Borrowing to invest in rental property

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Introduction

Whether you are an experienced property landlord, or a first-time investor, this guide is here to help. It's important to understand the process and stay informed when borrowing to invest in a rental property.

This guide will help to clarify the terminology, benefits, risks and associated costs of borrowing to invest in a rental property.

We are here to help you

Buying your first or next investment property can be a daunting prospect. There are many questions you will need to ask yourself:



How much will it cost?



What return will I get?



Can I afford it?



How much deposit will I need?



What type of mortgage do I want?



Will I get a mortgage?

The buy-to-let market is complex. There are many different mortgages to choose from.

So it's good to know that, as your adviser, we are on hand to answer your questions. We will help you with the tricky process of not only getting a mortgage, but getting the right mortgage.

We take pride in offering a personal service that takes into account your individual circumstances. Your financial situation is unique, so we work hard to understand your goals and aspirations, and make financial recommendations based on a comprehensive and detailed analysis of your needs.

Our role is to:

- ensure you do not waste money unnecessarily by paying a higher monthly amount than you need to for your borrowings
- save you time and effort by recommending the most appropriate solution
- stop you missing out on the most cost-effective way of arranging your loan.

To help clarify technical terms and jargon, we have included an A-Z glossary, which is based on our understanding of taxation, regulation and legislation for the 2026/27 tax year.

This communication does not constitute advice and should not be taken as a recommendation to purchase any of the products or services mentioned. Before taking any decisions we suggest you seek professional advice.

Why buy-to-let?

Buy-to-let can offer investment potential through rental income and possible growth in the value of the property. However, it's an investment, not a way to buy a home to live in. Lenders may carry out checks after completion to make sure the property is being used as agreed.

There are risks like any investment. For example:

- If you are considering cancelling or surrendering any existing investments in order to purchase a property to let, there may be cost or tax implications. You should seek financial advice before considering these options.
- There could be difficulties with tenants who breach agreements impacting time and legal fees, as well as income.
- Periods of rental voids if the property is not tenanted (during redecoration or change of tenants).
- The higher the sum borrowed the more you are at risk of rent not covering your loans or expenses.
- Investing in a single property can result in a lack of diversity if you do not already have a good spread of existing investments. You may be better off doing so, even if this triggers early repayment charges payable to your existing lender, as this could still mean a net saving to you.



Choosing the right property

We have included some things you should consider when choosing the right property.

- When choosing a buy-to-let property, your priorities will differ from those for a home you would live in.

  For example, while you might avoid student-heavy areas for yourself, these locations can offer strong rental potential.

- The key is to find a property that delivers good rental yields – ideally, enough to cover your mortgage and generate income.

  Propertymark provides practical landlord guides covering legal responsibilities, compliance, tax considerations, letting agents, client money protection, deposits, safety, rent arrears, and tenant checks (https://www.propertymark.co.uk/professional-standards/consumer-guides/landlords.html).



