

A GUIDE TO OUR BUY TO LET MORTGAGE LENDING CRITERIA

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INTRODUCTION

This document outlines a summary of the current lending terms which apply to our Buy to Let product. Please note that this is not our full policy and any specific queries should be referred to a member of our team.

Please note these lending terms should be read in conjunction with the relevant mortgage product summary which will outline any requirements specific to individual mortgage products.

PURPOSE OF BORROWING

- Purchase of property
- Additional borrowing (can be considered)
- Replacement of existing secured loan(s).

For remortgage and further advance applications, details of the purpose of the remortgage and the use of any additional funds being raised must be provided.

Remortgage and further advance applications will be considered for:

- Purchase of residential property, including the provision of a deposit for family members to purchase property (remortgage only)
- Purchase of land
- Purchase of Buy to Let property
- Repayment of existing loans originally used to purchase land or property, or for property improvements
- Transfer of equity
- Business loans
- Alteration, extension, repair or improvement to the mortgaged property where the tenant will remain in situated
- Purchase of business premises
- Other business purposes; (further information including company accounts may be required as part of the assessment of the loan purpose)
- Car purchase.

Remortgage and further advance applications will **NOT** be considered for:

- Repayment of tax or gambling debts
- Borrowers who have impaired credit
- Borrowers who have utilised 'payday' lenders
- Borrowers seeking to consolidate over five credit cards
- Borrowers seeking to consolidate debts accumulated with sub-prime or non-mainstream mortgage lenders or non-mainstream credit card providers
- Borrowers seeking to raise capital for debt consolidation for more than 20% of the property value, or where the main purpose of the loan is debt consolidation (i.e. where more than 49% of the monies being raised are to consolidate existing debts).

A complete breakdown of the use of additional funds must be provided, to the total value of the advance requested. All cases, irrespective of loan purpose, will be required to pass the Society's income and affordability requirements.

LOAN AMOUNT AND PROPERTY VALUE

Minimum loan: £45,000. This may vary depending on the product terms selected.

Maximum loan: Repayment and Interest-Only loans up to £1,000,000 (refer to the Mortgage Desk if above this level) – 75% of the lower of vacant possession value. This may vary depending on the product terms selected.

Property value: The minimum property value we would consider is £75,000 in England and Wales.

MORTGAGE TERM

Minimum: 5 years.

Maximum: 40 years.

BORROWER AND STATUS

You must already be an owner occupier of your main residence and this status must be retained after completion of our mortgage. We must be satisfied that you are able to demonstrate a current mortgage track record (minimum 12 months). You must be either gainfully employed or have investment, pension or other income. Your income (single or joint) must cover a three month rental void and evidence to confirm this amount may be required.

Borrowing calculated as:

For remortgage applications where no new borrowing is being taken:

- **For loans up to 65%** of the property value or purchase price, whichever is lower: The loan amount is assessed on the basis that the monthly rent must exceed 130% of the interest payable per month*.
- **If we are to consider loans up to 75%** of the property value or purchase price, whichever is the lower: The loan amount is assessed on the basis that the monthly rent must be greater than or equal to 135% of the interest payable per month*.

* Calculated on the Society's Residential Investment Managed Mortgage Rate.

For purchase applications or remortgage where extra funds are being taken:

The loan amount is assessed on the basis that the monthly rent must be equal to or exceed 145% of the interest payable per month calculated at the higher of:

- The product's initial interest rate plus 2%; or
- The Society's monthly Residential Investment Managed Mortgage Rate.

Please note that for our Five Year Fixed Rate mortgages, it is calculated at the product's initial interest rate.

For remortgage applications to be considered, the property must have been owned for a minimum of six months.

For purchase applications we require a letter from a firm of professional letting agents giving an indication of the rental amount that can be achieved and the state of the local rental market.

For Limited Company applications, the loan amount is assessed on the basis that the monthly rent must exceed 125% of the interest payable per month.

PROPERTY

Properties must be of standard construction, in good condition and suitable for immediate letting. Properties must be situated in England or Wales and within predominantly residential areas.

All flats/maisonettes must be self-contained units.

