

SCHEDULE 2

Requirements for registered consumer buy-to-let mortgage firms

Conditions applicable to creditors and credit intermediaries

Sound execution of consumer buy-to-let mortgage contracts and related rights

Early repayment

16.—(1) Subject to sub-paragraph (3), the creditor must allow the borrower to discharge fully or partially the borrower's obligations under the consumer buy-to-let mortgage contract prior to the expiry of that contract.

(2) Where the borrower discharges, fully or partially, the borrower's obligations prior to the expiry of the contract, the creditor must provide the borrower with a reduction in the total cost of credit to the borrower, consisting of the interest and costs for the remaining duration of the contract.

(3) The creditor may provide that the exercise of the right referred to in sub-paragraph (1) is subject to one or more of the following conditions—

- (a) time limitations on the exercise of the right;
- (b) different treatment depending on the type of borrowing rate or on the moment the borrower exercises the right;
- (c) restrictions with regard to the circumstances in which the right may be exercised; or
- (d) if the exercise of the right falls within a period for which the borrowing rate is fixed, the existence of a legitimate interest on the part of the borrower.

(4) The creditor is entitled to fair and objective compensation, where justified, for possible costs directly linked to the early repayment but the creditor must not impose a sanction on the borrower and the amount of compensation must not exceed the financial loss of the creditor.

(5) Where a borrower seeks to exercise the right referred to in sub-paragraph (1), the creditor must provide the borrower without delay after receipt of the borrower's request, on paper or on another durable medium, with the information necessary to consider whether to proceed with the exercise of the right.

(6) The information referred to in sub-paragraph (5) must include—

- (a) a quantification of the implications for the borrower of exercising the right; and
- (b) any assumptions used by the creditor in making that quantification.

(7) The assumptions referred to in sub-paragraph (6)(b) must be reasonable and justifiable.

Flexible and reliable markets

17. The creditor must keep appropriate records concerning, where applicable, the types of property accepted by the creditor as security and the related mortgage underwriting policies used by the creditor in relation to its consumer buy-to-let mortgage business.

Information concerning changes in the borrowing rate

18.—(1) Unless sub-paragraph (3) applies, the creditor must inform the borrower of any change in the borrowing rate, on paper or another durable medium, before the change takes effect.

(2) The information referred to in sub-paragraph (1) must include—

- (a) a statement of the amount of the payments to be made after the new borrowing rate takes effect; and

Changes to legislation: *There are currently no known outstanding effects for the The Mortgage Credit Directive Order 2015, Sound execution of consumer buy-to-let mortgage contracts and related rights. (See end of Document for details)*

- (b) in cases where the number or frequency of the payments changes, particulars of those changes.
- (3) This sub-paragraph applies if—
 - (a) the change in the borrowing rate is correlated with a change in a reference rate;
 - (b) the new reference rate is made publicly available by appropriate means;
 - (c) the creditor agrees with the borrower in the contract that information about any change in borrowing rate may be given to the borrower periodically; and
 - (d) the information concerning the new reference rate is kept available in the premises of the creditor and communicated personally to the borrower together with the amount of new periodic instalments.

Arrears and possession

19.—(1) A creditor must exercise reasonable forbearance before initiating possession proceedings.

(2) Any charges that the creditor imposes on the borrower arising from the borrower's default must be no greater than is necessary to compensate the creditor for costs incurred by the creditor as a result of the default.

(3) Where the price obtained for the secured property affects the amount owed by the borrower under the contract, the creditor must take all reasonable steps to obtain the best possible price for the secured property.

(4) Where, after possession proceedings, outstanding debt remains, the creditor must put in place measures to facilitate repayment by the borrower.

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