

SCHEDULE 2

Requirements for registered consumer buy-to-let mortgage firms
Conditions applicable to creditors and credit intermediaries
Information and practices preliminary to the conclusion
of the consumer buy-to-let mortgage contract

Tying and bundling practices

4.—(1) Except in the circumstances described in sub-paragraphs (2) to (4), a creditor must not offer or sell a consumer buy-to-let mortgage contract in a package with other distinct financial products or services where that mortgage contract is not made available to the borrower separately.

(2) A creditor may request the borrower or a related person to—

- (a) open or maintain a payment or savings account where the only purpose of such an account is to accumulate capital to repay the credit, to service the credit, to pool resources to obtain the credit, or to provide additional security for the creditor in the event of default;
- (b) purchase or keep an investment product or a private pension product, where such product which primarily offers the investor an income in retirement serves also to provide additional security for the creditor in the event of default or to accumulate capital to repay the credit, to service the credit or to pool resources to obtain the credit; or
- (c) conclude a separate [^{F1}buy-to-let mortgage contract] in conjunction with a shared-equity [^{F1}buy-to-let mortgage contract] to obtain the credit.

(3) Notwithstanding sub-paragraph (1), a creditor may offer or sell a consumer buy-to-let mortgage contract where the creditor can demonstrate to the FCA that the tied products or categories of product offered, on terms and conditions similar to each other, which are not made available separately, result in a clear benefit to a borrower taking due account of the availability and the prices of the relevant products offered on the market.

(4) A creditor may require the borrower to hold an insurance policy related to the consumer buy-to-let mortgage contract, provided that the creditor must accept an insurance policy from a supplier different to the creditor's preferred supplier where the policy has a level of guarantee equivalent to the level of guarantee in the insurance policy proposed by the creditor.

F1 Words in Sch. 2 para. 4(2)(c) substituted (31.12.2020) by The Mortgage Credit (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/656), regs. 1(2), 8(1)(a)(2); 2020 c. 1, Sch. 5 para. 1(1)

General information

5.—(1) A creditor must make available clear and comprehensible general information about consumer buy-to-let mortgage contracts at all times on paper or on another durable medium or in electronic form.

(2) The general information referred to in sub-paragraph (1) must include at least the following—

- (a) the name and address of the creditor;
- (b) the purposes for which the credit provided under the consumer buy-to-let mortgage contract may be used;
- (c) the form of any security, including, where applicable, the possibility for it to be located [^{F2}outside the United Kingdom];
- (d) the possible duration of the consumer buy-to-let mortgage contract;

Changes to legislation: There are currently no known outstanding effects for the The Mortgage Credit Directive Order 2015, Information and practices preliminary to the conclusion of the consumer buy-to-let mortgage contract. (See end of Document for details)

- (e) the types of available borrowing rate, indicating whether fixed or variable or both, with a short description of the characteristics of a fixed and variable rate, including related implications for the borrower;
- (f) where foreign currency loans are available, an indication of the foreign currency or currencies, including an explanation of the implications for the borrower where the consumer buy-to-let mortgage contract is denominated in a foreign currency;
- (g) a representative example of the total amount of credit, the total cost of the credit to the borrower, the total amount payable by the borrower and the annual percentage rate of charge;
- (h) an indication of possible further costs not included in the total cost of the credit to the borrower, to be paid in connection with a consumer buy-to-let mortgage contract;
- (i) the range of different options available for reimbursing the credit to the creditor, including the number, frequency and amount of the regular repayment instalments;
- (j) where applicable, a clear and concise statement that compliance with the terms and conditions of the consumer buy-to-let mortgage contract does not guarantee repayment of the total amount of credit under that contract;
- (k) a description of the conditions directly relating to early repayment;
- (l) whether a valuation of the property is necessary and, where applicable, who is responsible for ensuring that the valuation is carried out, and whether any related costs arise for the borrower;
- (m) an indication of any ancillary services the borrower is obliged to acquire in order to obtain the consumer buy-to-let mortgage contract or to obtain it on the terms and conditions marketed and, where applicable, a clarification that the ancillary services may be purchased from a provider that is not the creditor; and
- (n) a general warning concerning possible consequences of non-compliance with the commitments linked to the consumer buy-to-let mortgage contract.

F2 Words in Sch. 2 para. 5(2)(c) substituted (31.12.2020) by [The Mortgage Credit \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/656\)](#), regs. 1(2), 9; 2020 c. 1, Sch. 5 para. 1(1)

Pre-contractual information

6.—(1) A creditor and, where applicable, a credit intermediary must provide a borrower with a lending illustration on paper or another durable medium—

- (a) without undue delay after the borrower has given the necessary information on the borrower's needs, financial situation and preferences in accordance with paragraph 12; and
- (b) in good time before the borrower is bound by any [^{F3}buy-to-let mortgage contract] or offer.