We will not accept:

- Ex-local authority flats
- Freehold flats
- Flats above commercial premises (however, see 'Properties above commercial premises' below)

We may consider:

- New-build flats and maisonettes up to a maximum of 80% LTV, subject to satisfactory valuation and meeting the Society's lending criteria.
- Studio flats may also be considered on an exceptional basis, with a preferred minimum floor area of 30 sq m, subject to suitability, marketability, and approval by the valuer and underwriter
- Leasehold flats/maisonettes are accepted subject to a minimum of 50 years unexpired remaining on the lease at the end of the mortgage term
- The number of storeys in any one block of flats must be no more than ten, subject to satisfactory valuation, applicable EWS1 requirements where required, and lift access where the block exceeds four storeys.

The following property types will not be accepted:

- Properties with more than one kitchen, or properties where the property is to be rented to the current owner following completion (buy and rent back)
- We will not consider an application where the property is or is intended to be occupied by the borrower or a related person.

Properties above commercial premises

These can be considered subject to the valuer's comments. Specific consideration will be given to the location of the property and adjacent businesses. The property must be located in a desirable area with good demand and should be readily saleable. The proximity of the commercial use must not affect the quiet enjoyment of the property.

The property must be self-contained, having separate access, and must be on a separate title to the commercial premise. Properties which are over, adjacent to or in very close proximity to a café, restaurant, take-away, pub, bar, club or any property where the use is likely to cause a nuisance or which may involve hazardous materials will not be considered. The commercial premises must not be owned by the potential borrower as this would have legal implications in the event of repossession. This is not an exhaustive list and every case will be considered on its own merits.

If you have any further questions on standard or non-standard construction, or if you are unsure about whether we will consider the type of property in question, please contact a member of our team.

TENANCIES

Diplomatic, University / College, Housing Association and Council lets will not be considered. There must be only one agreement which will be approved by the Society's solicitors or licensed conveyancers. Assured shorthold tenancies only are acceptable with the period for each tenancy not less than six months and not more than 12 months, except where the tenancy is to either a limited company, or to an individual(s) subject to a rent exceeding £100,000 per year.

Where the tenancy is to an individual(s) subject to a rent exceeding £100,000 per year, the lettings must not exceed one year or, exceptionally, two years. Rent must not be payable more than one month in advance without our prior approval.

In the case of a let to a limited company, occupation must be restricted to an employee of the company and his/her immediate family. The initial tenant must not be either related to the borrower or the unmarried partner of the borrower.

For tenancies that have commenced after 1 April 2018, the property should have an Energy Performance Certificate rating of 'E', or above.

INTEREST-ONLY MORTGAGES

All or part of the loan may be on an Interest-Only basis. As the monthly payments only go towards paying interest owed, you will need to make arrangements to repay the capital at the end of the mortgage term. Acceptable strategies for repayment of the capital include:

- Sale of mortgaged property
- Sale of other assets, e.g. second home, property, land, etc.
- Pension cash lump sum (personal or occupational)
- Stocks & shares ISA (new or existing)
- Cash ISA or NISA
- Unit trust (new or existing)
- Investment bond (new or existing)
- Endowment policy (new or existing)
- Stocks and shares.

FOREIGN CURRENCY MORTGAGES

We do not accept foreign currency mortgages.

IMPAIRED CREDIT

If you have an impaired credit history we may still consider your application. However, we will not consider if any of the following circumstances have occurred:

- Arrears on any mortgage, a credit arrangement such as a credit card, secured or unsecured loan within the last two years, where the cumulative amount overdue at any point reached three or more monthly payments
- One or more County Court Judgements (CCJs), with a total value greater than £500, within the last three years
- An ongoing Individual Voluntary Arrangement (IVA) or bankruptcy order at any time within the last three years
- Previous repossession/voluntary repossession.

Please contact a member of our team to discuss before proceeding.

BUY TO LET

Electronic ID can be used for UK residents. If additional ID is required the equivalent alternative paper based evidence shown detailed on page 7 must be provided and must be certified as below.

We require the certified documents to be written in English and include the wording "I certify this as a true copy of the original" and additionally for Passport / Driver's Licence "I certify that this is a true likeness of ...".

The certified document would also need to include the following:

- Date stamp
- The certifier's name printed and with a signature
- The certifier's job title
- Certification stamp.

Certification can be from an authorised Official from your own personal Bankers signing against its branch stamp or by an FCA / PRA authorised intermediary (mortgage adviser/independent financial adviser) or a Lawyer in England / Wales.

