



Property Letting Requirements England and Wales Only



Skipton International's requirements for letting your UK Buy-To-Let property

Becoming a landlord is a risk. We expect you to treat tenants fairly and comply with all the legal requirements of being a landlord. This includes health safety obligations towards the tenant and all licensing, registration and statutory requirements

From 1st December 2022 the Renting Homes (Wales) Act 2016 is changing the way landlords in Wales rent their properties. Tenancy agreements (whether new or existing) will be replaced by occupation contracts and tenant will become contract holders. More information on the new requirements in Wales is available on gov.wales

We cannot advise you on the legal requirements of being a landlord, but will expect you to understand and observe them throughout your mortgage with us. You should ensure you have taken independent legal advice on the role and responsibilities of being a landlord before you decide to proceed with your mortgage.

We strongly recommend that you seek professional advice as to the type and content of any tenancy agreement/occupation contract you wish to enter into the relevant legal and practical duties and consequences, and your ability to terminate the arrangement. We cannot provide such advice. You are responsible for all legal and other costs incurred in connection with the preparation of the tenancy agreement/occupation contract.

Portfolio Landlords

Once an applicant owns, or will own as a result of their proposed purchase(s), four or more mortgaged Buy-To-Let properties, they are classified as a "Portfolio Landlord" in accordance with the Prudential Regulation Authority definition. At this point lenders are required to apply enhanced affordability checks.

If you are a Portfolio Landlord as defined above, Skipton requires any properties within your portfolio, that are mortgaged via other lenders, to meet Skipton International's BTL affordability criteria. This means that rental income must provide a minimum of 125% of interest cover, when interest is calculated on total borrowings at a rate of 6.49%. This calculation is applied to all BTL properties mortgaged outside Skipton International on a collective basis. In the event of a rental shortfall, the application will be declined. In addition;

- Skipton International can offer a maximum of 5 BTL properties to any one client.
- Skipton International is unable to accept applications from clients who have more than 5 BTL properties.
- Skipton International will allow a maximum of 3 BTL properties, within the whole portfolio, to be held within any 1 post code district, eg. SW1, in the event of more being held the application would be a decline.

Tenancy Agreement Requirements

1. The tenancy agreement must create an assured short-hold tenancy in England or a occupation contract in Wales for a minimum of 6 months (Maximum 12 months) and should be in writing and include any standard terms required by relevant legislation. For occupation contracts there is a legal requirement for the landlord to give written notice of the terms of the contract to the contract holder within certain timeframes which must be met and written evidence of this should be retained. Additionally, in the case of an occupation contract, there should be an express term excluding the right of succession. We will on occasion accept Tenancy agreements over 12 months, these should be referred to the Sales team prior to submission and have a satisfactory break clause at 12 months.

2. We will also agree to company lets subject to a minimum of 12 months, maximum 3 years, (subject to a satisfactory breakclause at 12 months) where the corporate body uses the property for occupation by its employees and is responsible for the rent, provided it is not a premium lease (see note 5 below) and there is no subletting. Occupation of the property must not be limited by the agreement to a named individual employee but be available to any employee of the tenant contract holder company, subject to the prior approval of the borrower to the selected employee(s). The borrower must not be connected or associated with the tenant/contract holder company. Occupation must be by one family only. We will not accept applicants purchasing property and then creating a tenancy agreement/occupation contract with a letting company, who subsequently sublet to tenants/contract holders.

It is extremely important that only these types of tenancy/occupation contracts are created – we will not accept other types of tenancy or occupation contracts which may provide tenants/contract holders with long term security of tenure.

3. Tenancies and occupation contracts must be of the whole property. We will not accept any kind of business tenancy or occupation contracts over any part of the mortgaged property including land/outbuildings.
4. We will not accept lettings which would result in multiple occupation requiring a mandatory license from your local authority. Our current lending policy is that there should be no more than four tenants/contract holders forming no more than one family unit. Where there is more than one family unit, we will not accept lettings which would result in multiple occupation requiring a mandatory license from the local authority. Other types of lettings which require a license are acceptable provided there are no more than four occupants. In all cases where a license for the property is required, you must ensure that the license is in place on or before completion of the loan.
5. The tenancy agreement must comply with local Planning and Building control.
6. We will not accept “premium” leases where rent is paid wholly or largely up front.
7. Lettings to any person(s) with diplomatic immunity are not acceptable.
8. You must observe any restrictions in your property title regarding the use and occupation of your property.
9. Your tenants must observe any covenants and restrictions in your property title regarding the use and occupation of your property.
10. Where the property is leasehold, you must adhere to all the terms of the lease including those relating to subletting. If the landlord's consent is required, a copy of the written consent, together with confirmation that buildings insurance will continue must be obtained by you. If ground rent and service charges are payable, you must continue to pay these to your landlord.
11. You are responsible under the Mortgage Conditions to protect the value of the property through repair/upkeep and maintenance, whether or not the property is let.
12. Please note, you cannot reside in the security property either on completion or during the original 3- or 5-year Tracker or Fixed rate product period.

