

Buy-to-let mortgages explained



Buy-to-let (BTL) mortgages are for landlords who want to buy property to rent it out. The rules around buy-to-let mortgages are similar to those around regular mortgages, but there are some key differences. Read on for more information about how they work, how to get one and what mistakes to avoid.

- [Who can get a buy-to-let mortgage?](#)
- [How do buy-to-let mortgages work?](#)
- [How much you can you borrow for buy-to-let mortgages](#)
- [Where to get a buy-to-let mortgage](#)
- [Plan for times when there's no rent coming in](#)
- [Don't rely on selling the property to repay the mortgage](#)
- [Buy-to-let and tax](#)

Who can get a buy-to-let mortgage?



Use our [Mortgage affordability calculator](#)

(<https://www.moneyadvice.org.uk/en/tools/house-buying/mortgage-affordability-calculator>) to work out how much you can borrow based on your finances.

You can get a buy-to-let mortgage under the following circumstances:

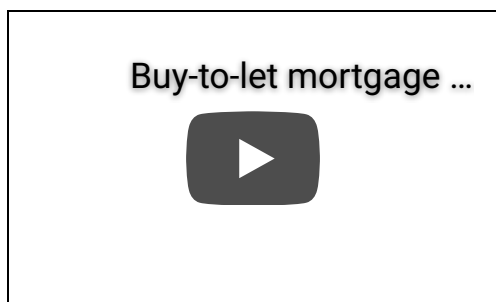
- You want to invest in houses or flats.
- You can afford to take and understand the risks of investing in property.
- You already own your own home, whether outright or with an outstanding mortgage.
- You have a good credit record and aren't stretched too much on your other borrowings, for example, credit cards.
- You earn £25,000+ a year. If you earn less than this you might struggle to get a lender to approve your buy-to-let mortgage
-

You're under a certain age. Lenders have upper age limits, typically between 70 or 75. This is the oldest you can be when the mortgage ends not when it starts. For example, if you're 45 when you take out a 25-year mortgage it will finish when you're 70.

Use our [mortgage calculator](https://www.moneyadvice.service.org.uk/en/tools/mortgage-calculator) (https://www.moneyadvice.service.org.uk/en/tools/mortgage-calculator) to work out how much you can afford to repay on a Buy to Let mortgage.

Learn more about [Buy-to-let property investment risks and return](https://www.moneyadvice.service.org.uk/en/articles/buy-to-let-property-investments) (https://www.moneyadvice.service.org.uk/en/articles/buy-to-let-property-investments).

How do buy-to-let mortgages work?



[Read a transcript of this video](#)

(https://masassets.blob.core.windows.net/cms/files/000/000/492/original/TRANSCRIPT_Buy-to-let_mortgage_guide.docx)

Buy-to-let mortgages are a lot like ordinary mortgages, but with some key differences:

- The fees tend to be much higher.
- Interest rates on buy-to-let mortgages are usually higher.
- The minimum deposit for a buy-to-let mortgage is usually 25% of the property's value (although it can vary between 20-40%).
- Most BTL mortgages are interest-only. This means you pay the interest each month, but not the capital amount. At the end of the mortgage term, you repay the original loan in full. BTL mortgages are also available on a repayment basis.
- Most BTL mortgage lending is not regulated by the Financial Conduct Authority (FCA). There are exceptions, for example, if you wish to let the property to a close family member (e.g. spouse, civil partner, child, grandparent, parent or sibling). These are often referred to as a consumer buy to let mortgages and are assessed according to the same strict affordability rules as a residential mortgage.

Advising, arranging, lending and administering BTL mortgages for consumers is covered under the same laws as residential mortgages and is regulated by the Financial Conduct Authority (FCA)

Find out more about [finding a mortgage advisor here](#)

(<https://www.moneyadvice.service.org.uk/en/articles/choosing-a-mortgage-shop-around-or-get-advice>).

Read [Financial mis-selling – what to do if you're affected](#)

(<https://www.moneyadvice.service.org.uk/en/articles/financial-mis-selling-what-to-do-if-you-think-its-affected-you>) for more information.

How much you can you borrow for buy-to-let mortgages

The maximum you can borrow is linked to the amount of rental income you expect to receive.

Lenders typically need the rental income to be 25–30% higher than your mortgage payment.

