

What is the difference between regulated and unregulated mortgages?

The most obvious example of a regulated mortgage contract is a loan made to an individual to enable the individual to buy a home for themselves where the loan is secured on that home. However, there is no requirement that the borrower should occupy the property. There is a requirement that at least 40% of the land should be used as a house, but no requirement that it is the borrower who uses it as a house. So, for example:

- a loan may be a regulated mortgage contract if the property on which it is secured is to be occupied by the borrower's relatives as their home; or
- a loan may be a regulated mortgage contract if the borrower does not occupy the property on which the loan is secured and instead intends to sell the property to a third party, with the mortgage remaining on the house until then.

Essentially, FCA regulated loans carry more protection than unregulated ones, giving consumers an extra level of safety beyond common law or the existing consumer protection laws. They are also subject to supervision and enforcement where appropriate.

With an unregulated purchase for investment purposes e.g., buy-to-let mortgage (also known as an investment property loan), the landlord has the intent of renting it out to private tenants and not family members.

A buy-to-let credit agreement says that a borrower is to be regarded as entering into an agreement, or intending to enter into an agreement, for the purposes of a business, e.g. the borrower has purchased or is intending to purchase the property or land secured by the mortgage. At the time of the purchase the borrower intended that the land would be occupied as a dwelling on the basis of a rental agreement and would not at any time be occupied as a dwelling by the borrower or by a related person i.e., themselves or a family member

Because unregulated buy-to-let mortgages aren't designed for landlords looking to move into the property themselves, they are not regulated by the FCA.

What does "not regulated by the FCA" mean?

Simply that you are not afforded the protection of the Financial Conduct Authority and brokers and lenders will not be subject to the supervision and enforcement offered to regulated mortgage contracts consumers.

If you need further clarification, you should discuss this with your chosen mortgage adviser or broker during your initial conversations or correspondence with them.

If you want to check whether your broker or mortgage adviser is regulated you can do this by visiting the FCA website at <https://www.fca.org.uk/firms/financial-services-register>.