MFS®

Bespoke Specialist Lender

MFS Insights:

Why demand is rising for specialist finance

Trustpilot

Why demand is rising for specialist finance

It's no secret that the last year or so has been difficult for mainstream lenders, as well as the UK's property market.

Investors, along with high street banks, have struggled against 14 consecutive base rate hikes, a cost-of-living crisis, and economic uncertainty. These challenges, epitomised by September's mini-budget, caused many lenders to withdraw their products. Consequently, homeowners, landlords, and investors alike opted to put their plans on hold, ultimately causing house prices to soften.

Borrower needs have evolved as a result of these headwinds. Demand for more flexible financial products has risen, meaning that homeowners and investors are looking to alternative lenders for help with their UK property investments.

Clearly, borrowers can't find the flexibility they need from traditional financial products. So it seems that specialist lenders will have an increasingly important role to play in the coming months.

House prices fall across all UK regions for the first time since 2009

Source: Financial Times

Borrowers require flexibility and adaptability in the current climate

Our situation may be improving, but the current economic climate still poses significant challenges for borrowers.

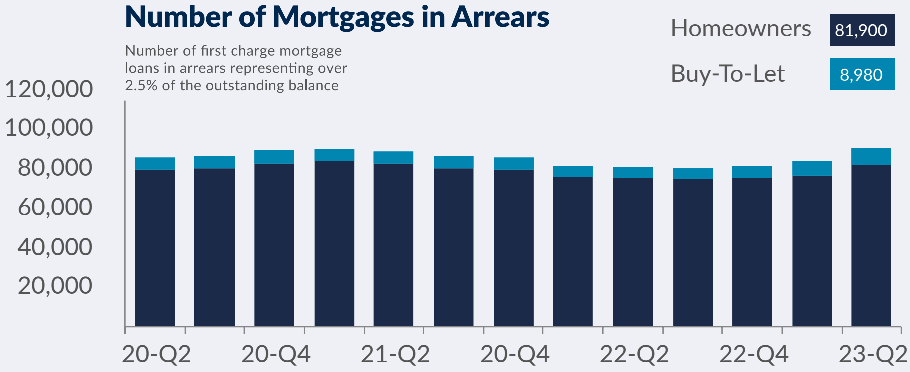
For instance, while inflation is slowing down, it still remains significantly higher than the Government's target of 2%. This ongoing inflationary pressure erodes the value of borrowers' money, adding to the difficulties of investing in the current climate.

Moreover, although the Bank of England (BoE) has hinted that interest rates are approaching their peak, the rapid increase in borrowing costs since December 2021 continues to weigh on how much people can borrow. As such, the prospect of further rate hikes – which remain likely considering how sticky inflation appears to be – might discourage some investors from proceeding with their investment plans.

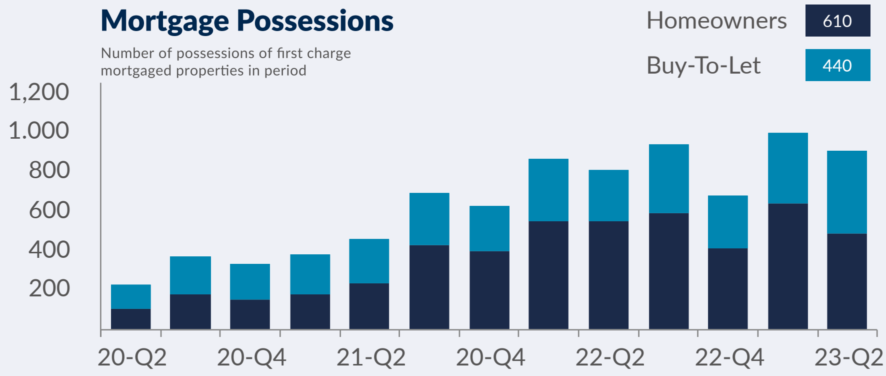
Unfortunately, for those who are keen to capitalise on opportunities in the UK market, they're unlikely to find the flexibility and range of financial options necessary to move with confidence through traditional high street lenders.