JOINT BORROWER SOLE PROPRIETOR (JBSP)

This section should be read in conjunction with our "Joint Borrower Sole Proprietor (JBSP)" customer leaflet, as this includes full details as well as some examples of who this arrangement may be suitable for. You can either download a copy from our website at familybuildingsociety.co.uk/JBSP, or contact our New Business Team to request a copy by email or post.

Our JBSP facility is available subject to certain criteria conditions. The non-owning borrower(s) must be either a parent(s) or spouse/partner of the owning borrower(s) or, for older borrowers, working adult children of the owning borrower(s).

As a condition of the Mortgage Offer all non-owning borrowers are required to seek separate independent legal advice and are responsible for the costs involved with this.

The borrower(s) income must be able to cover a three month rental void.

Available for purchase and remortgage applications on a repayment or Interest-Only basis. We will not accept repayment strategies for Interest-Only applications which are held jointly with non-borrower(s).

If any amount is on Interest-Only, the mortgage must finish before the anticipated retirement age of the eldest borrower or age 70, whichever is sooner.

Capital raising is only allowed when you aim to buy out the previous second owner or where essential home improvements are necessary.

Maximum loan amount: £500,000.

All enquiries must be reviewed by us before an application is submitted, and our normal lending criteria will apply.

Armed forces: Loans are available subject to certain conditions. For more information, please read our owner occupier lending criteria.

EXPAT MORTGAGES

We offer Buy to Let expat mortgages for properties located in England or Wales. We're able to lend to UK Nationals aged over 18 who are working abroad, and whose families are remaining in the UK subject to certain conditions. Our expat mortgages are available on an Interest-Only basis, with our Buy to Let Limited Company range available for both Interest-Only and Repayment.

You must be able to provide satisfactory evidence of identity, overseas address and proof of income and hold a UK bank account.

Minimum loan amount: £100,000

Buy to Let applications from expats are acceptable from a restricted list of countries, as follows:

Austria	Finland	Ireland	Luxembourg	Portugal	Spain
Belgium	France ¹	Israel	Malaysia	Qatar	Sweden
Canada	Germany	Italy	Malta	Romania	Switzerland
Cyprus	Gibraltar	Japan	Netherlands ²	Singapore	United Kingdom ³
Czech Republic	Greece	Latvia	New Zealand	Slovak Republic	United States of America
Denmark	Hungary	Liechtenstein	Norway	Slovenia	
Estonia	Iceland	Lithuania	Poland	South Korea	

¹ Mayotte, New Caledonia, French Polynesia, Saint Pierre and Miquelon, and Wallis and Futuna

² Aruba, Curacao, St Maarten, Bonair, Sint Eustatius and Saba

³ UK Crown Dependencies and Falkland Islands

In addition, the Society has agreed a policy through our packager partners for lending to expats* in Andorra, Bahrain, Bermuda, Hong Kong, Mauritius, Oman, Saudi Arabia and the United Arab Emirates on an exceptional basis, but monthly mortgage payments to be made from a UK bank account from where any rental payments are received.

* If you would like to find out how you can access these products via our packager partners, please call our New Business Team on **03330 140 140**.

We will also consider applications through our packager partners for lending to expats in Antigua, China and South Africa, subject to stricter requirements including:

- You must have a UK bank account in which the tenant's rental payment are paid. This must be the same bank account that the direct debt is set up to pay us the mortgage repayments
- Any deposit monies are paid from or evidenced as held within a UK bank account
- You must be working for a recognised large organisation that has a UK presence.

You must have an existing UK mortgage so we can establish a mortgage track record. We may require a letting agent to be in place.

Applications will be subject to an increased product fee. Cases outside normal lending criteria may be subject to different product terms.

A UK named individual (a family member or solicitor) and their address for service of notices will be required.

APPLICATION FEE

For full details of our application fees please visit familybuildingsociety.co.uk/applicationfees

CAPITAL REPAYMENTS AND REDEMPTION

Early redemption of our Residential Investment Managed Mortgage Rate mortgage, in full or in part by capital repayment, is allowed at any time, without notice or Early Repayment Charge. Redemptions can be arranged within five working days of receipt of your request.

Other mortgage products will each have specific Early Repayment Charges. The conditions will be stated in the product summary sheet and in the mortgage offer or product switch illustration.

