

YOUR HOLIDAY LET MORTGAGE GUIDE



<https://www.hhhmortgages.com/>



about

U S

Hi,

We're Mark and Joe, a father and son team with a passion for helping people like you buy the property of their dreams. Here at House & Holiday Home Mortgages, we're always here to answer any questions about mortgages, no matter how small.

Along with our dedicated, expert team of advisors, we help lenders develop criteria, regularly get contacted and quoted by the press, and are partnered with some of the biggest letting agents in the UK.

We hope you find this guide to holiday let mortgages a useful source of information. We've updated it to reflect the current climate in 2023.

Just like you, we make sure we do our research before making any of life's big decisions. Such as buying a house or holiday home. So, once you've read this guide, you should have some idea about whether you'd like to chat to us about fulfilling your goal of buying a holiday let property.

Mark & Joe



© **House & Holiday Home Mortgages**

Your Holiday Let Mortgage Guide is written and created to help you prepare for a holiday let mortgage so you can buy the holiday let of your dreams.

Please feel free to share this e-book, so long as you attribute it to House and Holiday Home Mortgages.

If you've got any questions and would like to chat one of our friendly expert advisors about your holiday let property mortgage situation, contact us:

Phone: 01453 887179

Email: hello@hhhmortgages.com

Website: <https://www.hhhmortgages.com/>

table of contents

01

what is a holiday let mortgage?

02

how to get a holiday let mortgage

03

staying in your holiday let

04

planning permissions & rules

05

tax benefits of owning a holiday let

06

next steps...

chapter 01



WHAT IS A HOLIDAY LET MORTGAGE?

Have you ever dreamed of owning another home? A holiday home somewhere you love to go, somewhere you might retire one day...

Imagine it's sunset. After a week relaxing in a gorgeous coastal town, you're walking along the beach hand-in-hand with your loved one.

Waves lap gently on the shore and a sailboat catches the wind on the horizon. In the distance, the lights blink on in your favourite café, the one that serves the most delicious seafood dishes you've ever tasted.

'Did you see there was a cottage for sale in the village?' you say.

<https://www.hhhmortgages.com/>

Your partner smiles, 'I did.'

'What if we could... buy it. And maybe rent it out. We could have an income and then perhaps...'

'Retire there?' It seems like such a mad idea. But

Guess what. You can do it. Owning a holiday let is not just a crazy dream.

We at house and holiday home mortgages have a passion for helping people like you to make your dream a reality.

And there's more. Getting a holiday let mortgage has loads of practical benefits – including tax breaks. Not to mention the income.



In this guide, you'll find down-to-earth answers to some of the most common questions asked by those who have trodden the same path as you...

Who've walked along that same beach...

and made the leap of a lifetime.

"In summer,
the song sings itself."

William Carlos Williams

A HOLIDAY LET IS NOT A HOLIDAY HOME

There's a big difference between a holiday let, a buy-to-let, and a holiday home. Bear with. It's quite simple really...

A holiday home is just for you and doesn't involve any rental agreements.

On the other hand, a holiday let is a home you out on a short-term basis.

And both of those are different from a buy-to-let property. That's when you buy somewhere for rental to private tenants on long-term contracts.

In each case, you need a specific type of mortgage.

There's no denying the popularity of buy-to-let properties. For many years they seemed like a great investment.

Nowadays, more and more people are seeing a holiday let as an attractive alternative.

To recap:

- **A holiday home is a second home.** It's somewhere you can stay whenever you like. Family and friends might have use of the property too, but they don't have to pay. In this case, you're not renting or letting it out.
- **A holiday let is a place your rent out for a certain number of weeks each year.** You can stay in it too, so long as you make an agreed level of income from it.

Talking over how you'd like to use your second home with one of our mortgage advisors helps you get the right mortgage for you.



HOLIDAY LET VS BUY-TO-LET

More people nowadays are looking into holiday let properties as an investment.

And not everyone knows this but... a holiday let can often be rented out for more money than a traditional rental property.

That's worth a thought or two.

HMRC has a different attitude towards furnished holiday lets compared to a standard buy-to-let type of property. In other words, you can claim tax relief on your mortgage interest with a holiday let.

Why? Because it's classed as a business.

With buy-to-let, this type of tax relief is being reduced. To find out more, chat to a UK property tax specialist.

What makes a holiday let... a holiday let?

