

LENDING POLICY - BUY TO LET

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Kensington

FOR INTERMEDIARIES ONLY

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Affordability

Rental cover is calculated using individual circumstances and will give the maximum amount customers can expect to borrow based on their personal, property and income details. Please see our Buy to Let product guide or calculator for more details.

Age

Minimum Age

At least one applicant should be a min age of 25. All applicants must be at least 18.

At least one of the directors of the Limited Company must be aged 25 or over.

Maximum Age

There is no max age at the end of mortgage term (maximum age of 70 at application applies).

Applicant Exclusions

We are unable to accept applications from applicants with the following circumstances:

- * Criminal convictions (other than minor driving offences) where the conviction has not been spent
- * Disqualified company directors
- * Foreign nationals with less than 2 years residency in the UK and less than 2 years bank records available (for applicants who have been employed in the same job for minimum period of 2 years, earning in excess of £75k and with more than 2 year remaining on a Tier 1 or 2 Visa at application, permanent right to reside is not required subject to 70% LTV)
- * Interfamily sales
- * Payday (advances against income) loans within last 12 months
- * Sale and rent back transactions
- * Intermediaries' own personal applications. It is acceptable for another authorised registered intermediary within the same or different firm to submit the application on their behalf

Arrears

See Credit History sections of the product guide for full details.

Back to Back Sales

Generally, we will not lend on back to back sales within 6 months of application. We will only consider back to back sales where the vendor is a reputable national builder who can evidence that the property was originally taken as a part exchange for their new build.

Bankruptcy / Sequestrations, including discharged bankrupts

We do not lend to applicants with a bankruptcy / sequestrations to their name, including discharged bankrupts.



We do not lend to applicants who have had Individual Voluntary Arrangements (IVA), Protected Trust Deeds (Scotland), or been on a Debt Arrangement Scheme (DAS).

CCJs

Satisfied CCJs acceptable if older than 24 months.

Communications Defaults

All communications defaults or communication missed payments are ignored.

Contractors

We can accept applicants who have been contracting for a minimum of 12 months, with either a renewal of their contract or have entered into a second contract. We may be able to consider an applicant on a first contract if the applicant has previous PAYE employment in a similar role.

Income will be calculated based on the weekly rate confirmed in the contract x46.

We will require 3 months' bank statements evidencing salary credits.

Applicants holding multiple contracts will be considered on a self-employed basis.

Credit Scores

We do not use full application scoring to make our lending decisions. Instead we rely on experienced and fully trained underwriters to fully assess mortgage applications.

Debt Arrangement Scheme / Protected Trust Deed

We are unable to lend to applicants with a Debt Arrangement Scheme (DAS), Protected Trust Deed (PTD) to their name

Debt Management Plans

We are able to lend to applicants who are currently in a Debt Management Plan as long as the applicants have maintained payments on the plan for at least 12 months. Where an applicant is in a performing Debt Management Plan, their negotiated monthly payment will be used for the affordability calculation rather than the outstanding balance.

Defaults

See Credit History sections of the product guide for full details.

Deposit

Source of deposit is required on all applicable cases and evidence will be required. We may also request evidence of



accrual of funds. At the time the application is submitted, the deposit monies should have been held in a UK bank account for a minimum of 3 months.

Gifted Deposits

Gifted deposits on BTLs are not acceptable on loans over £500k or for those applicants who currently own a BTL property.

For BTL (non-Limited Company): Gifted deposits are acceptable from immediate family members (parents including step- parents, grandparents, other family member such as non-dependent child, brother, sister, uncle or aunt). A Donor Gift Deposit Declaration letter, ID and evidence of funds may be required. Where the donor is not a parent or grandparent, they must be a UK homeowner.

For Limited Company applications: Deposits for Limited Company applications must be accrued from Directors personal funds or, in some cases, a Director loan is an acceptable source of deposit as it is not treated as a Gifted deposit. Gifted deposits are only acceptable from a Company Director. Gifted deposits from family members are not acceptable deposits. Where a deposit is received from another Limited Company, this can be acceptable, provided there is at least one common shareholding director. Where the structures are different, the deposit is only acceptable where the funds are made as a Directors loan rather than as a Gift.

Direct Debit Mandates

Loans can only be made to applicants who have UK bank or building society Direct Debit payment facilities.

Early Repayment Charges

Early Repayment Charges may apply – please refer to the relevant product guide.

Employment Status

Usually, employed applicants will have been in their current job for a minimum of 3 months and will not be on probation. In addition, the last 12 months' employment history is required.

