

# Bridging Loans

HANDY TIPS



## Bridging Loans

### Hints and Tips

<b>Minimum Loan</b>	Minimum loan size: £50,000 Minimum security property valuation: £125,000 (£100,000 where multiple properties are provided as security).
<b>Maximum Loan</b>	£5,000,000
<b>Term</b>	Minimum 1 Month. Maximum 12 months (regulated loans) or 24 months (non-regulated loans)
<b>Repayment Method</b>	We offer rolled loans (rolled interest) across all products. Serviced loans may be considered for non-regulated cases.
<b>Location</b>	England, Wales and mainland Scotland
<b>Maximum LTV</b>	Maximum LTV: 75% (first charge) Maximum LTV: 70% (second charge)

## Bridging Loans

# Credit Profile

Credit Profile	Threshold
CCJs	No unsatisfied CCJ's exceeding in aggregate £1,000 in the last 24 months and/or more than two settled in the last 24 months.
Defaults	No unsatisfied >£500 in last 24 months (regulated loans) or No unsatisfied >£1,000 in last 24 months (non-regulated loans)
Mortgage/Secured Loans/Tenancy Arrears	0 missed in last 12 months No unpaid historic arrears
Unsecured borrowing (not including communications suppliers or utility companies)	No more than 3 instances of arrears or arrangements to pay in last 12 months
Criminal Background	No criminal conviction
IVA/CVA/Bankruptcy	No currently in an IVA/CVA or declared bankrupt

Each case will need to be considered on its merits with reference made to the circumstances. Key considerations are:

- Whether the matter is ongoing
- Whether there is a dispute in relation to any information
- Consider multiple occurrences

## Bridging Loans

# Purchase

### **Purchase Price**

Maximum loan is calculated against the lower of the purchase price or valuation.

### **Undervalue Purchase**

The Bank will consider assisting with the purchase of property(ies) below market value, where the following criteria has been met:

- The applicants are contributing at least 10% towards the purchase price, or they are providing additional security to offset;
- We are satisfied with the rationale for the reduced purchase price;
- Where the asset being purchased undervalue is the sole security for the loan, a full valuation must be undertaken (i.e. no AVMs or drive-by).
- Our solicitors provide a suitable indemnity policy

Where a full valuation has been undertaken on the property being purchased at undervalue, the LTV can be based off of the market value. Where additional security is being provided and an alternative valuation has been used, the LTV must be calculated using the purchase price.

## Bridging Loans

# Exit/Repayment strategies

<b>Acceptable</b>	<b>Unacceptable (sole)</b>
Sale of some or all of the security properties	Inheritance where the person is not yet deceased
Sale of non-security properties	Gifts where the timing and/or rationale is uncertain
Refinance of some or all of the security properties	Refinance based on projected profits or earnings from a new business
Refinance of non-security properties	Sale of a customer's sole residential home where the purpose of the loan is to inject capital into a business, unless it is clear that the customer's decision to sell their home was made prior to the need/requirement for the capital injection
Proceeds of sale of shares or interest in a business	Where probate has not yet granted
Monies from an inheritance where Probate has been granted	
Pension lump sums	
Gifts where there is a satisfactory rationale	
Proceeds from the sale or maturity of investments	
A combination of the above	

## Bridging Loans

### Exit Strategy (for over 85s only)

<b>We will consider lending to:</b>	<b>We will not consider lending to:</b>
Straightforward purchase to downsize / purchase of a retirement home	Any loan purpose outside of a straightforward bridge to sale e.g. payment of care home fees, medical fees etc.
Second home / investment purchase	Advances where non-borrowing parties are full / partial beneficiaries of loan monies including POAs e.g. to fund an extension / equity release for a family member.
Exit only permitted from a single property sale ONLY – i.e. no reliance on second property sale / retirement home is permitted	Any repayment strategies reliant on refinance.
	Any other purpose / exit not outlined in the Acceptable Loan Purpose / Exit section