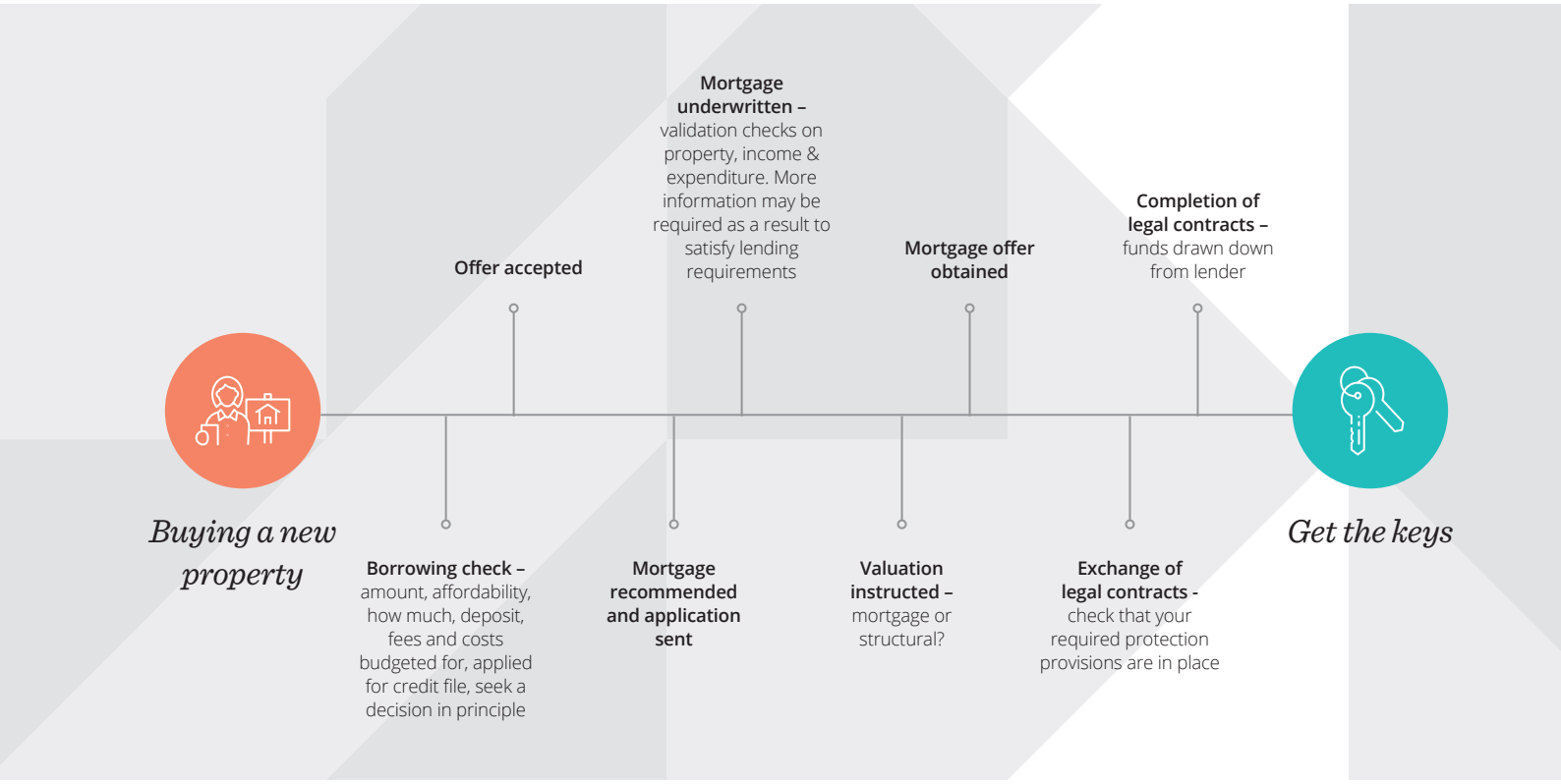
Finding the right mortgage

Buy-to-let mortgages are different from standard residential ones. Since April 2014, lenders have focused more on your ability to afford the mortgage—not just the rental income—due to the **Financial Conduct Authority** (FCA) **Mortgage Market Review** (MMR).

Because buy-to-let is seen as higher risk (e.g. if the property is empty, there's no income), interest rates are usually higher, and lenders require a larger deposit.

Typically, you can borrow up to 75% of the property's value. Lenders also expect rental income to cover at least 125% of the mortgage payments, so there is a buffer if costs rise or the property is empty for a period – and you'll need to prove the rental income potential.

The mortgage application process



Scottish buying process

Buying a property in Scotland is different to England and Wales, in the way you make and agree your offer, as well as gain entry to your new home.

Fixed price v offers over

There are two ways of buying a property – 'fixed price' (where the seller sets the exact price they're willing to accept) and 'offers over' (where the person selling receives offers over a given price).

Fixed price is effectively a 'first to offer the price wins' race. Offers over is more like 'blind bidding' as a deadline is usually set, offers made and the person selling the house can choose their preferred buyer (usually on price).

Concluding missives

This normally happens around two weeks after the offer has been accepted, and searches have been done. It is similar to 'exchange' in England and Wales, in that the contract is binding afterwards.

Date of entry (settlement)

Similar to 'completion' in England and Wales, this is when funds have been drawn down from the lender and keys to the new property are made available.

While this is a very structured process, please be aware that there are things that can delay progress that are outside of our control (e.g. property not valuing to the levels expected, further proof of income required by lenders).

A-Z mortgage glossary

A-Z mortgage glossary to buying a rental property

Accident, Sickness and Unemployment cover

This is a yearly renewable cover that provides payment for a short period of time if accident, sickness or unemployment occurs. Often there is a deferred period after the point of claim (e.g. six weeks), and it is after this point that benefits are then paid. Benefits are normally only paid for periods of up to two years. Be aware that premiums will vary at renewal each year.

Affordability

Before taking out a mortgage, ask yourself:

- Can I still afford the repayments if interest rates rise?
- Can I repay the loan if house prices fall?