For a property to be classed as a holiday let, instead of a buy-to-let, it should be:

- available for letting,
- available as furnished accommodation,
- available to let for at least 60-90 days of the year.

Mortgage lenders have different limits on the time you can spend holidaying at your holiday let.

It's typically restricted to 60-90 days.

But the main point (and worth repeating) is the news that **you can stay there for weeks at a time every single year.**

It could be the perfect destination for family gatherings, romantic breaks, or just for you to get away. Relax. Recharge.



chapter 02



HOW TO GET A HOLIDAY LET MORTGAGE...

Talking to a mortgage advisor before you start the buyer journey is always a good idea.

That way, you'll know how best to prepare for the journey.

Securing a holiday let with the right mortgage

Mortgages are a bit like horses.

Horses for courses, that is. Every horse runs best over different ground. Okay, so mortgages aren't wild and free and fond of galloping over the moors with the wind in their hair...

But because choosing the right horse for the right terrain matters.

So it is with mortgages. **Finding the right mortgage for you**, one that fits snugly together with the holiday let property you want to buy, is really, really important.

Here's the thing: residential mortgages and buy-to-let mortgages just won't do for a holiday let property. **Getting the right specialist mortgage to buy your holiday let property is the key to success.**

So, we've looked at the fact that whenever you rent out a property, whether it's for a night or a year, your mortgage is affected.

And if you have the wrong type of mortgage, you could be in breach of your mortgage deal's terms.

This could make you liable for fraud.

Other things might impact your eligibility, and they need to be considered.

For example, your mortgage lender wants to be sure you can sell your property easily. So, the type of home you're looking at matters. This means it's harder to borrow for a holiday park home. Or somewhere that falls under strict regulations of usage.

As you can see, there's a lot to consider. ***Talking to an expert mortgage advisor*** is the best way to make sure you've got all the information you need to make the right choice for you.

And who knows, when your mortgage offer comes through (just imagine that – champagne anyone?), it'll feel almost exactly like galloping along a beach, your hooves splashing in the waves as you toss your silky mane into the breeze... Just saying.

HOW MUCH CAN I BORROW?

To apply for a holiday let mortgage, you'll need a deposit of around 20% - 25%.

This is more than the required amount for a residential mortgage. But it's similar to the amount you'd expect to come up with if you wanted to secure a buy-to-let.

A bigger deposit is related to risk. That's because when you borrow for a standard mortgage on the home you live in, the risk to a lender is much lower.

What to do when you've got your deposit...

When you've sorted out your deposit, the next thing is to explore whether the property will generate a sufficient income to cover the repayments.

Any income your holiday let makes has to cover the mortgage and provide a buffer. This means that even if/when the property is empty during the low season (low bookings happen everywhere at certain times of the year), you've got enough to pay your mortgage

All lenders have their own calculations.

A quick scenario...

Let's imagine you're buying a property valued at £300,000.

Broadly speaking, you'll need:

- a minimum deposit of £60,000
- the ability to create an income from the property of £24,000 or more – that's around an £800-£850 weekly average, assuming it's rented for about 30 weeks per year.

5 CRITERIA FOR GETTING A HOLIDAY LET MORTGAGE

Your mortgage advisor will talk you through the 5 main criteria for getting your holiday let mortgage. In short, any possible lenders will check your proposed holiday let property as well as your personal circumstances.

Of course, every lender has their own criteria, but the following are a good example of what you can expect:

Your earnings

Most lenders want to see you earning at least £20,000. This income is money you make apart from the holiday let.

Currently, there are a few lenders who don't ask for a minimum income. Having said that, they will look for a good overall financial position

Age

To borrow money on a holiday let, you should be at least 21 years old.

At the other end of the scale, **if you're between 85-88 you could still get a mortgage on a holiday let** for a six-year term.

Loan size

It's rare to find a lender who'll go below £50,000.

Maximum loans many vary from £500,000 - £2 million+. As you can see, larger loans are sometimes possible.

Loan to value

Loan to value (LTV) is a ratio. It's a way to measure the amount of the loan or mortgage against the property value. In other words, the bigger your deposit, the lower your LTV.

The calculation of LTV depends on the current market. Having said that, the best rates are usually available at 60% LTV.

It's worth noting that the normal maximum for most lenders is 75% LTV. However, there are usually a couple of lenders who will lend up to 80% LTV.

