

For professional intermediaries only.

# Buy-to-let guidelines

**octopus** real estate  
A brighter way

## 1. Applicants

- First Time Buyers
- First Time Landlords
- Experienced Landlords
- Ex-Pats
- Foreign Nationals
- UK Ltd Companies
- Offshore Companies
- UK Trusts

## 2. Adverse credit

We can consider applicants with County Court Judgments, defaults, missed unsecured and secured payments.

Please refer to the [criteria matrix](#) for more information.

## 3. Age

Age is set at a maximum of 80 at application stage and 85 at the end of the term. Age criteria is based on the youngest loan applicant.

## 4. Experience

Octopus will accept first time buyers and first time landlords. Additional due diligence will be required for first time buyers to ensure we can obtain evidence that the property will be used solely for investment purposes.

As standard, first time buyers will have LTV restricted to 70% gross. A First Time Buyer will include anyone who has not owned a UK mortgaged property within the last 3 years. First time landlords must have owned a mortgaged property for a minimum of 12 months.

## 5. Foreign nationals

We consider applicants who do not live in the UK or those without permanent rights to reside. The HTAR (Higher than average risk assessment) rating for the client helps determine the most suitable product.

## 6. Expats

Expats are acceptable and can be considered across the range of products.

A HTAR assessment is conducted on where the expat lives and where the income or source of wealth is derived.

## 7. Capital raising

Capital raising is considered for the following purposes:

- Purchasing additional investment properties
- Deleveraging other investment properties

- Carrying out maintenance works on properties within the applicant's portfolio
- Where >40% of funds raised are for personal use Octopus will treat as a regulated buy to let and decline the application.

This list is not exhaustive.

## 8. Personal guarantees

All lending to corporate borrowers will require personal guarantees.

## 9. Debentures

As standard Octopus do not require a debenture.

Were the borrower has a debenture to another finance provider Octopus may require a deed of priority, fixed or floating debenture.

## 10. Early repayment charges (ERCs)

3% ERCs are applicable throughout the fixed term of the loan. Please see the [criteria matrix](#) for details.

## 11. ICR Stress testing

Please refer to the [criteria matrix](#) for specific ICR requirements.

## 12. Outside portfolio checks

We're not required to undertake affordability checks on portfolios over which we're not providing debt. However, being a responsible lender, we do require an asset & liability (A&L) statement to understand the applicant's financial position with each loan application.

## 14. Property types

### a. General

- England
- Wales
- Properties within CML guidelines
- Flats above Food outlets, Gambling and Bars and clubs/entertainment refer to underwriters.

### b. Specific

#### i. Houses of multiple occupancy (HMOs)

Our product range covers HMOs, providing buildings have the relevant planning permission and appropriate licenses. We have valuers and solicitors in place to confirm correct planning usage and building regulations.

As standard, we expect valuers to adopt a bricks and mortar approach to valuing HMOs. However, in some circumstances, such as with loans for properties within an Article 4 area, or properties subject to Sui Generis, planning may be valued on an investment basis (we reserve the right to choose which approach to valuing we use).

#### ii. Multi-unit freehold blocks (MUFb)

Each property is assessed on its own merits. The value used may be an aggregate of each unit or a single investment value (SIV). Octopus reserve the right to apply the most appropriate valuation methodology. As an example micro-units would be assessed on an SIV value.

#### iii. Semi-commercial

We lend against properties that comprise part commercial and part residential. The residential parts of the building must represent a minimum of two thirds of the valuation.

When the security comprises of only the residential part of a mixed use property, the LTV will be capped at a gross LTV of 65%.

Semi-Commercial assets are valued on a vacant possession basis. Commercial assets must fall within the use class E only. Rental income from the commercial can be used provided the remaining lease covers the fixed term of the mortgage.

#### iv. New build properties

New build properties are acceptable. Valuations discount any new build premiums.

