

# Pensioners become landlords to boost retirement income

Homeowners must consult their lenders before letting properties

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The Robertsons have bought their first buy-to-let property in their late 60s (Stuart Wallace)

**PENSIONERS** are becoming “accidental landlords” as plummeting retirement fund values and the stagnating property market take their toll.

More homeowners have turned into first-time landlords as they have been unable or unwilling to sell their homes amid falling property prices.

Figures from the Association of Residential Letting Agents show that in the second quarter of this year, 35% of members reported a rising number of rental properties coming on to the market because they cannot be sold.

However, new research from Simply Business, the insurance broker, showed that the number of landlords aged 65 and over is climbing steeply.

Findings based on more than 300,000 landlord insurance policies show the number held by over-65s is up 11% so far in 2012, and by almost a third since 2009 as people who would have downsized to free up capital find they are unable to sell.

Simply Business said 93% of its landlords own only one property and three-quarters of retirement-age landlords have owned their properties for more than three years. Many will choose to downsize by renting a smaller home, while others may consider moving in with their children.

Brokers report that growing numbers of older people are coming to them to try to extend their mortgages or negotiate a new deal, but have been facing tougher criteria from lenders since the credit crunch.

Ian Gray at largemortgage.com, the loan arranger, said: "It can be a horrible situation because many banks will not lend beyond the age of 75.

"We are seeing wealthy older borrowers get stuck when they come to the end of an interest-only deal and find that banks will not allow them to remortgage under their new criteria."

## Consent-to-let

Jason Stockwood at Simply Business said retirees are choosing to become landlords to boost pension income.

"We found that those over 65 are significantly more likely to be driven by the need to supplement their incomes, with 29% saying this is their main motivation for becoming a landlord, compared with only 19% overall."

Those looking to remortgage can have a hard time, with banks imposing stricter rules on accidental landlords, seen as riskier than professional buy-to-let landlords. Gray said: "Some lenders, such as Santander and Woolwich, tend to be quite accommodating, but others will hike the interest rate and impose new fees."

For example, Halifax and Cheltenham & Gloucester, part of Lloyds Banking Group, require borrowers to request consent-to-let and then move on to a new product, such as a three-year fix that starts from 5.69% if they have a 40% deposit or equity, with a £999 fee.

This is considerably more expensive than the conventional three-year fix from Halifax at 3.89%, with a £995 fee.

Coventry building society will consider granting consent-to-let to borrowers who have had their residential mortgage with the society for 12 months or more. The interest rate will rise one percentage point and they will be charged an administration fee of £100.

HSBC will grant consent-to-let for up to 12 months, without charging a fee or altering the rate. But if the borrower does not intend to return, it will look to move to buy-to-let terms.

Nationwide allows customers to let properties without charge for up to six months. After this, a fee of £30 is levied and the interest rate is raised 1.5 points.

## Buy-to-let

Those who cannot get consent-to-let may need to arrange a buy-to-let mortgage deal. Largemortgageloans said the best of these is from HSBC at 3.99% above Bank rate — so 4.49% — with a £1,499 fee.

If you are looking to remortgage to a buy-to-let deal, it is rare to find one with the incentive of a free valuation and legal work, as is common with residential loans.

“Most people remortgaging on to a buy-to-let will have to stump up the cost of a valuation, which can be from £400 for a £200,000 property, to £3,000 for a £1m-plus property,” said Gray.

Older borrowers could struggle to secure a loan. Ray Boulger at John Charcol, the broker, said: “Many lenders will advance loans only to those aged 70 or under.

“However, The Mortgage Works has an age limit of 90 on buy-to-let deals.”

### **Case study: Late landlords**

Valerie and Douglas Robertson, of Tarbert, Argyll, have become first-time landlords in their late 60s. The couple, pictured above with their daughter Kirsty and grandson Cameron, have bought a buy-to-let property to supplement their pension income.