

Portfolio landlords: Are you ready?

Q&As

Will I be classed as a portfolio landlord if:

I own three properties in my limited company and one in my personal name?

Yes. You will be classed as a portfolio landlord. The properties held in your personal name and in your limited company name will be combined.

I own three properties, but one has a second charge on it?

No. It will be the debt on the one property. Regardless of second or third charges. If you have a property with two mortgages on it, you will still only have one mortgaged property.

I own the freehold of a property with more than three units within it?

My gut feeling is that different lenders are going to interpret this differently. If it's one mortgage on the freehold then I would argue that, that is one mortgaged property. However, if each individual flat has individual leasehold titles with separate mortgages then you will be classed as a portfolio landlord.

My husband and I own two properties each and we are looking to purchase another one together?

Yes. If you and your husband are taking out a joint mortgage, you will be underwritten as a portfolio landlord, as you have four mortgaged properties between you.

I own three rental properties and one holiday let?

Yes. If the rental properties and holiday let all have a mortgage then you will have four mortgaged properties, so will therefore be classed as a portfolio landlord.

Can I apply for finance now, even if I don't need the funds until November?

Yes. If you apply now you will benefit from the current underwriting rules. Standard turnaround times for buy to let mortgage applications is a couple of months, so it is likely that if you apply in September you will receive funds in November anyway.

Does the new criteria apply even if we are just requesting a product change, without any extra borrowing?

If it is just a product change, without any extra borrowing, you should be fine. It is likely that the lender will ask for up to date information, but you will not be penalised in the same way you would be if you were looking to raise capital.

Will lenders allow for maintenance/improvement costs in cash flow forecasts?

Yes. I think the more professional your cash flow forecast is, showing allowances for maintenance and improvements the better. A simple cash flow forecast showing rent in and mortgage payments out wouldn't be sufficient.

Are there any lenders which will issue one loan across an entire property portfolio?

Yes. There are specialist commercial lenders, some of the challenger banks which will look at a single loan on a portfolio of properties, rather than single loan – single property.

I have some properties which are mortgage free and others where the rental income doesn't cover the mortgage payments each month. Will this be a problem if I want to borrow more next year?

I think each lender will treat this quite differently. Lenders will want to see that the rental income from each property is meeting the required mortgage payment, although there are some that will mitigate the situation and take a view if there are unencumbered properties within the portfolio. I would suggest you talk to your broker, who will be able to tell you which lenders will be happy with this and which will not.

Can I consolidate five mortgages into three mortgages to avoid the portfolio landlord bracket?

The PRA definition of a portfolio landlord is four or more mortgaged properties, so if you have three mortgaged properties in your portfolio and two unencumbered properties then you will not be classed as a portfolio landlord. However, there are a couple of lenders which may decide to treat you as a portfolio landlord, regardless if they are mortgaged or not.

Who are the specialist lenders for portfolio landlords?

At present the majority of buy to let lenders will lend to landlords with four or more mortgaged properties. We are just waiting on details on how they will underwrite and what hoops we will need to jump through. So far, we have only heard that Platform will put a halt on lending to portfolio landlords, however I do expect a few of the more mainstream lenders to follow.

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