

My client is a electrician and has been working on short-term contracts for the last two years. He is looking to purchase a holiday home in Scotland which is on the market at £135,000. He has limited savings but 40% equity in his current residential property – what affect will the house-buying process in Scotland have on his plans?



Tim Henson
Compliance director,
All Types of Mortgages

There are not that many lenders usually willing to lend on a holiday home because of the fact that the property will only be occupied at varying times in the year. Therefore, it may be worth the client looking to see whether he has enough equity in his current residential property to enable him to capital raise and buy the Scottish property outright.

As we are not given any information on what the current residential mortgage is worth, it is almost impossible to say whether this route will work or not. However, as an alternative the Royal Bank of Scotland (RBS) may be able to assist with a flexible business loan of up to 70%

of the purchase price or valuation, whichever is lower. RBS would need relevant information on any holiday rental income, which would need to be confirmed by a local valuer. In addition, it would also need proof of the client's income and current contract to determine if there would be any surplus income available to cover rental voids.

RBS would also take the client's existing property into account as additional security to supplement his cash contributions. RBS would be able to obtain an agreement in principle (AIP) within 48 hours of receipt of a number of items. This would include a personal financial profile which gives an

overview of the principles of the business and is required for the proprietor, each partner or director of the business. This covers the assets and liabilities of the individuals. The client would also need to supply six month's worth of personal bank and business statements, two year's of audited accounts or tax returns, a copy of his current contract, property details and confirmation of savings.

Once an AIP has been obtained the case would then be passed to a local business manager who would have expert knowledge of the house buying process in Scotland and would be able to take the client through each stage.