

THE LATEST SPECIALIST LENDING NEWS AND CLIENT TRENDS

BRIGHT INSIGHTS



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October 2024

This publication is for mortgage professionals
and is not intended for the general public.

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FOREWORD

Earlier in the summer, our Group CEO, Rob Jupp, said in an interview that he thought 65% of 2024 business could be written in the second half of the year. It was a bullish claim, but one that seems to be coming to fruition.

Whilst there was a definite lull in activity ahead of the general election, it feels like the wheels of opportunity have started turning. The Bank of England Base Rate cut in August signalled the beginning of a new rate environment, and there is at least one more cut anticipated for later in the year. This is already impacting property prices and purchase activity, with Rightmove saying the average asking price for a home coming to market increased to £370,759 in September, with a monthly rise that was double the long-term average. The firm added that asking prices were supported by a rise in activity levels, with the number of sales agreed up 27% year-on-year.

At Brightstar, we have already seen an uplift in both enquiries and completions. Where people may have been holding off earlier in the year, there has been a definite change in behaviour, with more clients taking the plunge and proceeding with transactions.

There's also been a change to the type of business we are seeing. Short-term and second charge lending have been quite dominant for a number of months but now, as rates are starting to come down and more clients accept this as a more typical long-term environment, we have seen greater popularity amongst term products.

With a strong pipeline of cases building, across all of our divisions, it's clear that there are lots of new opportunities for brokers to grow and diversify their business.

The really good news is that lenders are increasingly hungry for that business and announcements of new rate cuts and criteria enhancements arrive on a near daily basis. We're also talking to new lenders that are looking to enter the market and this is, of course, on top of the relaunch of our own lending brand, Private Label, which is successfully providing solutions for a growing number of clients.

The future looks full of opportunity and, at the Brightstar Group, we are here to help you make the most of those opportunities, using our expertise and relationships to help you deliver the right solutions to your clients. In the latest issue of Bright Insights, you can find out more about just some of those opportunities.

Written by:

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Head of Sales,
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Alternative ways for landlords to achieve higher yields.

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The search for higher yields has been a common theme amongst property investors for quite some time now and we've seen growing appetite for investments like short-term lets, HMOs and multi-unit blocks. There are, however, alternative ways that investors can achieve higher yields without pursuing these avenues.

For example, letting out a standard buy to let property on an unusual tenancy can often deliver investors greater returns and sometimes even greater certainty than on a typical AST.

We've seen a growing trend amongst landlords choosing to rent their property on a corporate let rather than a standard AST, with contracts often tailored to suit the needs of the business and the landlord, as well as standard agreements that are increasingly recognised by a number of lenders. For example, Serco is an organisation with more than 7,000 properties in its portfolio that it uses to house asylum seekers and we work with lenders that are happy to accept a Serco arrangement as part of their policy.

Other uses could include letting to foreign students, businesses to accommodate travelling employees, or local authorities as a way of providing housing for vulnerable tenants.

There are several advantages for investors in this approach as lease terms are often for a longer period than an AST and offer guaranteed rent during this period. In addition, given that the terms of a lease are more akin to a commercial tenancy than a residential one, it's often a requirement for the corporate tenant to return the property in exactly the same condition as it was presented at the start of the arrangement.

Traditionally, investors wanting to take this approach to letting their property have needed to rely on commercial lenders, at rates that are higher than the residential market. However, we recently had a case where the client took a residential buy to let mortgage that they rented to themselves, and then sub-let it to a council tenant, who was considered vulnerable.

We worked with a buy to let lender that allowed this structure – the client letting their own property and then sub-letting it out – and, while the rate was more expensive than a more standard buy to let mortgage, it was still cheaper than a rate that could have been achieved from a commercial lender, and this novel approach enabled the investor to earn a higher yield.

As the saying goes – there's more than one way to skin a cat – and there are many alternative options that property investors could take to achieve better returns on their investment. At Sirius, we work on structuring solutions like these day-in, day-out, and our strong relationships with lenders enable us to discuss and agree often unorthodox approaches to delivering the outcome the client wants.

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Written by:

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There are often many hurdles to overcome when it comes to arranging specialist finance and some of these can be as a result of the complex insurance requirements around the deal, rather than the loan itself.

