

BuyToLet PURCHASE PLAN

THE SHARIA COMPLIANT
MORTGAGE ALTERNATIVE



PRODUCT INFORMATION





Introducing Islamic Bank of Britain's

Buy to Let Purchase Plan

Understanding Your Needs

The Buy to Let Purchase Plan (BTLPP) helps you buy or refinance your investment property in a way that doesn't involve interest.

How it works

Unlike a conventional mortgage where you borrow money from a lender which is then repaid with interest, the BTLPP product uses the Islamic finance principles of co-ownership (Diminishing Musharakah) with leasing (Ijara). This means both you and IBB contribute towards the purchase or refinance of the investment property as partners.

IBB will then enter into a number of agreements with you, further details on the agreements can be found in the Frequently Asked Questions section:

Co-ownership Agreement

IBB will agree to sell its share of the property to you at an agreed monthly amount over a fixed period (known as the term). Your share in the property increases with every monthly payment made towards acquiring IBB's share in the property.

Lease Agreement

IBB will then agree to lease its share in the property to you for which you will pay a monthly rent.

Your monthly BTLPP payment is therefore made up of two elements, an acquisition payment and a rental payment. As you make your monthly payments, your share in the property increases as IBB's share gets smaller, and although your monthly payments remain constant (subject to quarterly reviews) the rental payment element will decrease whilst your acquisition payment element increases.

When all acquisition payments have been made and the finance has been settled, ownership of the property transfers to you.

You are free to make additional acquisition payments in the month prior to each rent review (subject to a minimum payment of £4,000), these can be used to reduce either the term of the finance or your monthly payments.

For further details on acquisition payments please refer to our BTLPP Tariff guide, or the Risk and Features document.

In addition, IBB will enter into two further agreements with you;

Service Agency

In this agreement, IBB will appoint you as its service agent. This will state your obligations as a service agent which includes arranging buildings insurance for the duration of the Lease Agreement.

Legal Charge

The Legal Charge deed provides the bank with security for the payment of rent, the acquisition payments and any other amounts that become due under the agreements.

Key Points

With a BTLPP you:

- Pay no interest
- Take out a lease allowing you to live in the property
- Make monthly rent and acquisition payments to IBB
- Have co-ownership of the property
- Will have the legal ownership of the property transferred to you following the settlement of the finance.

Properties that qualify:

- Freehold domestic residential properties in England and Wales.
- Leasehold domestic residential properties with an unexpired term of at least 60 years plus the term of the financing.

Next Steps:

<p>1. Obtain an Agreement in Principle (AIP)</p>	<ul style="list-style-type: none"> • The AIP confirms your basic eligibility for BTLPP finance and details how much your BTLPP payments might be. • You can get an AIP on the web, over the phone, or in a branch. An AIP is valid for 90 days. • It provides a reference for some of the key features of your finance, and how much your payment will be.
<p>2. Make an Application</p>	<ul style="list-style-type: none"> • You can make an application for finance on the web, over the phone or in a branch. • On receipt of your completed application form and all the necessary documents, IBB will complete a full credit assessment. • Once IBB have agreed your finance, a survey of the property will be arranged.
<p>3. Valuation</p>	<ul style="list-style-type: none"> • Upon receipt of the valuation report, IBB assess whether the property is suitable security for the finance applied for. • There are various types of surveys available, which vary in how detailed they are and the price charged. Further details can be found in the BTLPP Tariff List. • The valuation will also include a rental assessment. The rental income obtained on the property will be a key factor in the assessment of the amount of finance IBB can offer.

<p>4. Issuing the documentation</p>	<ul style="list-style-type: none"> • Once IBB agree that the property is suitable security, an offer of finance will be produced and sent to you. • IBB will also send a copy of the offer of finance and other documents to your solicitor. • The offer document must be signed and returned to IBB within 30 days. The offer will expire 90 days after the date of the offer and if completion has not taken place in this time, a new application will be required. • Please ensure that you fully understand the content of the documentation before you sign the offer.
<p>5. Conveyancing</p>	<ul style="list-style-type: none"> • Your solicitor will conduct searches on the property and request the title deeds. • You will need to give an indication to your solicitor of your preferred completion date and keep in contact with your solicitor to make sure things are moving along smoothly.
<p>6. Completion of the Sale</p>	<ul style="list-style-type: none"> • The property will be purchased on a date pre-arranged with your solicitor. • You should ensure you have passed any deposit and fees payable to your solicitor before the completion date to avoid any unnecessary delays. • Please ensure that buildings insurance is in place prior to completion and confirm this to your solicitor as the purchase cannot proceed without buildings insurance being in place. • You should ensure that you obtain buildings insurance cover that is specifically designed to cover landlords that rent out their properties.