To find out what your rent might be, talk to local letting agents, or check the local press and online to find out how much similar properties are rented for.

Find out how much property is selling for in a particular area on the [Rightmove website](#)

(<http://www.rightmove.co.uk/house-prices.html>).

Where to get a buy-to-let mortgage

Most of the big banks and some specialist lenders offer BTL mortgages.

It's a good idea to talk to a mortgage broker before you take out a buy-to-let mortgage, as they will help you choose the most suitable deal for you.

Learn more, including where to find an advisor, in [Mortgage advice: where to go for the best mortgage deal](#)

(<https://www.moneyadvice.service.org.uk/en/articles/choosing-a-mortgage-shop-around-or-get-advice>).

Using price comparison websites

Comparison websites are a good starting point for anyone trying to find a mortgage tailored to their needs.

We recommend the following websites for comparing mortgages:

- [Moneyfacts](https://moneyfacts.co.uk/buy-to-let/buy-to-let-mortgage/)(<https://moneyfacts.co.uk/buy-to-let/buy-to-let-mortgage/>)

- [Money Saving Expert](http://www.moneysavingexpert.com/)(http://www.moneysavingexpert.com/)
- [MoneySuperMarket](http://www.moneysupermarket.com/mortgages/)(http://www.moneysupermarket.com/mortgages/)
- [Which?](http://moneycompare.which.co.uk/mortgages)(http://moneycompare.which.co.uk/mortgages)

Remember:

- Comparison websites won't all give you the same results, so make sure you use more than one site before making a decision.
- It is also important to do some research into the type of product and features you need before making a purchase or changing supplier.
- Don't just look at the headline rates offered on the mortgage. There are often other fees and charges involved.

Learn more in [Finding the best deals with price comparison websites](https://www.moneyadvice.org.uk/en/articles/price-comparison-sites-guide)

(<https://www.moneyadvice.org.uk/en/articles/price-comparison-sites-guide>).

Plan for times when there's no rent coming in

Don't assume your property will always have tenants.

There will almost certainly be 'voids' when the property is unoccupied or rent isn't paid and you'll need to have a financial 'cushion' to meet your mortgage payments.

When you do have rent coming in, use some of it to top up your savings account.

You might also need savings for major repair bills. For example, the boiler might break down, or there might be a blocked drain.

Don't rely on selling the property to repay the mortgage

?

Unless you have never owned a property, Stamp Duty Land Tax (SDLT) for buy to let properties is an extra 3% on top of the current SDLT rate bands for properties above £40,000. Find out more in [Everything you need to know about Stamp Duty](https://www.moneyadvice.org.uk/en/articles/everything-you-need-to-know-about-stamp-duty)

(<https://www.moneyadvice.org.uk/en/articles/everything-you-need-to-know-about-stamp-duty>).

Don't fall into the trap of assuming you'll be able to sell the property to repay the mortgage.

If house prices fall, you might not be able to sell for as much as you had hoped.

If this happens, you'll be left to make up the difference on the mortgage.

Buy-to-let and tax

Capital Gains Tax

If you're a basic rate tax payer, CGT on buy to let second property's is charged at 18% and if you're a higher or additional rate tax payer it's charged at 28%. With other assets, the basic-rate of CGT is 10%, and the higher-rate is 20%.

If you sell your buy-to-let property for profit, you will usually pay CGT if your gain is higher than the annual threshold of £12,000 (for the 2020/21 tax year). Couples who jointly own assets can combine this allowance, potentially allowing a gain of £24,000 (2020/21) to be made in the current tax year.

You can reduce your CGT bill by offsetting costs like Stamp Duty, Solicitor and Estate agent fees or losses made on a sale of a buy to let property in a previous tax year by deducting these from any capital gain.

Any gain from the sale of your property, should be declared on your Self Assessment tax return for that tax year and will be included when working out your tax status for the year which push you into a higher bracket.

Find out more about [Capital Gains Tax and the rates you pay on Gov.uk](https://www.gov.uk/capital-gains-tax)

(<https://www.gov.uk/capital-gains-tax>).

Find out more in our guide about [tax and property investments](https://www.moneyadviceservice.org.uk/en/articles/tax-and-property-investment)

(<https://www.moneyadviceservice.org.uk/en/articles/tax-and-property-investment>).