Rental income expectations

The lender will normally want to know what income you'll get from renting out the property on a weekly basis over time.

They calculate this based on low, medium, and high rental periods over a 30-week rental period.

You can find this information out from a national or local letting agent in the area where you're looking to buy.

**"There are no
shortcuts to any place
worth going"**

Beverly Sills

HOW MUCH WILL A LENDER WANT TO LEND ME?

Every lender uses their own formula. This formula depends on the income forecast and LTV.

Ask us at House and Holiday Home Mortgages to talk you through how this works.

Do I have to be a homeowner?

You don't always have to be a current homeowner.

Mostly you do. But there are instances where lenders will accept people who aren't.

For example, you might live with a partner who owns their own home. Or perhaps you're a live-in teacher, currently in a tied cottage at work, or a church minister.

So, you don't always have to have had any experience managing or letting your own property for lenders to consider your application.

Lettable not just liveable...

Many holiday let lenders also lend on residential properties. This means they like lending on property that's easy to sell to anyone, not just holiday investors.

On top of that, they want to lend on a property that's lettable – and not just liveable.

To make a property **lettable means it has to be in good condition** from the moment you make your application. A 'fixer-upper' might require a different method of purchase, such as a bridging loan.

Properties of unusual construction, on holiday parks, with local authority restrictions or other types of restrictions including footpath access etc. can prove difficult and challenging when it comes to getting a mortgage.

Another reason why it's a great idea to have a chat with a mortgage advisor early on in your holiday let buying journey.

Bad credit...

If you've got bad credit it might be more difficult to get a loan. Much depends on your overall circumstances.

It's helpful to have a credit report to hand.

Be honest with your mortgage advisor about any bad credit at the beginning of your mortgage application process to avoid disappointment.

Ex-pat or buying through a limited company

Holiday let mortgages are available to ex-pats and limited companies.

If you're thinking of buying through a limited company, it's always best to get advice from an experienced property tax specialist.

Rules and availability vary, particularly in the current financial climate.

So, if you're not sure if you'll meet a lender's criteria, get in touch with us for an initial chat.

A note about buying a fixer-upper

If you want to buy a property that needs refurbishment, you might find it hard to get a holiday let mortgage immediately. **You might need to install fire doors, but that's not a major overhaul.**

Lenders usually want you to let out the property and generate income as fast as possible. Fixing a place up can take time. And if you spend a year or more refurbishing a place – it's off the rental radar.

However, if this is the case, you might be able to get a bridging loan.

A bridging loan means you can borrow the money to buy the property quickly, with no monthly payments. That means you'll have the time and space to make the place good with no immediate mortgage commitment.

You just have to pay off the bridging loan at the end of the mortgage term (12 months or so), with interest.

When it comes to a holiday let, the bridging loan would be repaid with the longer-term holiday let mortgage.

You then repay the loan on a monthly basis.

chapter 03



WHEN CAN I STAY IN MY HOLIDAY LET?

Part of the reason many people buy a holiday let, is the opportunity to stay in it.

And because you chose it, you're probably going to love the location.

Here's the low-down:

- You can visit and stay in your own holiday let property so long as it's available to let for at least 210 days (30 weeks) a year.
- This timescale may vary, so please check with your lender.
- Think about the income you need to generate when planning your visits and pick your weeks away accordingly.
- You can allow family and friends to stay for free or at reduced costs... but this doesn't count towards your commercial letting periods.

WHAT IF I WANT TO RETIRE TO MY HOLIDAY LET?

Lots of people dream of buying a holiday let that they can eventually retire to... If this is your long-term goal, here are some things to consider:

- As with all property purchases, the **price of property can fall**. Rental income is not guaranteed, for example, during a pandemic if there's a lockdown. **Make sure you're prepared for financial uncertainty.**
- You might find that the place where the highest amount of rental income is possible on a holiday let might not be where you want to retire!
- Many people **get to know the local area** really well while visiting their rent-producing holiday let over many years. Think of it as an opportunity to become part of the local community.
- **Areas change**. What may have been the perfect retirement location might not be so in 15 years. For example, a busy road or holiday park could be built nearby. Pay attention to what's going on locally in terms of development etc.
- **Buying sooner rather than later** gives you extra years of income – and of making your mortgage repayments. This gives you plenty of time to think about whether you want to retire there over the long-term.

