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The Association of **Short Term** Lenders

Welcome to the latest ASTL Newsletter.

The bridging market is continuing the momentum it has built coming out of the pandemic and there seems to be little sign of slowdown in the number of new enquiries that are hitting lenders and brokers.

This is great news, of course, but there remains an ongoing challenge for the sector. While enquiry levels are sky-high, the proportion of those enquiries that go on to then complete remains relatively low. There are a number of reasons for this. Sometimes, it can be the result of a single case being pitched to a number of different lenders, or via a number of differing brokers. Sometimes it's due to the customer changing their mind. In some cases, particularly in the current environment, it's because the reason why the bridging loan was initiated is no longer valid by the time the application progresses.

The longer it takes for a bridging application to progress to completion and release of the funds, the more likely that the short-term loan will no longer be required. Consequently, the longer it takes for bridging loans to complete, the more likely it is that conversion rates will remain low.

In a competitive market, lenders compete on service and speed of delivery, but as we all know, the pace at which an application progresses is not influenced by lenders alone. It relies on brokers and customers providing any required information or documentation promptly and, importantly, the speed at which the valuation and legal work is managed.

In this respect, we have become aware of concerns from some members and brokers that, in some instances, the valuation and subsequent legal work timescales have become protracted. If this is correct, then it may serve to exacerbate further the reason why application to completion numbers are lower than might be preferred by all parties.

Is this a result of poor communication? If so, rather than point fingers of blame, or simply accepting protracted bridging timeframes, might it be sensible for renewed focus and effective dialogue and communication between everyone who has a part to play in the process – lenders, brokers, lawyers and valuers. If we can communicate more effectively, we will improve the experience for everyone involved.

Once again, thank you to our members and associates who continue to provide their expertise through their contribution to this newsletter. If you would like to submit a contribution or have any requests for future content, please let us know.

NEWS INSIDE

ASTL UPDATES

Date for your diary

In case you missed it, the ASTL Annual Conference will be held on Thursday 20th October 2022 and the venue for the Conference has been confirmed as RSA House in Central London.

We are already working hard on developing a packed speaker programme and new ideas to ensure that the 2022 ASTL Annual Conference will be the best one ever. We will be announcing more details about registration and the speaker programme in the coming months.

Make sure you save the date of 20th October, as this will be an event you won't want to miss. Pre-registration is available now at https://astlconference.co.uk

Engaging with the regulator

As part of our role to represent the wider interests of our sector, we recently met with the regulator following our submission in response to the FCA consultation CP21/36 – A New Consumer Duty. Present at the meeting were Sara Woodroffe, FCA Head of Mortgage Policy and Keith Hale, Chief Technical Adviser.

Our brief was to seek further consideration to the 12-month maximum term on regulated short-term lending where a self-build or development project may be at risk of overrun. We felt that the meeting was largely productive, and we will continue our dialogue with the regulator to ensure our voice is heard.

Growing our voice

I am pleased to say that we are growing our voice at the ASTL as we now have more than 40 lender members. We have recently welcomed The Bridging Group and Family Finance as the latest lender members to join the association.

It is generally considered that there are up to 50 'recognisable' bridging brands active in bridging, so we can safely say that we represent the interests of the vast majority of the market. This strength of memberships means that we have a louder voice in our conversations with the regulator, policy makers and the media and is ultimately of great benefit to our industry.

Research White Paper

An update on the White Paper we are producing on the back of the You Gov research that was undertaken earlier this year. Work has started on the document, and we look forward to being able to share it with members soon, ahead of its formal release.

HAVE YOUR SAY

Receivership in 2022: What must be at the forefront of lenders' minds

Edward Gee, Property Receiver and Insolvency Practitioner at CG&Co, associate member of the ASTL

We're working through truly uncharted economic times...

Predictions that the horrific events unfolding in Ukraine will take a heavy toll on businesses nationally and globally continue to be delivered with greater frequency and the utmost gravitas.

Earlier this month, the International Monetary Fund (IMF) clearly stated that the global "economic consequences are already very serious".

Energy and commodity prices - including wheat and other grains - have surged due to the war in Ukraine, adding to inflationary pressures from supply chain disruptions and the rebound from the Covid-19 pandemic.

That's led to fears that inflation could exceed eight per cent here in the UK in the next few months, which could be devastating for businesses struggling in the face of ever-increasing costs.

For the first time in several generations, we've also started to hear mention of "stagflation" - an environment of high inflation, increasing unemployment and slowing economic growth.

Given these prevailing – and truly unprecedented - economic conditions, it now seems inevitable that defaults on loans will increase, whether it's because of arrears on payments or due to the expiry of loan terms.

While the appetite to lend remains high within the specialist finance market, loan-to-values may increasingly struggle to meet outstanding debt figures, with borrowers increasingly unable to raise the funds to cover shortfalls.

In my view, this has the potential to stop refinance exits at a level that's never previously been witnessed.

To conclude, it has never been more important for lenders to stay on top of underperforming or default loans, especially those where the term has expired, and they wish to allocate those funds to new deals.

The most proactive and best-informed approach to property receivership must rest at the heart of this process - and borrowers must always be engaged and negotiated with at the earliest opportunity.

At CG&Co, our in-house legal team consistently monitors developments to provide our clients with a competitive advantage.

And we've every intention of maximising that advantage at every opportunity in the coming months regardless of the wider economic conditions.

UNTIL NEXT TIME

We hope you have enjoyed the latest edition of the ASTL newsletter. Remember, we value your feedback, so if you have any comments, or would like to register your interest to contribute in the future, please contact Alex Hammond (alex@alsocomms.com)