Income Tax

The oncome you receive as rent is liable for income tax. This should be declared on your Self Assessment tax return for the tax year it was earned in.

This might be taxed at 20%, 40% or 45%, depending on your income tax band.

You can offset your rental income against certain allowable expenses, for example, letting agent fees, property maintenance and Council Tax.

Find out more about [allowable expenses and filling a Self Assessment tax return here](https://www.moneyadviceservice.org.uk/en/articles/how-to-fill-in-a-self-assessment-tax-return)

(<https://www.moneyadviceservice.org.uk/en/articles/how-to-fill-in-a-self-assessment-tax-return>).

Mortgage Interest Tax Relief

The rules around mortgage interest tax relief are changing. This will mean relief for finance costs on residential properties will be restricted to the basic rate of Income Tax.

Finance costs includes mortgage interest, interest on loans to buy furnishings and fees incurred when taking out or repaying mortgages or loans. No relief is available for capital repayments of a mortgage or loan.

Previously, you were able to deduct all of this interest on your mortgage from your rental income before tax was paid.

The amount of your interest payments you're able to deduct is being reduced by 25% a year until 2020 and being replaced by a 20% tax credit for the entire amount.

Mortgage Interest Tax Relief by tax year

Tax Year	% of interest payments eligible for Mortgage Interest Tax Relief	% of interest payments eligible for 20% tax credit
2016/17	100%	0%
2017/18	75%	25%
2018/19	50%	50%
2019/20	25%	75%
From 2020	0%	100%

Did you find this guide helpful?



Share this article

[Mortgage Interest Tax Relief](#) | [Mortgage Interest Tax Relief](#) | [Mortgage Interest Tax Relief](#) | [Mortgage Interest Tax Relief](#) | [Mortgage Interest Tax Relief](#)

[Previous](#)

[Next](#)

[Rent a Room scheme – how it works and tax rules](https://www.moneyadvice.service.gov.uk/en/articles/rent-a-room-scheme-how-it-works-and-tax-rules)

(<https://www.moneyadvice.service.gov.uk/en/articles/rent-a-room-scheme-how-it-works-and-tax-rules>)

[Renting out a room and rent a room relief](https://www.moneyadvice.service.gov.uk/en/articles/renting-out-a-room)

(<https://www.moneyadvice.service.gov.uk/en/articles/renting-out-a-room>)

Related guides -

Most read +

From our blog +

More in 'Renting and letting'

- [How much rent can you afford?](https://www.moneyadvice.service.gov.uk/en/articles/how-much-rent-can-you-afford)
(<https://www.moneyadvice.service.gov.uk/en/articles/how-much-rent-can-you-afford>)
- [Budgeting and sharing costs when renting](https://www.moneyadvice.service.gov.uk/en/articles/budgeting-and-sharing-costs-when-renting)
(<https://www.moneyadvice.service.gov.uk/en/articles/budgeting-and-sharing-costs-when-renting>)
- [Help with rent arrears and problems with paying your rent](https://www.moneyadvice.service.gov.uk/en/articles/rent-arrears-problems-paying-your-rent)
(<https://www.moneyadvice.service.gov.uk/en/articles/rent-arrears-problems-paying-your-rent>)

[View all ...](https://www.moneyadvice.service.gov.uk/en/categories/renting-and-letting) (<https://www.moneyadvice.service.gov.uk/en/categories/renting-and-letting>)

More in 'Types of mortgage'

- [What is an Offset Mortgage?](https://www.moneyadvice.service.gov.uk/en/videos/what-is-an-offset-mortgage)(<https://www.moneyadvice.service.gov.uk/en/videos/what-is-an-offset-mortgage>)
- [Shared equity or Partnership Mortgages](https://www.moneyadvice.service.gov.uk/en/articles/shared-equity-or-partnership-mortgages)
(<https://www.moneyadvice.service.gov.uk/en/articles/shared-equity-or-partnership-mortgages>)
- [What is equity release?](https://www.moneyadvice.service.gov.uk/en/articles/equity-release)(<https://www.moneyadvice.service.gov.uk/en/articles/equity-release>)

[View all ...](https://www.moneyadvice.service.gov.uk/en/categories/types-of-mortgage) (<https://www.moneyadvice.service.gov.uk/en/categories/types-of-mortgage>)

