such as a kitchen, toilet or bathroom.

7.1 If an HMO licence is required from the local authority:

- your legal adviser must make sure you have applied for it, and
- a certified copy must be given to us within 3 months of completion

7.2 You must not use the property as an HMO without any licence that is required.

7.3 Your legal adviser must make sure the property has any planning permission and building regulations approval needed for use as an HMO.

7.4 Throughout the mortgage term, you must:

- comply with all laws and regulations that apply to you as landlord or to the property as an HMO
- hold and keep up to date any local authority licence required for the HMO
- comply with any HMO licence conditions
- provide us with a copy of the licence if we ask for it

7.5 All the other rules in this document also apply to an HMO and/or an MUB, except that:

- you do not have to use a single tenancy, and
- the restriction on creating multiple tenancies does not apply

8. Extra rules for MUBs

These extra rules apply if your mortgage is over a **MUB** (multi-unit block).

A MUB is a residential building containing multiple self-contained homes, such as flats or apartments, within one structure.

All the rules in this document also apply to a MUB, except that:

- you do not have to use a single tenancy, and
- the restriction on creating multiple tenancies does not apply

9. Extra rules for Holiday and Short Term Lets products

9.1 If your offer letter is for a **Holiday and Short Term Lets** mortgage product, you may also let the property, as a single residence, as a short-term or holiday let to an acceptable tenant.

9.2 These extra rules apply. If they conflict with any other part of this document, these rules take priority.

9.3 You must not:

- allow the property to become the tenant's only or main home under a short-term or holiday let agreement
- allow any tenant to have rights to stay beyond the agreed letting term, sometimes called security of tenure
- let the property on a timeshare basis

9.4 For each letting:

- the property must be let at a commercial rate
- there must be a written short-term or holiday let agreement, or one evidenced in writing
- you must give us a copy if we ask for it

9.5 You and the property must not be subject to any planning, licensing or other restriction that stops the property being used for short-term or holiday lets. If the property is leasehold, this includes restrictions in the lease.

9.6 Our legal adviser must make sure the property has any planning permission needed for short-term or holiday lets.

9.7 You must:

- hold and keep up to date any local authority licence needed for short-term or holiday lets
- comply with any licence conditions
- provide us with a copy if we ask for it
- comply throughout the mortgage term with all laws and regulations that apply to you or to the property as a short-term or holiday let

- make sure anyone staying at the property complies with all relevant rules and conditions

9.8 There must be:

- no Anti-Social Behaviour Orders relating to the use of the property, and
- no outstanding issue that could negatively affect the renewal of any required permission or licence

9.9 You must also make sure your buildings insurer knows the property is being used for short-term or holiday lets.

10. General requirements

10.1 You must do everything legally possible to make sure your tenants meet their obligations under the tenancy agreement.

10.2 If your tenant does something, or fails to do something, and this causes you to breach your mortgage obligations to us, you will be responsible for that as if you had done it yourself.

10.3 You must tell us if the property is empty for 28 days or more in a row.

10.4 If the property or the letting is covered by a mandatory licensing scheme, you must have and keep any required licence for the full mortgage term. This includes, for example, selective licensing under Part 3 of the Housing Act 2004 or licensing requirements under the Housing (Wales) Act 2014.

11. Changes to this document

As well as any other right we have to change your mortgage terms under the Mortgage Terms and Conditions, we may change this document, or add new rules to it, by giving you at least 28 days' notice.

We may do this if needed to reflect:

- changes in law or regulation affecting the property
- changes in law or regulation affecting residential letting, whether generally or in a particular area
- changes affecting mortgage lenders who lend on let properties
- changes in market practice among landlords or mortgage lenders

Any change will be proportionate to the reason for it.

It will not affect a tenancy that is already in place before the change takes effect for the rest of that tenancy, unless the law requires otherwise.