

Factsheet

Buy to Let (BTL) Loan

Things to consider

As well as demand for rental properties, there are several other things to consider when thinking about buying to let. You can find out more about some of the financial aspects below.

Costs

A number of one-off fees or ongoing costs may be payable as a landlord.

Buy to Let Loan fees

A processing fee and a processing (legal) fee will be charged when a Buy to Let Loan is taken out. When securing a Buy to Let Loan, a valuation of the property will need to be carried out, which will involve a valuation fee. The costs of paying a Buy to Let Loan should also be considered.

Letting agent fees

Fees for letting services are normally a percentage of the rental income. This may include services such as finding a tenant and preparing an inventory. You will need to confirm the exact services included with your letting agent.

Other costs

These will include legal fees and also costs for maintaining the property.

HSBC cannot provide legal advice on any applicable fees and costs and it is recommended that you seek professional legal advice.

Tax on rental income

As a taxpayer, you will need to submit information related to your rental income and pay the relevant tax.

HSBC cannot provide tax advice and it is recommended that you speak to a tax expert.

Responsibility

Before committing to buying to let, it's important to acknowledge the various responsibilities of becoming a landlord.

Responsibilities may include:

- finding and vetting new tenants
- treating tenants fairly
- handling deposits
- collecting rent
- ensuring tax obligations are met and paid
- abiding by regulations and inspections for electricity, gas and fire safety
- adhering to guidelines on issues including water supply, drainage, glazing, energy efficiency and general repairs.
- Registration: A landlord is required to register private residential rental contracts with the Housing Authority within 10 days of the lease starting or being renewed. Certain rental contracts however are exempt from this requirement. **HSBC cannot provide legal advice on the registration requirements or the applicability thereof and it is recommended that you seek professional legal advice.**

Risk

Letting residential property is a commercial transaction. You should, therefore, only contemplate becoming a landlord if you have wholly satisfied yourself that you are competent and capable of undertaking such a venture.

This includes the understanding of obligations and your responsibilities towards the tenant.

We will not advise you on any property investment decision or on how you can meet your obligations to tenants. Independent financial, legal and tax advisers may provide advice on the decision to acquire residential property for letting.

The actual income generated from your rental property may differ and can be influenced over time by changes within the rental market. You will remain responsible for meeting the costs of your Buy to Let Loan and the additional costs associated with letting the property for the duration of your ownership.

Your property may be repossessed if you do not keep up repayments on your Buy to Let Loan.

Handling financial difficulty

You will be expected to communicate constructively with us to help resolve financial problems.

Points to consider

- You are responsible for adhering to all terms and conditions of the Buy to Let Loan and maintaining all your loan payments.
- The property must be for letting, rather than occupation by you.
- We will not provide advice on any matters relating to a Buy to Let property and it is recommended that you speak to a financial, legal, and tax adviser who can provide advice on the decision to acquire residential property.
- We can only provide guidance on matters relating to the provision by HSBC of a Buy to Let Loan, and will not provide any advice.
- Those aspects on which we will not advise you, but which we will expect you to understand and adhere to include the following:
 - a. To understand and comply with the legal requirements of being a landlord, including health and safety obligations towards the tenant and implications associated with any licensing or registration requirements on you;
 - b. To treat tenants fairly;
 - c. To consider how Buy to Let commitments will be maintained in the event of untenanted periods;
 - d. To protect the value in the property through upkeep and maintenance;
 - e. To ensure appropriate buildings insurance cover is in place prior to the final deed of loan, or the final deed of loan and sale, and throughout the duration of the Buy to Let Loan.