For example, let's say you manage to find a buy-to-let mortgage with a 3% interest rate for three years and it jumps to 6% after that, your rate has doubled. Will your income have doubled too?



You should budget on the assumption that interest rates will rise during the term of your loan. So be sure you can afford your mortgage repayments when that happens, not just now.

Annual Percentage Rate of charge (APRC)

This is the interest rate that takes into account the total charge for lending you the money each year. It includes the added costs of the loan (such as arrangement fees), as well as factoring in the frequency that interest is charged (daily, monthly, quarterly or annually). This results in a figure that shows the equivalent rate on an annual basis. While this is a good initial benchmark for comparison, it should not be looked at in isolation as the only way to choose your mortgage.

Builders' incentives – new-build 'off plan' offers

These may be attractive to the price you pay for the property. Be aware that some lenders may restrict the amount they lend in relation to these types of contracts. This helps protect them against market sentiment and may mean you have to invest more of your own deposit.

Buildings insurance

This is insurance that protects the property, fixtures and fittings. It can protect against fire, flood, subsidence and accidental damage. A key point to note is that the amount of cover chosen is to cover the rebuilding cost of the property, which is often different to its market value. The amount you have to pay towards any claim is called an excess, and can vary depending on what is being covered (e.g. subsidence, fire).

Completion

The stage in England and Wales where the property ownership finally changes for a purchase. Your conveyancer arranges for your deposit and lender monies to be paid to the person selling and completes the legal documentation.

Contents insurance

This insurance protects items that can easily be removed from a property. Cover can be for risks such as fire, theft or accidental damage. The amount you have to pay towards any claim is called an excess, and can vary depending on the item covered and what it is being insured against (e.g. accidental damage, theft).

Conveyancer

The job of a conveyancer (or solicitor) for a purchase is to help:

- Carry out a search of local planning information for items that may impact the value (e.g. upcoming land developments, new roads).
- Prepare a fixtures, fittings and contents list – this makes it clear what you are buying (e.g. kitchen appliances, lights, carpets).
- Confirm from the vendor whether they are aware of any material, structural or other defects to the property that you should know about.
- Obtain proof that the property legally belongs to the person you are buying it from.
- Research and find the property's legal boundaries.
- Review and advise you on the contract for sale (prepared by the seller's solicitor).
- Agree a completion date.



Most lenders will be prepared to accept your choice of conveyancer, as most experienced solicitors will have acted for the lender in question before. However, it can be best to check beforehand.

Credit reference agencies

Credit reference agencies hold information on most UK adults. Lenders use this data to help assess the risk of lending to a specific person. The three main UK credit reference agencies are Experian, Equifax, and TransUnion. You can request a copy of your credit file, which can be worthwhile before applying for a mortgage. Some services may charge a fee or offer monthly subscriptions, so check their terms and conditions carefully.

Credit score

Lenders often use a credit scoring system to decide whether to approve your mortgage application. Each lender weighs things differently, but most look at these three core areas:

- Public record information (e.g. the electoral roll).
- Credit account information (e.g. records of amounts of loans and your payment history).
- Search information (e.g. the number of applications you have made for credit).

Too many applications, even unsuccessful ones, can affect your score. So it's important to apply with the right lender.

How to improve your credit score:

- Check your credit file – fix any errors by contacting the credit agency.
- Register to vote – being on the electoral roll helps build trust, lenders may ask for more information if you're not registered to vote.
- Keep your address up to date – across all accounts (bank, credit, mobile), you don't want to give the impression that you have more than one address.
- Close unused credit cards – too many can work against you.
- Build a credit history – if you've never borrowed, consider a credit card.
- Pay on time – even small delays can show as defaults.
- Avoid payday loans – they can signal poor money management.

Critical illness cover

This is insurance that pays out when a defined medical event occurs. For example, following a heart attack, stroke, cancer or some other specifically defined critical illness.

Cover is for a set term, which may be equal to a mortgage term, for when children have grown up, until retirement or another life stage milestone. It may be worth considering having one policy for a set term to cover the mortgage, and another that will provide money to help support your different lifestyle if a serious illness happens.

Most people choose a lump sum to be paid out. There is the option of receiving it as set income over the term remaining, which is often a lower cost option.

Deposit

Lenders are no longer happy to take all the risk of buying your next property, and so they do not lend 100% of the value of the property. If you are unable, in the future, to pay your mortgage, the lender needs reassurance that it can take your home and cover the loan by selling it.

