

# Lease length ratings

## Technical guide

**We have reviewed the maximum amount customers can borrow against leasehold properties.**

Currently we cap all flats and maisonettes to 85% of the property valuation. The cap has been replaced with a tiered approach of property value adjustments for all leasehold properties, influenced by the remaining lease length and the youngest borrower's age.

The changes will apply to all new initial and additional borrowing, as well as for customers applying to port their mortgage. The changes mean that customers with longer remaining leases will benefit from higher Loan to Values (LTVs). The sliding scale applies to all leasehold properties, flats and houses.



Examples of our

## current approach

**Example 1** This shows the maximum borrowing available on a leasehold or freehold house where no cap is applied.

- Tenure: Leasehold / Freehold
- Property Value: £250,000
- LTV: 35%

**Maximum Borrowing**  
**= £250,000 × 0.35 = £87,500**

**Example 2** This shows the maximum borrowing available on a leasehold or feuhold flat or maisonette where an 85% cap is applied.

- Tenure: Leasehold / Feuhold (e.g., no lease length)
- Property Value: £250,000
- LTV: 35%

**Maximum Borrowing**  
**= £250,000 × 0.85 × 0.35 = £74,375**

From 18 July we are removing the 85% property value adjustment from Flats and Maisonettes and replacing with a sliding scale for all Leasehold tenures.

**The following scale is indicative, actual tranches and percentage adjustments to property values can change.**

Remaining years on the lease plus age of youngest borrower	Property value adjustment
<160	Decline
160-169	75% of max
170-179	85% of max
180-199	90% of max
200+	100% of max

Examples of our

## new approach

**Example 1** This shows the maximum borrowing available on a freehold or feuhold house or flat where no cap is applied.

- Tenure: Freehold / Feuhold
- Property Value: £250,000
- LTV: 35%

**Maximum Borrowing**  
**= £250,000 × 0.35**  
**= £87,500**

**Example 2** This shows the maximum borrowing available on a leasehold property, whether that's a house, flat or maisonette. A cap may be applied depending upon the remaining lease length and age of the youngest borrower as illustrated in the table above.

- Tenure: Leasehold
- Property Value: £250,000
- Youngest borrower's age: 70 years
- Remaining Lease Length: 120 years
- Property value adjustment: 90%
- LTV: 35%

**Maximum Borrowing**  
**= £250,000 × 0.90 × 0.35**  
**= £78,750**

This has been calculated by adding the youngest borrower's age to the remaining lease length so in this example **70 + 120 = 190**. As the table shows the property value adjustment for **190 is 90%**.



Lease lengths with a remaining term of **less than 75 years** will be declined regardless of the youngest borrower's age.

# Our quote system has been updated to automatically calculate the **Property Value adjustment** when entering the actual property value.

Our quote system has been amended so that the following additional inputs are now required in the Property Details Section:

## **Tenure**

with option to select Freehold or Leasehold from the dropdown box

## **Remaining Lease**

if Leasehold Tenure is selected the remaining lease length in years should be input.

It is important that accurate remaining lease lengths are stated. Incorrect terms could result in terms changing at application stage when checked by our Solicitors or administration team as part of the conveyancing process close to completion.

If the reason to take out a Lifetime Mortgage is to extend the lease length then the anticipated lease length should be input, and extension of lease length stated on the application forms. These cases will proceed to offer with a Special Condition that the unexpired term of lease length matches what is stated on the application. We reserve the right to modify or withdraw the offer if the lease length differs.