

Acceptable Tenancies for Buy To Let Mortgages

Where your mortgage agreement with us is subject to our Buy to Let Mortgage Terms and Conditions you are required to adhere to the following conditions which may be updated from time to time. This document supplements our Buy to Let Mortgage Terms and Conditions, is incorporated into, and forms part of, your mortgage agreement.

Terms which are defined in the Buy to Let Mortgage Terms and Conditions have the same meanings in this document.

The Property must not be occupied by you, by any Guarantor or by any Related Person (each as defined in the Mortgage Terms and Conditions) but instead it must be let in accordance with the requirements set out below.

Tenant Types

You must only let the Property to an acceptable tenant, by way of a tenancy agreement.

Tenancy Agreements

Any tenancy agreement created must be of the type listed below:

1. Tenancies to Individual Occupiers

1.1 If the Property is located in England an Assured Shorthold Tenancy;

- (i) any tenancy of the Property created before 1 March 1997 must be a single Assured Shorthold Tenancy as defined in the Housing Act 1988 and be for a term of not less than 6 months nor more than 12 months.

Before we can issue a mortgage advance, our legal advisers must satisfy themselves that valid notices were served under Section 20 of the Housing Act 1988 before the tenancy was created, and have sight of a copy of the tenancy agreement;

- (ii) any tenancy created after 28 February 1997 must be a single tenancy which complies in all respects with the Housing Act 1996 as an Assured Shorthold Tenancy and be for a term of either 6 or 12 months;
- (iii) you must produce evidence to our legal adviser, before buying the Property, that all provisions of Part 1 of the Landlord and Tenant Act 1987 and the Housing Act 1996 have been complied with by the seller or you as appropriate;
- (iv) any deposit must be held by a body approved by the Government pursuant to the requirements of the Housing Act 2004;
- (v) any obligations relating to the management and grant of Assured Shorthold Tenancies under the Deregulation Act 2015, the Assured Shorthold Tenancy Notices and Prescribed Requirements (England) Regulations 2015 and the Immigration Act 2014 must have been complied with; and
- (vi) the tenancy agreement must enable the landlord to terminate the letting on not more than two months' notice if there is no fixed contractual term or if the contractual term has expired.

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1.2 If the Property is located in Scotland a Short Assured Tenancy, or, if created on or after 1 December 2017 being the date of commencement of the Private Housing (Tenancies) (Scotland) Act 2016, a Private Residential Tenancy;

(a) Where the tenancy is a Short Assured Tenancy

- (i) any tenancy created before 1 December 2017 (being the date of commencement of the Private Housing (Tenancies) (Scotland) Act 2016) must be a Short Assured Tenancy as defined in the Housing (Scotland) Act 1988 and be of a term of not less than six months;
- (ii) you must produce evidence to our legal adviser that all provisions of the Housing (Scotland) Act 1988 have been complied with;
- (iii) any deposit must be held by a body approved by the Scottish Government pursuant to the requirements of the Tenancy Deposit Schemes (Scotland) Regulations 2011; and
- (iv) the tenancy agreement must enable the landlord to terminate the letting on not more than two months' notice if there is no fixed contractual term or if the contractual term has expired.

Please note you are not permitted to convert any Short Assured Tenancy to a Private Residential Tenancy.

(b) where the tenancy is a Private Residential Tenancy (Properties in Scotland only):

- (i) any tenancy created after 1 December 2017 (being the date of commencement of the Private Housing (Tenancies) (Scotland) Act 2016) must be a Private Residential Tenancy as described in the Private Housing (Tenancies) (Scotland) Act 2016;
- (ii) you must provide evidence to our legal adviser that all provisions of the Private Housing (Tenancies) (Scotland) Act 2016 have been complied with; and
- (iii) any deposit must be held by a body approved by the Scottish Government pursuant to the requirements of the Tenancy Deposit Schemes (Scotland) Regulations 2011.