Less risk taking means lower loan-to-value (LTV) ratios, and personal deposits need to be larger than in the recent past.

The source of the deposit may come from your current property, savings, inheritance or a gift. Be aware that deposit loans from family and friends can still not be accepted as a source of deposit by some lenders, or can influence how much they may lend you.

Disclosure

It is a legal requirement that you disclose your circumstances fully and accurately. Also, non-disclosure of credit commitments, missed payments, County Court Judgments (CCJs), accurate address history, and number of dependants will have a big impact on your application now and also on any future application for financial services (as evidence of this may be loaded onto fraud databases).

Disclosing any issues to a lender does not automatically mean the application will be declined – indeed many lenders have provision for this type of business.



You may wish to consider obtaining a credit report to identify any historical or current credit issues, as well as check your past address history.

Drawdown

During the completion stage, this is when funds are released from your lender to be used for the property purchase.

Early repayment charge

This is normally shown as a percentage of the loan but can also be a fixed fee. They apply if you repay your loan during any special incentive periods (e.g. discount). Some products extend that time beyond the initial period so be aware.

Part payments can also sometimes trigger this, although most lenders allow a small percentage a year to be repaid without this happening.

Exchange

In England and Wales, this is the stage after which you are legally committed to purchase the new property. Usually deposits will be moved to the vendor's conveyancer, so if you withdraw from the process you will lose the deposit. Insurance and protection should be in place at this point.

Equity

The difference between the value of your home and your outstanding mortgage is known as equity. You could use the equity in your home as your deposit for your new mortgage. Less risk-taking by lenders means lower LTV ratios, so the more equity the better. If you get into trouble making your mortgage repayments your lender needs to be sure it can cover the outstanding mortgage by taking your home and selling it. The lower the LTV the more chance your lender has of achieving this.



As a general rule, the more equity you have in your property, the lower the interest rate you're likely to be offered.

Family Income Benefit

This cover will pay out if death occurs, and provides an income per year for the term remaining on the policy. For example, for a 20-year term, where the claim occurred after five years, there would be 15 annual payments made in total.

The payments are not normally subject to income tax but may impact some state benefits.

Freehold

If you own the freehold of a property, it means that you own the building and the land it stands on.

Furnished/unfurnished?

Most lenders calculations are based on unfurnished rental agreements, irrespective of how you intend to let out the property. This can give lower rental and lower yields while lowering the amount you can borrow against your expectations. The cost of fittings also needs to be considered, as well as budgeting for their maintenance.

Gazumping

This is where the seller decides to take a higher offer, even after initially accepting yours. This could leave you out of pocket on expenses like the legal costs and survey fee. In England and Wales, the sale is secured by law only when contracts have been signed and exchanged.

Under the Scottish system, the seller confirms their acceptance of the offer. If the seller then gets a better offer and wants to change their mind, their solicitor will refuse to act for them on the new transaction – as doing so would leave them open to charges of professional misconduct. Rival solicitors are free to take the business if they wish, but this seldom happens in practice.

Guarantor

A guarantor doesn't have to be a parent but usually is. A guarantor takes on some of the risk of you being unable to meet your repayments. The lender will normally require your guarantors to offer their property as security against the guaranteed part of the mortgage.

Technically they become immediately liable to repay the outstanding loan if you are no longer able to make your payments. In reality what usually happens is an agreement is made between the lender and the guarantor, so they maintain payments until you are able to do so.

The amount of lenders willing to consider this for buy-to-lets is very limited.

Higher lending charge

This was previously known as a mortgage indemnity guarantee (MIG). It is where high LTV lending happens and an insurance policy is taken out by the lender to protect itself – should you default and property values decline.

This cost is passed on to you through this charge. Not all lenders charge this as high loan-to-value loans are rare for buy-to-lets.

House in Multiple Occupation (HMO)

If your property will have multiple occupants, check with the local council whether you need a house in multiple occupation (HMO) licence (https://www.gov.uk/find-licences/house-in-multiple-occupation-licence). This may affect the number of lenders willing to consider your application.

Interest-only mortgage

With an interest-only mortgage, you only pay the interest each month – none of the loan itself. That means the full amount still needs to be repaid at the end of the term, so you will need to ensure you have that money ready.

You can repay it by:

- Taking out another mortgage (if you still qualify).
- Selling the property (hoping its value covers the loan).
- Using savings or investments (though returns aren't guaranteed).

This type of mortgage is common for buy-to-let, but it carries risk - especially if property values fall or your investments don't grow as expected.