If the applicant has a second job then both jobs must have been held for a minimum of 6 months.

Energy Performance Certificate (EPC)

The property must have at least an Energy Performance Certificate (EPC) rating of E and such minimum EPC rating shall be maintained for the full term of the mortgage.

Experienced Landlord

There are no minimum income requirements for experienced landlords.

HMO and MUB applications are only acceptable for experienced landlords.

Exposure Limit

There is no overall portfolio limit with other lenders. Maximum portfolio size with Kensington is £2 million. Where a landlord has 4 or more properties with Kensington, the portfolio will be subject to a weighted average LTV of 75%.

Fees

Fees can be added to the loan without affecting LTV calculations. Where fees are added to the loan then affordability will be calculated on the gross amount. Fees cannot be added above 85% LTV.

First Time Buyer

At least one applicant/ one director (providing their personal guarantee for a Limited Company BTL) must be an existing residential homeowner, unless they can satisfy one of the following:

- * They have owned 4 or more BTL properties.
- * Their employer provides tied accommodation such as vicar, caretaker, forces, pub landlord or similar.
- * At least one applicant/ director earns a minimum of £40,000.

First Time Landlord

If the applicant is an existing residential homeowner but does not currently own a BTL property, a minimum income of £25,000 per application is required.

Foreign Nationals

A minimum of 2 years' residency in the UK is required as well as confirmation that the applicant has the legal right to reside in the UK indefinitely.

For applicants who have been employed in the same job for minimum period of 2 years, earning in excess of £75k and with more than 2 year remaining on a Tier 1 or 2 Visa at application, permanent right to reside is not required subject to 70% LTV.

Free Legals

Where free legals are included within a product, Kensington will cover the cost of the standard legal work required to investigate the title of the property, redeem any previous mortgages and register Kensington's interest in the property at the Land Registry. This is available for remortgages in England, Wales and Scotland where the amount borrowed is up to £500,000.

The standard legal work will be carried out by a conveyancer selected by Kensington. If any further legal work is required in relation to the remortgage, such as a first registration at the land Registry, a change of name on the title deeds, a transfer of equity, or a deed of postponement, Kensington's conveyancer will tell the applicant. Kensington's conveyancer may be able to provide this extra legal work, but the applicant will be responsible for the cost of this extra work. Kensington's conveyancer will act on Kensington's behalf only. An applicant is free to arrange their own conveyancer to do any legal work that is required, but will have to meet the cost of their own conveyancer. Free legals do not apply to Limited Companies BTL.

Free Valuations

Where free valuations are included within a product, Kensington will pay for one basic valuation. Any further valuations must be covered by the applicant.

Further Advances

Kensington does not currently offer further advances.

Houses in Multiple Occupation (HMOs) & Multi Unit Blocks (MUBs)

For both HMOs and MUBs

- * Overall exposure limited to £2m.
- * Not available to FTLs.
- * Not available on New Build.
- * Limited Company applications accepted.
- * Shared accommodation on a bedsit basis is not acceptable.

HMOs

- * Up to 6 beds.
- * Must have additional living area.
- * HMO license is required. Where a license is not currently in place, we will require evidence that this has been applied for prior to completion.

MUBs

- * Up to 6 units. No minimum overall property value.
- * Minimum valuation per unit of £75,000.
- * Minimum area 35 SQM.
- * Units must have separate utility services.
- * Property must be suitable for letting/resale as a single unit i.e. a 'family' let.

Income

We accept employed income. Income is classed as basic salary.

Income stream

We will generally accept up to 50% of the following income streams:

- * Bursary income
- * Fostering income (Acceptable as a stream of income for the second applicant only)
- * Vested shares
- * Trust income

We can consider up to 100% of the following income streams for applicants with a strong credit profile:

- * Wages or salary
- * Agency workers
- * Bonus
- * Car allowance
- * Child benefit payments (Not acceptable where the child is over 13 years of age and the applicant's income is > £50,000 pa)
- * Commission
- * Dividends
- * Invalidation benefit (Life time)
- * Investment income
- * London/regional weighting
- * Maintenance payment receipts (Acceptable as a second stream of income only)

- * Mortgage subsidy
- * Overtime
- * Pension income (State, Widow and War Pensions not to be used as main source of income)
- * Rental income
- * Second income (Acceptable when the applicant has held both jobs for a minimum of six months)
- * Special/additional duties allowance
- * Travel allowance
- * Unsociable hours payment
- * Widow/war pensions

The latest P60/last payslip of the financial year, and most recent payslip are acceptable on Buy to Let applications. Where the applicant is paid in cash, a maximum of £15,000 will be used in our affordability calculation.

