# Mortgage Credit Directive

Investment and Consumer Buy to Let mortgages 23 November 2015



FOR INTERMEDIARIES

## How we define Investment Buy to Let and Consumer Buy to Let mortgages

The Mortgage Credit Directive (MCD), effective 21 March 2016, introduces a legislative framework for Consumer Buy to Let (CBTL). This covers the small number of Buy to Lets where the borrower has not entered into the mortgage contract for business/investment purposes.

Buy to Let mortgages for business/investment purposes are not covered by the new MCD rules. This type of mortgage will be known as Investment Buy to Let.

|  | Investment Buy to Let<br>Most BTL mortgages  | <b>Consumer Buy to Let</b><br>Small number of BTL Mortgages   |
|--|--|---|
| How we define<br>Ultimately                  | <ul> <li>The property is for business purposes for long-term income and/or asset growth</li> </ul>   | <ul> <li>Short-term solution due to circumstances, e.g. 'accidental landlords'. It is the responsibility of the intermediary to determine if a case is CBTL</li> <li>Example: applicant can't sell an inherited property and needs the rental income as a short-term measure to maintain the property.</li> </ul>           |
| How we identify<br>on Introducer<br>Internet | <ul> <li>Purchase OR remortgages where business purpose for long-<br/>term income and/or asset growth</li> </ul>   | <ul> <li>Must meet all of the following criteria:</li> <li>No other Buy to Let properties</li> <li>Not for business/income purposes</li> <li>Remortgage only</li> </ul>   |
| Affected by MCD                              | <ul> <li>No consumer rights as business/investment transaction</li> </ul>  | <ul> <li>Increased upfront disclosures e.g. point of sale KFI to be provided</li> <li>Applicants have complaints rights with the Financial Ombudsman</li> <li>Lenders must treat consumers in arrears reasonably</li> </ul>   |
| Applicant declaration                        | <ul> <li>Online confirmation that client's applying for a Buy to Let mortgage for business purposes</li> <li>Plus intermediary to retain signed copy of BTL mortgage customer declaration</li> </ul> | <ul> <li>Plus intermediary to retain signed copy of BTL mortgage<br/>customer declaration</li> </ul>  |
| What FCA<br>permissions do<br>you need       | <ul> <li>We'll only accept if intermediary is registered with the FCA for residential mortgages</li> </ul>   | <ul> <li>Intermediary must be registered with the FCA for residential mortgages, and</li> <li>Must be registered, or intending to register with the FCA for CBTL by 21 March 2016</li> <li>You'll need to confirm you have the correct permissions in Introducer Internet; we won't check/validate this with FCA</li> </ul> |

# Submitting an Investment Buy to Let application in Introducer Internet

#### Application type Please select the type of application you wish to create below:-Residential Buy to Let Consumer Buy to Le A On the 'application type' screen tick Investment Property the box to confirm the mortgage is for business purposes for long term income and/or asset growth, and then click 'continue'. SOLD This mortgage is for business You are not undertaking this purposes for long term income for business purposes. and/or asset growth. You do not own another property that you let. This is a remortgage application. Continue 🔸 Continue 🔸 Continue 🔸

#### New application > Agreement in principle (AIP) > Application type

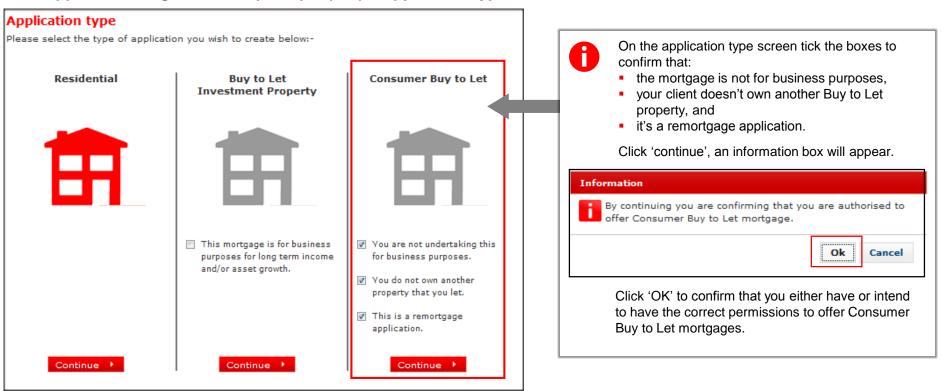
Full Mortgage Application > Submission Form > Confirmation

|                               |   | commutor   |  |
|-------------------------------|---|--|--|
| is<br>n<br>la<br>g<br>T<br>tl | Tick 'yes' to confirm that your client<br>is applying for this Buy to Let<br>mortgage for business purposes for<br>long term income and asset growth<br>generation.<br>This information is also detailed on<br>the PDF copy of the declaration. You<br>should retain a signed copy. | I can confirm that the applicant(s) has/have co<br>information I have input on-line. I confirm that<br>declaration(s), signed by the applicant(s) will be<br>with clause 3.3 of the terms of business. I confi<br>have received a copy/copies of their signed Cus<br>Where a reference is required, I will ensure that<br>mortgage declaration is sent to the regional off<br>copy on file<br>I can confirm that if the applicant(s) do not wish<br>information or do not want their name(s) and a<br>released to market research organizations, I wi<br>on their behalf | the relevant customer<br>e retained in accordance<br>irm that the applicant(s)<br>stomer Declaration(s).<br>t a signed customer<br>fice & that I will retain a<br>h to receive marketing O Yes O No<br>address(es) to be |
|                               |   | I confirm that the applicant(s) has/have advise<br>for this Buy to Let mortgage for business purpo<br>and asset growth generation.   |  |
|                               |   | Please print the 'A straightforward guide to your<br>button provided<br>Full application declaration page Declaration  | - Print  |

Confirmation

# Submitting a Consumer Buy to Let application in Introducer Internet

#### New application > Agreement in principle (AIP) > Application type



### New application > Agreement in principle (AIP) > Application Details



#### Full Mortgage Application > Submission Form > Confirmation

Make sure you retain a signed copy of the Buy to Let mortgage customer declaration

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