Land taxes

When you buy property you must pay tax based on its value. In England and Northern Ireland you pay Stamp Duty Land Tax (SDLT); in Scotland you pay Land and Buildings Transaction Tax (LBTT); and in Wales you pay Land Transaction Tax (LTT). The rate at which you pay tax is based on the price of the property and becomes progressively higher as you move through price bands. From April 2016 there were higher rates of SDLT and LBTT on purchases of additional residential properties, such as buy-to-let. The current rates of SDLT, LBTT and LTT for additional properties are:

Additional property SDLT

From 01/04/2025	Rate
Up to £125,000	*5%*
£125,001 - £250,000	*7%*
£250,001 - £925,000	*10%*
£925,001 - £1.5 million	*15%*
Above £1.5 million	*17%*

You can find an SDLT calculator on the HM Revenue and Customs website at https://www.tax.service.gov.uk/calculate-stamp-duty-land-tax/#/intro

LBTT

Property value	LBTT rate
Up to £145,000	*0%*
The next £105,000 (£145,001 – £250,000)	*2%*
The next £75,000 (£250,001 – £325,000)	*5%*
The next £425,000 (£325,001 – £750,000)	*10%*
Above £750,000	*12%*

The table shows standard LBTT rates for Scotland. The Additional Dwelling Supplement (ADS) applies to most purchases of additional residential properties in Scotland where the consideration is £40,000 or more. For transactions on or after 5 December 2024, ADS is 8% of the purchase price. For more information and to use an LBTT calculator, visit Revenue Scotland website at https://www.revenue.scot/land-buildings-transaction-tax/tax-calculator/lbtt-property-transactions-calculator

LTT

Property value	LTT rate
The portion up to and including £180,000	*5%*
The portion over £180,000 up to and including £250,000	*8.5%*
The portion over £250,000 up to and including £400,000	*10%*
The portion over £400,000 up to and including £750,000	*12.5%*
The portion over £750,000 up to and including £1,500,000	*15%*
The portion over £1,500,000	*17%*

You can find an LTT calculator on the GOV.Wales website at: https://gov.wales/land-transaction-tax-rates-and-bands

Leasehold

A leasehold building means you have permission to use the property for a certain term, as agreed with the freeholder who owns the land.

Typically this applies to apartments, where the freeholder will be responsible for maintaining the common parts of the building (e.g. entrance hall, staircase, roof), for which the leaseholder pays ground rent.

Legal fees

When you buy a property there is legal work that needs to be done. You will often hear this called conveyancing. You will probably use a solicitor to do this work for you although you can use a licensed conveyancer.

Your legal bill will be the fees for the legal work plus other expenses that your solicitor has paid on your behalf, such as searches and Land Registry fees. You may see these additional expenses described as disbursements.

Some remortgage deals may include free conveyancing, otherwise there could be a fee for the legal work and any associated disbursements.

Letting agreement

The type of tenancy agreement will influence the number of lenders who will consider lending to you. A six month assured shorthold tenancy agreement (AST) is acceptable to most providers. Your choice will narrow if you are considering letting to a local authority, a company or housing association.

Let-to-buy

A variation on a theme, where you let the home you are currently living in, so that you can facilitate the purchase of your new home. You need to obtain permission to let from your current lender, and they may not agree depending on their appetite for risk. They may also alter the interest rate you pay. You may need to review the market for other options. Your let-to-buy is then treated like a traditional buy-to-let application, and your new home purchase would be a related, but isolated, application.

Life cover

This is cover that pays out on death. Some plans pay upon earlier confirmation of a terminal illness where the prognosis is death within 12 months. It can pay out as a lump sum, or as income for a set period.

Cover can last for a set term called Term Assurance, or can last throughout life, called Whole of Life.

The amount of cover can remain the same or increase/decrease annually. Level term assurance stays the same throughout. Decreasing cover is sometimes used to cover a reducing debt, such as a repayment mortgage and usually assumes a given interest rate. Provided your mortgage rates don't exceed that rate, then the cover should reduce at around the same rate as the mortgage.

The amount you pay is called the premium. It can either be guaranteed not to change, or it can be reviewable. Reviewable cover normally changes based on the claims experience of the life assurance company.

Limited company

Whether you choose to buy the property in your own name, or that of a company, will have tax implications for you. You may also find that some lenders will not lend to a company, or still require a personal guarantee. You should seek professional advice from a tax specialist.

