

Rent a Room Scheme

Under the government's Rent a Room scheme if you let out a furnished room in your home you can receive up to £7,500 a year tax-free, current limit, which is the maximum tax-free gross income limit allowable. You can only let furnished accommodation in your family home to a lodger or friend who can occupy a single room or an entire floor of your home.

This may help in the running costs of your home and help to pay part of your mortgage.

This type of letting would not constitute sub-letting under the terms of your mortgage conditions and most mortgage lenders will allow you to have a lodger or friend living in your home subject to you completing their standard mortgage consent form which they usually ask family members or other occupants who are not party to the mortgage to sign.

This type of letting arrangement only applies to letting out a room to a lodger or friend and not the whole house or flat as this would constitute sub-letting and would not be allowed under the terms and conditions of a standard residential mortgage.

If you let out your home or flat or it is converted into separate letting flats you would need to arrange a specific buy-to-let mortgage and would need to declare the rental income to HMRC and pay tax in the normal way.

Because you would be receiving additional tax-free income, you cannot claim any expenses relating to the letting such as wear & tear, insurance, repairs or heating and lighting.

For further information on the Rent a Room scheme go to www.directgov.co.uk

As a mortgage is secured against your home, it could be repossessed if you do not keep up the mortgage repayments.

The Financial Conduct Authority does not regulate some forms of buy-to-let & commercial mortgages.

A lifetime mortgage is a loan secured on your property. To understand the features and risks of a lifetime mortgage, ask for a personalised illustration.

The Financial Conduct Authority does not regulate will writing.

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