

MAXIMUM RENTAL COVER RATIOS AND STRESS RATES

2 year fixed – stress rate 5.5%

Basic rate tax payer	Higher rate tax payer	Additional rate tax payer
125%	135%	138%

Example – purchase price £200,000, 75% loan, £150,000

Basic rate tax payer – $150,000 \times 5.5\% \times 125\% =$ rent required £860 pcm
 Higher rate tax payer – $150,000 \times 5.5\% \times 135\% =$ rent required £928 pcm
 Additional rate tax payer – $150,000 \times 5.5\% \times 138\% =$ rent required £949 pcm

5 year fixed – stress rate 4.5%

Basic rate tax payer	Higher rate tax payer	Additional rate tax payer
125%	138%	141%

Example – purchase price £200,000, 75% loan, £150,000

Basic rate tax payer – $150,000 \times 4.5\% \times 125\% =$ rent required £704 pcm
 Higher rate tax payer – $150,000 \times 4.5\% \times 138\% =$ rent required £777 pcm
 Additional rate tax payer – $150,000 \times 4.5\% \times 141\% =$ rent required £793 pcm

5 year fixed – stress rate 5.25%

Basic rate tax payer	Higher rate tax payer	Additional rate tax payer
125%	138%	141%

Example – purchase price £200,000, 75% loan, £150,000

Basic rate tax payer – $150,000 \times 5.25\% \times 125\% =$ rent required £821 pcm
 Higher rate tax payer – $150,000 \times 5.25\% \times 138\% =$ rent required £906 pcm
 Additional rate tax payer – $150,000 \times 5.25\% \times 141\% =$ rent required £926 pcm

Rental cover ratios are based upon current highest product rates of 2.75% 2 year fixed and 3.49% 5 year fixed.

Please note, Scottish customers will be assessed on the Scottish tax bands and rates.

These are examples only – use the BM Solution online rental calculator to get a tailored decision for your client.

For the use of mortgage intermediaries and other professionals only.

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