Loan-to-value (LTV)

Compared to residential lending, loan-to-values are typically lower (75%) to accommodate the perceived higher risk, and need budgeting for in your deposit.

Mortgage arrangement fees

Unless you choose a lender's standard variable rate mortgage you can expect to pay an arrangement fee for your mortgage. Arrangement fees vary significantly, and may be expressed as a fixed fee or as a percentage of the loan. This means it is difficult to give an accurate estimate but it is not unusual to pay something in the range of £500 – £2,000 or more.

You will usually have the choice of paying the arrangement fee up front or adding it to the loan. Adding it to the loan may ease your cash flow but will cost you more as you will pay more interest.

Mortgage rate

Compared to residential mortgages, the rates available are higher. This reflects the higher perceived level of risk and as such the higher level of return wanted by the lender.

Mortgage types

Type of mortgage interest option	Description	Advantages	Disadvantages
Standard variable rate (SVR)	Your monthly repayments rise and fall in line with changes in your lender's standard variable rate of interest, not necessarily linked to the Bank of England base rate.	The lender does not usually charge an arrangement fee. There are usually no penalties if you redeem the mortgage – often called early redemption penalties.	You have no certainty over monthly repayments. Initial monthly repayments will be more expensive than other options with an incentivised rate for an initial period.
Discounted rate	Your lender gives you a discount against its SVR for a set period of time. It will normally revert to SVR after the initial period.	Repayments are lower than an SVR mortgage.	You have no certainty over monthly repayments. The lender will usually charge a one-off arrangement fee. There are usually early redemption penalties should you wish to redeem the mortgage during a period set by the lender.
Fixed rate	The interest rate is fixed by the lender for a set period. It will normally revert to SVR after the initial period.	Your monthly repayments stay the same even when interest rates rise. You can budget knowing what your monthly repayments will be.	Your monthly repayments stay the same even when interest rates are lower. The lender will usually charge a one-off arrangement fee. There are usually early redemption penalties should you wish to redeem the mortgage during a period set by the lender.
Base rate tracker	During a set period the interest rate tracks the Bank of England's base rate. The interest rate is expressed as base rate + x%. The monthly repayments change every time the Bank of England changes interest rates. Some are 'Stepped Trackers' where the margin between base rate and SVR changes at the mortgage anniversary.	You benefit immediately from any reduction in interest rates by the Bank of England. Usually repayments are lower than an SVR mortgage.	You have no certainty over monthly repayments. You suffer immediately from any increase in interest rates. The lender will usually charge a one-off arrangement fee. There are early redemption penalties should you wish to redeem the mortgage during a period set by the lender.
Current account	A single account from which you run your day-to-day finances and your mortgage. It is like a current account with a large overdraft facility secured against your property.	The lender calculates interest on the current debit balance. There are no fixed monthly repayments; you can overpay, underpay or take payment holidays as long as the debt is within your agreed borrowing limit. You effectively have a credit facility where you only pay interest at the mortgage rate.	The lender will usually charge a one-off arrangement fee. The flexible repayment nature means you need self-discipline to ensure you repay the mortgage by the end of the term. If you are not a higher-rate tax payer or have substantial savings, you may be better off with a more traditional option that has a lower interest rate. Also, other interest options sometimes allow overpayments and offer better rates.

Offset	A similar idea to the current account mortgage but without a single account. Essentially, your mortgage debt is notionally reduced by the balance in your savings account; you pay interest on this notionally reduced debt.	You pay interest on a lower balance than with a traditional mortgage. You can usually overpay, underpay or take payment holidays as long as the debt is within your agreed borrowing limit. You don't earn interest on your savings, but you don't pay interest on the amount (of savings linked) off your mortgage.	The lender will usually charge a one-off arrangement fee. The flexible repayment nature means you need self-discipline to ensure you repay the mortgage by the end of the term. If you are not a higher rate tax payer or have substantial savings, you may be better off with a more traditional option that has a lower interest rate. Also, other interest options sometimes allow overpayments and offer better rates.
Cashback	A mortgage that pays you an up-front cash lump sum of either a fixed amount or a percentage of the mortgage advance.	Can be useful for first time buyers who may be on a tight budget and could use the cashback for home furnishings.	There are redemption penalties should you wish to redeem the mortgage during a period set by the lender. The rate is often SVR or very close to it.
Capped	The rate will not rise above a certain level for a set period.	Offers similar security to the fixed rate. Initial rates are usually competitive.	The lender will usually charge a one-off arrangement fee. There are early redemption penalties should you wish to redeem the mortgage during a period set by the lender. Rates are often higher than a fixed rate, and caps are normally only two or three years.
Droplock / switch to fix	A discount or tracker mortgage, which has an option to switch to a fixed rate at any point within the initial discount or tracker period without paying any early repayment charges.	Benefits from base rates when they are low, with the option to switch to the protection of a fixed rate should interest rates look set to rise significantly.	There can be an arrangement fee when this is exercised. There may not be a fixed rate product available at the time the borrower wishes to switch.
Foreign currency	A mortgage that is not in the same currency as your main income. This means it applies to UK property and not only to properties abroad.	If currency exchange rates move in your favour, then the value of your debt can decrease. This can impact it more than interest and repayments in the short term.	Changes in the exchange rate may increase the Sterling equivalent of your debt and repayments, even if interest rates remain the same. Good practice suggests factoring in at least a 20% change in currency values.

