



## Finance Made Easy

### BRIDGING FINANCE – THE SOLICITORS ROLE

Financial transactions involving property usually require a solicitor to carry out the legal work. They play a vital role in Bridging loan transactions so it's very helpful, particularly where you require a speedy completion, that you have a solicitor who is **experienced** in this area.

It's completely your choice whether you appoint your own solicitor or, if the lender offers joint or dual representation, use the same firm appointed by the bridging lender.

You will have to pay the lender's legal fees as well as your own, so opting for joint representation could be less expensive than appointing your own solicitor. Legal costs will vary depending on the firm and the nature of the case and the work involved. As well as the solicitors' own fees for the legal work they provide, there will also be additional costs referred to as disbursements such as, searches, land registry fees, bank charges etc., and, of course, stamp duty land tax. You should obtain quotes before you appoint your solicitor.

#### What is the solicitor's role in bridging finance transactions?

The solicitor will deal with several different aspects of the bridging process, including:

##### Stamp Duty

When Stamp Duty Land Tax is payable on a property purchase, the solicitor will calculate how much has to be paid, as well as collect the money from the buyer and pay it to HMRC.

A calculation of the Stamp Duty payable on any property type, including residential, buy-to-let, and commercial property, in England, Northern Ireland, Scotland, or Wales can be done using an online Stamp Duty Land Tax calculator. This is useful for budgeting purposes as you can work out the total cost of the Stamp Duty Land Tax, which can't usually be added to a finance facility, before making your offer.

##### Money laundering checks

The solicitor will carry out anti-money laundering checks to ensure that the source of funds is legitimate when cash is being put into a property purchase.

##### Clearing and placing charges

For re-mortgages, the solicitor will be responsible for clearing any current charges on a property (for example, when bridging finance is being used to clear a mortgage) and placing the bridging lender's charge on the security property. For first charge purchases, they will ensure that the property being used as security has a clear title before placing the bridging lender's charge on the property.

##### Distributing funds

When funds are ready to be distributed between lenders and customers, this will go through the solicitor.

#### Why is it important to have a solicitor who is experienced in bridging finance?

Bridging is a specialist area of finance, so you need to work with experienced professionals throughout the whole process, and this includes the solicitor.

A lot of customers take out bridging finance because they need to source funds quickly. In some circumstances, bridging lenders can complete with a day if the legal work is completed.

This will only be possible if the solicitor is experienced in bridging finance and knows the process inside out.

The legal process can hold up a bridging application in a number of ways.

- Taking out a bridging loan is different to taking out a mortgage in a number of ways. So, a solicitor that is experienced in conveyancing but not bridging may not be used to what a bridging lender requires in terms of checks, searches, and client information. The lenders solicitors may send a list of requirements to your conveyancer which they may not understand or be used to, and this can cause delays in the process as the solicitor may have to go back and forth between you and the lender more than necessary.
- Your solicitor and the lenders solicitors need to work together to secure a speedy successful outcome for you. Sometimes your solicitor may disagree with the requirements requested by the lenders legal team but refusing to meet those requirements is just not an option as it will cause delays. If there are any problems, and to save time, ask your solicitor to just pick up the phone and speak to the other legal team. The right experienced solicitor is less likely to have these problems.
- Solicitors with heavy workloads or backlogs, which is particularly common at the moment, could take days, or even weeks, to look at your case and start searches etc. If you need bridging quickly, then a solicitor who is snowed under with other cases, may not be your best option!
- The solicitor will need to conduct several different searches when you are purchasing a property, for example land registry, local authority, environmental, etc. This can take time – sometimes up to eight weeks. Again, if you need bridging done quickly, then this can slow down the process significantly.

However, many bridging lenders will accept **an indemnity policy** in place of the search. These policies can be organised and put in place the same day, which means that the loan can complete before the searches come back.

So, if you choose to appoint your own solicitor when taking out a bridging loan, make sure that they have considerable experience in this area and that they can operate quickly and handle your case straight away.

As brokers, we are working on your behalf to secure the most appropriate finance for your needs. Your solicitor is also working on your behalf so will usually only take instructions from you not us.

It is your responsibility to ensure you keep in regular contact with your solicitor as is reasonably acceptable and agree the level of contact and timescales they can work to, and ensure they are keeping you updated. It is NOT our responsibility to chase your solicitor to ensure they carry out your instructions.

Although we DO NOT make specific recommendations as to which solicitor or firm you should use, we have a list of firms throughout the UK who are experienced in working with Bridging Finance. If you would like a copy of the list, please let us know.

Although we may have worked with some of these, we are not privy to any agreement you make with any of these firms.