



Mortgages  
for Business



Specialist Purpose Vehicles –  
Drive carefully!

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# BTL Ltd company lending

Driven by two events:

- 8<sup>th</sup> July 2015 – George Osborne’s announcement to progressively restrict tax relief on interest costs to Base Rate from 6<sup>th</sup> April 2017 to 5<sup>th</sup> April 2021
- 28<sup>th</sup> September 2016 – PRA announces SS13/16 and PS 28/16 for underwriting standards for buy-to-let mortgage contracts

Let me ask you all a question...

What percentage of BTL purchases that you have financed in the last 6 months have been in a Ltd Co?

<10%

<25%

<50%

>50%

# BTL Ltd company activity

- Comments from **Mortgage and Protection Senate(2<sup>nd</sup> Sep)** :
  - Major network: Ltd Co BTL activity is negligible
  - Leading broker: We will implement a strategy in time for Apr '17

## Responses to audience surveys:

### **FSE London (14<sup>th</sup> Sep)** – 180 brokers

- < 10% - 67%
- < 25% - 20%
- < 50% - 14%
- > 50% - 9%

### **MBE London (13<sup>th</sup> Oct)** – 120 brokers

- < 10% - 84%
- < 25% - 10%
- < 50% - 5%
- > 50% - 1%

### **PIS London (7<sup>th</sup> Oct)**

- 85-90 landlords
- No properties held in a Ltd Co!

### **HMO Landlord Forum, Manchester (12<sup>th</sup> Oct)**

- 45 landlords
- 12 held one or more properties in a Ltd Co (27%)

### **BTL Landlords High Wycombe (27<sup>th</sup> Oct)**

- 55 landlords
- 20 held one or more properties in a Ltd Co(36%)

# Keystone Ltd company activity

Year	Pipeline	Offered	Completed
Q4 2015	20%	21%	17%
Q4 2016	72%	60%	27%

# BTL lending: Lenders & products

Year	Lenders (average)	Products (average)
2014	28 (6 offering Ltd Co)	762 (79 for Ltd Co)
2015	33 (10 offering Ltd Co)	914 (99 for Ltd Co)
2016	37 (14 offering Ltd Co)	1,238 (198 for Ltd Co)

# BTL lending: Security overview

## - Ltd Co lending

Security	Lenders
First Charge & PGs	Foundation Home Loans, Kent Reliance, Keystone Property Finance, Precise
First Charge, PGs Fixed & Floating	Aldermore Bank, Axis Bank, Fleet Mortgages, Norwich & Peterborough, Paragon Mortgages, Market Harborough & Vida Homeloans
First Charge, PGs Fixed & Floating Debenture	Metro Bank, Shawbrook Bank, State Bank of India & InterBay

# Incorporation & SDLT relief

- S162 Incorporation Relief
  - Ramsey decision
  - Business not passive investment
  - Historic cost / equity into shares of SPV
- SDLT
  - Specific exemption from HMRC
  - Formally constructed partnerships
- Broker NOT to advise
  - Landlords should seek professional property tax advice

