



Risks and Features of this Buy to Let Purchase Plan (BTLPP)

Islamic Bank of Britain plc (IBB) provides you with this important information to help you decide whether a Buy to Let Purchase Plan is right for you.

1. How our Buy to Let Purchase Plan works

Our product uses the Islamic financial principles of co-ownership (Diminishing Musharakah) with leasing (Ijara). This is where you, the customer, choose the property in the normal way and apply to IBB to buy the property. IBB undertakes the usual enquiries and valuation. Both you and IBB contribute towards the purchase of the property as partners (e.g. 60% from IBB and 40% from you). The transaction is completed by IBB taking the title of the property in its name.

For reference, when we refer to the rent, rental review, tenant and tenancy, we are referring to the relationship between you and ourselves. We do this because IBB enters with you into a Co-ownership Agreement to purchase the property, where IBB agrees to sell its share of the property to you at the same purchase price for an agreed monthly amount. Your share in the property increases with every payment made towards acquiring IBB's share. Then, both you and IBB enter into a lease agreement under which IBB agrees to let its share in the property to you for an agreed term, during which rent will be paid by you on a monthly basis (rent amount will be reviewed every three months). Thus, you will make one monthly payment comprised of two elements, rent and acquisition. The amount of rent payable by you will be reduced as your share increases. You also sign a Service Agency Agreement and agree to a charge on the property in favour of IBB to secure the outstanding payments amount due under the BTLPP agreements.

In due course, after IBB's entire share has been bought and all the rent has been paid under the lease, IBB transfers the legal title of the property to you.

Our Buy to Let Purchase plan has been approved by our Sharia Supervisory Committee. Please ask us should you require more information in relation to our Sharia Supervisory Committee.

2. Who is it right for?

Our Buy to Let Purchase Plan could be right for you if you want to buy a property to let, in a way acceptable under Islamic law. Interest based mortgages are available in the market but do not normally comply with Islamic law. You should consider carefully whether this product is appropriate to your needs and is right for you in light of your financial position. If you are in any doubt, speak to someone who can give you independent professional advice.

3. What are the features?

Features	BTL Standard Product (BTLS11111)	BTL Standard Product (BTLS11112)
Minimum finance per property	£70,000	£500,001
Maximum finance per property	£500,000	£750,000
Maximum £2,500,000 per customer across all IBB Home Purchase Plan, and Buy to Let Purchase Plan products	<input checked="" type="checkbox"/>	
Minimum property value	£100,000	
Minimum age of applicants – 25 Yrs old	<input checked="" type="checkbox"/>	
Term 7 - 30 years	<input checked="" type="checkbox"/>	
Rent Rate ¹	5.49% (Bank of England Base Rate + a margin of 4.99%) for term	
Max Finance to Value (FTV)	75%	65%
Administration Fee ²	1.00% - £499 payable on application - Balance to be paid prior to drawdown of finance monies	
Available for:		
• New Purchases	<input checked="" type="checkbox"/>	
• Refinancing	<input checked="" type="checkbox"/>	
IBB pays the first £400 (inclusive of VAT) of its own conveyancing fees and you pay any excess over that amount	<input checked="" type="checkbox"/>	
Additional acquisition payments can be made in February, May, August and November ³	<input checked="" type="checkbox"/>	
Minimum additional acquisition payment of £4,000 ⁴	<input checked="" type="checkbox"/>	
Rent reviewed in March, June, September and December	<input checked="" type="checkbox"/>	

New rent rate effective from April, July, October and January	<input checked="" type="checkbox"/>
The property can be sold at an time	<input checked="" type="checkbox"/>
Full payment can be made at any time	<input checked="" type="checkbox"/>
An affordability criteria is used in which a customer's rental income and net disposable income is assessed	<input checked="" type="checkbox"/>
3 monthly statements at rent reviews	<input checked="" type="checkbox"/>

NOTES

- 1 The Bank reserves the right to change the margin on its products however, a cap applies of 2%. This means that IBB cannot increase the margin on its BTLPP products by more than 2% over the margin that applied at the outset. Customers will be given at least 30 days advance notice of any changes in the pricing structure.
- 2 A full refund of the administration fee that has been paid will be made where the decision to decline is made by the Bank through no fault of yours. Where the decline decision is taken because you have misrepresented yourself in the application then no refund of the fee will be due.
- 3 When an additional acquisition payment is made, either the remaining term or the monthly payment can be reduced.
- 4 This is subject to a small administration fee. Please see the BTLPP Tariff list for details of charges.

4. What are the risks?

The rent you pay is reviewed at three monthly intervals. If the rental rate is increased, your monthly payments will increase. The rent rate may increase, decrease or stay the same at each rent review.

If the property is subject to void periods (periods where the property has no tenant), you will still have to pay your monthly payments. As a responsible finance provider, it is important that IBB work with you to ensure that you can afford the monthly payments. Unfortunately if circumstances occur where you do not keep up your monthly payments, then ultimately you may lose the property.

We have taken all reasonable steps to ensure that your interests, including your right to let the property throughout the term of the plan are protected. This includes ensuring that:

- the agreements between us are legally enforceable; and
- your increasing share in the property is properly recorded

so that, in the unlikely event that we sell any of our obligations or rights under BTLPP (including our legal interest in the property) to a third party, you will not lose any payments you have made, your share of the property or your right to buy the property at the end of the term.

5. What is my commitment?

- You must pay a minimum deposit as required by the product you have chosen
- You must ensure the building is insured at all times, provide us with a valid copy of the policy each year and our interest must be noted in the policy.
- The Building Insurance policy must cover your responsibilities as a landlord, and allow for the letting of the property.
- You must make your monthly BTLPP payment, which is made up of two elements:
 - monthly purchase payments
 - monthly rental payments

Details of the payments you must make will be provided to you in a Financial Quotation Statement.

6. How flexible is it?

- You can sell the property when you wish
- You can make full payment at any time, however
 - you cannot have further money advanced on the plan
 - you cannot take payment holidays/breaks

7. What are the additional costs/charges?

No matter how you choose to finance the purchase of the property, there will always be some unavoidable costs and expenses.

- Buildings Insurance – It will be your responsibility to insure the buildings. The finance will not be released until proof of cover is provided. It will be mandatory to note IBB's interest on the buildings insurance. Should IBB be notified that the cover has ceased then IBB will purchase the cover and charge this to you.
- The Building Insurance policy should be suitable to cover your responsibilities as a landlord.

Please refer to our BTLPP Tariff List for further details of costs and charges.

8. Tax implications of Buy to Let

It is important that you understand the tax implications that relate to a Buy to Let property.

IBB is not able to provide tax information and the accompanying documentation should not be relied on in this manner. Any information that is provided is for guidance only.

If you do have concerns about the effect of Buy to Let on your tax status, it is your responsibility to ensure that you contact your local tax office, or a suitably qualified financial adviser.

9. What do I do now?

If you would like any further information on this product, please contact us on 0800 4087 786.

YOUR PROPERTY MAY BE AT RISK IF YOU DO NOT KEEP UP THE PAYMENTS ON YOUR BUY TO LET PURCHASE PLAN

Finance is subject to status and valuation.

Applicants must be 25 or over or as otherwise specified.

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