[Back to top](#)

Homes

Renting and letting

[How much rent can you afford?](#)

(<https://www.moneyadvice.service.org.uk/en/articles/how-much-rent-can-you-afford>)

[Budgeting and sharing costs when renting](#)

(<https://www.moneyadvice.service.org.uk/en/articles/budgeting-and-sharing-costs-when-renting>)

[Help with rent arrears and problems with paying your rent](#)

(<https://www.moneyadvice.service.org.uk/en/articles/rent-arrears-problems-paying-your-rent>)

[Your legal and financial responsibilities when renting](#)

(<https://www.moneyadvice.service.org.uk/en/articles/your-legal-and-financial-responsibilities-when-renting>)

[Rent or buy – which is the best option for you?](#)

(<https://www.moneyadvice.service.org.uk/en/articles/should-you-rent-or-buy>)

[Financial responsibilities if you rent out a property](#)

(<https://www.moneyadvice.service.org.uk/en/articles/financial-responsibilities-if-you-rent-out-a-property>)

[Rent a Room scheme – how it works and tax rules](#)

(<https://www.moneyadvice.service.org.uk/en/articles/rent-a-room-scheme-how-it-works-and-tax-rules>)

[Buy-to-let mortgages explained](#)(<https://www.moneyadvice.service.org.uk/en/articles/buy-to-let-mortgages>)

[Renting out a room and rent a room relief](#)

(<https://www.moneyadvice.service.org.uk/en/articles/renting-out-a-room>)

[Council Tax: what it is, what it costs and how to save money](#)

(<https://www.moneyadvice.service.org.uk/en/articles/how-to-save-money-on-your-council-tax-bill>)

[Coronavirus – what it means for you and what you're entitled to](#)

(<https://www.moneyadvice.service.org.uk/en/articles/coronavirus-what-it-means-for-you>)

[Coronavirus and housing costs](#)

(<https://www.moneyadvice.service.org.uk/en/articles/coronavirus-and-housing-costs>)

[Help with your rent and other bills](#)

(<https://www.moneyadvice.service.org.uk/en/articles/help-with-your-rent-and-other-bills>)

Mortgages

Buying a home

Types of mortgage

What is an Offset Mortgage?

(<https://www.moneyadvice.service.org.uk/en/videos/what-is-an-offset-mortgage>)

Buy-to-let mortgages explained(<https://www.moneyadvice.service.org.uk/en/articles/buy-to-let-mortgages>)

Shared equity or Partnership Mortgages

(<https://www.moneyadvice.service.org.uk/en/articles/shared-equity-or-partnership-mortgages>)

What is equity release?(<https://www.moneyadvice.service.org.uk/en/articles/equity-release>)

Equity release help(<https://www.moneyadvice.service.org.uk/en/articles/equity-release-help>)

Home reversion(<https://www.moneyadvice.service.org.uk/en/articles/home-reversion>)

Lifetime mortgage(<https://www.moneyadvice.service.org.uk/en/articles/lifetime-mortgage>)

Sharia-law-compliant home purchase plans

(<https://www.moneyadvice.service.org.uk/en/articles/sharia-compliant-home-purchase-plans>)

Free printed guides(<https://www.moneyadvice.service.org.uk/en/articles/free-printed-guides>)

Retirement interest-only mortgages

(<https://www.moneyadvice.service.org.uk/en/articles/retirement-interest-only-mortgages>)

Help with mortgages

Web chat

Open:

Monday to Friday, 8am to 6pm
Saturday, 8am to 3pm
Sunday and Bank Holidays, closed

[//webchat.moneyadviceservice.org.uk/newchat/chat.aspx?domain=www.moneyadviceservice.org.uk&time=](https://webchat.moneyadviceservice.org.uk/newchat/chat.aspx?domain=www.moneyadviceservice.org.uk&time=15:00)



WhatsApp

Need help sorting out your debts, have credit questions or want pensions guidance?

Add +44 7701 342744 to your Whatsapp and send us a message.

For everything else please contact us via Webchat or Telephone.

[Launch chat \(https://wa.me/447701342744\)](https://wa.me/447701342744)

Contact Us

Open:

0800 138 7777

Typetalk: 18001 0800 915 4622
Monday to Friday, 8am to 6pm
Saturday, Sunday and Bank Holidays, closed