

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