

Some intermediaries 'may not be aware' of low bridging rates

Tom Belger, Bridging & Commercial Thursday 31st May 2018

Intermediaries new to bridging or those who haven't looked at the market for a while may not be aware of how attractive prices have become, a specialist lender has claimed.

At a recent broker roadshow hosted by Crystal Specialist Finance, some of the intermediaries in attendance were unaware of how low headline bridging rates were.

In recent months, as competition has increased, a price war has taken place in the bridging market with some lenders offering rates as low as 0.44% pcm.

However, Jo Breeden, managing director at Crystal Specialist Finance, explained: "The vast majority of brokers that don't already utilise the bridging market are still under the misconception that bridging finance is a very expensive last resort, as such they do not fully understand the product and the low rates available."

Are brokers aware of low bridging rates?

"Frankly, if introducers don't know that bridging rates are at an all-time low, I question what their motives are in attending seminars other than the free lunch," said Rob Jupp, CEO at Brightstar.

"You can't pick up a magazine or read a bridging lender press release without a comment about low bridging rates."

Alan Cleary, managing director at Precise Mortgages, said that most intermediaries knew that the bridging market had come a long way when it came to price.

"However, there will always be some intermediaries that are new to the industry or perhaps haven't looked at the bridging market for a long time that may not be aware just how attractive prices have become."

Chris Fairfax, managing director at Positive Lending, said: "I agree most would not be able to accurately confirm [the] best rate, but they would certainly be aware of a general and significant reduction in pricing over the last two years."

Jonathan Sealey, CEO at Hope Capital, added that it was inevitable that some introducers would not be aware of bridging rates as so many didn't deal with bridging at all.

"There are many mortgage brokers who still do not look at anything outside of mainstream mortgages either because they do not have permissions from their network or because it is outside of their comfort zone."

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Chris Whitney, head of specialist lending at Enness, added: “Because we still use the phrase ‘bridging loan’, there is an automatic assumption from some that the cost of funds is going to be very expensive, which isn’t necessarily the case.

“The term is very generic and doesn’t really reflect the specialist lending marketplace or the recent and ongoing innovations we have seen in recent years.”

However, Stephen Burns at Adapt Finance stated: “I would say most – if not all introducers – are aware of the quoted low rates, but compliance with the lender’s terms to obtain such rates is often impossible in real life.”

Is the bridging market missing out on business?

Jo said that research at Crystal’s own roadshows revealed that only around 10% of brokers were actively dealing with bridging finance.

“A lack of understanding about the true nature of bridging loans is one of the biggest barriers impacting the industry; there remains a perception of bridging loans that they represent an expensive form of borrowing,” said Paresh Raja, CEO at Market Financial Solutions.

Meanwhile, Whitney added: “I think some advisers are definitely missing a trick here, placing loans at higher rates on products that might offer the borrower much less flexibility in things such as early [repayment] charges as well.”

However, Adam Tyler, executive chairman at the Financial Intermediary & Broker Association (FIBA), argued: “I don’t think that the industry is short of business because brokers are unaware of low rates.

“New business figures for bridging and the growing number of new lending entrants to the market, point to a growing and vibrant market.”

[Zuhair Mirza, principal at Avamore Capital](#), said he could see how situations might arise where introducers may not be fully informed about the best rate in a particular part of the market.

“Pricing is only one aspect which is considered by a broker when completing a loan and other aspects – such as speed – are key factors.”

Colin Sanders, CEO at Tuscan Capital, added: “I think it would be a mistake for the bridging community to rely too heavily on headline monthly interest rates as a way of attracting business.

“As we all know, short-term lending is a specialist product designed for a specialist purpose and audience.”

What can be done to help improve intermediary education?

“There needs to be a high-level programme of education so brokers can spot a bridging opportunity and be able to explain to their clients why it is the best financial solution [for] their needs, something we regularly undertake through our roadshows,” said Jo.

Precise also hosts a number of educational roadshows.

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“We, as a lender, invest a lot of sales resource in educational roadshows and we also have a significant amount of information on our website,” Alan said.

However, Adam added: “Intermediary education should not be aimed at persuading brokers to look at bridging because there are low rates, but should instead concentrate on explaining the many uses that bridging finance has in a modern property market and how it can help their clients.”

Benson Hersch, CEO at the Association of Short Term Lenders (ASTL), added: “We are having joint forums with FIBA to promote knowledge and discuss education.”

Meanwhile, Vishal Dixit, head of business development at Pivot, said that there needed to be a joint effort.

“There is responsibility on the part of media brands that look at educating this segment to accurately inform the community that they serve.

“Responsibility lies with the lenders themselves to be as transparent as possible and inform this community of what they can offer their borrowers.

“Finally, responsibility lies within the community of intermediaries to educate themselves and appropriate the best solutions for their clients.”

Paresh felt there needed to be more exposure to highlight that, when it came to bridging, the benefits often outweighed the costs.

“Positively, there are many industry events and workshops already being held on a regular basis by the likes of *B&C*, FIBA and [the] NACFB to help brokers engage with bridging companies.

“Greater coverage of bridging loans and their practical applications – including success stories – in the financial press will also help boost awareness of bridging.”

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