Other costs/fees related to a holiday let...

When you buy a holiday let, there are few costs to consider:

- Repayment of your mortgage.
- Furnishings.
- Insurances.
- Letting/managing agent fees.
- Repairs and maintenance.
- Decoration.
- Taxes.
- Cleaning
- Utility bills



chapter 04



PLANNING PERMISSION...

Planning permission is something that should be on your list of things to think about on your holiday let buying adventure.

It doesn't just apply to building extensions or adding on a conservatory.

Wherever you're looking to buy your holiday let, the local authority decides whether a house can have a 'change of use' if necessary.

When you need planning permission

Often, there's no need to get planning permission if you're letting out a residential property for holiday use.

Even so, check for any covenants in the property's deeds. And, if you don't own the lease, look through the leasehold terms for any planning permission issues.

Some leaseholds have clauses banning sub-letting. This is more likely if you're looking to buy a property in a block of flats.

Many older properties may have restrictive covenants written into the deeds.

For example, you might not be allowed to turn that lovely, little cottage into a tavern!

And, if you want to turn your property into a B&B you'll probably need 'change of use' planning permission before you can accept guests.

For anything like these, apply to your local planning department.

And if you want to add another structure or build onto an outhouse, garage etc. you'll also have to apply for planning consent.

Temporary structures such as yurts don't usually need permissions.



HOW TO APPLY FOR PLANNING PERMISSION

Contact the relevant local planning authority for a chat about their rules surrounding holiday lets.

If you want to discuss any structural changes – talk to design teams and architects. It's also a good idea to create a list of local suppliers if you're thinking of doing building work.

When you've got all that information, you're ready to submit your plans to the council. Around this time, you'll have contact with a planning inspector. **Discussing your holiday let plans with the relevant people is all part of the process.**

And this can take time. It may take up to 8 weeks before you get a decision.

Possible reasons why your planning permission might be rejected...

- Listed buildings or land nearby might be affected. If you're looking to buy a listed building and want to get some repairs or refurbishments done, you must always mention this in your application.
- If the location is near a greenbelt, heritage site, area of outstanding natural beauty, or national park.

There's a chance for you to make an appeal if your application is rejected.

If you get rejected you'll be given the reason for this.

If you don't agree with the refusal, and are thinking of resubmitting a revised application to the court of appeal, get legal advice.

In 2023 there are lots of changes going on around planning rules and regulations in different parts of the UK.

If you'd like to find out more, check the area you're looking to buy in. In Wales and Scotland, have a look at these helpful sites:

Wales: <https://www.gov.wales/written-statement-changes-planning-legislation-and-policy-second-homes-and-short-term-lets>

Scotland: <https://www.visitscotland.org/supporting-your-business/advice/short-term-lets-legislation>

chapter 05



TAX BENEFITS OF OWNING A HOLIDAY HOME

When you want to know about holiday lets and tax, remember the best thing is to speak to a tax specialist.

HMRC currently sees a furnished holiday let as a business. That means you can deduct all expenses from the income it generates before tax.

For many people, this makes a dream holiday let home even more of an attractive investment. You get an income and... tax breaks too. Oh my!

You may also be able to deduct any interest paid on your mortgage. This isn't the case for a buy-to-let mortgage since the tax process is changing for these types of properties.

So, if you're an additional rate or higher-rate tax payer, this is great time to discuss the idea of getting a holiday let property with your tax advisor.

Claiming mortgage relief interest on holiday lets...

When it comes mortgage interest costs, HMRC sees holiday lets as a trade rather than an investment. This means you can offset mortgage interests against any income for tax purposes.

If you've used a mortgage or loan to pay for your holiday let, you can claim interest or repayments back against tax.

Remember, any expenses from your holiday income on a holiday let can be deducted before tax.

This includes the interest you pay on the mortgage.

What do you need to do to claim mortgage interest on your holiday let?

Just make sure it qualifies as a furnished property in the UK - and that it passes the right occupancy conditions.

These are:

- your holiday let property must be available for letting at least 210 days a year,
- it must be let commercially for at least 105 days a year,
- you can't include any long-term lets over 31 days (there are exceptions to this rule the details of which are in the HS253 UK government guidelines).