1.3 If the Property is located in Wales, an Occupation Contract which is a Standard Contract (under and as defined in the Renting Homes (Wales) Act 2016 (the "RHWA")) which complies with the following:

- (i) Any Occupation Contract must be a single contract which complies in all respects with the RHWA as a Standard Contract (including without limitation containing all fundamental provisions in Schedule 1 of the RHWA) and be for a term of either 6 or 12 months;
- (ii) You must produce evidence to our legal adviser, before buying the Property, that all provisions of the RHWA have been complied with by the seller or you as appropriate;
- (iii) Any deposit must be held by a body approved by the Welsh Ministers pursuant to the requirements of the RHWA;
- (iv) Any obligations under the Immigration Act 2014 must have been complied with; and
- (v) The Occupation Contract must (where it is for a fixed term of two years or more or where it is a converted Occupation Contract or Periodic Occupation Contract) contain a break clause to enable the

landlord to terminate the letting on 6 months' notice (or 2 months' notice where RHWA allows) in accordance with Sections 194 and 195 of the RHWA.

2. Tenancies to Corporate Entities for occupation by individual occupiers

If you are letting to a corporate entity, the following Tenants will be acceptable:

- A limited company incorporated under the Companies Acts with its registered office in England, Wales or Scotland;
- A Local authority;
- An educational institution which is a university, university college or publicly funded further education or higher education college or a publicly funded further education or higher education college; or
- A housing association registered under the Housing Associates Act 1985.

2.1 If you are letting under a “Corporate Letting” for the occupation of the Tenant’s employee:

- (i) Where the Property is located in England and Wales, the tenancy or Occupation Contract must not be a regulated tenancy under the Rent Act 1977;
- (ii) The letting must be under a single tenancy agreement for a fixed term up to but not exceeding 60 months. You must not allow a tenancy to continue after the fixed term. You must either renew the tenancy before the end of the fixed term for a further fixed term not exceeding 60 months or obtain possession of the Property at the end of the fixed term. You must not accept rent other than where a written tenancy for a fixed term has been granted. Any clause allowing the Tenant to unilaterally extend the term is not acceptable;
- (iii) The tenancy agreement must require the tenant to pay open market rent no less frequently than monthly. If the lease term is more than 5 years, rent should reviewed at regular intervals by reference to appropriate index or open market rent;
- (iv) The tenancy agreement must include a condition enabling you, us or where the Property is located in England and Wales a receiver appointed by us, to terminate the tenancy forthwith and obtain vacant possession of the Property if any of the events in condition 2 (When we can ask you to repay the Outstanding Balance immediately) of the Mortgage Terms and Conditions happen and contain no restrictions on the landlord’s ability to sell the property.;
- (v) The tenancy agreement must contain a forfeiture or irritancy clause permitting you, us or where the Property is located in England and Wales a receiver appointed by us, permitting termination for non-payment of rent, tenant breach or on tenant insolvency before the expiry of fixed term;
- (vi) The tenancy agreement must not contain any tenant’s right to ‘set off’ any costs incurred by the tenant against the rent or any other charges payable to the landlord;
- (vii) The tenancy agreement must contain standard landlord obligations with no onerous or unusual obligations on the landlord. Any services provided by the landlord must be clearly stated; and