# Pros & Cons of a Ltd company

## Pros

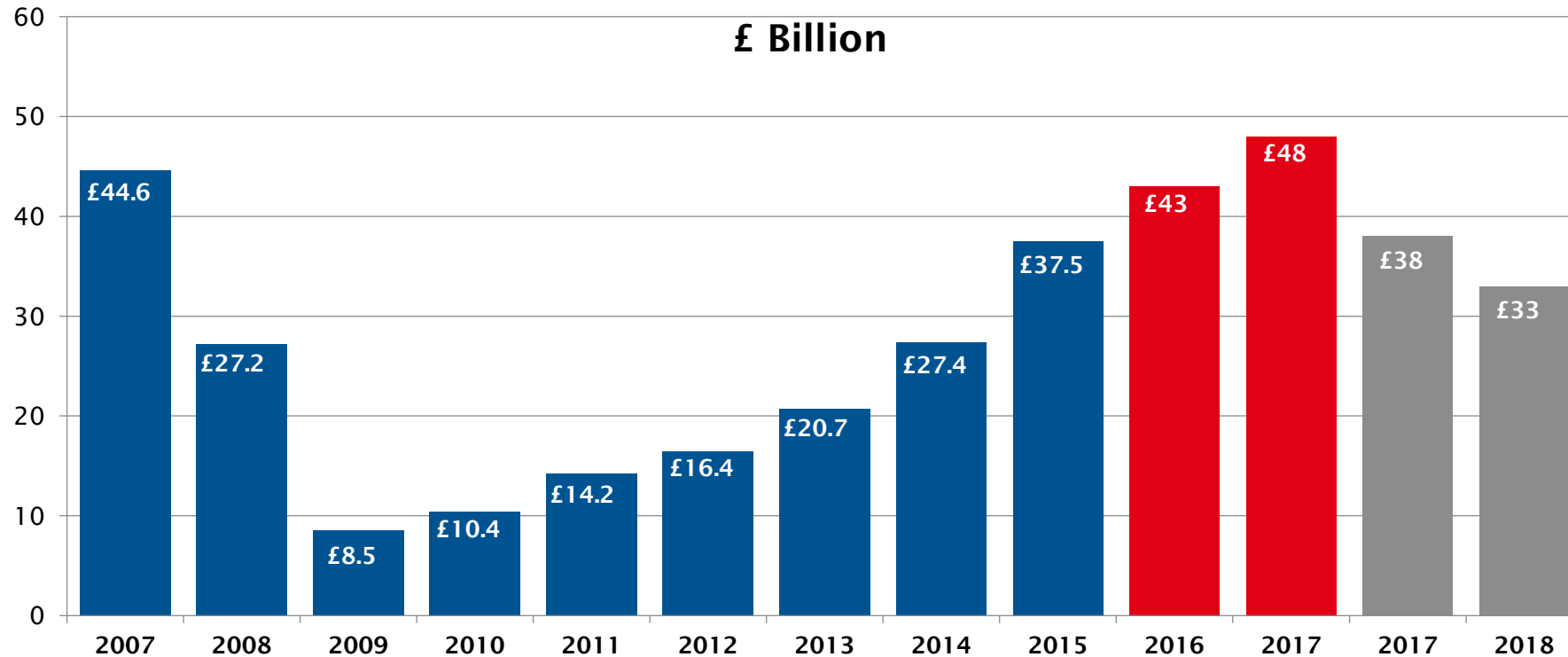
- Corporation tax NOT income tax – CT now 20% reducing to 17% in April 2020
- Interest relief remains a fully allowable expense
- Ltd Co's not subject to the new ICR/stress test changes so landlords will be able to borrow more
- Lots of product choice (195+ products available) & same rates as for personal borrowers offered by some lenders