Applicants on Maternity or Paternity leave must provide a letter confirming their intention to return to work. In addition, a letter from their employer is required to confirm their basic salary details and to also confirm that the role remains open.

Self-employed income See 'Self-employed' or 'Types of business' sections for details.

Contractor income will be calculated based on weekly rate confirmed in the contract x46.

See 'Contractor' section for more details.

Income (Minimum Income)

We will ask for income and means to be declared on the application form.
A minimum income of £25,000 is required for First Time Landlords.

Individual Voluntary Arrangements (IVA) / Protected Trust Deed

We are unable to lend to applicants with an Individual Voluntary Arrangement (IVA) / Protected Trust Deed (Trust Deed) to their name

Inherited Property

Where the applicant has recently inherited a property, the application can only be considered when probate has been finalised and all the beneficiaries are shown as owners of the property at the Land Registry.

Interest Only

Sale of property is an acceptable repayment strategy on Buy to Let.
Minimum term 10 years.

LTV

Applications are accepted up to 85% LTV – please refer to our current product guide.

Let to Buy

We will consider Let to Buy applications on our BTL product range.

Limited Company

Limited Company applications incorporated in England, Wales or Scotland are acceptable. The limited company must be limited to the following specific SIC codes only:

- * 68100 - Buying and selling of own real estate;
- * 68209 - Other letting and operating of own or leased real estate;
- * 68320 - Management of real estate on a fee or contract basis;
- * 68201 - Renting and operating of Housing Association real estate.

Maximum 4 directors (at least one director must hold a minimum shareholding of 20%). Applicant Directors must own combined shareholding of 75% of company.

Limited Company Guarantors

All Directors will be underwritten in their capacity as a guarantor. Standard BTL criteria that applies to individual landlords will also apply to Guarantors. All individual directors at point of origination must provide a personal guarantee on a joint and several basis and they will also be required to receive independent legal advice on the nature and effect of the guarantee being provided.

- * All Directors will need to be party to the application.
- * Where a Director is not a natural person i.e. another limited Company or held in trust, this is not acceptable.
- * Other role holders in the business should not be party to the application.

All details keyed around the Limited Company will be validated against the details held at Companies House and this will include names and shareholding of all directors, registered number and registered address. Any cases where details do not match those held at Companies House will be declined so please ensure the current information is declared.

Loan Amount

Minimum Loan Amount
£100,000

Maximum Loan Amount

Buy to Let loans are available to £2m up to 75% LTV; £1m up to 80% LTV; £500k up to 85% LTV.

Please note that our maximum lending to an individual (or joint applicants) is limited to no greater than £2m combined across Residential and Buy to Let mortgages.

HMO and MUB maximum loan amount £1m.

Loan Purpose

We accept most loan purposes, including capital raising, but excluding injection into a business or payment of an Inland Revenue tax bill. Purpose must be stated and evidence may be required.

New Build

The minimum valuation for new build flats is £75,000.

Please refer to the Criteria Overview section of the product guide for maximum LTV for new build properties.

We can accept a builder's deposit of up to 5%, where the builder holds an acceptable new build warranty.

New builds are not acceptable on HMOs and MUBs.

Number of Applicants

Maximum of 2 applicants per application.
Limited Company Buy to Let: maximum 4 applicants per application.

Offers

Once an Offer is produced it is valid for a 120-day period (or that specified in the Offer). Extensions may be granted on purchase applications where the solicitor has confirmed that contracts have been exchanged.
The initial Offer expiry date must not exceed the date of the Applicant's "signed" Declaration or the Valuation Report "inspection date" by more than 180 days.

Portability

Our products are not portable.

Portfolios

There is no overall portfolio limit. Maximum portfolio size with Kensington is £2 million.
We require portfolio landlords with 4 or more properties to complete a portfolio summary. Please refer to 'Essential documents for every application' in Literature & Documents.
The portfolio summary should only include properties owned by the individual/ legal entities applying for the application. For instance if an application is in personal names only properties owned by those applicant(s) should be included not those owned within an associated Limited Company and vice versa.
Excess portfolio affordability can be used to assist with affordability for the applied for loan.

Property Concentration

The maximum number of mortgages an individual can hold with Kensington is no more than 3 properties in the same road. Concentration limits within blocks of flats is 25% or 4 (whichever is lower).