2.2 If you are letting on a 'rent to rent' arrangement, including where the individual occupier is 'vulnerable':

- (i) Where the Property is located in England and Wales, the tenancy or Occupation Contract must not be a regulated tenancy under the Rent Act 1977;
- (ii) The letting must be under a single tenancy agreement for a fixed term up to but not exceeding 60 months. You must not allow a tenancy to continue after the fixed term. You must either renew the tenancy before the end of the fixed term for a further fixed term not exceeding 60 months or obtain possession of the Property at the end of the fixed term. You must not accept rent other than where a written tenancy for a fixed term has been granted. Any clause allowing the Tenant to unilaterally extend the term is not acceptable;
- (iii) The tenancy agreement must require the tenant to pay open market rent no less frequently than monthly. If the lease term is more than 5 years, rent should be reviewed at regular intervals by reference to appropriate index or open market rent;
- (iv) The tenancy agreement must include a condition enabling you, us or where the Property is located in England and Wales a receiver appointed by us, to terminate the tenancy forthwith and obtain vacant possession of the Property if any of the events in condition 2 (When we can ask you to repay the Outstanding Balance immediately) of the Mortgage Terms and Conditions happen and contain no restrictions on the landlord's ability to sell the property.;
- (v) The tenancy agreement must contain a forfeiture or irritancy clause permitting you, us or where the Property is located in England and Wales a receiver appointed by us, permitting termination for non-payment of rent, tenant breach or on tenant insolvency before the expiry of fixed term;
- (vi) The tenancy agreement must not contain any tenant's right to 'set off' any costs incurred by the tenant against the rent or any other charges payable to the landlord;
- (vii) The tenancy agreement must contain standard landlord obligations with no onerous or unusual obligations on the landlord. Any services provided by the landlord must be clearly stated; and
- (viii) Where the tenant occupies or provides assistance / support to occupiers, the tenancy should not have the benefit of security of tenure (Landlord & Tenant Act 1954 (or its equivalent) / Security of Tenure).

All tenancy agreements must also comply with the following:

- (i) The tenancy agreement must be in writing and you must provide us with a copy when we ask for it;
- (ii) Where the Property is in Wales, you must provide the written statement with the timeframes set out in RHWA;
- (iii) The rent payable under the tenancy agreement or Occupation Contract must be an open market rent payable no less frequently than monthly;
- (iv) Any letting to an individual occupier must only allow the Property to be used as a private dwelling for occupation of the tenant and the tenant's immediate family for residential purposes (or in the case of Corporate Letting, by

employees, students or tenants of the relevant corporate body (as applicable) whose rights of occupation do not extend beyond the term granted to the corporate tenant);

- (v) (other than in the case of a Private Residential Tenancy in Scotland) the letting must not confer any security of tenure on the tenant(s) beyond the end of the contractual term of the tenancy agreement or fixed Occupation Contract;
- (vi) In the case of property in England, the tenancy agreement must (i) be in a form usually used for residential agreements; and (ii) contain no terms which can adversely affect our interest in the Property as mortgagee or (in Scotland) heritable creditor;
- (vii) The tenancy agreement or Occupation Contract must provide that no sub-letting is allowed save as in the case of a tenancy to a Corporate entity subletting to ultimate individual occupiers;
- (viii) (other than in the case of a Private Residential Tenancy in Scotland) the tenancy agreement or Occupation Contract must not contain an option allowing the tenant to renew the tenancy agreement upon expiry;
- (ix) References about ability to pay the rent and character must be obtained for the proposed tenant(s) and must be made available to use when we ask for them (unless you have a Holiday Lets Mortgage with us and you are letting the Property to an acceptable tenant as a short-term or holiday let);
- (x) If the Property is leasehold you must obtain the consent of the landlord to any letting if required by the terms of the lease of the Property and comply with any other relevant lease conditions;
- (xi) You must ensure compliance both before and during the tenancy with any other obligations which apply to the landlord under a tenancy including but not limited to repair and repairing standards, the provision of an Energy Performance Certificate, Gas and Electrical Safety testing, Fire Safety including the provision of mains smoke alarms; and
- (xii) You must ensure that the buildings insurer of the Property is aware the Property is occupied under a tenancy or Occupation Contract.

The following are **unacceptable** as tenants for the Property:

- (i) Assured, protected, statutory;
- (ii) Holiday Lets (unless you have a Holiday and short Term Lets Mortgage product with us);
- (iii) Any applicant, (in the case of an applicant which is a company or an LLP, any shareholder or director of the company or member of the LLP), a Related Person, any Guarantor or the vendor of the Property.

Additional Special Conditions if you have applied for a mortgage over an HMO (House in Multiple Occupation) or MUB (Multi Unit Block)

An **HMO** is generally a house or a flat where three or more unrelated people comprising two or more households live as their main or only residence with shared basic facilities, such as a kitchen, toilet or bathroom.

