

Bridging Loans

HANDY TIPS



Bridging Loans

Hints and Tips

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

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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 >£1,000 in last 24 months (regulated and unregulated 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

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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.

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Exit/Repayment strategies

Acceptable	Unacceptable (sole)
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	

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Exit Strategy (for over 85s only)

We will consider lending to:	We will not consider lending to:
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

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Types of Customers

We will consider lending to:	We will not consider lending to:
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

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Properties

Talk to your BDM or Internal Sales regarding the below	Not acceptable
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)

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Leasehold

In respect of leasehold properties with a remaining tenor of less than 70 years, the following parameters will apply:

Leaseholds in central & greater London	≥ 25 year with and $LTV \leq 60\%$
Leaseholds outside of central & greater London	≥ 50 year with and $LTV \leq 60\%$

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Automated Valuations

Used on eligible properties for loans:	Non-Eligible properties
With a maximum net loan size £1m	Semi Commercial
A maximum gross LTV up to 75%, and	HMO
a maximum value per security property of £1.5m 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

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Automated Valuation Model

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

Max LTV	Confidence Levels
≤60%	4
>60%≤70%	5
>70%≤75%	6

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Desktop Valuations

Used on eligible properties for loans:	Non-Eligible properties
Residential properties only	Heavy refurbishment
Maximum property value: £1m	Semi Commercial
Purchases or refinances	Commercial
Light refurbishment	
Capital Raising (inc onward transactions)	
Individual and corporate borrowers	

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Refurbishment

	Light Works
Loan Type	Regulated and Unregulated
Works Amount	Preferred - 25% of initial loan to value up to a maximum sum of £200k.
Type of works (illustrative)	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.
Structural Works	Limited to stud walls and a single load bearing wall.
Planning Permission	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
Change of Use	C3 to C4 only subject to all other criteria being met.

Contact Us

Our Team, always on hand to help



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