Property Exclusions

The following are unacceptable security:

- * Properties designated as defective under the Housing Defects Act 1984 and Housing Act 1985 including prefabricated reinforced concrete
- * Freehold flats & maisonettes in England and Wales
- * Properties with agricultural restrictions
- * Blocks of flats over 6 floors that contain external cladding
- * Floor areas less than 35sqm
- * Properties less than 10 years old without an NHBC certificate, Architects Certificate (Professional Consultant's Certificate), Premier Guarantee, BLP Limited Guarantees, Checkmate Castle 10, LABC New Home Warranty, Build Zone, CRL and Zurich Municipal
- * Properties of 100% timber construction
- * Steel framed properties constructed prior to 2000
- * Properties containing Mundic Block materials
- * Shared Ownership (unless purchasing final tranche with view to owning 100% share, and subject to valuer's comments)

- * Properties with Japanese Knotweed on site
- * Properties where the borrower or borrower owned business owns more than 25% of the freehold of the block
- * Live/work units
- * Grade One listed properties in England and Wales, or Category A listed properties in Scotland
- * Grade Two listed properties in England and Wales
- * Prefabricated re-enforced concrete (repaired or not)
- * Properties determined as unacceptable security by the valuer
- * Properties identified as having Dry Rot
- * Properties not wholly owned by the borrower. For example where equity is being retained by a builder/developer, housing association or third party
- * Coach houses (flats situated over vehicle access points or spanning across garages)
- * Tyneside flats (Criss Cross leases)
- * Properties with underpinning within the last 12 years, without a 12 year guarantee
- * Split property titles
- * Properties with 2 kitchens (unless one is situated in an annex)
- * Farms or small holdings
- * Buy to Let properties without a minimum Energy Performance Certificate (EPC) rating of E
- * Properties with thatched roofs (including Wheat Reed Roof & Straw Roof) and asbestos roofs

The following properties can be considered under standard product terms if the property value is £200,000 or above in England and Wales, or £150,000 or above in Scotland, and the LTV is 80% or below:

- * Ex Local Authority/Ex-MOD flats and maisonettes
- * Flats that have access from a balcony or open-decking
- * High rise flats over 10 storeys - must have a lift if our security is above the 4th floor
- * Flats above and adjacent to commercial premises
- * Basement flats
- * Studio flats

For properties of non-standard construction, please refer to the 'Property Plus' section for further details.

Property Plus

A Property Plus product range allows for lending up to 75% LTV (£75,000 minimum valuation) on the following (subject to an acceptable valuation with no comments negatively affecting resale):

- * Fully repaired Pre-fabricated Reinforced Concrete
- * Poured Concrete
- * Steel Framed / Steel Clad (pre 2000)
- * 100% Timber Framed (post 1980)
- * Cob Construction
- * Colt Construction
- * Concrete Block
- * Stone and Part Rendered Breeze block with Pebble Dashed Outer Walls

The following properties can be considered under our Property Plus product range up to 75% LTV (£250,000 minimum valuation):

- * Ex Local Authority/Ex-MOD flats and maisonettes
- * Flats that have access from a balcony or open-decking
- * High rise flats over 10 storeys - must have a lift if our security is above the 4th floor
- * Flats above and adjacent to commercial premises
- * Basement flats

- * Studio flats

Purchase from a Limited Company

An individual applicant may purchase a property at full market value from a Limited Company or sell the property to the Limited Company of which they are director/ shareholder at full market value.

Region

We lend in England, Wales and Scotland.

Remortgage

We do not accept remortgages within 6 months of a purchase or previous remortgage.

Rental Coverage

Rental cover is calculated using individual circumstances and will give the maximum amount customers can expect to borrow based on the cover ranges from 125% assessed on a monthly payment calculated at 5.50% or the assessment rate plus 2.00% if higher (< 5 year fixed) or refer to the appropriate assessment rate (> 5 year fixed). Please see our BTL calculator for more details.

Secured Loan Arrears / Mortgage Arrears

See Credit History sections of the BTL product guide for full details.

Self-Employed

Applicants holding 25% or more of a business share will be treated as self-employed.

A minimum of 1 year's trading history is acceptable and in general the most recent year's net profit figure will be considered when assessing affordability.

Up to 85% LTV, minimum of 2 years trading will be required including proof of income.

We can consider share of net profit figures rather than dividends plus salaried income, where the applicant is a Company Director with a minimum 50% shareholding.