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- (i) If an HMO license is required from the Local Authority, your legal adviser must ensure that you have applied for this and a certified copy must be supplied to us within 3 months of completion.
- (ii) You must not use the Property as an HMO without any required HMO license.
- (iii) The legal adviser must ensure that the Property has the benefit of any required Planning Permission and Building Regulations approval for use as an HMO.
- (iv) Throughout the mortgage term you must comply with all relevant legislation and regulations which may apply to you (as landlord) or to the use of the Property as an HMO.
- (v) You must hold and maintain throughout the mortgage term any license required by the Local Authority in relation to the use of the Property as an HMO and comply with any conditions attached to such license. You must supply a copy of the license to us on request.
- (vi) All the requirements in this document apply to an HMO except that:
 - 1. The requirement to create a single tenancy does not apply, and
 - 2. The restriction on creating multiple tenancies does not apply.

Additional Special Conditions if you have a Holiday and Short Term Let Product

If your Offer Letter is for a Holiday and Short Term Lets product, as an exception to the requirements above, you may also let the Property, as a single residence, to an acceptable tenant as a short-term or holiday let on a short-term or holiday let agreement.

You must comply with the special conditions set out below. Where any of the special conditions set out below conflict with any other conditions contained in this document, these special conditions will prevail.

- (i) You must not allow the Property to be used as the only or principal home of the tenant under a short-term or holiday let agreement.
- (ii) You must not allow any tenant to have rights of occupation which extend beyond the term of the letting. This is known as security of tenure.
- (iii) You must not let out the Property under a timeshare arrangement.
- (iv) For each letting, you must let out the Property at a commercial rate and pursuant to a written short-term or holiday let agreement or a short-term or holiday let agreement evidenced in writing. You must supply a copy of the agreement to us upon request.
- (v) You and the Property must not be subject to any planning or licensing restrictions or any other restrictions (including, if the Property is leasehold, any restrictions in the lease) which preclude the letting out of the Property on short-term or holiday lets. Our legal adviser must ensure that the Property has any required Planning Permission for short-term and holiday lets.
- (vi) You must hold and maintain throughout the mortgage term any license required by the Local Authority in relation to the use of the Property as a short-term or holiday let and comply with any conditions attached to such license. Our legal adviser must ensure that you hold such a license if required and you must supply a copy of the license to us upon request.
- (vii) Throughout the mortgage term you must comply with all relevant legislation and regulations which may apply to you or to the use of the Property as a short-term or holiday let.

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- (viii) You must ensure that any person occupying the Property complies and is required to comply with any regulations and conditions that apply to the Property.
- (ix) There must be no Anti-Social Behaviour Orders in respect of the use of the Property, and there must be no outstanding issue that may adversely affect the renewal of any required permission or license for short-term or holiday lets.
- (x) You must ensure that the buildings insurer of the Property is aware the Property is occupied as short-term and holiday lets.

General

You must take all action that is legally possible to ensure that your tenants carry out their obligations under the tenancy agreement. If any act or omission of your tenant causes you to be in breach of your obligations to us under the mortgage you are responsible to us for this as if it were your own act or omission.

You must let us know if the Property is unoccupied for 28 or more consecutive days.

If the Property or the letting of it is subject to any mandatory licensing scheme (for example the selective licensing scheme laid down by Part 3 of the Housing Act 2004 or any licensing requirements in the Housing (Wales) Act 2014), you must have and maintain any applicable mandatory license throughout the term of the mortgage.

In addition to any other rights to vary the terms of your mortgage we may have under the Mortgage Terms and Conditions, we may (by giving you at least 30 days' notice) vary any of the provisions of this Acceptable Tenancies Document (and introduce new provisions to it relating to the letting of the Property) to reflect:

- (a) any change in the law or regulation affecting:
 - (i) the Property;
 - (ii) the letting of properties generally (or in any location); or
 - (iii) mortgage lenders making loans to borrowers who are letting properties;
- (b) any change in the market practice of landlords or mortgage lenders making loans to borrowers who are letting properties.

Any change will be proportionate to the reason(s) for it and will not affect any tenancy which is already in place prior to the change taking effect for the remaining term of such tenancy, except where this is required to comply with any legal obligation.