

Halifax puts an end to gifted deposit by sellers

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Halifax Intermediaries is no longer accepting mortgage applications where the seller has gifted the deposit because it says the practice distorts the true asking price of the property.

But it will still accept gifted deposits from property developers and builders for new-build properties up to 5% of the property's value and from family members. The change also applies to direct business.

Sellers usually offer buyers a gifted deposit if they are in a hurry to sell. For example, if a property is valued at £100,000, the vendor might sell it for £95,000 and gift the £5,000 to the buyer. This means that if buyers already have a deposit they could qualify for a cheaper deal.

A spokesman for Halifax Intermediaries says: "With a vendor offering a deposit as a gift, the true purchase price and valuation of the property may be distorted. This results in the incorrect LTV being calculated, which in turn could lead to customers being offered incorrect products."

Aaron Strutt, head of communications at Trinity Financial Group, says: "Halifax does not seem to want to lend in any areas where it is not sure where the money is going and it may have had problems with gifted deposits in the past.

"But it is good that it will still accept incentives on new-builds."

A number of brokers commenting on *Mortgage Strategy Online* reacted angrily to the news.

One says: "You could get a client who had a deposit for a 90% LTV deal an 85% LTV deal at a far better rate by using gifted deposits.

"I don't think Halifax has given brokers the real rationale behind its decision to stop accepting this type of deposit."