Acceptable Lettings Policy

1. How this policy works

1.1. This policy applies only if you have a buy-to-let mortgage with us.

1.2. This policy should be read alongside all other important documents which we provide you with, and which collectively make up your agreement with us, including but not limited to:

a) your Mortgage Offer, which sets out the main financial terms of your mortgage;

b) the Mortgage Conditions (the Conditions);

c) the Mortgage Deed, under which you give us security over your Property; and

d) our tariff of fees and charges, which explains what additional fees and charges you may have to pay, over and above your monthly payments.

1.3. We often use words or phrases that have special meanings. These reflect the definitions and explanations we have provided in the Conditions. Please review the Conditions when reading this policy, as it sets out key definitions and terms needed to understand the content that follows.

2. Additional terms

2.1. In addition to complying with the Conditions, you must make sure that:

a) you comply with the terms of this policy;

b) all tenants sign the tenancy agreement;

c) throughout the Mortgage Term the monthly rental payments comply with the requirements set out in your Mortgage Offer;

d) you make suitable arrangements for management of the Property;

e) you comply in all respects with your legal obligations in respect of letting the Property, including without limitation:

i) issuing and keeping copies of any tenancy agreements;

ii) issuing and keeping copies of any required notices to tenants;

iii) registration with any required databases for renting out property (and ensure that they remain registered);

iv) protection of tenant deposits;

v) that the property is fit for habitation and complies with all applicable standards relating to health and safety, gas, electricity and water standards, energy performance and other legal standards;

vi) give us access to information about you and the Property, including from the borrower's records, official databases, local authorities or regulators, where permitted

f) you give the tenants written notice that:

i) you have mortgaged the Property;

ii) as the mortgage lender, we can take possession of and sell the Property under the terms of the Mortgage in certain circumstances; and

iii) if we sell the Property under the terms of the Mortgage, they will need to move out in line with the statutory or contractual notice they receive from us;

3. Your letting agreement

3.1. This section applies where you let the Property.

3.2. Your letting agreement must be in writing and in a form which meets the legal rules which apply to it.

3.3. Where the law allows this, the letting agreement must:

a) clearly state that CHL Mortgages has a right to take possession of the Property if it becomes entitled to do so under the Mortgage; and

b) prohibit sub-letting or sharing occupation of the Property by the tenant; and

c) stop your tenant from staying in the Property after the letting agreement comes to an end (for example by excluding any succession rights, security of tenure or rights to remain in your property after the letting agreement ends).

3.4. Where the tenancy agreement is for a Property located in England, be in writing and:

a) state that it is an assured shorthold tenancy for a fixed term of up to 12 months (or, where the tenancy is entered into on or after 1 May 2026, it is an assured periodic tenancy);

b) require that the tenant will:

i) only use the Property as their home and not for any business;

ii) keep the Property in good repair and condition; and

iii) pay rent either monthly, weekly, or at another regular interval, provided that the rent period is less than 28 days.

c) state that you can end the tenancy at the end of any fixed term (where applicable), or end it early if the tenant has breached any term of the agreement.

3.5. Where the tenancy agreement is for a Property located in Wales, be in writing and:

a) (in the case of an existing tenancy entered into before 15 July 2022) was created on a standard assured shorthold basis and that, following automatic conversion into an occupation contract under the Renting Homes (Wales) Act 2016 (RHWA) on 15 July 2022, a written statement of compliance with the requirements of the RHWA was issued to the occupier within six months; or

b) (in the case of an existing tenancy entered into on or after 15 July 2022 or of a future tenancy) is a single occupation contract for a fixed term of up to 36 months or a periodic term, which is a standard occupation contract within the meaning of the RHWA and contains a break clause allowing the landlord to terminate on 2 months' notice, in accordance with the RHWA; and

c) in all cases, clearly state (i) that it excludes any rights of succession in the RHWA; and (ii) where relevant, the terms which will apply if the occupier remains in occupation post expiry of the fixed term, in compliance with the RHWA.

3.6. Some legal rules require you to give the person who rents your property written notice that we have a mortgage over your property. It is important that you do this.

3.7. Unless otherwise agreed by us, the Property must only be used as a home by the person(s) who has rented it from you.