7. Confirming your payments

- Once the property has been purchased, IBB will send you a letter confirming your first and subsequent monthly BTLPP payments.
- Please note that your first payment may differ to subsequent payments. This is because the number of days between the date when the funds were released and your first payment may be more or less than the usual one month period.

Fees

Please refer to the BTLPP Tariff List for a full list of applicable fees.

Buildings Insurance

Buildings insurance is a mandatory requirement of the BTLPP. Building insurance needs to be maintained throughout the term of the BTLPP agreement. You will be required under the Service Agency Agreement to arrange this yourself. The policy will need to be in joint names between IBB and yourself*.

*Bank listed as the first loss payee.

Sharia Supervisory Committee

All IBB products have been approved by an independent Sharia Supervisory Committee. For further details of our Sharia Supervisory Committee please visit our website, www.islamic-bank.com.

Frequently Asked Questions

You are advised to read through this section as you may find the answers to some of the most frequently asked questions

Q. Should I obtain advice from anyone else before proceeding?

A. We will provide you with the information required but ultimately the decision to apply is your choice. You may decide to consult an Independent Financial advisor (IFA).

IBB sells this product on a non-advised basis. If you are uncertain about the suitability of this product for you, then you should consult an IFA.

Q. You state that the rent is calculated on the outstanding amount of IBB's share of the property under the Co-ownership Agreement. You are quoting rental rates just like a conventional mortgage. This seems like an interest rate. Is it permissible under Sharia to determine rent in this way?

A. The use of a reference point in determining the price of an Islamic financial product and conventional (that is non-Islamic) product is known as "benchmarking". It is important to understand that the process of benchmarking involves referring to an index that might use an interest rate (such as the Bank of England's Base Rate and any additional rate i.e. the margin). This process of determining the level of rent we charge you, is not the same as charging interest under a loan agreement. Scholars have permitted Islamic finance providers to refer to an interest benchmark for determining rent provided that the benchmark is well known to everyone so that no dispute over the amount of rent can arise in the future. If the characteristics of a leasing contract are present (e.g. IBB owns the property and leases it to the client) it does not matter that the rent is calculated in this way using the Bank of England Base Rate as a benchmark.

Q. What contracts do I need to sign?

A. You will be required to enter into legal agreements with IBB. Below we describe these agreements although you must take your own independent legal advice on them. There are principally five documents ('the Agreements') that will be sent when your application has been approved.

1. The Offer Letter – this will contain IBB's offer of finance and will detail the transaction and the sums involved along with the steps that will be taken by IBB to purchase your chosen property.

2. The Co-ownership Agreement – in this agreement, IBB will agree to sell the property to you over the payment term (i.e. the number of years over which you wish to purchase IBB's share of the property). Every month you agree to pay acquisition payments towards the acquisition cost to increase your ownership in the property (i.e. the amount IBB paid to purchase the property less your share). Once the acquisition cost and all rent has been paid in full, IBB will transfer the property to you, and you become the registered owner.

3. The Lease Agreement – in this agreement, IBB will agree to lease the property to you and in return you agree to pay monthly rent. The rent will be based on IBB's current share in the property under the Co-ownership Agreement, and the agreed rent rate.

Frequently Asked Questions (continued)

4. The Service Agency Agreement – IBB will appoint you as its service agent. This will state your obligations as a service agent for example, to arrange buildings insurance for the duration of the Lease Agreement.

5. The Legal Charge – as security for your payment obligations under the Co-ownership Agreement and the Lease Agreement, you grant IBB a first priority legal charge over your interests in the both agreements.

Q. Can I make additional payments to the Bank?

A. You can make additional acquisition payments in February, May, August and November and these will be taken into account at each rent review. There will be a minimum payment amount and a small administration fee will apply. Please refer to the BTLPP Tariff list for details.

Q. Can I refinance?

A. You can switch from an existing conventional mortgage or from an Islamic home finance. The process will be similar to a purchase.

Q. What happens if I lose my job or am unable to pay you for any reason?

A. If your financial circumstances change for any reason and you encounter difficulty in meeting your monthly payment, it is vital that you contact IBB as soon as possible. What action IBB takes is dependent on the circumstances. However, IBB promises to act fairly and reasonably at all times. You must make sure you can afford the monthly payments even if the property is not let out. If you do not keep up the monthly payments, you may lose your property.

