

SCHEDULE 2

Requirements for registered consumer buy-to-let mortgage firms
Conditions applicable to creditors and credit intermediaries
Calculation of the annual percentage rate of charge

Basic equation expressing the equivalence of drawdowns on the one hand and repayments and charges on the other

20.—(1) The basic equation, which establishes the annual percentage rate of charge, equates, on an annual basis, the total present value of drawdowns on the one hand and the total present value of repayments and payments of charges on the other hand, expressed by means of the following formula—

$$\sum_{k=1}^m C_k (1 + X)^{-t_k} = \sum_{l=1}^{m'} D_l (1 + X)^{-S_l}$$

where—

X is the annual percentage rate of charge;

m is the number of the last drawdown;

k is the number of a drawdown thus,

C_k

t_k

m' is the number of the last repayment or payment of charges;

l is the number of a repayment or payment of charges;

D_l

S_l

where—

X is the annual percentage rate of charge;

m is the number of the last drawdown;

k is the number of a drawdown thus,

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$$C_k$$

$$t_k$$

m' is the number of the last repayment or payment of charges;

l is the number of a repayment or payment of charges;

$$D_1$$

$$S_1$$

- (2) The following remarks apply to the equation set out in sub-paragraph (1)—
- (a) the amounts paid by both parties at different times shall not necessarily be equal and shall not necessarily be paid at equal intervals;
 - (b) the starting date must be that of the first drawdown;
 - (c) intervals between dates used in the calculation must be expressed in years or in fractions of a year, where—
 - (i) a year is presumed to have 365 days (or 366 days for leap years), 52 weeks or 12 equal months; and
 - (ii) an equal month is presumed to have 30.41666 days regardless of whether or not it is a leap year;
 - (d) where intervals between dates used in the calculations cannot be expressed as a whole number of weeks, months or years, the intervals must be expressed as a whole number of one of those periods in combination with a number of days;
 - (e) for the purposes of paragraph (d), where using days—
 - (i) every day must be counted, including weekends and holidays;
 - (ii) equal periods and then days must be counted backwards to the date of the initial drawdown; and
 - (iii) the length of the period of days must be—
 - (aa) obtained excluding the first day and including the last day; and
 - (bb) expressed in years by dividing this period by the number of days (365 or 366 days) of the complete year counted backwards from the last day to the same day of the previous year;
 - (f) the result of the calculation must be expressed with an accuracy of at least one decimal place and if the figure at the following decimal place is greater than or equal to 5, the figure at the preceding decimal place must be increased by one;

(g) the equation may be rewritten using a single sum and the concept of flows (

$$s = \sum_{k=1}^n A_k (1 + X)^{-t_k}$$

where s is the present balance of flows;

(h) for the purposes of paragraph (g), if the aim is to maintain the equivalence of flows, the value of s will be zero.

Modifications etc. (not altering text)

C1 Sch. 2 para. 20(2): power to amend conferred (31.12.2020) by [The Mortgage Credit \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/656\)](#), regs. 1(2), 14; 2020 c. 1, Sch. 5 para. 1(1)

Additional assumptions for the calculation of the annual percentage rate of charge

21.—(1) The following additional assumptions apply for the purposes of calculating the annual percentage rate of charge.

(2) If a consumer buy-to-let mortgage contract gives the borrower freedom of drawdown, the total amount of credit must be deemed to be drawn down immediately and in full.

(3) If a consumer buy-to-let mortgage contract provides different ways of drawdown with different charges or borrowing rates, the total amount of credit must be deemed to be drawn down at the highest charge and borrowing rate applied to the most common drawdown mechanism for this type of contract.

(4) If a consumer buy-to-let mortgage contract gives the borrower freedom of drawdown in general but imposes, amongst the different ways of drawdown, a limitation with regard to the amount of credit and period of time, the amount of credit must be deemed to be drawn down on the earliest date provided for in the contract and in accordance with those drawdown limits.

(5) If different borrowing rates and charges are offered for a limited period or amount, the highest borrowing rate and charges must be deemed to be the borrowing rate and charges for the whole duration of the contract.

(6) For consumer buy-to-let mortgage contracts for which a fixed rate borrowing rate is agreed in relation to the initial period, at the end of which a new borrowing rate is determined and subsequently periodically adjusted according to an agreed indicator or internal reference rate the calculation of the annual percentage rate of charge must be based on the assumption that, at the end of the fixed borrowing rate period, the borrowing rate is the same as at the time of calculation of the annual percentage rate of charge, based on the value of the agreed indicator or internal reference rate at that time, but is not less than the fixed borrowing rate.

(7) If the ceiling applicable to the credit has not yet been agreed, that ceiling is assumed to be—

(a) in the case of [F1buy-to-let mortgage contracts], other than contingent liabilities or guarantees, the purpose of which is not to acquire or retain a right in immovable property or land, overdrafts, deferred debit cards or credit cards, EUR 1,500; and

(b) in all other cases, EUR 170,000.