By partnering with Solstar, the specialist commercial and property insurance division of The Brightstar Group, you don't need to let these hurdles become an insurmountable obstacle. Our team of experts are on hand to source the right cover specified by a lender. These requirements are often not fully known until quite late in the finance journey, but we are proficient in resolving these issues. We have already worked on many cases where we have saved the deal at the eleventh hour.

Here are just three examples of cases where we have helped:

Two commercial warehouse units

As a result of buying out their business partner, this client recently needed to remortgage their two commercial warehouses. The existing insurer would not note the lender's interest, they therefore needed to obtain a new insurance policy.

We sourced a policy which covered both units, whilst noting the lender's interest and at a lower cost than their existing policies. The client was extremely happy with the outcome as this enabled completion of the remortgage without any delays.

Hospitality premises covering light refurb

This client was purchasing a pub/restaurant which needed light refurbishment work before the grand opening. Solstar sourced the perfect insurance solution which covered the premises whilst it was unoccupied, enabling the final works to be completed ahead of the cover being switched once the business was trading.

Listed building holiday let

This client was entering the holiday let market for the first time and was seeking cover for their Grade II Listed Building, including fixtures and fittings, prior to completing on the purchase.

We identified that accidental damage, landlords' contents, legal expenses, home emergency and public liability would be beneficial to cover all eventualities and found the perfect comprehensive cover in just 24 hours from initial enquiry.

As a first-time holiday let landlord, the client was thrilled that the stress of searching for the correct policy had been taken away from them, and that they could now embark on their new venture.

Speak to our team!

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A hand is shown holding a stack of cash, with a zipper visible in the background. The text is overlaid on this image.

The growing trend for large loan debt consolidation.

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Debt consolidation has always been one of the most popular uses for a second charge mortgage, but recently we have seen a new trend emerging with a growing number of high-earning borrowers, who have accumulated significant balances on unsecured credit, looking for more strategic ways to manage their finances. For these clients, restructuring their debts with a second charge loan can offer a sensible approach to lowering their interest payments and clearing their balances.

This current trend makes sense, of course. The cost-of-living crisis has put strain on the finances of all households, driving many more to use credit as a means of maintaining their lifestyle. High-earning individuals often have greater access to credit and this can lead to a cycle of increased borrowing, which seems manageable because they have the income to service the debt, but it can result in significant interest costs.

It's not uncommon for high-income earners to find themselves juggling multiple debts, each with varying interest rates and repayment terms. Over time, this can lead to a significant financial burden, even for those with substantial incomes. The result? Clients who are financially stretched, with high monthly outgoings and this can negatively impact their future mortgage prospects.

Traditionally, debt consolidation has been considered as a tool used when clients are in desperate financial positions. But this outdated perception overlooks the strategic advantages that debt consolidation can offer, especially through a second charge loan.

A second charge mortgage allows clients to secure borrowing against their property, often at a much lower interest rate than unsecured debt and this can lead to significant savings on monthly interest payments, freeing up cash flow and enabling clients to pay down their debts more effectively. For high earners, who may be paying hundreds or even thousands of pounds each month in interest alone, this approach can provide immediate relief and a more positive financial outlook.

The nature of this part of the market is that loan sizes tend to be larger, but we work with lenders that are experienced in processing these cases and still able to offer swift turnaround times, even where a client might have multiple income sources, complex incomes or be self-employed.

One recent example of securing a large second charge mortgage for high earners was for clients who had converted their chalet into a double fronted large detached house using their own funds, as well as a large amount of unsecured loans and credit cards to complete the works.

The monthly repayments were costing more than £7,500 per month alone. We were able to arrange a second charge mortgage of £181k over 26-year term, which now costs £1,460 per month. All debts were cleared directly to the unsecured providers and the clients intend to remortgage their existing mortgage and pay off the second charge in two years' time once their fixed rate expires.

Taking this approach saved the clients from paying the large ERC on their existing mortgage. It was also the case that there were no remortgage options available to them, due to their credit score and having £181k of unsecured credit ahead of consolidating the debts.

If you are working with high-earning clients who have outstanding balances on unsecured credit, open up a discussion with them about debt consolidation. Taking a proactive approach to restructuring their finances now, could make it much more straightforward when it comes to any future mortgage applications. And if you need help in sourcing the right lender for those clients, pick up the phone and speak to Brightstar.