## Cons

- Exit strategies may be more expensive than CGT



# BTL lending

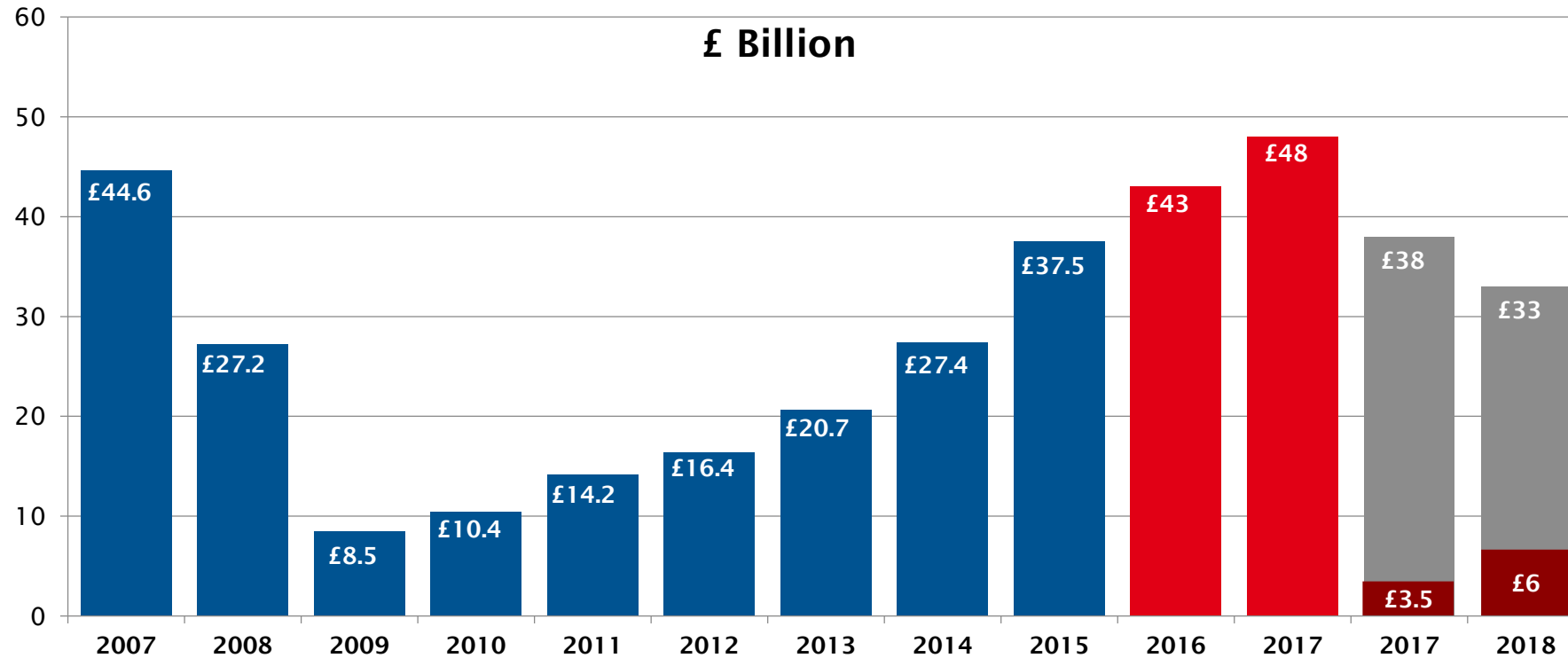


Source: CML 2007-2016 | IMLA predictions 2016-2017 | MFB/Keystone predictions 2017-2018

\*Likely 2016 final figure £40bn (£37.3bn as at 30<sup>th</sup> Nov 2016)

# BTL lending

Ltd Co estimate for 2017/2018...



Source: CML 2007-2016 | IMLA predictions 2016-2017 | MFB/Keystone predictions 2017-2018 | MFB/Keystone predictions on Ltd Co lending 2017-2018

\*Likely 2016 final figure £40bn (£37.3bn as at 30<sup>th</sup> Nov 2016)

# What else is in store for BTL in 2017

The second point of SS13/16 and PS28/16 defines portfolio landlords as

“Borrowers with four or more distinct mortgaged buy-to-let properties, either together or separately, in aggregate.”

From 1<sup>st</sup> October, lenders will be looking at

- their experience and their full portfolio of properties and existing mortgages
- the assets and liabilities of the borrowers, including any tax liability
- the merits of any new lending in the context of the borrowers’ existing buy to let portfolio together with their business plan
- Historical and future expected cashflow associated with all of the borrowers properties.]

Lenders yet to announce how this will be reflected in their policies and processes in Q4.

# Broker best BTL practice in 2017



- Ensure investors/landlords take advice on purchases
- ALWAYS provide both Ltd Co & personal quotes even if not requested
- Ensure you understand lender SLAs and advise timescales if outside of SLA
- Beware consequences of Ltd Co transactional advice in future years
- Start to tell your investors/landlords about post 30<sup>th</sup> September 2017 documentation requirements

# Thank you

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Any questions?