



## **Bridging loans and commercial finance criteria reduced or withdrawn due to current coronavirus**

*Some bridging finance lenders have chosen to exit the UK bridging loan arena completely whilst others have chosen to drastically reduce their criteria in the hope the corona virus world event gradually disappears in the coming weeks.*

### **URMSTON, U.K. - April 15, 2020 - [PRLog](#) -- Bridging lending criteria are being tightened**

In recent times most bridging finance lenders have been prepared to lend up to 75% of the value of a bridge to exit property development finance required by property developers. There were even a couple of family offices lending up to 80% of the required loan if the risk to their lending profile was not deemed too risk averse and the development was located in a favourable area. Areas such as London or the surrounding counties have been viewed favourably in the past. Fewer lenders presently are prepared to do so now as fears grow of falling property prices and a stalling market.

### **Increased Lending Margins**

Whilst landlords were expecting a lower Bank of England base rate will lead to lower mortgage rates this is not always proving to be the case. Bank and non bank lenders concerned about the increased risk of tenants defaulting on rents and falling property prices may well choose to widen their margins and increase the cost of borrowing.

Some bank lenders have increased rates despite the 0.65% fall in base rate where margins as a result have increased by about 1%. Some non bank lenders have pulled from the market altogether to keep their powder dry for what could be a subsequent and swift drop in the residential and commercial sectors of the UK property market.

### **Comment**

Gerard Ward, Platinum Global Bridging Finances chief executive, said: "The competitive and attractive bridging finance and commercial finance market appears to be going into a potential slump depending on how long the impact of the corona virus affects the market.

"Landlords are finding that their borrowing options have reduced as lenders respond to this new record low base rate environment and fears of falling house prices by withdrawing entire product ranges. They were hoping for an interest rate cut so this must have come as a great shock.

"We have clients mid-way through a bridging loan application only to find the lender has informed us the bridging loan product is withdrawn before they can reach completion and access the release of funds.

Another case our client was expecting 100% lending on a property development loan only to be told they can only receive 80% days before completing and drawing down funds on the loan. They luckily had spare funds in reserve so the case was able to complete as planned.

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