Indeed, the recent upheaval in the mortgage market has prompted many high street banks to adopt stricter lending criteria and assessment methods for loan applications. This poses an additional challenge for homeowners and investors with complex financial situations, as they may struggle to obtain financial products from mainstream lenders.

Number of Mortgages in Arrears



Mortgage Possessions



The Bank chief told MPs that rates were "much nearer now to the top of the cycle" following a 14th consecutive hike to 5.25%

Source: BoE Governor Andrew Bailey

Demand for specialist finance will continue to grow

These borrowers will likely be searching for alternative sources of finance, so demand for specialist finance looks set to grow in the coming months.

We've already seen evidence for this. In Q1 2023, the Association of Short Term Lenders (ASTL) found that:

- Bridging completions passed **£1.4bn** across the industry, an **11.8%** increase on **Q4 2022**.

- Bridging mortgage loan books continued to grow in **Q2 2023**, rising by more than **5%** to an all-time high of just over **£7.1bn**.

> **"The somewhat indifferent performance of the economy has not affected demand for short-term finance"**
>
> Vic Jannels, CEO of the ASTL

As we approach the final months of 2023, specialist lenders and brokers must continue to support borrowers. Property investors want to push their way through to a better economic climate, and those who can provide flexibility and certainty for these efforts should see the biggest uptick in demand.

This should be easily achievable. By underwriting each loan from day one, specialist lenders are well placed to manage even the most complex of loan applications than their high street counterparts. By considering each loan on a case-by-case basis, these lenders can take the applicants overall situation into account, allowing them to support borrowers with complex applications, including:

- **Adverse credit**
- **Complex structures**
- **Undervalued properties**

For borrowers experiencing cash flow or affordability issues as a result of inflation, rolled-up or deferred interest options - that are often provided by specialist lenders - offer additional flexibility. By removing the need to make interest payments until the conclusion of their loan period, lenders like MFS could therefore provide the breathing space borrowers need to navigate a difficult financial environment.

Demand for specialist finance will continue to grow

During uncertain economic climates, providing certainty is key. Understandably, borrowers will have a wealth of questions right now, so proactively communicating how financial products may be impacted in the coming months is a good first step. Furthermore, with the memory of so many lenders pulling products, those who can assure them will more than likely move to the top of property investors call lists.

At Market Financial Solutions (MFS), we are aware of the growing demand for, and the important role of, specialist lenders in supporting the housing market. Therefore, we are committed to offering flexible financial products that can be delivered quickly, and with certainty. Ensuring that borrowers can invest in the property market come what may, no matter how complex their case might be.

**MFS are a Bridging Loan and Buy-To-Let Mortgage provider, not financial advisors. Therefore, investors are encouraged to always seek professional investment and tax advice.*

> **"The short-term lending sector continued to demonstrate its versatility and resilience in the second quarter of this year, during which period members combined loan books have exceeded £7bn for the first time."**
>
> Vic Jannels, CEO of the ASTL

Examples of MFS' Financial Products:

- **Residential** Bridging Loans
- **Commercial** Bridging Loans
- **Permitted and Light Development** Bridging Loans
- **Developer Exit** Bridging Loans
- **Buy-To-Let** Mortgages

Q2 2023 TRENDS

	Quarter ended 30 June 2023 compared to Quarter ended 31 March 2023	Quarter ended 30 June 2023 compared to Quarter ended 30 June 2022	Year ended 30 June 2023 compared to Year ended 30 June 2022
Loans written (£)	(5.3)%	+9.9%	+20.0%
Loans book (£)*	+5.1%	+18.0%	+18.0%*
Applications (£)	(5.9)%	+22.3%	+3.5%

*** As at the end of the period**

Source: ASTL

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Contact us today for all your specialist finance enquiries:

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