(2) The lending illustration must include at least the following—

- (a) the name of the borrower;
- (b) the date of issue of the lending illustration;
- (c) the date until which the lending illustration remains valid;
- (d) the name, address and telephone number of the creditor;
- (e) where applicable, the name, address and telephone number of the credit intermediary;
- (f) the amount of the loan required, including any charges added to the amount of the loan;
- (g) the value of any property against which the loan is to be secured;

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- (h) the term of the consumer buy-to-let mortgage contract;
- (i) a description of whether the consumer buy-to-let mortgage contract is to be provided on an interest-only basis, a repayment basis or a combination of the two;
- (j) the type of interest rate payable;
- (k) the interest rate payable including, if applicable, the initial interest rate and any reversionary rate;
- (l) the frequency and amount of each instalment and the number of instalments;
- (m) the overall cost of the consumer buy-to-let mortgage contract;
- (n) the annual percentage rate of charge;
- (o) where the ^{F4}buy-to-let mortgage contract] allows for variations in the interest rate, either—
 - (i) an illustration of how the annual percentage rate of charge might change in the event of an increase in the interest rate of 1%, and the resulting increase in the amount of each instalment; or
 - (ii) an additional annual percentage rate of charge which illustrates the possible risks for the borrower linked to a significant increase in the interest rate, including the possible increase in the amount of each instalment;
- (p) details of any early repayment charges;
- (q) a warning of the risk that interest rates may rise;
- (r) a warning of the risk that rental income may fall;
- (s) where applicable, a warning of the risk that the property may be repossessed if the borrower does not keep up with mortgage repayments;
- (t) where applicable, a warning of the risk of foreign currency loans; and
- (u) where it is an interest-only loan, a warning that the borrower will still owe the loan amount at the end of the term.

(3) The creditor or, where applicable, the credit intermediary, must provide the borrower with a copy of the draft consumer buy-to-let mortgage contract at the time of the provision of an offer.

(4) In this paragraph “lending illustration” means the personalised information needed by the borrower to compare the products available on the market, assess their implications and make an informed decision on whether to conclude a consumer buy-to-let mortgage contract.

F3	Words in Sch. 2 para. 6(1)(b) substituted (31.12.2020) by The Mortgage Credit (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/656) , regs. 1(2), 8(1)(a)(2) ; 2020 c. 1, Sch. 5 para. 1(1)
F4	Words in Sch. 2 para. 6(2)(o) substituted (31.12.2020) by The Mortgage Credit (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/656) , regs. 1(2), 8(1)(a)(2) ; 2020 c. 1, Sch. 5 para. 1(1)

Information requirements concerning credit intermediaries

7.—(1) In good time before the carrying on of any of the credit intermediation activities described in article 5(2) to (4), a credit intermediary must provide the borrower with at least the following information on paper or another durable medium—

- (a) the name and address of the credit intermediary;
- (b) details of the register, the credit intermediary's registration number, where applicable, and the means for verifying such registration;
- (c) whether the credit intermediary is tied to or works exclusively for one or more creditors;

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- (d) if the credit intermediary is tied to or works exclusively for one or more creditors, the names of the creditors for which the credit intermediary is acting;
 - (e) if the credit intermediary meets the criteria set out in paragraph 13(5), a statement that the credit intermediary is independent;
 - (f) whether the credit intermediary offers advisory services;
 - (g) the fee, where applicable, payable by the borrower to the credit intermediary for its services or, where this is not possible, the method for calculating the fee;
 - (h) the procedures allowing borrowers or other interested parties to register complaints internally about credit intermediaries and, where appropriate, the means by which recourse to out-of-court complaint and redress procedures can be sought;
 - (i) where applicable, the existence of commissions or other inducements payable by the creditor or third parties to the credit intermediary for their services in relation to the contract; and
 - (j) either the amount of such commissions or other inducements or, where the amount is not known at the time of disclosure, a statement that the credit intermediary shall inform the borrower of the actual amount as part of the lending illustration referred to in paragraph 6.
- (2) Where the credit intermediary charges a fee to the borrower and additionally receives commission from the creditor or a third party, the credit intermediary must explain to the borrower whether or not the commission will be offset against the fee, either in part or in full.
- (3) The credit intermediary must inform the creditor of the fee, if any, payable by the borrower to the credit intermediary for its services.

Adequate explanations

8.—(1) Creditors and, where applicable, credit intermediaries, must provide an adequate explanation to the borrower on a proposed consumer buy-to-let mortgage contract and any ancillary services, in order to place the borrower in a position enabling the borrower to assess whether the proposed agreement and ancillary services are adapted to the borrower's needs and financial situation.

- (2) The adequate explanation must, where applicable, include—
- (a) in the case of creditors, the information described in paragraph 6(2);
 - (b) in the case of credit intermediaries, the information described in paragraphs 6(2) and 7(1); and
 - (c) in all cases—
 - (i) the essential characteristics of the consumer buy-to-let mortgage contract proposed;
 - (ii) the specific effect the contract proposed may have on the borrower, including the consequences of default in payment by the borrower; and
 - (iii) where ancillary services are bundled with a consumer buy-to-let mortgage contract, whether each component of the bundle can be terminated separately and the implications for the borrower of doing so.

Changes to legislation:

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