Offer

You will make an offer for the new property and hopefully that will be accepted. Obtaining a legal mortgage offer is the next important part. This is where the lender starts their assessment (underwriting) process of you and the property.
A mortgage offer is normally required by your conveyancer before moving to the next stage. Please note, that although extremely rare in reality, a lender reserves the right to withdraw your offer at any point prior to completion.

One-off costs

When you buy a property you incur certain one-off costs that can add up to a significant amount of money. These include land taxes (stamp duty), legal fees, valuation/survey fees, and mortgage arrangement fees.

Personal income

Most lenders will first look at the rental income, yield and property value to assess your application. They are also likely to look at your personal income and expenditure to satisfy them that mortgage payments can be met in the event of a rental void.

Property type

Some properties such as flats over commercial properties, studio flats and ex-local authority premises can be viewed as having reduced future attractiveness and as such some lenders may not operate in that market. This may restrict your lending options.

Listed buildings (e.g. Grade I and Grade II) may have restrictions on how you can maintain or alter the property as well as buildings near to it (e.g. garage). Some unlisted properties can also be subject to similar restrictions (e.g. in an area of outstanding natural beauty).

Regulation

Some buy-to-let mortgages are not regulated. There are best practices that any reputable mortgage adviser or lender will follow and these are based on the practices and processes that apply in the residential mortgage market.

The Mortgage Credit Directive (2016) has also included some consumer protection for 'consumer buy-to-let' mortgages.

Consumer buy-to-let is defined as a contract which is not entered into by the borrower wholly or predominantly for the purposes of a business carried on, or intended to be carried on, by the borrower.

The legislation sets out a series of circumstances that would constitute a buy-to-let customer acting for the purposes of business, and therefore take them outside the scope of the legislation.

These include where a customer:

- Uses the mortgage to purchase a property with the intention of renting it out.
- Has previously purchased the property with the intention of letting it out and neither the customer nor a relative has inhabited it.
- Already owns another property that has been let out on the basis of a rental agreement.

The legislation also enables a firm to presume that a borrower is acting by way of business if the agreement includes a declaration from the borrower that they are acting as a business and understand that they are forgoing protections offered by the legislation to consumers, unless the firm has reasonable cause to suspect that this is not the case.

As a reputable mortgage adviser we follow best practices and processes irrespective of whether a solution is regulated or not.

Rental yields

Lenders usually use a formula to check whether the expected rent is enough to support the mortgage. This often includes a buffer to allow for rental voids or possible interest-rate rises.

Rental voids

You need to ensure you have enough personal income and resources to maintain payments if your property becomes vacant. This is because your monthly payments to the lender will continue irrespective of your rental situation.

Rent guarantee insurance

A tenant that falls into arrears can jeopardise your ability to meet your mortgage repayments. If you fall into arrears with your mortgage repayments you risk losing your property. Rent guarantee insurance covers you if tenants default on their rent and protects your ability to pay your mortgage. Some policies also cover any associated legal costs.

Repayment mortgage

With a repayment mortgage your monthly repayments cover both capital and interest on the loan.

As the term continues, the amount outstanding on the loan reduces so the full amount of the loan will have been repaid at the end of the term as long as you have maintained payments.

No other repayment vehicle is needed and it avoids the risk of investing (e.g. in the stock market).

If you remortgage, you may be tempted to extend the end repayment date in order to lower your monthly payments. However this means that the amount you repay overall increases over time.

Risks

As with all investments, the value of a property can go down as well as up. Past performance is not a guide for the future. If your mortgage loan exceeds the property value, you will have negative equity.

