Guide to Buy to Let Mortgages

Investing in a buy-to-let (BTL) property can be a lucrative way to generate income, but it does come with its own set of challenges and responsibilities. Here, we will walk you through the steps to securing a buy-to-let mortgage, from understanding the application process to managing the risks and responsibilities associated with being a landlord. Whether you're a seasoned investor or a first-time landlord, this guide will help you make informed decisions about your property investment.

Who can get a buy-to-let mortgage?

Although requirements will inevitably vary from lender to lender, you typically need to meet the following criteria to be considered for a buy-to-let mortgage:

1. Age:

Most lenders require you to be at least 21 years of age, although some may accept applications as young as 18. Many lenders also apply an upper limit, typically 70-75 years of age at the end of the mortgage term, although some have a higher maximum age of 85.[1]

2. Income:

Lenders will usually require you to have a minimum income of around £25,000 per year.[2] This is to ensure you can cover the mortgage payments if you don't have a tenant or rental income falls short.

3. Credit history:

As with a normal residential mortgage, buy to let lenders will check your Credit Report' with 'buy to let lenders will run credit checks and review your credit history.

4. Existing mortgages:

If you already own a residential property, this can work in your favour. There are fewer BTL mortgages available for first-time buyers as they are perceived as more of a risk than existing homeowners.

5. Experience:

Some lenders prefer experienced landlords. However, there are still plenty of options out there for first-time landlords.

1 - Virgin Money
2 - Money Helper

Applying for a buy-to-let mortgage

As with a standard residential mortgage, you will be required to provide a number of documents to your BTL mortgage lender to prove you can afford the loan, including:

— Proof of income:

Typically in the form of pay slips, bank statements or tax returns (if you are self-employed).

— Deposit:

BTL mortgage applicants will normally need a higher deposit than is required for a residential property purchase. You usually need a deposit of at least 25% of the property's value, although the exact percentage will vary from lender to lender.

— Property details:

Information about the property you intend to buy, including its value and expected rental income. Lenders will usually require the expected rental income to be around 25% - 45%[3] higher than your mortgage repayments.

— Existing debts:

Details of any loans or credit agreements you may have.

3 - Barclays/HSBC

How do buy-to-let mortgages work?

As with a standard residential mortgage, a buy-to-let mortgage is a loan secured against your property. However, BTL mortgages differ from standard mortgages in several key ways, as outlined below:

1. Deposit amounts:

As previously mentioned, you'll usually need a larger deposit to purchase a BTL property – typically 25%[4] or more. This reflects the higher risk for lenders, as rental income can fluctuate.

2. Interest rates:

Interest rates on BTL mortgages are typically higher than for standard residential mortgages.

3. Rental income:

Lenders will assess the potential rental income from the property, as well as your own income. Typically, they will require it to be between 25% to 45%[5] higher than your mortgage repayments.

4. Repayment methods:

Most BTL mortgages are interest-only, meaning you'll only pay off the interest each month. This is in contrast to standard repayment mortgages, where the borrower pays off some of the capital they borrowed each month in addition to some interest. The capital will need to be repaid in full at the end of the mortgage term, usually through the sale of the property.

Stamp Duty on buy-to-let properties

Stamp Duty Land Tax (SDLT) is a tax payable on the purchase of property in England and Northern Ireland. All second home, holiday home and buy-to-let purchases are liable to pay higher stamp duty rates. In April 2025, the surcharge was increased from 3% to 5%, so it's important to factor this into your budget when planning your purchase.

In Wales, Land Transaction Tax (LTT) starts at 5% and in Scotland you'll pay 8% Land and Buildings Transaction Tax (LBBT).[6]

4,5 - Money Helper
6 - Gov.UK, Revenue Scotland, Money Helper, Gov.Wales

How much can you borrow?

The maximum amount you can borrow is linked to the property's expected rental income. However, minimum income requirements do apply for most buy-to-let mortgages, as lenders will want to ensure you can cover repayments during void periods.

If the property's expected rental income is not high enough, the lender may require a larger deposit to make up the shortfall.

Planning for void periods

Void periods are times when your property is unoccupied and you are therefore not receiving rental income.

It is crucial to have a financial buffer in place to support you during these times. Some lenders may even require proof of savings to ensure you are able to cover mortgage repayments during void periods.

Insurance for landlords

As a landlord, you will inevitably be exposed to a number of risks which could negatively impact your property investment. It is therefore essential to have adequate insurance coverage to protect yourself, your investment and your tenants.

1. Buildings insurance:

This covers the physical structure of your property against damage caused by fires, floods, storms, subsidence, water leaks, and other perils listed in your policy. Your payout will help cover repair and rebuilding costs.

2. Landlords' contents:

If you are renting out a furnished property, this type of policy will cover items such as furniture and appliances.

3. Property owners liability:

If somebody has an accident on your property or suffers property damage, this type of insurance provides financial protection.

4. Loss of rent:

This covers you if your property becomes uninhabitable due to an insured event, such as a fire.

We can help you navigate the insurance options available to you and find the cover that best suits your needs as a landlord.

Tax implications of owning a buy-to-let property

When you earn income from a buy-to-let property, you'll need to pay tax on your profits. The ins and outs of taxation for landlords can be complex, but here is a brief overview of the main tax considerations you need to be aware of:

— Income Tax:

Profit on your rental income (which includes rent plus charges for additional services such as hot water, heating, repairs and cleaning) is subject to Income Tax. Your taxable rental profit is calculated by deducting allowable expenses such as mortgage interest, landlords' insurance, council tax and maintenance costs from your total rental income. You can only deduct expenses from your rental income if they are wholly and exclusively for the purposes of renting out the property.

— National Insurance:

You may be subject to Class 2 National Insurance contributions.

— Capital Gains Tax:

If you sell your rental property for more than you bought it for, you will have to pay Capital Gains Tax on the profit.

Landlords can also claim tax relief on their mortgage interest payments in the form of a 20% tax credit.[7] This means that for every £10,000 spent on interest, they can claim back £2,000 in tax relief.

You should seek professional advice on the tax implications.

7 - Money Supermarket

GET IN TOUCH

Investing in a buy-to-let property is a significant financial commitment that requires careful planning and expert guidance. Whether you're just starting out or looking to expand your property portfolio, we can provide you with tailored advice on securing the most suitable mortgage, managing the associated risks and ensuring your property is protected with comprehensive insurance.

Contact us today to discuss your options for buy-to-let and get personalised advice aligned with your financial goals.

As with all insurance policies, conditions and exclusions will apply.

Your property may be repossessed if you do not keep up repayments on your mortgage.

Not all Buy to Let Mortgages are regulated by The Financial Conduct Authority.

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only.

Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.

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