4. Corporate Tenancies

4.1. This section applies where you let the Property to a corporate entity such as a company, limited liability partnership, or registered provider of housing (including a local authority, housing association or registered social landlord) (each a "Corporate Tenant") in order that it can permit occupation by third parties. It is divided into three parts:

- Part A, which sets out the requirements if the Corporate Tenant intends to let the Property to third parties or to its employees on an arm's length basis.
- Part B, which sets out the requirements if the Corporate Tenant intends to allow its employees (and their families) to occupy the Property under a licence which does not create a tenancy.
- Part C, which sets out the requirements if the Corporate Tenant is a registered provider of social housing (which includes a local authority or housing association) which intends to allow occupation by third parties.

PART A – Corporate Tenants who intend to let the Property out to third parties or to its employees on an arm's length basis

4.2. Your tenancy agreement with the Corporate Tenant must:

a) require that the Corporate Tenant can only let the Property to third parties on an arm's length basis;

b) if you are also a director, member or shareholder of the Corporate Tenant, require that no director, member or shareholder of the Corporate Tenant can occupy the Property as a dwelling and that no person related to a director, member or shareholder of the limited company can do so (a person is "related" to another if they are their spouse, civil partner, parent, grandparent, sibling, child, grandchild, aunt, uncle, cousin, niece, nephew or any person (whether or not of the opposite sex) whose relationship to you has any of the characteristics of any of those persons);

c) require the Corporate Tenant to be responsible for compliance with laws (including health and safety, gas and electrical safety) as regards the occupation of the property;

d) not contain unusual or onerous terms;

e) provide for rent to be payable monthly or quarterly;

f) contain forfeiture provisions for non-payment of rent, material breach of the lease requirements or insolvency of the Corporate Tenant;

g) contain a non-default termination provision exercisable by you on three months' notice;

h) require the Corporate Tenant to be responsible for keeping and/or putting the Property back into at least as good a condition as it was in at the commencement of letting;

i) require the Corporate Tenant to comply with the requirements of paragraphs 2 (Additional Terms) and 3 (Your Letting Agreement) of this policy as if references to "you" were to the Corporate Tenant.

j) prohibit the Corporate Tenant from using the Property as an HMO or a multi-unit freehold block without our prior agreement;

k) contain a mortgagee protection clause giving notice to the Corporate Tenant that CHL Mortgages is the mortgagee, and including a requirement that the Corporate Tenant must pay the rent direct to CHL Mortgages and/or vacate the property if CHL Mortgages gives them notice to do so; and

l) include a landlord's right to remedy breaches by the Corporate Tenant, at the cost of the Corporate Tenant.

4.3. If applicable, you must ensure that the lease is validly excluded from the security of tenure provisions contained in the Landlord and Tenant Act 1954 in accordance with the requirements of that Act.

4.4. You must comply with your obligations under the lease with the Corporate Tenant.

4.5. The insurance you obtain must also be appropriate for the intended use of the Property and comply with any additional requirements notified by us from time to time.

PART B – Corporate Tenants who intend to allow its employees to occupy the Property under a licence

4.6. Your tenancy agreement with the Corporate Tenant must:

a) require that the Corporate Tenant can only licence the Property to its employees (and their families) with such licence being terminable by the Corporate Tenant if the occupier ceases to be an employee;

b) if you are also a director, member or shareholder of the Corporate Tenant, require that no director, member or shareholder of the Corporate Tenant can occupy the Property as a dwelling and that no person related to a director, member or shareholder of the limited company can do so (a person is "related" to another if they are

their spouse, civil partner, parent, grandparent, sibling, child, grandchild, aunt, uncle, cousin, niece, nephew or any person (whether or not of the opposite sex) whose relationship to you has any of the characteristics of any of those persons);

c) require the Corporate Tenant to be responsible for compliance with laws (including health and safety, gas and electrical safety) as regards the occupation of the property;

d) not contain unusual or onerous terms;

e) provide for rent to be payable monthly or quarterly;

f) contain forfeiture provisions for non-payment of rent, material breach of the lease requirements or insolvency of the Corporate Tenant;

g) contain a non-default termination provision exercisable by you on three months' notice;

h) require the Corporate Tenant to be responsible for keeping and/or putting the Property back into at least as good a condition as it was in at the commencement of letting;

i) require the Corporate Tenant to have in place a standard form licence agreement containing at least the following provisions:

- how long the letting will last;
- how much rent the occupier has to pay, and any arrangements for review of the rent;
- who is responsible for council tax and utility bills;
- what meals or services will be provided, if any; and
- provision allowing the Corporate Tenant to terminate the licence agreement on notice;

j) prohibit the Corporate Tenant from using the Property as an HMO or a multi-unit freehold block without our prior agreement;

k) contain a mortgagee protection clause giving notice to the Corporate Tenant that CHL Mortgages is the mortgagee, and including a requirement that the Corporate Tenant must pay the rent direct to CHL Mortgages and/or vacate the property if CHL Mortgages gives them notice to do so; and

l) include a landlord's right to remedy breaches by the Corporate Tenant, at the cost of the Corporate Tenant.

4.7. If applicable, you must ensure that the lease is validly excluded from the security of tenure provisions contained in the Landlord and Tenant Act 1954 in accordance with the requirements of that Act.

4.8. You must comply with your obligations under the lease with the Corporate Tenant.

4.9. The insurance you obtain must also be appropriate for the intended use of the Property and comply with any additional requirements notified by us from time to time.

PART C – Corporate Tenants who are registered providers of social housing (which includes local authorities, housing associations and registered social landlords) which intend to allow third parties to occupy the Property

4.10. Your tenancy agreement with the Corporate Tenant must:

a) require that the Corporate Tenant can only let or licence the Property to third parties on an arm's length basis;

b) if you are also a director, member or shareholder of the Corporate Tenant, require that no director, member or shareholder of the Corporate Tenant can occupy the Property as a dwelling and that no person related to a director, member or shareholder of the limited company can do so (a person is "related" to another if they are their spouse, civil partner, parent, grandparent, sibling, child, grandchild, aunt, uncle, cousin, niece, nephew or any person (whether or not of the opposite sex) whose relationship to you has any of the characteristics of any of those persons);

c) require the Corporate Tenant to be responsible for compliance with laws (including health and safety, gas and electrical safety) as regards the occupation of the property;

d) not contain unusual or onerous terms;

e) provide for rent to be payable monthly or quarterly;

f) contain forfeiture provisions for non-payment of rent, material breach of the lease requirements or insolvency of the Corporate Tenant;

g) contain a non-default termination provision exercisable by you on three months' notice;

h) require the Corporate Tenant to be responsible for keeping and/or putting the Property back into at least as good a condition as it was in at the commencement of letting;

i) if the Property is to be let to third parties, require the Corporate Tenant to comply with the requirements of paragraphs 2 (Additional Terms) and 3 (Your Letting Agreement) of this policy as if references to "you" were to the Corporate Tenant (and as such requirements are varied by the Regulator of Social Housing's Standards for Landlords from time to time in force).

j) if the Property is to be occupied third parties under licence, require the Corporate Tenant to have in place a standard form licence agreement containing at least the following provisions:

- how long the letting will last;
- how much rent the occupier has to pay, and any arrangements for review of the rent;
- who is responsible for council tax and utility bills;
- what meals or services will be provided, if any; and
- provision allowing the Corporate Tenant to terminate the licence agreement on notice;

k) if the Property is to be licensed to third party occupants, require the Corporate Tenant to prohibit sub-licensing by occupants;

l) contain a mortgagee protection clause giving notice to the Corporate Tenant that CHL Mortgages is the mortgagee, and including a requirement that the Corporate Tenant must pay the rent direct to CHL Mortgages and/or vacate the property if CHL Mortgages gives them notice to do so; and

m) prohibit the Corporate Tenant from using the Property as an HMO or a multi-unit freehold block without our prior agreement; and

n) include a landlord's right to remedy breaches by the Corporate Tenant, at the cost of the Corporate Tenant.

4.11. If applicable, you must ensure that the lease is validly excluded from the security of tenure provisions contained in the Landlord and Tenant Act 1954 in accordance with the requirements of that Act.

4.12. You must comply with your obligations under the lease with the Corporate Tenant.

4.13. Any Corporate Tenant must be registered with the Regulator of Social Housing (if the Property is located in England) or be a local authority or registered with the Social Housing Regulator Team under the Welsh Ministers (if the Property is located in Wales).

4.14. The Property must not be offered for occupation under the rent to buy scheme, shared ownership or any other scheme which allows the occupant to acquire an ownership interest in the Property.