ADDITIONAL TAX OR BUSINESS BENEFITS

With a holiday let, you can get additional tax or business benefits. For example, you'll be able to claim tax relief on a number of expenses. These might include things like:

- Accounting fees paid for preparing holiday home business accounts.
- Advertising fees.
- Insurance on your holiday let.
- You might be able to apply for tax relief on maintenance and utilities such as gas and electricity.
- Cleaning or gardening services might count as extra costs against tax.
- Anything that helps you provide a welcoming environment for your guests might count as extra costs.

Other information about taxes

You're only able to claim commercial expenses:

- **If you use the holiday let yourself.** You can't claim on utilities and expenses for the period of time you're there.
- If your expenses are commercial, **you can claim for general costs.**
- If you like gardening, and want to build up your garden – you can **claim expenses for plants and outdoor equipment.**

However, you can't claim back invested capital. This means you can't claim for the cost of construction, or converting the property into a holiday let.

Where to find UK tax laws and governance...

For more help and information on furnished holiday lettings, have a look at the HS253 government guidelines. These are the 2022 tax rules.

And **always discuss any tax-related questions with a tax specialist.**



chapter 06



NEXT STEPS

Here are the next steps you can take to get a mortgage for your dream holiday let property:

One: Discovery call with an expert holiday let mortgage advisor.

Get in touch and we'll take the time to learn about you, your situation, and what you want to do. After that, we'll let you know if we can help.

Two: Fact finding call: If we think we can help, **we'll book a 30 minute call** to get more information. During this call, we'll ask you to provide **some initial documents**.

Three: Mortgage research: Based on the information you've given us, **our expert advisor will find the right mortgage** for you.

Four: Mortgage product presentation: Your advisor will then talk you through the product in detail. We'll listen to and answer any questions you have. Then, if you're happy for us to do so, **we'll submit the application on your behalf.**

Five: Application submitted and documents sent: Your advisor will then **finalise the relevant paperwork** and submit the mortgage application to the lender.

Six: Keeping you updated on the progress of your application: Our team will then make sure you're fully updated on the progress of your application. Right up to the moment we hopefully receive an offer from the lender.


Seven: After-offer support: Assuming it's great news (fizzy grape juice anyone?), and **we get the mortgage offer through**, we'll stay on hand to help the mortgage complete. This includes working on your behalf with solicitors until completion occurs.

WE'LL SUPPORT YOU THROUGHOUT YOUR MORTGAGE...

Once your mortgage is completed, we'll be able to answer any questions you have going forward. And we'll be in touch 6 months before your mortgage deal ends, there to help you find the most suitable deal for your needs.

Here at HHH Mortgages, **we wish you all the best in your holiday let buying journey... may it be a fruitful one.**





**"Follow your dreams,
they know the way."**

Kobe Yamada

<https://www.hhhmortgages.com>

want to
learn
more?

If you want to learn more about finding the right holiday let mortgage, email us at:

hello@hhhmortgages.com

or visit our website for more details:

<https://www.hhhmortgages.com/contact-us/>

Phone: 01453 887179



© *House & Holiday Home Mortgages*

Your Holiday Let Mortgage Guide is written and created to help you prepare for a holiday let mortgage so you can buy the holiday let of your dreams.

Please feel free to share this e-book, so long as you attribute it to HHH Mortgages.

If you'd like to chat one of our friendly expert advisors about your holiday let property mortgage situation, contact us:

Phone: 01453 887179

Email: hello@hhhmortgages.com

Website: <https://www.hhhmortgages.com/>

Images

Cottage living room, white tent in the background: [pexels-tatiana-syrikova-3932957](https://www.pexels.com/photo/cottage-living-room-white-tent-in-the-background-3932957/)

A person in a hammock: <https://unsplash.com/photos/dunnqEOfcY>

Cottage, path and people walking: <https://unsplash.com/photos/uSWk45kjEHw>

Cosy, rural cottage. <https://www.pexels.com/photo/exterior-of-cozy-rural-wooden-cottage-4450329/>

Yurt in a garden. <https://www.pexels.com/photo/traditional-ger-located-among-green-trees-4562718/>

Beach, rope, huts. <https://www.pexels.com/photo/close-up-photo-of-white-rope-on-brown-wood-105294/>

Cottage in summer. <https://unsplash.com/photos/n3HGF4zFtgc>

Man & woman picnic: <https://www.pexels.com/photo/man-and-woman-sitting-on-grass-field-4873546/>