The Criteria Corner

# Top tips from the Paradigm Mortgage Helpdesk

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The Criteria Corner is our mini newsletter designed to give you a brief insight into the topics we see frequently on the Mortgage Helpdesk. We aim to provide you with some great hints and tips which will help you with future cases. If you think we may be able to assist with your next case, please don't hesitate to get in touch!

In August, Criteria Corner began a two-part deep dive into limited company buy-to-let (BTL) lending criteria. **The first edition** explored key topics including first-time buyers, family investment companies, and share purchase agreements. In this instalment, we turn our focus to trading companies, layered company structures—with examples of acceptable configurations—and intercompany loans.

## Trading Companies

Some clients may wish to invest in property through their existing trading company. While this can streamline operations, most lenders prefer Special Purpose Vehicles (SPVs) with standard SIC codes like 68100, as they pose less financial risk.

SPVs are set up solely for property investment, making them more attractive to lenders. However, a few lenders will consider trading companies, provided the investment activity is clearly defined and the risk is manageable. Lenders that can consider trading companies include:

**Aldermore, Bath BS, CHL Mortgages, Castle Trust Bank, Interbay, Keystone, Landbay, Leek BS, Market Financial Solutions, Newbury BS, Quantum Mortgages, RAW Capital Partners, The Mortgage Lender and Together.**

## Layered Companies

When structuring limited company BTL arrangements, clients may choose to set up a subsidiary SPV—not only to separate operations from other directors or business interests, but also to potentially unlock tax efficiencies and broaden the pool of available lenders compared to trading companies.

While layered company structures can introduce complexity, there are key factors to consider such as; the number of entities involved, the depth of the structure, and the degree of common ownership. In this section, we'll outline examples of acceptable configurations and highlight which lenders are comfortable with these arrangements. In some examples, an intercompany loan may be provided from one company to another, in these instances, it is integral for most lenders that the directors mirror each other.

## Example 1

**Parent company**
Director 1 (50% shareholder)
Director 2 (50% shareholder)

**SPV (The Mortgagor)**
Director 1
Director 2
Parent Company (100% shareholder)

Intercompany Loan

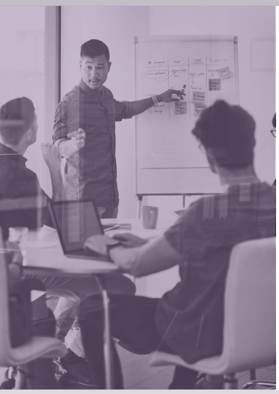
**Trading Company**
Director 1
Director 2
Parent Company (100% shareholder)

## Example 2

**Holding Company 1**
Director 1 (100% shareholder)

**Holding Company 2**
Director 2 (100% shareholder)

**SPV (The Mortgagor)**
Director 1
Director 2
Holding Company 1 (50% shares)
Holding Company 1 (50% shares)



Although some company structures can be more intricate than the examples provided, the visual aids included should offer a clear representation of the commonly accepted layering structures. Lenders that have demonstrated flexibility in dealing with layered company structures include:

**Aldermore, CHL Mortgages, Castle Trust Bank, Fleet Mortgages, Foundation Homeloans, Gatehousehouse Bank, Hampshire Trust Bank, Interbay, Kent Reliance, Keystone, Landbay, LendInvest, Market Financial Solutions, Quantum Mortgages, RAW Capital Partners, The Mortgage Lender, Together and West One.**

## Intercompany Loans

The majority of Lenders that can consider layered companies are more than well versed with intercompany loans. However, our helpdesk has also identified that some lenders are open to intercompany loans even when the directors do not exactly mirror each other. This is typically acceptable where there is a clear and justifiable link between the companies, a degree of common ownership, and a plausible rationale for the structure. This flexibility can be particularly useful for portfolio landlords or investors using holding companies or SPVs for tax or operational efficiency.

The Lenders found were **Aldermore, Landbay, Market Financial Solutions, Newbury BS and Paragon.**

## Further reading....

This month, our director of Mortgages, Richard Howes, collaborated with Landbay to produce a market moment on UK buy-to-let affordability. **Available on our website**.




Do you have a suggestion for a topic? **Email us!**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