4.15. The insurance you obtain must also be appropriate for the intended use of the Property and comply with any additional requirements notified by us from time to time.

5. Holiday Lets

5.1. This section of the policy applies if your Mortgage Offer allows you to use your Property as a holiday let for business purposes.

a) Your Property must be rented out commercially by you as furnished holiday accommodation to members of the public who are not related to you. A person is "related" to you if they are your spouse, civil partner, parent, grandparent, sibling, child, grandchild, aunt, uncle, cousin, niece, nephew or any person (whether or not of the opposite sex) whose relationship to you has any of the characteristics of any of those persons;

b) No part of your Property can be solely occupied by you or used as a principal residence by you or any other person.

c) The Property must be rented out on a holiday let basis for at least 210 days per annum, only under written licence agreements. Licence agreements are permissions to occupy the Property on a temporary basis and do not give rise to a relationship of landlord and tenant or to any tenant's rights. For the avoidance of doubt you must not grant any occupier an assured periodic tenancy or occupation contract of the Property.

5.2. Licence agreements must

a) be for a duration of not more than one month;

b) be in writing and contain no unusual terms that materially adversely affect the Property;

c) provide that no sub-letting is permitted;

d) only allow the Property to be used as a private dwelling for occupation on a holiday or other temporary basis and not for the occupant's residential purposes; and

e) provide for payment of any occupation fee in advance.

5.3. You must provide to us such financial or other information relating the Property as we may reasonably require from time to time, such as details of income received from renting it out.

5.4. You may market the Property through an online short stay letting portal (such as Airbnb), but there are some additional requirements, meaning:

a) You will have to provide us with an estimate of rental income from an independent agent before you can do so; and

b) You can only let the whole of the Property via the web service you choose (i.e. not split by room)

5.5. You must insure your Property and its contents insured as set out in the Conditions. In addition to those requirements you must ensure that the insurance you obtain:

a) allows the Property to be rented out on a holiday let basis;

b) covers all normal risks, including fire, subsidence, aircraft, flood, and any normal risks covered by an appropriate insurance policy for properties let out on a holiday let basis (or for commercial landlords if no comparable policy is available) and any other risk which we may from time to time reasonably require;

c) be maintained until our Mortgage Deed over the Property has been redeemed;

d) be for the full reinstatement value as set out in our mortgage valuation under a comprehensive index linked insurance policy issued by a reputable insurer; and

e) contain a mortgagees' protection clause and have our interest noted (where possible).

5.6. You must also maintain public liability insurance covering all lawful occupants of the Property, for so long as you owe us any money under the Mortgage.

5.7. You will still be liable to make your Monthly Payment, even if the Property has not been rented out under a licence agreement.

6. Changes to this policy

6.1. We may change the terms of this policy if it is reasonable to do so to:

a) help comply with any legal or regulatory requirements;

b) help comply with any change in how laws and regulations are applied or interpreted, for example, to take account of any decision by a court or ombudsman;

c) where changes to systems (including technological changes) result in changes to the way we (or a third party on our behalf) administer your Mortgage or operate accounts;

d) to reflect best practice in the administration of your Mortgage;

e) to introduce new services or features to your Mortgage, or make improvements to the services we provide you;

f) to reflect any change in the cost to us of providing our services to you;

g) to correct any errors; or

h) where a change would be in your interests or not cause you any detriment.

6.2. We will make sure that any change is proportionate to the reason for making it and we will give you reasonable advance notice of any change.

CHL Mortgages is used under licence and is a trading style of each of the undernoted companies, which have their registered office at Ellice Way, Wrexham Technology Park, Wrexham LL13 7YT. CHL Mortgages for Intermediaries Limited. Registered in England and Wales under company number 12954007. Chetwood Financial Limited. Registered in England and Wales under company number 09964966. Chetwood Financial Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 740551. Buy to let mortgages for business purposes and unregulated bridging loans are not regulated by the Financial Conduct Authority and you will not have any of the protections that the Financial Conduct Authority offers in respect of regulated mortgage contracts or consumer buy to let mortgages. If you wish, you may check the Financial Services Register on the Financial Conduct Authority's website http://www.fca.org.uk/firms/systems-reporting/register or by contacting the Financial Conduct Authority on 0800 111 6768.