



Guide to UK Bridging Finance



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What is Bridging Finance?

Bridging finance, often referred to as a bridging loan, is a short-term loan designed to provide quick funding for individuals or businesses. It is typically used to “bridge” the gap between the need for immediate capital and the availability of longer-term financing.

Key Features of Bridging Loans



Short-Term Duration

Bridging loans are generally available for periods ranging from a few weeks to 24 months.



Speed of Access

One of the main benefits is the speed at which funds can be accessed, often within a few days.



Interest Rates

Interest rates on bridging loans are usually higher than traditional loans due to the short-term and high-risk nature of the lending.



Repayment

Repayment is typically made either through the sale of the property, securing longer-term financing, or other liquidity events.



Common Uses of Bridging Finance



Property Purchase

Chain Break: When there's a gap in the property chain.

Auction Purchase: Quick financing for buying properties at auction.

Refurbishment: Funds for property refurbishment before selling or refinancing.



Business Purposes

Working Capital: Short-term working capital needs.

Expansion: Financing business expansion while waiting for longer-term funding.



Personal Financial Needs

Debt Consolidation: Consolidating multiple debts into one.

Urgent Expenses: Covering urgent and unexpected expenses.



Types of Bridging Loans



Open Bridging Loan

No fixed repayment date, suitable if you're waiting for funds from a future event.



Closed Bridging Loan

Has a fixed repayment date, usually when there's a guaranteed exit plan, like the sale of a property.



How to Qualify for Bridging Finance



Security

Lenders require security, usually in the form of property or other high-value assets.



Exit Strategy

A clear and feasible exit strategy, such as the sale of an asset or refinancing plan, is crucial.



Creditworthiness

While less important than in traditional loans, your credit history can still impact the terms of the loan.

100% Bridging Finance

In some cases, it is possible to obtain 100% bridging finance, where the loan covers the entire value of the property or project. This typically requires additional security beyond the primary property being financed. Lenders might accept additional properties, assets, or guarantees as collateral. The ability to secure 100% bridging finance depends on the overall value and quality of the security provided, the borrower's financial standing, and the robustness of the exit strategy. This option is particularly useful for investors who have valuable assets but need immediate liquidity to capitalise on a time-sensitive opportunity.

Pros and Cons of Bridging Finance

Pros

Fast Access to Funds: Quick turnaround times compared to traditional loans.

Flexibility: Can be used for a variety of purposes.

Short-Term Solution: Ideal for temporary financial gaps.

Cons

High-Interest Rates: More expensive than traditional financing options.

Risk of Repossession: If the loan is not repaid, the security asset can be repossessed.

Fees and Costs: Additional fees such as arrangement fees, valuation fees, and legal costs.

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85%

Refurbishment Products

Certain Bridging Loan products are available for up to 85% of the property value if the property is set for refurbishment or conversion. This allows you to retain more of your working capital on day one as a deposit.

With bridging finance, you can also borrow to cover the refurbishment costs. The funds are agreed upon at the start of the loan, and a drawdown facility is provided. Payments are made in arrears through staged payments, which usually involve a monitoring fee charged by the lender.

These products are designed for refurbishing properties to sell on (flip) or for converting properties into HMOs or flats.



Steps to Apply for a Bridging Loan



Choosing the Right Lender

When selecting a lender, consider:

Reputation: Look for reviews and testimonials.

Terms and Conditions: Carefully read the loan terms.

Customer Service: Choose a lender with good customer support.



Why Use a Broker?

Using a broker to arrange bridging finance offers numerous advantages, ensuring you get the best possible deal tailored to your needs. Here are some key reasons to use a broker:



Market Knowledge

Brokers have extensive knowledge of the market and access to a wide range of lenders, including some who only operate through intermediaries.



Time and Effort Saving

They can navigate the complexities of different lending criteria and product features, saving you time and effort.



Negotiation

Brokers can negotiate favourable terms and rates on your behalf, leveraging their relationships with lenders.



Expertise

Their expertise helps in assessing the viability of your exit strategy and ensuring all legal and valuation processes are handled efficiently.



Guidance and Support

A broker provides invaluable guidance and support throughout the application process, enhancing your chances of securing the most suitable and cost-effective bridging loan.





List of UK Bridging Lenders that Operate Through Brokers

- ✓ Precise Mortgages
- ✓ Shawbrook Bank
- ✓ Masthaven Bank
- ✓ Octopus Property
- ✓ MT Finance
- ✓ United Trust Bank
- ✓ Aldermore
- ✓ Together Money
- ✓ LendInvest
- ✓ Aspen Bridging



Important Notes



Availability

The availability and terms of bridging finance from these lenders may vary. Always check the most current information through a professional broker.



Broker Network

Not all brokers may have access to all lenders, so it is beneficial to choose a broker with a broad network.



Professional Advice

It's advisable to seek professional advice to ensure that the bridging loan meets your specific needs and circumstances.

Conclusion

Bridging finance can be a powerful tool for individuals and businesses needing short-term funding solutions. However, it's important to understand the terms, costs, and risks involved. Always seek professional financial advice to ensure it aligns with your financial goals and situation.

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