## Bridging Loans

# Types of Customers

<b>We will consider lending to:</b>	<b>We will not consider lending to:</b>
UK citizens	The financing of schools, sports and religious organisations.
Foreign Passport holders who have a residential, family or business connection with the UK.	Finance where the repayment is solely reliant upon the raising of equity of quasi-equity.
UK companies -personal guarantee in an amount relevant to the sum and structure of the facility. This is usually obtained from a significant shareholder (i.e. someone with a 25% or more shareholding) or where no one has 25%, the largest single shareholder. Debentures will be required (in addition to the legal charge security) on a case by case basis.	Financing of businesses or industries whose activities we would wish to avoid on ethical grounds.
Offshore companies with a connection to the UK	Financing of elective surgery under a Consumer Credit Act facility.
Trustees of a trust with a connection to the UK	Any borrower where there has been a financial crime, but not limited to, fraud and money laundering.
	Any undischarged bankrupt

## Bridging Loans

# Properties

<b>Talk to your BDM or Internal Sales regarding the below</b>	<b>Not acceptable</b>
Properties purchased under the Governments Right to buy scheme	Working Farms
Properties valued on a going concern basis	Petrol stations
Flats under 30 Sq. M where the value represents >10% of the overall value	Nightclubs
Ex-local authority houses purchased within the last 3 years	Site loans / land with or without planning – outside of Bridging appetite
Freehold flats in circumstances where arrangements for the common parts are lacking, this excludes where the borrowers are purchasing an upper and lower maisonette with the intention to convert into a single dwelling or completed freehold blocks of flats where the leases have yet to be granted.	Grade I listed properties (Grade A in Scotland)
	Unconverted Barns (unless for development when planning permission has been obtained on a heavy refurb on a case by case basis)

**Bridging Loans**

**Leasehold**

<b>Leaseholds in central &amp; greater London</b>	≥ 25 year with and LTV ≤ 60%
<b>Leaseholds outside of central &amp; greater London</b>	≥ 50 year with and LTV ≤ 60%

## Bridging Loans

# Automated Valuations

<b>Used on eligible properties for loans:</b>	<b>Non-Eligible properties</b>
with a maximum net loan size £1.25m, and	Semi Commercial
a maximum gross LTV up to 75%, and	HMO
a maximum value per security property of £2.5m each in London and the South East (elsewhere to the maximum cap to be £1m above which escalation is required).	Grade 1 Listed Properties
In relation to light refurbishment, an AVM can only be used in circumstances where the total borrowing will not exceed 75% of the initial loan to value (i.e. the valuation uplift can be ignored to meet standard lending criteria). Furthermore, an AVM may be considered where light decorative works are proposed, (for example to prepare a property for sale – costings required).	Non-working farms
	Non-standard Construction
	New build and/or newly converted in the last 2 years
	Leasehold properties with less than 50 years remaining on the lease
	Holiday lets
	Properties where an AVM is suspected as not suitable

**Bridging Loans**

# Automated Valuation Model

A minimum confidence score will be required for each LTV banding as set out below:

Max LTV	Confidence Levels
≤15%	2
≤50%	4
>50%≤65%	5
>65%≤75%	6

## Bridging Loans

# Refurbishment

	Light Works	Heavy Works
<b>Loan Type</b>	Regulated and Unregulated	Unregulated only
<b>Works Amount</b>	Preferred - 20% of initial loan to value up to a maximum sum of £200k.	Inexperienced borrower - up to 50% of initial loan to value up to a maximum sum of £500k. Experienced borrower - up to 70% of initial loan to value up to a maximum sum of £1m.
<b>Type of works (illustrative)</b>	Decoration, replacement of kitchens, bathrooms, windows, flooring, doors and ceilings. Loft conversions and small extensions (provided within criteria in relation to structural works and planning permission), will be considered on a case-by-case basis and might be subject to additional conditions.	Any significant refurbishment works, particularly those requiring structural works, not permitted under light refurbishment. Larger extensions including those that are double storey.
<b>Structural Works</b>	Limited to stud walls and a single load bearing wall.	Multiple load bearing walls, any works where the structure of the property is materially compromised during the works and any repair works which require the guidance of a structural engineer.
<b>Planning Permission</b>	Works must not require planning permission but can be completed within Permitted Development Rights. In relation to Grade II listed properties, Planning Permission in relation to consent required to undertake works that would otherwise be considered light refurbishment is acceptable	Works can require planning permission or be completed within Permitted Development Rights
<b>Change of Use</b>	C3 to C4 only subject to all other criteria being met.	C3 to C4 only subject to all other criteria being met.

## Contact Us

# Our Team, always on hand to help



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