Kensington will accept one of the following:

- * A copy of the applicant's most recent finalised and agreed accounts (for tax assessment) attached to their headed paper
- * SA302

Verification will be required by a qualified accountant/book keeper, who must be registered with an acceptable professional body:

- * Institute of Chartered Accountants in England & Wales. (ACA/FCA/ICA)
- * Institute of Chartered Accountants of Scotland (CA)
- * Institute of Financial Accountants (AFA/FFA)
- * Association of Authorised Public Accountants (AAPA/FAPA)



- * Association of Chartered Certified Accountants. (ACCA/FCCA)
- * Chartered Institute of Management Accountants (ACMA/FCMA/CIMA)
- * Chartered Institute of Public Finance & Accountancy. (CIPFA)
- * Institute of Certified Bookkeepers (ICB)

Solicitors

The firm of solicitors acting for Kensington must be registered with The Law Society, be a member of the Law Society CQS (Conveyancing Quality Scheme) and have a minimum of 3 SRA Approved Managers. Applicants are free to choose a firm of solicitors to act on their behalf that does not meet this requirement, but the firm cannot also represent Kensington. In these circumstances, Kensington will appoint its own solicitor. Applicants will be responsible for the payment of both their own legal fees and the legal fees of Kensington's solicitor. Solicitors located in Scotland are not required to be accredited to the Conveyancing Quality Scheme (CQS) but must have at least 3 managers. A solicitor will not be able to act on their own transaction; however it is acceptable for another partner within the same firm to act on their behalf.

Tax Credits

We are unable to consider Tax Credits.

Tenancy Agreements

For England and Wales, only lettings on a single Assured Shorthold Tenancy Agreement (AST) per house or flat for a maximum period of 12 months with a 6 month break clause are acceptable.

Landlords in Wales must be a registered landlord with Rent Smart Wales and either holding a current valid licence for letting and property management activities or letting the property through a licensed agent who undertakes these activities on their behalf.

Tenancies to individuals supported by Housing Benefit are acceptable.

For Scottish tenancies an existing Short Assured Tenancy Agreement (SAT) in place is acceptable until its termination date. Any new tenancy will then be replaced by/converted to a Private Residential Tenancy (PRT). Landlords in Scotland must be a registered with the local authority.

The following tenancies are not acceptable:

- * Holiday Lets.
- * Buy to Let properties rented to family members.

Term

Minimum Term

Our minimum is 5 years.

* The minimum term for 5-year fixed rates is 6 years

* The minimum term for interest only is 10 years

Maximum Term

Our maximum term is 40 years.

Travel Allowance

We can consider up to 100% of travel allowance provided it is contracted.

Types of Businesses

Sole Trader

* A minimum of 1 year's trading history is acceptable and in general the most recent year's net profit figure will be considered when assessing affordability

* 2 years trading required for over 85% loan to value

Limited Liability Partnership

* Where a partner's or member's shareholding is greater than 25% we will include the latest year's partner / member share of net profit for affordability

* For equity partners in a professional partnership practice, we will use the latest year's partner share of net profit and the partner's salary

Partnerships

* We will include the latest year's partner share of net profit for affordability

* For equity partners in a professional partnership practice, we will use the latest year's partner share of net profit and the partner's salary

Limited Company Directors

* A minimum of 1 year's trading history is acceptable

* Where a director's shareholding is greater than 25%, we will use the latest year's remuneration and dividends

* Where the applicant is a Company Director with more than 50% shareholding, underwriter can use share of net profit figures, rather than dividends, plus salaried income. This is subject to the accountants providing a response to Kensington's request confirming that the funds are not held for the specific purpose such as tax bill, business expansion, etc.

* 2 years trading required for over 85% loan to value

* We can consider share of net profit figures rather than dividends plus salaried income, where the applicant is a Company Director with a minimum 50% shareholding.

Universal Credit

We are unable to consider Universal Credit payments.

Valuation

Minimum valuation is £75,000. (See Property Exclusion section for further information).

For LTV purposes, the lower of the purchase price or the valuation is used in all cases. For details of our valuation fees, please visit the information about our fees section of our website and refer to our Tariff of Fees – Mortgage Application document.

We reserve the right to carry out audit valuations at our own expense - please note we will work on the lower of the two valuation figures.

Zero Hours Workers

Each case where an applicant is on a zero hour contract will be reviewed on its own merits, taking into account the type of employment, how long the applicant has been employed on the contract and the applicant's credit profile.