

# Risks and Features

## 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 BTLPP works

Our product uses the Islamic financial principles of co-ownership (Diminishing Musharaka) with leasing (Ijara). For purchases, this is where you 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 house 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 refinances, IBB undertakes the usual enquiries and valuation, and then purchases the relevant share of the property. Your contribution to the transaction is the equity in the property. 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 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. 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 (the rent amount will be reviewed every three months). Therefore, you will make one monthly payment comprised of two elements, rent and acquisition. The amount of rent payable by you may be reduced as your share increases. 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. 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.

IBB has a dedicated Sharia Compliance Officer and a panel of respected Sharia Scholars, called the Sharia Supervisory Committee, which acts as an independent body to ensure that all of IBB's products and business activities are Sharia compliant.

Our BTLPP has been approved by our Sharia Supervisory Committee. Please ask us if you require more information in relation to our Sharia Supervisory Committee.

### 2. Who is it right for?

Our BTLPP could be right for you if you want to buy or refinance 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 for your needs and is right for you in light of your financial position. If you are in any doubt, you should speak to someone who can give you independent professional advice.

### 3. What are the features?

Features	Fixed rental rate (BTLF11149)
Minimum finance amount	£30,000
Maximum finance amount	£750,000 (higher amounts may be considered)
Minimum property value	£90,000
Minimum age of applicants	21 years old
Payment term	7 – 30 years
Rent rate	4.69%
<ul style="list-style-type: none"> <li>Which is fixed until</li> </ul>	31 December 2016
<ul style="list-style-type: none"> <li>Which reverts to the IBB Variable Rental Rate, which for BTLPP is</li> </ul>	Bank Base Rate (BBR) + a margin <sup>1</sup> of 4.99% for life
Maximum finance to value (FTV)	65%
Minimum rental income	125% of the monthly BTLPP payment
Administration fee <sup>2</sup>	1.00% (minimum fee of £995)
Available for:	
<ul style="list-style-type: none"> <li>New purchases</li> </ul>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Refinancing</li> </ul>	<input checked="" type="checkbox"/>
Additional acquisition payments can be made in	March, June, September and December <sup>3</sup>
Minimum additional acquisition payment of £4,000 <sup>4</sup>	<input checked="" type="checkbox"/>
Rent reviewed in	March, June, September and December
New rent rate effective from	April, July, October and January
The property can be sold at any time	<input checked="" type="checkbox"/>
Full payment can be made at any time	<input checked="" type="checkbox"/>

#### Notes:

- <sup>1</sup> IBB 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. IBB cannot change the margin whilst a fixed rate applies.
- <sup>2</sup> A full refund of the administration fee that has been paid will be made where the decision to decline is made by IBB through no fault of yours. Where the decline decision is taken because you have misrepresented yourself in the application, no refund of the administration fee will be due.
- <sup>3</sup> When an additional acquisition payment is made, you can choose to either reduce your monthly BTLPP payments, or reduce the term of your BTLPP. You cannot make additional acquisition payments whilst a fixed rate applies.
- <sup>4</sup> Additional acquisition payments are subject to a small administration fee, currently £25. Please refer to 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. Your rent will not be reviewed whilst a fixed rate applies.

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 occupy 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

Therefore, 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 are your commitments?

- You must pay a minimum deposit as required by the product you have chosen
- You must ensure that 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 payment
  - Monthly rental payment

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 whenever you wish
- You can make quarterly additional acquisition payments subject to a minimum of £4,000 and a small administration fee of £25
- 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. The costs listed below are the most frequent costs you will face when purchasing a property. Depending on your circumstances you may incur additional charges. For details of all charges that apply with an IBB Buy to Let Purchase Plan please refer to our BTLPP Tariff List.

- Valuation fee – IBB needs to establish the value of the property, and that the property is suitable security for the transaction. To do this we will arrange for a surveyor to visit the property. The cost of the valuation depends on the property value; you can refer to our Tariff List to find out the cost of the valuation.
- Solicitor's fee – For Islamic finance, the Law Society suggests that both you and the provider should obtain separate legal advice. You will be responsible for the cost of your solicitor. You will also be responsible for the full cost of our solicitor unless it is otherwise indicated in your offer letter. For details of the charges that apply for our solicitor please refer to our Tariff List.
- Clearing House Automated Payment System (CHAPS) fee – Our solicitor uses CHAPS to transfer the finance amount to your solicitor. This incurs a small administration fee that on completion, you will be required to pay to our solicitor.
- 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 the interest of Islamic Bank of Britain plc. (IBB) on the buildings insurance. Should IBB be notified that the cover has ceased, IBB will purchase the cover and charge this to you.

## 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.**