LIMITED COMPANY BUY TO LET LENDING

The Society can also consider lending on Buy to Let properties where the borrower is a limited company. In such cases the following will apply:

- The company must be a Special Purpose Vehicle (SPV) registered within England and Wales
- Maximum 75% Loan to Value (LTV)
- Minimum loan size £45,000
- Full personal guarantees will normally be required with joint and several liability from all Shareholders and Directors. All guarantors will require independent legal advice (in the absence of personal guarantees from all Directors and Shareholders, the maximum LTV will be reduced by 10%)
- The SPV should be new to avoid the need for due diligence on previous company activities
- For the period of the mortgage the SPV will be required not to undertake any other business activity nor to take on any other debt
- All Directors are “natural persons” i.e. no shareholding by other companies
- Both the limited company and the individual Directors and/or Shareholders must have a clean credit history with no:
 - Liquidations (compulsory and creditor), other than orderly winding-up of solvent companies
 - Administration orders (Corporate Voluntary Arrangements - CVAs – are treated the same as Individual Voluntary Arrangements – IVAs)
 - Winding-up orders (all receiverships)
 - Business County Court Judgments (CCJs) are treated the same as personal CCJs.
- SPV must be Standard Industry Classification (SIC) Codes ‘68100 Buying and selling of own real estate’, ‘68209 Other letting and operating of own or leased real estate’ or ‘68320 Management of real estate on a fee or contract basis’.

The Society may appoint and be separately represented by a conveyancer with suitable expertise in this market.

General criteria, suitable properties and rent ratio requirements are the same when lending on this basis as when lending to an individual borrower.

HOUSE IN MULTIPLE OCCUPATION (HMO)

The Society can also consider lending on HMO properties where the borrower is a UK based landlord, Expat landlord or a Limited Company SPV. In such cases the following will apply:

- We define a HMO to be a property with up to six occupants from more than one household in a maximum of six bedrooms who live together and share common facilities such as a bathroom, kitchen or toilet with one main access. These properties can be easily converted back into a single main dwelling (family home)
- We do not accept properties with more than one kitchen, more than six bedrooms or more than six tenants
- The company must be a Special Purpose Vehicle (SPV) registered within England and Wales
- Properties let to students are eligible under our HMO criteria and must be located in one of the Society’s nine approved areas: Birmingham, Cardiff, Leeds, Manchester, London, Newcastle, Oxford, Cambridge and York
- Maximum 75% Loan to Value (LTV)
- Minimum loan size £45,000
- Full personal guarantees will normally be required with joint and several liability from all Shareholders and Directors. All guarantors will require independent legal advice (in the absence of personal guarantees from all Directors and Shareholders, the maximum LTV will be reduced by 10%)
- The SPV should be new to avoid the need for due diligence on previous company activities
- For the period of the mortgage the SPV will be required not to undertake any other business activity nor to take on any other debt
- All Directors are “natural persons” i.e. no shareholding by other companies
- Both the limited company and the individual Directors and/or Shareholders must have a clean credit history with no:
 - Liquidations (compulsory and creditor), other than orderly winding-up of solvent companies
 - Administration orders (Corporate Voluntary Arrangements - CVAs – are treated the same as Individual Voluntary Arrangements – IVAs)
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 - Business County Court Judgments (CCJs) are treated the same as personal CCJs.
- SPV must be Standard Industry Classification (SIC) Codes ‘68100 Buying and selling of own real estate’, ‘68209 Other letting and operating of own or leased real estate’ or ‘68320 Management of real estate on a fee or contract basis’.

The Society may appoint and be separately represented by a conveyancer with suitable expertise in this market.

SOLICITORS

We may be prepared to use your nominated solicitor/licensed conveyancer to act for us. Please note, if your solicitor/licensed conveyancer is not on our panel of approved firms, managed by LMS, we’ll need to appoint our own and you will need to pay the cost of this. In circumstances where we are separately represented, we will notify you of the fees.

**All products are subject to change or withdrawal without prior notice.
The Family Building Society reserves the right to refuse any application submitted.**

**THE MORTGAGE WILL BE SECURED ON YOUR HOME.
YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.**

If you need this document in an alternative format please call us on **03330 140140**.

To find out more, please contact our New Business Team:



familybuildingsociety.co.uk



03330 140140



newbusiness@familybsoc.co.uk

**EBBISHAM HOUSE
30 CHURCH STREET
EPSOM
SURREY
KT17 4NL**

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