

# DITCH TICKBOX APPROACH TO CATER TO THE UNDERSERVED



## **Tom Molloy, Intermediary Sales Manager, Mansfield Building Society**

It's perhaps not a huge surprise that the domestic holiday market has done so well over the last couple of years. The pandemic limited - and at times outlawed entirely - foreign travel for leisure purposes, but that didn't mean that Brits suddenly no longer needed a break.

Instead, we looked to take our holidays within the UK. However, it's striking that even as the pandemic takes less of our attention, and trips to sunnier climes become more accessible, so many of us are still intending to take at least one break on domestic shores this year.

A study by Planday suggested that as many as 45% of Brits were intending to book a stay somewhere within the UK during 2022 - millions of would-be holidaymakers preferring to spend their leisure time within our boundaries.

And that suggests that the current momentum behind the holiday let market will continue.

## **Offering more choice**

Lenders have recognised the strength of interest in the holiday market, and looked to broaden the number of options open to landlords looking to invest in this sector. In fact, data from financial information site Moneyfacts earlier this year found that the number of products on the market had more than trebled since 2020.

It revealed that back in August 2020 there were just 74 products for investors to choose from, but by January 2020 this had rocketed to 231. Yes, this remains something of a specialist area of the market, but that level of growth is striking and says a lot about how keen investors are to diversify their portfolios alongside traditional buy-to-lets.

Yet we know from our conversations with brokers that their clients aren't simply looking for more options for the sake of choice, but for a larger number of holiday let deals that actually cater to their needs.

## **Buying as a business**

A perfect example here is limited company lending. Recent years have seen far more landlords of all kinds opt to keep their investments within a company wrapper, rather than hold the property in their own name.

Indeed, figures from Hamptons suggest that there were 47,400 companies incorporated in 2021 to hold property, a record number. That's almost double the number set up back in 2017, a pretty good indication of how quickly this has become a suitable option for investors.

Given the potential tax benefits, it's understandable why landlords might want to do this, and yet when it comes to holiday lets it isn't always possible with some lenders. And even if it is, the landlord may face higher interest rates simply because they have chosen to borrow in this way.

That isn't particularly fair, given that purchasing through a corporate wrapper does not increase the level of risk for a lender, which is why at Mansfield Building Society we have now opened up our holiday let range to limited company borrowers.

By appraising applications on a more personal basis, and getting a proper feel for the client and their circumstances, then lenders can deliver a far better experience for all concerned. There's no need for a tickbox approach that only leads to disappointment.

## Catering to investors of all kinds

Interest in the holiday let boom is not restricted simply to investors based in the UK, either.

There are significant numbers of expats who recognise the extraordinary potential offered by housing within domestic shores as an investment asset - it's why we regularly hear from those who have moved to sunnier locations, but who want to continue to hold property within the UK.

However, as with limited company borrowing, this is another area of the holiday let market which is somewhat underserved by the current market. All too many lenders view the fact that the borrower is based overseas as a deal breaker, irrespective of the other facts of the case.

We don't work like that at Mansfield - we prefer to find ways we can say yes, rather than excuses to say no. As a result, we have now broadened out our holiday let range to cover not only limited company borrowers but expats too.

Ultimately, the holiday let market is a real growth area for mortgage lending, but if it is to reach its potential - if would-be investors are going to be able to add to their portfolios in the ways they want to - then lenders are going to have to be more flexible. Sticking to a tired tickbox approach actually does these borrowers a disservice.

## A common sense approach

If you've got a case on your desk that requires a common sense approach to lending then please pick up the phone to our Broker Support team on **01623 676360** or visit <https://www.mansfieldbs.co.uk/intermediaries/>.