

My clients want to capital raise above the discounted purchase price on a right-to-buy purchase. However, as the additional capital raising they require is not for home improvements they have been informed that this is not possible. What other options are available to them?



Tim Henson,
compliance director,
All Types of Mortgages

The council usually approves extra capital raising on right-to-buy properties over and above the discounted purchase price if the extra money borrowed will be used for home improvements. This is because any extra work carried out to the property, such as the fitting of a new kitchen or bathroom, would undoubtedly enhance the property condition and add value to it later on.

However, lenders are careful when it comes to agreeing additional capital on right-to-buys when applicants state that the money will be used for other purposes (that is, debt consolidation or for any other legal purpose). The main

reason behind this is because the lender will need to approach the local council to obtain a deed of postponement, which relinquishes the council's priority charge on the property.

It is usually at this point that the council will either agree or disagree to the proposal put forward by the lender. This means they will either allow extra funds for home improvements or turn the applicant down if funds are potentially used for other means.

In this instance, assuming the loan was less than £150,000 then there are lenders that should be able to help the clients. For example, Platform may be

able to assist using its right-to-buy express completion product. This product carries an additional £125 express completion fee that can be added to the loan.

By charging this particular fee Platform is in theory taking out a title insurance, which means they do not need to obtain a deed of postponement and, as such, is able to lend extra funds to right-to-buy purchases for non-home improvement purposes.

It is also worth mentioning that Platform uses a cascade system when looking at right-to-buy cases, so each case is assessed on its individual merits.