

Complex income

Case Study



APPLICANT: **Mr and Mrs Lowry**

AGE: **(Mr) 52, (Mrs) 51**

AGE WHEN MORTGAGE SETTLED: **(Mr) 77, (Mrs) 76**

- The Lowry's are both planning to work until age 85, taking them to aged 77 and 76 at the end of the 25-year mortgage term
- They are self-employed professional landlords with 50 properties and their pension is their buy-to-let portfolio
- Mr and Mrs Lowry are existing Paragon buy-to-let customers and have one dependant who is 13 years old
- In addition to their buy-to-let rental income, their main source of income comes from their non-property related limited company business, which has traded for 16 years. Mr and Mrs Lowry are joint directors and own 100% of the shareholding on a 50/50 basis
- They are home movers, looking for an Interest Only mortgage of £340,000 against a purchase price of £565,000 (60% LTV)
- Their repayment strategy will be to utilise some of their property investments

What is the case?

Ownership of the Lowry's buy-to-let properties are split between their individual names and their limited company, which they've incorporated in the last three years. All of the properties are also professionally managed by a letting agent.

Their portfolio is self-supporting with both of their incomes from land and property, evidenced by their tax computations and Tax Year Overviews in the region of £28,000 each for the last two years. Their affordability was strong with Loan to Income (LTI) of 2.8 x joint income, with all income sources evidenced. The Lowry's have investment properties with sufficient equity to repay the mortgage, which they intended to use as a repayment strategy, and we also acknowledged that they have other savings and investments.

Why would we accept this case?

Mr and Mrs Lowry said that they intend to work until aged 85, and we needed to be comfortable that this was feasible as their ages at the end of the mortgage will be 77 and 76.

The nature of their non-property related business does not require any physical activity, and although it may not be possible for them to continue working at the same level at 77 and 76 as they are now, they have a team of employees and are not solely reliant on themselves for the business to operate. Whilst their income from this source may reduce in future, if they were to step away from the day to day running of the business, the loan would still be affordable and fit LTI requirements by using one third of this income source alongside their current rental income.

In addition, they will be eligible to receive state pension and plan to continue expanding their buy-to-let portfolio, so future rental income is anticipated to increase. It is feasible for the rental income to continue as they are already using management agents to manage these on a day-to-day basis.

All businesses had a good track record, evidenced by accounts prepared by a suitably qualified accountant or tax computation / Tax Year Overviews.

We were satisfied their stated repayment strategy was credible, but they also had the option to sell their buy-to-let properties to repay their Interest Only mortgage at the end of the term.



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What we offer

Specialist residential mortgages for landlords who:

- ✓ Are self-employed
- ✓ Have complex income arrangements
- ✓ Are looking for lending into their retirement
- ✓ Would like an Interest Only mortgage

If this case sounds familiar, or you have a customer that you think we may be able to assist you with, contact us today and we'll be happy to help.

☎ 0345 149 7769

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