

Buy-to-let guidelines

# Buy-to-let guidelines

For professional intermediaries only

**octopus** realestate  
A brighter way

## 1. Borrowers

Our products are aimed at borrowers such as:

- Experienced landlords (see relevant section)
- Expatriates
- UK limited companies (no Standard Industrial Classification code restrictions)
- Offshore limited companies
- First time landlords (must be either a homeowner or owner of other buy-to-let properties)
- Foreign nationals, applying a higher than average risk (HTAR) rating. (See relevant section)
- Trusts
- First time buyers

## 2. Adverse credit

We can take on borrowers with adverse credit, but we reflect any increased risk in our rate. We can consider borrowers with County Court Judgments, defaults, missed unsecured and secured payments.

Please refer to the [criteria matrix](#) for more information.

Any debts must be satisfied by completion of the loan.

## 3. Age

Age is set at a maximum of 80 at application stage and 85 at the end of the term. Age criteria is based on the youngest loan borrower.

## 4. Experienced landlords

For our products specifying experienced landlords the borrower needs to own four or more UK investment properties.

## 5. Foreign nationals

We consider borrowers who do not live in the UK or those without permanent rights to reside. The HTAR rating for the client helps determine the most suitable product.

## 6. Expats

Expats are acceptable and can be considered across the range of products.

A HTAR assessment is conducted on where the expat lives and where the income or source of wealth is derived, which may affect the appropriate product for the borrower.

## 7. Capital raising

Capital raising is considered for the following purposes:

- Purchasing additional investment properties
- Deleveraging other investment properties
- Carrying out maintenance works on properties within the borrower's portfolio

This list is not exhaustive.

## 8. Personal guarantees

We require shareholders of a limited company to provide personal guarantees to cover the difference above 55% LTV and the total LTV. i.e 70% LTV = 15% PGs.

## 9. Debentures

As standard we seek a first ranking debenture over all corporate loans.

## 10. Early repayment charges (ERCs)

3% ERCs are applicable throughout the fixed term of the loan, with an exception of either the last one or three months. Please see the [criteria matrix](#) for details.

## 11. ICR Stress testing

Please refer to the [criteria matrix](#) for specific ICR requirements by product.

ICRs are stated as 'from' and are intended as a guide for minimum requirements. Cases that only meet minimum ICRs may require additional due diligence with regards to viable exit strategies.

## 12. Top slicing

Top slicing is acceptable on a case-by-case basis following assessment of the borrower's income and expenditure. An borrower must clearly demonstrate an ability to service interest. If the application requires the use of the borrower's outside income, the ultimate product may be affected.

Using foreign income to support serviceability is solely at the discretion of the credit manager.

## 13. Outside portfolio checks

We're not required to undertake affordability checks on portfolios over which we're not providing debt. However, being a responsible lender, we do require an asset & liability (A&L) statement to understand the borrower's financial position with each loan application.

## 14. Property types

### a. General

- Freehold, Feuhold and Leasehold properties in England, Wales and Scotland
- Properties within CML guidelines

### b. Specific

#### i. Houses of multiple occupancy (HMOs)

Our product range covers HMOs, providing buildings have the relevant licence. We have valuers and solicitors in place to confirm correct planning usage and building regulations.

As standard, we expect valuers to adopt a bricks and mortar approach to valuing HMOs. However, in some circumstances, such as with loans for properties within an Article 4 area, or properties subject to Sui Generis, planning may be valued on an investment basis (we reserve the right to choose which approach to valuing we use).

#### ii. Multi-unit freehold blocks (MUFB)

We lend against MUFBs and against the freehold of properties that are configured as multiple units. Each property is assessed on its own merits. The value used may be an aggregate of each unit or a single investment value (SIV).

#### iii. Semi-commercial

We lend against properties that comprise part commercial and part residential.

An LTV ratio of up to 75% can be considered against semi-commercial properties at the discretion of the credit manager. Borrowers with stronger covenants or with good levels of demand are more likely to be accepted at higher LTVs.

If a semi-commercial property does not have a lease in place for the commercial element of the building the credit manager may choose to proceed by withholding three months interest.

#### iv. New build properties

New build properties are acceptable. Valuations discount any new build premiums.

#### v. Exposure limits

We do not have any specific exposure limits relating to the number of securities within a block flats or within a geographical location.

## 15. Lease terms

A minimum lease of 50 years at the end of the term is required for all leasehold properties.

## 16. Servicing the loan

All our buy-to-let mortgages are issued on an interest only basis.

## 17. Overpayments

Overpayments are not permitted on any product without penalty.

## 18. Second charges

Due to our funding restrictions, should an borrower require a second charge over an additional property, a maximum LTV of 65% is applied and the rate charged is a different rate to the first charge mortgage.

## 19. Admin fee

We charge admin fee of £350 per property. This cost is for our asset managers who conduct additional due diligence on security being offered to us. Where additional security is in the same block, this is reduced to £100 per property. This cost is deducted from the mortgage advance.

## 20. Contract re-assignment

We can consider applications where there is a re-assignment of contracts. Valuation is based against the 180-day value. A maximum LTV of 85% of purchase price can be applied providing this does not exceed maximum product LTVs against market value.

## 21. Valuation

A panel of approved and independent valuers with relevant property type and geographical experience are selected by us.

The introducer is responsible for arranging for the client to pay the valuers fee directly to them.

We base our lending decision against the 180-day valuation figure.

## 22. Solicitors

We'll always require separate legal representation and will select from an approved panel of solicitors we have previous experience with.

Foreign national borrowers are required to instruct a law firm with a minimum of five partners and have an office in their country of residence.

## About Octopus Real Estate

Octopus Real Estate is a leading specialist real estate investor, with a team of 110 professionals. We provide award-winning finance for UK property investment and development.

We have over £2 billion under management on behalf of institutional and retail investors, with a focus on the property lending and healthcare sectors.

The property lending team provides bespoke, customer focused financing solutions across the residential, commercial and development sectors.

The team has lent more than £4 billion across over 3,000 loans, providing competitively priced financing throughout the UK and spanning the property investment lifecycle, with loans typically ranging from £100,000 to £50 million.

The healthcare team manages over £1 billion of investments, with a focus on care homes and retirement communities – sectors requiring significant investment given the UK's ageing population. The team also creates strategic partnerships with leading healthcare operators, to deliver exceptional healthcare facilities you'd choose for your loved ones.

**Complete**<sup>FS</sup>

Your specialist packager distributor



**023 8045 6999** (Option 2)



**[btl@complete-fs.co.uk](mailto:btl@complete-fs.co.uk)**



**[www.complete-fs.co.uk](http://www.complete-fs.co.uk)**

Octopus Real Estate is the trading name of Octopus Investments Ltd (Reg No 03942880), Bridgeco Ltd (Reg No 6629989), Fern Trading Ltd (Reg No 6447318), Nino Ltd (Reg No 9015082), Octopus Healthcare Development Ltd (Reg No 03788979) and Octopus Co-Lend Limited (Reg No 8913299), all registered in England & Wales at: 33 Holborn, London, EC1N 2HT, and Octopus Real Estate S.ar.l. (Reg No B189290) registered in Luxembourg at: 412F, Route d'Esch, Grand Duchy of Luxembourg, 2086, Luxembourg. Octopus Investments Ltd and Octopus Co-Lend Ltd are authorised and regulated by the Financial Conduct Authority.

OP000166