Tenancy agreements should include the following five clauses (or suitable alternatives):

1. During the first three months of the tenancy or occupation contract not to assign or sublet the property and not to part with possession of it in any other way. Thereafter not to assign, sublet or part with possession of the whole or part of property in any way without the consent of the landlord, that consent not to be unreasonably withheld.
2. Not to carry on any trade, profession, or business on or from the property or any part of it and to use the property as a private residence only for occupation by one family only.
3. Deliver up the property to the landlord at the end of the tenancy in the same good and clean state of repair, condition and decoration as at the commencement of the term (fair wear and tear and damage by accidental fire excepted)

4. Not to use the property, or knowingly allow it to be used, for illegal or immoral purposes and that includes the growth, production or use of any illegal drugs which are, or become prohibited or restricted by statute.
5. Not to do or permit to be done on the property anything which is illegal or which may be or become a nuisance (whether actionable or not), annoyance, inconvenience or disturbance to the landlord or to other tenants or occupiers of the neighbouring property.
6. Structural or exterior alterations should be prohibited.

Any tenancy agreement or occupation contract that does not comply with these requirements will not be acceptable and deemed unauthorised.

Other conditions of letting:

1. You should ensure that you have obtained copies of up-to-date satisfactory employment, or other as appropriate, references for the proposed tenant(s)/contract holder(s).
2. Monthly payments to the mortgage account must continue to be maintained by you whether or not the property is let.
3. In England & Wales, if you take a deposit from the tenant/contract holder, you must comply with the requirements under the Housing Act 2004, relating to tenancy deposits in England and the relevant requirements in relation to tenancy deposits in Wales and retain suitable written evidence of compliance. If you do not do so, and we need to take the property into possession or appoint a receiver, we will add the deposit to the mortgage account. please note that we do not accept payments direct from tenants/contract holders.
4. You must ensure your property has a valid Energy Performance Certificate (EPC) throughout the life of your mortgage. For further information, please see the following link: <https://www.skiptoninternational.com/sites/default/files/uploaded/forms/Energy-Performance-Certificate.pdf>
5. You as a landlord must:
 - a) keep your rented property safe and free from health hazards;
 - b) make sure all gas equipment and electrical equipment is safely installed and maintained;
 - c) provide an Energy Performance Certificate for the property;
 - d) protect your tenant's deposit in a government-approved scheme;
 - e) check your tenant has the right to rent your property if it is in England.
6. In England and Wales, if you take a deposit from the tenant, you must comply with the requirements under the Housing Act 2004, relating to tenancy deposits. You must place your tenants' deposit in a tenancy deposit protection (TDP) scheme if you rent out the property on an assured shorthold tenancy. If you do not do so, and we need to take the property into possession or appoint a receiver, we will add the deposit to the mortgage account.

Insurance on let properties:

It is a condition of your mortgage that buildings insurance must be in place on completion and continue throughout the duration of your mortgage: you must ensure it will not be affected by the letting and arrange alternative cover if it is. You shall procure that such insurance is effected and maintained with Skipton International endorsed on the policy but without any liability on the part of Skipton International for any premium in relation to such insurance.

You shall duly and promptly (and in any event prior to the commencement of the period of insurance for which the same is payable) pay all premiums and other monies necessary for effecting and keeping up such insurances and do all other things necessary so as to keep such insurances in force.

For information: Contents cover is likely to require specialist landlord cover.

You should consider how mortgage commitments will be maintained in the event of void periods.

You cannot insure your mortgage payments for unemployment, accident or sickness cover but you may be able to insure for rental voids. It is in your interest to take advice about the most appropriate insurance cover for your needs.

You may find the following sources of information useful:

- The National Landlords Association (NLA) - landlords.org.uk
- The Residential Landlords Association (RLA) - rla.org.uk
- The Association of Residential Letting Agents (ARLA) - arla.co.uk
Renting Homes (Wales) Act 2016

If as a landlord you are concerned about someone posing as you and attempting to sell the property, this is a useful free property alert monitoring service provided by the Land Registry <https://propertyalert.landregistry.gov.uk/>

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

PO BOX 509, Tudor House, The Bordage, St Peter Port, Guernsey, Channel Islands, Great Britain, GY1 6DS.

TEL: +44 (0) 1481 730730 www.skiptoninternational.com

To help maintain service and quality, some telephone calls may be recorded and monitored.

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