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Seek permission before letting your home

By Tanya Powley

Banks and building societies are cracking down on borrowers who rent out properties without seeking permission from their mortgage lender.

Clydesdale Bank has written to a number of customers that it suspects are letting their homes to warn that they may be in breach of their mortgage terms – and have to will be moved on to its standard variable rate of 4.59 per cent.

More

[Lloyds Banking Group](#) will also be contacting customers that it discovers are letting out their property without consent. “If banks get their letters returned to them by post, it will often lead them to assume that you are letting the property,” explains Aaron Strutt of Trinity Financial, the mortgage broker.

While most lenders will allow existing customers to let out their property on a short-term basis – known as “consent-to-let” – their terms and conditions [have become stricter since the credit crisis](#). Many banks and building societies will now charge higher rates and administration fees, and some will refuse to give consent at all. For example, Northern Rock will not give consent-to-let if the customer’s loan-to-value is above 70 per cent. Other lenders will charge higher interest rates. Yorkshire Building Society and its other mortgage brands – Chelsea Building Society and Barnsley Building Society – will increase the rate by 1 per cent if the loan-to-value is greater than 75 per cent. Otherwise the rate will remain the same.

Nationwide allows borrowers to rent out a property for six months. After that, it charges an additional 1.5 per cent interest and a £50 fee. Meanwhile, Coventry Building Society will increase rates by 1 per cent and allow consent-to-let for 12 months, after which it will transfer the deal onto a buy-to-let rate.

Halifax and Bank of Scotland require customers to take out a specific consent-to-let product, at a higher cost than a standard rate.

“Many existing customers do not tell their bank that they have moved out, so they do not have to pay a fee or have their rate increased,” says Strutt.

But this can be a risky strategy. Some lenders penalise borrowers who they discover have been letting their property without permission. A spokeswoman for Yorkshire Building Society Group says it increases rates by 2 per cent for unauthorised letting. “We would urge any borrower whose circumstances change to contact us to discuss their situation,” she says.