Q. Why does the IBB hold legal title? If I am buying the property why am I not the legal owner?

A. This is necessary in order for IBB to issue the lease. Although IBB will have the freehold title, your rights (including your beneficial share of the property) will be protected by registering the long leasehold at the Land Registry in your name. For leasehold properties the long leasehold is registered in IBB's name with the sub lease in your name. The property is leased to you, so you cannot become the legal owner immediately. You do however become the legal owner once you have purchased IBB's share (i.e. once the balance of the acquisition cost has been paid) and the property has been transferred into your name in accordance with the legal agreements.

Q. If IBB holds the legal title does that mean that it will benefit from any increase in the value of the property?

A. As the price that the bank agrees to sell the property to you is fixed at the beginning of the term, any increase in the value of the property over the period of that term benefits yourself only.

Q. I am buying this property to let out. Why does all the documentation refer to me being the tenant and paying rent?

A. As you finance the property in partnership with the bank, you are a tenant in relation to IBB's share in the property, for which we charge you rent. Therefore when IBB refers to terms such as rental, rent and tenancy we are referring to the relationship between yourself and IBB.

Frequently Asked Questions (continued)

The relationship you have with your tenants (part of which will include rent payable to you) is covered by an Assured Shorthold Tenancy Agreement that you will put in place when you rent the property. IBB do not need to be part of this agreement.

Q. If I make payments late, why do I have to pay additional amounts? Surely this additional payment is the interest?

A. There are times when some customers make their payments late and as a bank there will be additional administrative costs as a result of such late payments and these costs can be recovered. Once the costs have been recovered any additional amount will be donated to charity and IBB will not profit from any extra income received from this charge. Our Sharia Supervisory Committee has agreed that this is acceptable.

Q. Why does IBB review the rent periodically?

A. Providing a finance product that has variable rent is important to both you and IBB. It is important that the rent payable remains competitive for our customers. This means that when the rates used for benchmarking purposes go up or down, rent will be adjusted accordingly. By periodically adjusting the rent, any additional acquisition payments are taken into consideration when assessing what the new rent figure should be on each rent review date.

Q. If I want to sell the property in the future, can I do so?

A. Yes, in the Co-ownership Agreement you have the right to request IBB to transfer the property either to yourself or to a third party. You will be required to pay the remaining balance of the acquisition cost due to the IBB under the agreement. If you are selling the property to a third party, you must ensure that the selling price is sufficient for IBB to receive the remainder of the acquisition cost from the sale proceeds. In either case the property will not be transferred unless all sums due to IBB are paid.

Q. Will I have to pay stamp duty if I am refinancing my existing property?

A. No, Stamp Duty is only payable on purchases.

Q. Why are their two sets of solicitors involved?

A. To ensure compliance with Sharia principles and applicable law, the Law Society will not permit one solicitor to act for both the Bank and its customer.



Our service

We have a dedicated team of experts available who will guide you through the stages of your BTLPP enquiry. The team not only understand the house buying and refinancing processes but also, more importantly, have an understanding of the Sharia principles involved. Our team will provide information and assistance for you to make an informed decision.

To find out more about our full range of products and services

Call us on

0845 6060 786*

Monday to Friday 9am to 7pm

Saturday 9am to 1pm

*calls may be recorded for training and security purposes

Go to our website at

www.islamic-bank.com

Write to us at

Islamic Bank of Britain plc

PO Box 12461

Birmingham B16 6AQ

Or visit one of our branches



If we don't get it right

Islamic Bank of Britain plc will endeavour to ensure that you receive the highest standard of service and that you are treated with courtesy at all times.

For a copy of our Customer Care leaflet dealing with our complaint handling procedures call our Customer Care Team on **0845 6060 786**.

Data Protection Act

Under the Data Protection Act you have a right of access to your personal records.

Should you wish to exercise this right, please write to:

The Data Protection Officer
Compliance Department
Islamic Bank of Britain plc
PO Box 12461
Birmingham B16 6AQ

A fee will be charged for this service.

**YOUR PROPERTY MAY BE AT RISK IF YOU DO NOT KEEP UP THE
PAYMENTS ON YOUR BUY TO LET PURCHASE PLAN**

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Islamic Bank of Britain plc is incorporated and registered in England and Wales. Registration No. 4483430.

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