#### v. Exposure limits

We are unable to accept 3 or more properties valued at £250,000 or more to a single borrower if the properties are located within 500m of each other.

#### iv. Holiday lets and properties let on a short-term basis

Holiday lets and properties let on a short-term let basis can be considered. Properties must have C3 planning and will be assessed on an AST basis for ICR calculations.

## 15. Lease terms

A minimum lease of 70 years at the end of the term is required for all leasehold properties. Properties under 70 years remaining on the lease will be subject to additional comments from valuers to confirm the impact on value to the end of our term.

## 16. Servicing the loan

All our buy-to-let mortgages are issued on an interest only basis. Octopus will allow for a maximum of 3 months retained interest if the property is not tenanted.

## 17. Overpayments

ERC free over payments of up to 20% per annum of the outstanding capital balance are permitted.

## 18. Admin fee

We charge admin fee of £350 per property. This cost is for our asset managers who conduct additional due diligence on security being offered to us. Where additional security is in the same block, this is reduced to £100 per property. This cost is deducted from the mortgage advance.

## 19. Contract re-assignment

We can consider applications where there is a re-assignment of contracts. Valuation is based against the 180-day value. A maximum LTV of 85% of purchase price can be applied providing this does not exceed maximum product LTVs against market value.

## 20. Valuation

A panel of approved and independent valuers with relevant property type and geographical experience are selected by Octopus Real Estate.

The broker is responsible for arranging for the client to

pay the valuers fee directly to them.

We base our lending decision against the 180-day valuation figure.

All applications are subject to valuers reports at the clients expense. Octopus will expect valuations to confirm good demand for both sale and rental. Valuations quoting poor demand will be subject to underwriter discretion which may result in the application being declined, restricted LTV, or additional security required.

## 21. Solicitors

We'll always require separate legal representation. Octopus will select from an approved panel of solicitors we have previous experience with.

Foreign national applicants are required to instruct a law firm with a minimum of five SRA partners.

## 22. Title Insurance

Title insurance will be used where possible.

## 23. Flying Freehold

Octopus can consider properties which have a

maximum of 10% flying freehold subject to valuer and legal comments.

## 24. Payment Holiday and Bounce Back loans

Clients that have taken a payment holiday as a result of the 2020 Covid 19 pandemic will be accepted provided that this has been agreed by their lender and not registered with credit reference agencies as missed payments.

Clients who have taken advantage of the governments bounce back loans can be considered. The loan will be assessed as part of the clients overall assets and liabilities and they will need to explain why the loan was needed. Client seeking to use any of the bounce back loan funds towards a deposit will not be accepted.

## Helpful online reading material

**Rates and  
criteria matrix**

**Understanding  
deferred interest**

**Take the stress  
out of stress testing**

## Octopus Real Estate – a property company with a difference

Property finance can be improved and we think we know how. It needs to be fast, because you haven't got time to lose. It needs to be flexible, because every borrower's needs are different. And it needs to be certain, because you can't afford to be let down.

Our commitment to brokers and clients is straightforward: to make quick decisions and stick by them, to offer loans at every stage of the property life cycle, and to provide unconventional solutions for unconventional needs.

Get **indicative terms** by filling in a quick enquiry, we will aim to respond within 4 hours.

[Submit a quick enquiry](#)

We're award winning, but not complacent. An innovator in our field, with over £5bn lent to date. And we comprehensively cover the commercial, residential and property development sectors.

Our loans range from £50,000 to £50 million, and with access to multiple credit lines we can provide bespoke, customer focused finance to borrowers throughout the UK. Since 2008, our team has grown to over 90 professionals, who ensure your property finance experience is simple and easy.

For an **agreement in principle** submit a full enquiry.

Our credit team will review and aim to respond within 24 hours.

[Submit an individual application](#)

[Submit a company application](#)



### Ready to get in touch

Call our Business Development Managers on **0800 294 6850** or email [sales@octopus-realestate.com](mailto:sales@octopus-realestate.com).