paragon

Mortgages

Retirement, Interest Only remortgage

Case Study

APPLICANT: **Mr and Mrs Sidhu**

AGE: **(Mr) 73, (Mrs) 67**

AGE WHEN MORTGAGE SETTLED: **(Mr) 80, (Mrs) 74**

- **Mr and Mrs Sidhu submitted a joint application to remortgage their home on an Interest Only basis**
- **They've been self-employed for almost 20 years and continue to run their property development company and manage their buy-to-let portfolio**
- **The latest set of accounts for their development company showed a net loss of circa £57,000**
- **They required a seven year mortgage of £535,000 on an estimated value of £985,000 (55% LTV)**

What is the case?

The Sidhu's application was for a like-for-like mortgage on an Interest Only basis. They were approaching the end of their mortgage term with their current lender who would not allow them to continue beyond their current ages.

In the latest tax year (2017/18), their tax computations and Tax Year Overviews confirmed that they had earnt £102,345 and £28,082 respectively.

Why would we accept this case?

Using our experience of assessing individuals and limited companies specialising in property rental and development, our underwriters took the time to discuss this application with the intermediary and Mr and Mrs Sidhu's accountant to understand the reason for the net loss on the development side.

We were comfortable that the net loss was due to the latest development phase and that sales of the small development of houses had started to commence, which would be reflected in the next trading accounts. This is not unusual for development companies and performance was consistent with the previous track record of the business (which we were able to evidence with accounts and accountant). The accountant was also able to confirm sustainability of the business based on agreed sales and future planned development sites.

Both the development and rental portfolio are family businesses which the Sidhu's son and daughter are both actively involved in. Mr and Mrs Sidhu still retain the majority shareholding, but succession plans were already in place for their intended retirement.

Their rental portfolio consisted of 10 properties, which they had acquired by retaining one or two properties from past development sites. All properties were unencumbered and had an estimated value of just under £3 million. The portfolio was profitable and, as all properties were built within the last 10-15 years, maintenance was minimal.

The Sidhu's had discussed repayment options with their broker as they have more than one credible option to raise funds to pay off the Interest Only mortgage. These options included the sale of buy-to-let properties, repayment of a director's loan, or a pension lump sum (the SIPP value was evidenced and would still provide a pension of circa £26,000pa which had been deferred at the time of application).

Given Mr Sidhu's age, we also obtained confirmation that the income sources would pass to his wife in the event of his death.

What we offer

Specialist residential mortgages for landlords who:

- Are self-employed
- Have complex income arrangements
- Are looking for lending into their retirement
- Would like an Interest Only mortgage

If this case sounds familiar, or you have a customer that you think we may be able to assist you with, contact us today and we'll be happy to help.

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