Also factor in the costs of selling, such as using an estate agency, into your net value. However, if you pick the right area, and are realistic about returns, you can reduce the risks.

Unforeseen structural problems could prove expensive, so budgeting for regular maintenance is crucial, as is having the right level of buildings insurance.

Rental income from buy-to-let properties can vary: if the market is saturated with rental properties, your annual income may remain static or even fall. The condition of your property will also impact your rental levels. You need to build leeway into the rent to allow for periods when the property might be empty between lets (it can take time to let a property), and to cover maintenance costs. You should also bear in mind the possibility of rent control being introduced by the Government, which may cap your rental income. If interest rates were to rise more than a corresponding increase in rental, then that could impact your ability to pay your mortgage.

The more cautious investor might prefer to borrow less. You should aim for a rental income of between 1.3 and 1.5 times the monthly mortgage payments.

Many people are put off buy-to-let by the thought that they will have to spend a lot of time fixing problems such as broken washing machines or dealing with tenants who default on payments.

A good agent can take care of everything, from finding tenants and checking references, to managing an inventory and dealing with unexpected problems like burst pipes (although there is of course a cost for this).

We recommend that those landlords intending to use a letting agent use a member of the Association of Residential Letting Agents (ARLA) or a similar reputable trade body. These agents may provide practical assistance with general property management. Their services can include a fee, which is often taken up front for the full term and so can impact your cash flow initially.

Agents can also advise on tenancy agreements. Most lenders require you to have a six-month, assured shorthold tenancy agreement with your tenants. You may also find it more difficult to arrange finance if you are planning on letting to students, or for more irregular tenancy periods, such as holiday lets or company lets. You may also have difficulties if you are planning on letting to a DSS tenant.

Self-employed

It is more difficult to get a mortgage if you are self-employed, when compared with employees. Self-employed people often have more erratic incomes and find it more difficult to prove their incomes.

In the past, self-employed people got round the problem of proving income by using self-certification mortgages, where you would state your income and a lender would take it on trust.

However, too many people took out mortgages they couldn't afford and these loans are no longer allowed.

All lenders will want to see proof of your income, often looking to see a track record over three years or more. That way it can take an average figure and smooth out any spikes.

Proof can take the form of accounts and tax returns, and the SA302 supplied by the HMRC.

Please remember that income means profit, not turnover - if you've legitimately suppressed your profits to minimise income tax, this will work against you when applying for a mortgage.

Self-employed mortgages are a bit of a minefield and you really need access to expert knowledge and contacts. We can help you.

Tax implications

The UK Government in 2015 announced a new way that tax relief on mortgage interest payments and expenses will be treated for buy-to-let investors. From 6 April 2020, tax relief for finance costs will be restricted to the basic rate of income tax, currently 20%. Relief will be given as a reduction in tax liability instead of a reduction to taxable rental income.

The disposal of a buy-to-let property may be subject to capital gains tax. You should seek professional specialist tax advice about this.

Tenants

The intended tenant profile can influence lender availability. For example, some lenders may not accept student lets or properties occupied by tenants in receipt of benefits, potentially reducing the number of suitable lending options.

Valuation and survey fees

Before a lender will grant you a mortgage it will insist on a valuation to prove the property is worth what you're paying for it. The size of the valuation fee will vary by lender and property value but for a property costing £200,000 expect to pay around £100 (source: Halifax Building Society August 2025).

The basic valuation is for the lender's benefit so that it feels comfortable lending against the property. If your property is rented out, then a rental assessment will also be required. It may be possible to raise a larger mortgage with one lender compared to another because of the rental yields they use as well as the loan-to-value percentage.

You may feel you want to add a survey to the valuation that gives you a report on the general condition of the property. Costs vary but for a valuation and survey on a house costing £200,000 expect to pay around £550 (source: Halifax Building Society August 2025).

If you are buying an older property, or one in a general state of disrepair, you may choose a full structural survey. This is a thorough survey that examines the structural condition of the property and gives you advice on repairs. Depending on the property expect to pay between £600 and £1,500.

Your valuation will also need to include rental expectations, as compared to a normal mortgage residential valuation. Obtaining comparable examples in the same area and for a similar property will help you obtain a benchmark.

Waiver of premium

This is a feature that can be added to some insurance plans. Should you become disabled, or seriously ill and unable to pay the premiums of a plan, this cover can pay your premiums for you.

There is normally a period before this benefit starts where you need to continue paying premiums (a deferred period). Once the deferred period has passed, you will have your premiums paid for you.

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