(8) In the case of [F1buy-to-let mortgage contracts] other than overdrafts, bridging loans, shared equity [F1buy-to-let mortgage contracts], contingent liabilities or guarantees and open-ended [F1buy-to-let mortgage contracts] as referred to in the assumptions set out in sub-paragraphs (10), (11), (12), (16) and (17)—

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- (a) if the date or amount of a repayment of capital to be made by the borrower cannot be ascertained, it must be assumed that the repayment is made at the earliest date provided for in the [F²buy-to-let mortgage contract] and is for the lowest amount for which the [F¹buy-to-let mortgage contract] provides; and
 - (b) if the interval between the date of initial drawdown and the date of the first payment to be made by the borrower cannot be ascertained, it must be assumed to be the shortest interval.
- (9) Where the date or amount of a payment to be made by the borrower cannot be ascertained on the basis of the [F²buy-to-let mortgage contract] or the assumptions set out in sub-paragraphs (8), (10), (11), (12), (16) and (17) it must be assumed that the payment is made in accordance with the dates and conditions required by the creditor and, when these are unknown—
- (a) interest charges are paid together with the repayment of the capital;
 - (b) non-interest charges expressed as a single sum are paid at the date of the conclusion of the [F²buy-to-let mortgage contract];
 - (c) non-interest charges expressed as several payments are paid at regular intervals, commencing with the date of the first repayment of capital, and if the amount of such payments is not known they shall be assumed to be equal amounts; and
 - (d) the final payment clears the balance of capital, interest and other charges, if any.
- (10) In the case of an overdraft facility, the total amount of credit must be deemed to be drawn down in full and for the whole duration of the [F²buy-to-let mortgage contract] and, if the duration of the overdraft facility is not known, the annual percentage rate of charge must be calculated on the assumption that the duration of the credit is three months.
- (11) In the case of a bridging loan, the total amount of credit must be deemed to be drawn down in full and for the whole duration of the [F²buy-to-let mortgage contract] and, if the duration of the [F²buy-to-let mortgage contract] is not known, the annual percentage rate of charge must be calculated on the assumption that the duration of the credit is 12 months.
- (12) In the case of an open-ended [F²buy-to-let mortgage contract], other than an overdraft facility and bridging loan, it must be assumed that—
- (a) for [F¹buy-to-let mortgage contracts] the purpose of which is to acquire or retain rights in immovable property, the credit is provided for a period of 20 years starting from the date of the initial drawdown, and the final payment made by the borrower clears the balance of capital, interest and other charges, if any;
 - (b) for [F¹buy-to-let mortgage contracts] the purpose of which is not to acquire or retain rights in immovable property or which are drawn down by deferred debit cards or credit cards, the credit is provided for a period of 1 year starting from the date of the initial drawdown;
 - (c) unless sub-paragraph (13) applies, the capital is repaid by the borrower in equal monthly payments, commencing one month after the date of the initial drawdown.
- (13) This sub-paragraph applies in cases where the capital must be repaid only in full, in a single payment, within each payment period.
- (14) If sub-paragraph (13) applies—
- (a) successive drawdowns and repayments of the entire capital by the borrower must be assumed to occur over the period of one year; and
 - (b) interest and other charges must be applied in accordance with those drawdowns and repayments of capital and as provided for in the [F²buy-to-let mortgage contract].

(15) For the purposes of sub-paragraph (12), an open-ended [^{F2}buy-to-let mortgage contract] is a [^{F2}buy-to-let mortgage contract] without fixed duration and includes credits which must be repaid in full within or after a period but, once repaid, become available to be drawn down again.

(16) In the case of contingent liabilities or guarantees, the total amount of credit must be deemed to be drawn down in full as a single amount at the earlier of—

- (a) the latest draw down date permitted under the [^{F2}buy-to-let mortgage contract] being the potential source of the contingent liability or guarantee; or
- (b) in the case of a rolling [^{F2}buy-to-let mortgage contract] at the end of the initial period prior to the rollover of the agreement.

(17) In the case of a shared equity [^{F2}buy-to-let mortgage contract]—

- (a) the payments by borrowers must be deemed to occur at the latest date or dates permitted under the [^{F2}buy-to-let mortgage contract]; and
- (b) percentage increases in value of the immovable property which secures the shared equity [^{F2}buy-to-let mortgage contract], and the rate of any inflation index referred to in [^{F3}the contract], shall be assumed to be a percentage equal to the higher of the current [^{F4}Bank of England] target inflation rate or the level of inflation rate in [^{F5}the United Kingdom] at the time of conclusion of the [^{F2}buy-to-let mortgage contract] or 0% if those percentages are negative.

[^{F6}(18) In this paragraph “total amount of credit” has the meaning given in paragraph 9(6).]

F1 Words in Sch. 2 para. 21 substituted (31.12.2020) by The Mortgage Credit (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/656), regs. 1(2), **8(1)(b)(2)**; 2020 c. 1, Sch. 5 para. 1(1)

F2 Words in Sch. 2 para. 21 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)

F3 Words in Sch. 2 para. 21(17)(b) substituted (31.12.2020) by The Mortgage Credit (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/656), regs. 1(2), **8(3)**; 2020 c. 1, Sch. 5 para. 1(1)

F4 Words in Sch. 2 para. 21(17) substituted (31.12.2020) by The Mortgage Credit (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/656), regs. 1(2), **12(a)(i)**; 2020 c. 1, Sch. 5 para. 1(1)

F5 Words in Sch. 2 para. 21(17) substituted (31.12.2020) by The Mortgage Credit (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/656), regs. 1(2), **12(a)(ii)**; 2020 c. 1, Sch. 5 para. 1(1)

F6 Sch. 2 para. 21(18) inserted (31.12.2020) by The Mortgage Credit (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/656), regs. 1(2), **12(b)**; 2020 c. 1, Sch. 5 para. 1(1)

Modifications etc. (not altering text)

C2 Sch. 2 para. 21: power to amend conferred (31.12.2020) by The Mortgage Credit (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/656), regs. 1(2), **14**; 2020 c. 1, Sch. 5 para. 1(1)

Changes to legislation:

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