# Lenders bridge gap on upmarket houses

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Wealthy homeowners are increasingly relying on bridging loans as they find it harder to sell their existing property, following a slowdown in demand from buyers.

Borrowers now have a wider choice of lenders that offer bridging finance following the launch last week of a new short-term lender from property developers the Candy Brothers.

Omni Capital will offer short-term loans to individuals and small-scale property developers for properties in the prime postcodes of central London.

While the lender will mainly provide finance for those buying an investment property or a property for development purposes, it can also provide finance for borrowers requiring a bridging loan to help buy their new home.

Bridging loans allow people to buy a new property before they receive the sale proceeds on their old homes.

Melanie Bien, director of Private Finance, the upmarket mortgage broker, said there remains a huge demand for bridging finance from wealthy clients because of market conditions.

"Once a buyer finds a property they like the look of, they want to do the deal as quickly as possible. Often this will mean they can't wait until they have sold their own property for fear of missing the opportunity," she said.

Other lenders are making bridging loans more widely available. Last month, United Trust Bank removed a maximum limit of £2m for bridging loans.

Mortgage brokers say private banks can provide the most attractive deals for wealthy clients, with some lenders – such as Investec and Close – willing to offer a bridging facility to the right sort of client at similar rates to normal residential loans.

Private Finance recently arranged a bridging facility for a client via a private bank at 4 per cent over bank base rate. It has also arranged bridging at 3.5 per cent over bank base rate for nine months for a client borrowing £3m who was buying four flats that he was going to convert back into a single house.

Paul Munford, chief executive officer of Omni Capital, said his company's unique selling point would be the quick turnround of finance.

"We will look to provide capital in a few days. A regular transaction with lenders now takes much longer – sometimes deals can't wait for months," he said.

While Munford would not provide details on pricing, he said Omni would be competitive against traditional bridging lenders, which typically charge 1-1.5 per cent per month. Loan sizes range from £50,000 to £5m with loan periods of 3-12 months.

Aaron Strutt of Trinity Financial said bridging lenders such as Commercial Acceptances, Tuita and Drawbridge Finance are competitive for larger loans.

It is worth consulting a mortgage broker prior to arranging bridging finance. “We get a number of enquiries from people who think they need a bridging loan, but we are able to help most in a more advantageous way,” said Nigel Bedford of Largemortgageloans.com. He said a private bank can often offer good residential lending terms on both properties, enabling clients to release some of the equity in their existing house to put towards the new purchase.