

# Bank of England

## PRA Rulebook

### Prudential Regulation Authority Rulebook

#### Part

#### Housing

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#### Chapters

1 Application and Definitions

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## 1 Application and Definitions

1.1 If either Condition A or Condition B is met, this Part applies to a *firm* with a *Part 4A permission* that includes entering into a *regulated mortgage contract* as lender, except:

- (1) [deleted.]
- (2) a **firm** with a **Part 4A permission** that includes effecting or carrying out a contract of insurance as principal.

31/12/2020

1.2 This Part applies to an **overseas firm** only in relation to activities carried on from an establishment in the **UK**.

01/10/2014

1.3 A **firm** that is a **parent undertaking** must ensure that a **subsidiary undertaking**, which meets Condition A or Condition B, complies with the requirements of this Part in relation to activities carried on from an establishment in the **UK**, as if it were a **firm** subject to those requirements.

01/10/2014

1.4 **1.3** does not apply in relation to a **subsidiary undertaking** that:

- (1) [deleted.]
- (2) is a **firm** that is otherwise subject to this Part;
- (3) is a **firm** with a **Part 4A permission** that includes effecting or carrying out a contract of insurance as principal; or
- (4) does not have a **Part 4A permission** which includes entering into a **regulated mortgage contract** as lender.

31/12/2020

1.5 Condition A is that in the set of four consecutive **quarters** ending on 30 June 2014, the **firm** has entered into **regulated mortgage contracts** under which the total **credit** provided is or exceeds £100 million, but Condition A is not met if the **firm** entered into less than 300 **regulated mortgage contracts** in that period.

01/10/2014

1.6 Where Condition A is met this Part applies from 1 October 2014.

01/10/2014

1.7 Condition B is that during both of two consecutive sets of four *quarters* the *firm* has entered into *regulated mortgage contracts* under which the total *credit* provided in each set of four *quarters* is or exceeds £150 million, but Condition B is not met if the *firm* entered into less than 300 *regulated mortgage contracts* in each of those sets of four *quarters*.

11/07/2025

1.8 Where Condition B is met, this Part applies from the start of the second *quarter* following the end of the final *quarter* relevant to the determination that the firm meets Condition B.

01/10/2014

1.9 This Part ceases to apply (until Condition A or Condition B is met) if during both of two consecutive sets of four *quarters*:

- (1) the *firm* has entered into *regulated mortgage contracts* under which the total *credit* provided is less than £150 million; or
- (2) the *firm* has entered into less than 300 *regulated mortgage contracts* in each of those sets of four *quarters*.

11/07/2025

1.10 In this chapter two consecutive sets of four quarters means:

- (1) a second set of four *quarters* ending on 30 September 2014 or on the last day of each subsequent *quarter*; and
- (2) a first set of four *quarters* ending on the last day of the immediately preceding *quarter*.

01/10/2014

1.11 In this Part the following definitions apply:

***credit***

means the cash loan provided by a *firm* under a *regulated mortgage contract*:

- (1) at the time the *regulated mortgage contract* is entered into; or
- (2) drawn down at a later date.

***first charge***

means a *legal mortgage* ranking in priority ahead of all other *legal mortgages* (if any) affecting the land in question

**high loan to income mortgage contract**

means a **regulated mortgage contract** under which the **credit** provided by a **firm** to an individual, or to individuals jointly, is or exceeds a multiple of 4.5 times the individual's **income**, or the individuals' joint **income**, at the time at which that **income** is assessed by the **firm** for the purpose of entering into the **regulated mortgage contract**.

**income**

means the gross annual income, before tax or other deductions, of an individual taken into account by a **firm** to calculate the **credit** it will provide under a **regulated mortgage contract**.

**legal mortgage**

includes a legal charge and, in Scotland, a heritable security.

**lifetime mortgage**

has the meaning given in the PRA Handbook.

**quarter**

means any of the four calendar quarters of each year, the first quarter beginning on 1 January.

**re-mortgage with no change to the principal sum outstanding**

means a **regulated mortgage contract** under which the amount of **credit** provided does not exceed that outstanding to the **firm**, or to a different lender, under a previous **regulated mortgage contract**, or any other type of contract under which the obligation to repay the **credit** provided is secured by a **legal mortgage** on **land**. In determining the amount of **credit** provided, no account shall be taken of:

- (1) arrangement fees;
- (2) professional fees and costs; and
- (3) administration costs.

**regulated mortgage contract**

has the meaning given in Article 61(3)(a) of the **Regulated Activities Order**, but:

- (1) **re-mortgages with no change to the principal sum outstanding**;
- (2) **lifetime mortgages**; and
- (3) **regulated mortgage contracts** that are not **first charge regulated mortgage contracts**

must be disregarded.

**relevant period**

means, in relation to a **quarter**, the **quarter** and the three consecutive **quarters**

preceding it.

27/02/2017

## 2 High Loan to Income Allowance

- 2.1 Unless 2.3 or 2.4 apply, a **firm** must ensure that by the end of each **quarter** in which this Part applies the number of **high loan to income mortgage contracts** it enters into in the **relevant period** does not exceed 15% of all **regulated mortgage contracts** it enters into in that **relevant period**.

27/02/2017

- 2.2 A **firm** that is part of a **group** may allocate all or part of its high loan to income allowance to any member of the **group**.

01/10/2014

- 2.3 A **firm** that has allocated any part of its high loan to income allowance to another member of the **group** must ensure that the number of **high loan to income mortgage contracts** it enters into in the **relevant period** does not exceed the amount specified in 2.1, as reduced by the amount of the high loan to income allowance it has allocated under 2.2.

27/02/2017

- 2.4 A **firm** that is part of a **group** must ensure that the number of **high loan to income mortgage contracts** it enters into in the **relevant period** does not exceed the amount specified in 2.1, plus any high loan to income allowance allocated to it under 2.2.

27/02/2017

- 2.5 A **firm** must keep a record of any part of a high loan to income allowance it has allocated or received.

01/10/2014

- 2.6 In this chapter, a high loan to income allowance is the number of **high loan to income mortgage contracts** a **firm** may enter into in the **relevant period** in compliance with 2.1 without the modifications in 2.3 or 2.4 applied.

27/02/2017