

## **Buying a UK property if you need to rely on income that is not British Pound Sterling - a foreign currency mortgage**

### **What is a foreign currency mortgage?**

A foreign currency mortgage is applicable when you include income that is earned in a currency other than British Pounds Sterling (GBP) to prove that the mortgage repayments are affordable (or you take out a mortgage which is repayable in a currency other than GBP).

Lenders will consider this at the point when you take out a new mortgage, increase your mortgage or if you change lender. Your existing mortgage will not be affected if after your mortgage has been opened, you subsequently start to receive income in a currency that is not GBP.

### **What is the effect of having a foreign currency mortgage?**

Lenders need to ensure that you can afford to maintain repayments on your mortgage over time. You need to be aware that, due to exchange rate changes, the amount of GBP that you receive for your foreign income can fluctuate, which could affect your ability to meet the mortgage repayments.

For example, if your mortgage payment was £1,000 per calendar month and you were receiving your income in Euros,

- In July 2015, you would have needed to convert €1,100
- In October 2016, you would have needed to convert €1,440

These are real examples of changes in the exchange rates over time: the monthly mortgage cost has increased by almost 30% which could lead to financial difficulty for some borrowers.

### **What are the implications for Service personnel?**

If you are posted overseas, you will continue to have your salary paid in GBP and so should not be impacted by this.

However, if your spouse/partner is working in the overseas location and is not being paid in GBP, and that income is needed to prove the mortgage is affordable, lenders will need to apply the new regulations introduced in March 2016, which require them to adopt additional rules for foreign currency lending.

As well as the payment risks to the customer highlighted above, these new regulations set out a number of additional requirements around providing information to customers; monitoring the impact of exchange rate variations, and customer communications.

The vast majority of residential mortgage lending in the UK is to borrowers earning in GBP. However, the additional costs required to ensure their systems and processes comply with this new law has meant that some lenders are no longer able to consider foreign currency mortgages.

### **Where can I get help?**

Banks and Building Societies that do offer foreign currency loans may have made their product services known to Armed Forces organisations through their association with the Armed Forces Covenant.

The Single Service Family Federations can be contacted for further information:

- RAF - <http://www.raf-ff.org.uk/>
- Army - <http://www.aff.org.uk/>
- Navy - <https://nff.org.uk/>

You may also wish to seek the services of a mortgage intermediary. Intermediaries are regulated and able to identify products that might meet your requirements. If you want to locate an intermediary, you could do this through the Association of Mortgage Intermediaries website: <https://www.a-m-i.org.uk/>