

# Bank of England

## Prudential Regulation Authority

### Appendix 12: Draft amendments to SS13/16 – Underwriting standards for buy-to-let mortgage contracts

Consultation Paper | CP16/22

November 2022



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Draft for consultation

In this appendix, new text is underlined and deleted text is struck through.

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## 5 The SME supporting factor in relation to buy-to-let mortgages

This chapter has been deleted.

5.1 The PRA expects that the SME supporting factor (Article 501, Capital Requirements Regulation (575/2013) (CRR)) should not be applied where the purpose of the borrowing is to support buy-to-let business. This means that, in general, the PRA expects firms not to apply the SME supporting factor to exposures secured on residential property that is let out by the borrower.

5.2 There may be some limited circumstances where it is permissible for firms to apply the SME supporting factor to exposures secured on residential property that is let out. Firms should consider the intended purpose of the loan before applying the SME supporting factor in this way. If the primary purpose of the loan is to support buy-to-let business, the PRA would not expect the SME supporting factor to be applied.

5.3 As an illustration, an SME borrower might take out a loan for the acquisition of a residential property that it intends to let out, and the loan may be secured using that residential property as collateral. In such a circumstance the PRA would consider that the purpose of the loan is to support buy-to-let business, and the PRA would not expect the SME supporting factor to be applied to that exposure.

5.4 As another illustration, an SME borrower may take out a loan with the purpose of investing to adopt new technologies and equipment to increase the competitiveness of the SME, and the loan may be secured on a residential property which they already own and let out. In such a circumstance, and where the other requirements for applying the SME supporting factor are met, the SME supporting factor could be applied.

## 6 Implementation timescales

This chapter has been deleted.

6.1 Firms should meet the principles and expectations set out in this SS on a phased basis, as follows:

(a) regarding ICR tests (including the impact of the personal tax changes) and interest rate affordability stress tests, by 1 January 2017; and

(b) the remaining expectations by 30 September 2017.

6.2 Firms should contact their supervisor if they consider that circumstances exist which suggest a divergence from the timescale above on any of the expectations.