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Castle Trust's shared equity deal is branded too complex for borrowers

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Brokers are concerned that shared equity mortgage products being developed by new lender Castle Trust will be too complicated for borrowers to understand.

Last week Castle Trust announced plans to launch what it calls partnership mortgages later this year, subject to Financial Services Authority approval.

The lender is being headed by former FSA chairman Sir Callum McCarthy. It will offer borrowers under the age of 55 who have a 20% deposit an additional 20%, so they can access a 60% LTV deal from another lender.

When the property is sold or the mortgage term ends, the borrower repays the 20% advance plus 40% of any increase in the property's value, but if the house decreases in value Castle Trust will pay borrowers 20% of the loss.

Melanie Bien, director at Private Finance, says: "People in the industry have had difficulty understanding this product so the average buyer is likely to struggle with it."

Bien also points out that the deal does not have a clear target market, as the fact that borrowers need a 20% deposit of their own to qualify means it is unlikely to appeal to first-time buyers.

And Aaron Strutt, head of communications at Trinity Financial Group, says the scheme is unlikely to have mass market appeal as raising a 20% deposit is a big ask.

He adds: "Many borrowers will also be put off by the thought of giving away any increase in the value as most of them buy property to make a long-term profit."

One broker on *Mortgage Strategy Online* says: "If another lender came up with an idea as complex as this for a typical retail customer, the FSA would be all over it but in this case it doesn't seem to be."

Castle Trust has not confirmed its distribution model but says it would look to sell via brokers.

Martyn Guerin, chief operating officer at Castle Trust, says: "Anything that is innovative can appear complicated at first but we are committed to ensuring customers understand the product."