

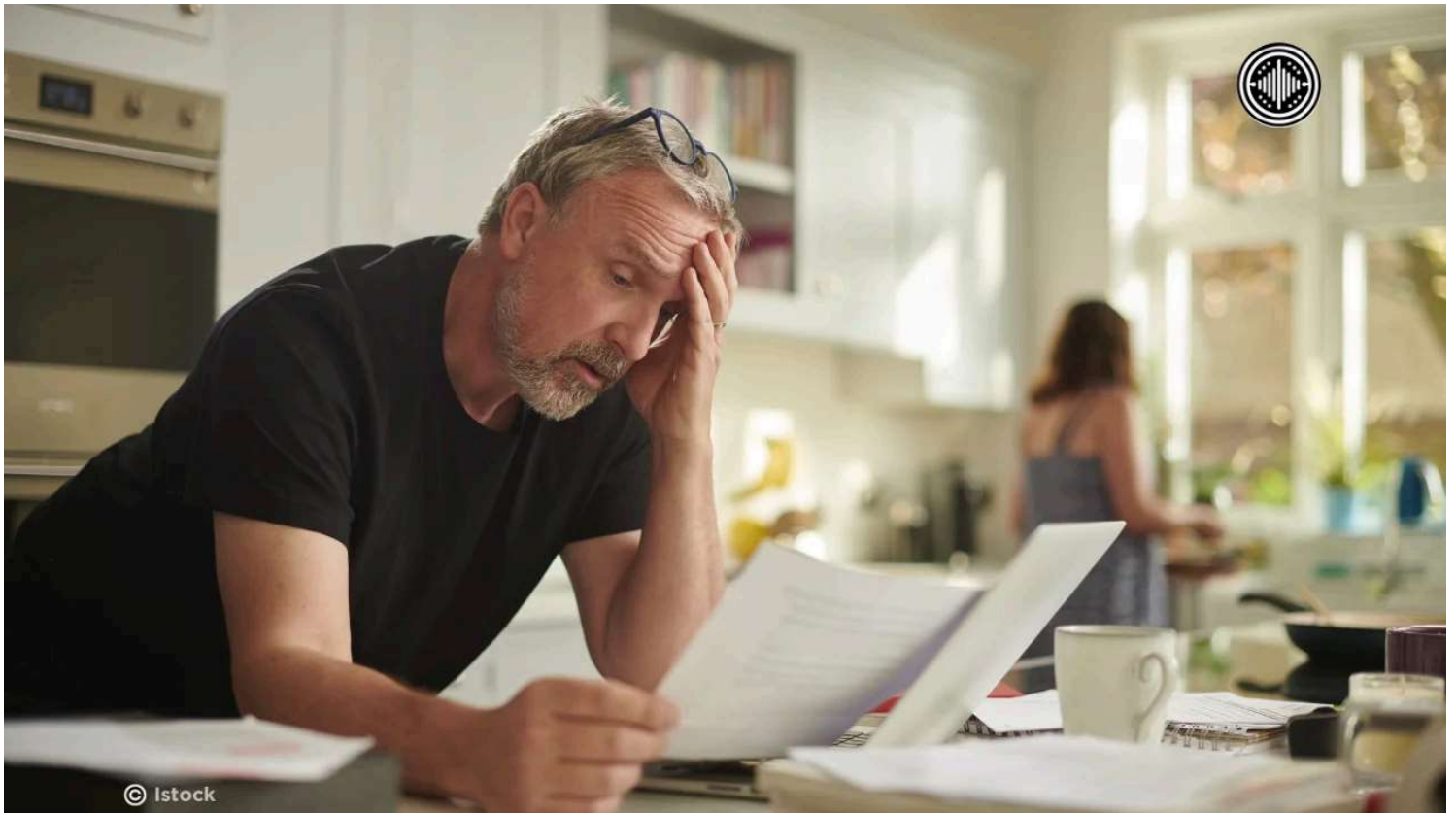
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Buy-to-Let Repossessions Climb, But Lending Sees Surprise Boost

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The number of landlord mortgage repossessions has jumped significantly, but new figures reveal an unexpected surge in buy-to-let lending, painting a mixed picture for the U.K.'s rental market.

According to data from UK Finance, the trade body for mortgage lenders, 810 buy-to-let (BTL) properties were repossessed in the first quarter of 2025. That marks a sharp 28.6% rise compared to the same period last year, suggesting growing strain among some

landlords. Yet, in a surprising twist, borrowing in the sector also spiked, indicating that investor appetite hasn't dried up despite mounting pressures.

The start of 2025 saw a notable uptick in activity from property investors. A total of 58,347 new buy-to-let mortgage loans were issued across the U.K. in Q1, with a combined value of £10.5 billion. Compared to the same quarter in 2024, that's a rise of 38.6% in loan numbers and an even steeper 46.8% increase in total lending value.

While repossessions are on the rise, a few factors may be encouraging landlords to return to the market. Interest rates are easing, offering some financial breathing room. The average interest rate on newly taken BTL mortgages dropped to 4.99% in the first quarter, falling by 10 basis points from the previous quarter and by 41 basis points year-on-year.

Rental yields remain robust. The average gross BTL rental yield across the U.K. stood at 6.94% for the first quarter of 2025, up slightly from 6.88% a year ago. Meanwhile, the interest cover ratio (ICR), which measures the ability of rental income to cover mortgage interest payments, has improved. The ICR reached 202% in Q1, a climb from 190% in the same quarter of 2024 and holding steady from the previous period.

Mixed Market Signals

The divergence between repossession rates and new lending reflects a complex backdrop. While some landlords are clearly struggling with repayment, others appear undeterred and are expanding their portfolios. This could be linked to the growing number of landlords locking into fixed-rate deals, providing more predictable outgoings.

As of Q1 2025, there were 1.44 million fixed-rate BTL mortgages in the U.K., an increase of 4.99% on the previous year. In contrast, variable-rate BTL loans declined sharply by 15.8% to 500,000, suggesting investors are seeking stability in a volatile economic environment.

There are also signs that landlords are beginning to stabilise their finances. The number of BTL mortgages in arrears of more than 2.5% of the outstanding balance dropped by 780 compared to the previous quarter, totalling 11,830 cases by the end of March 2025.

The figures come at a time when the rental market remains under pressure, with tenant demand outstripping supply in many parts of the country. Landlords navigating higher regulatory costs and shifting tax rules under the current government may be feeling the

squeeze. Still, opportunities remain for those with strong cash flow or access to cheaper borrowing.

As the U.K. housing market adjusts to post-pandemic realities, the buy-to-let sector appears to be entering a new phase marked by caution and confidence. New investors are stepping in with falling interest rates and stable yields, even as others are forced to exit. The coming quarters will be crucial in revealing whether this is a temporary rebound or a long-term shift in landlord behaviour.