Written by:

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Jamie, 1 Oct



Professional

Richard and Ashley have helped in a very professional and positive manner to make the process run smoothly...

Katy Grainger, 26 Sep



Very efficient and easy to deal with 5*

We were introduced to Brightstar via The Mortgage Bureau when we required...

Claire McKeever, 24 Sep

Showing our latest reviews

Council flats in Buckingham Palace?

THE AI TOOLS HELPING DEVELOPMENT OPPORTUNITIES

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For property developers, every scheme is a mix of art and science, with a dash of bold imagination. When it comes to visualising, assessing, and reimagining spaces, developers have traditionally relied on sketches, expert opinions, and a fair bit of squinting at blueprints. But what if there were a way to turbocharge this process with a splash of creativity and a sprinkle of AI magic?

There's been a lot of hype about AI and its potential impact – positive or negative – on society, including the mortgage industry. But, whatever your thoughts, it's a powerful tool that's here to stay, and AI-powered platforms can transform how developers explore potential opportunities.

Imagine, for a moment, you could actually see what Buckingham Palace would look like if it were turned into a series of council flats? Or reimagine The Shard as a Brutalist concrete monolith. These might be a big leap of imagination, but they could be conjured up in seconds with AI-generated concept images and platforms like Midjourney which allow developers to quickly and vividly reimagine iconic buildings or explore outlandish architectural styles.

These might be light-hearted examples, but they demonstrate vast scope to play with possibilities, spark creativity, and maybe, just maybe, inspire the next big idea.

Beyond initial concepts, AI can also help with more serious aspects of development planning. Developers often need to sift through mountains of data, including local planning applications, historical site information, and environmental impact reports, all of which can be a tedious and time-consuming process. However, with AI, this data can be processed at speed, providing a clear and comprehensive overview of planning trends, potential red flags, and even public sentiment around new developments.

For example, a developer could receive a digestible summary of all recent planning applications in a target area, complete with insights on common objections and the types of developments that are currently trending.

It can highlight opportunities that align with local needs or, conversely, warn against projects that might face stiff resistance. This level of insight can be a game changer, helping developers to navigate the complex maze of planning permissions with greater confidence and precision.

And it's not just about crunching numbers. AI can also help developers visualise the impact of their projects on the community and environment. Want to see how that new skyscraper might alter the skyline or cast shadows on a historic park? AI can generate realistic simulations, allowing stakeholders to make more informed decisions. It's like having a crystal ball that shows, not just the potential of a project, but also its potential pitfalls.

Of course, while AI can enhance creativity and streamline decision-making, it's important to remember that it's a tool, not a crystal-clear oracle. The human element—judgment, experience, and that gut feeling that tells a developer whether a project will soar or sink remains irreplaceable. As AI continues to evolve, however, it's clear that it can offer developers an extra edge, whether by generating a quirky concept that sparks a new idea or by crunching the data that helps turn vision into reality.

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Brightstar Group

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Sam, 26 Sep

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Kelly and Maisy have made the process

The application process was carried out quickly and they have both been very...

DP, 3 Sep



Good Expert Team

I have known the company for many years and a superb team, its only recently i tried them with a difficult clients...

A Storey, 23 Aug



Commercial giving you access to growing markets

At Brightstar, we can help you find the right solution for your clients who want to invest in commercial property, or to finance their own business. Commercial finance is a growing opportunity for brokers and, while you may not necessarily get involved in arranging commercial deals currently, you will almost certainly have property investors who want to diversify their portfolios, or self-employed clients looking to finance their ambitions – and, as well as property lending, we can also help to arrange Asset Finance and Invoice Finance.

When it comes to commercial property finance, semi-commercial is emerging as one area of particular growth, and we have great relationships with lenders

who are able to offer competitive semi-commercial solutions for investors.

A recent case involved a client looking to move away from his current lender on a semi-commercial property based in London, due to increasing costs. The client was an experienced landlord, who wanted to reduce the overall cost of running his portfolio. On this particular property, the debt size was £278k on a property valued at £600k. We were able to secure a refinance with a new lender on a lower fixed rate than the client had been offered by their existing lender – and with a fast completion, enabling the client to benefit from lower repayments more quickly.



finance, access to a market.

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Whether it's a complex case or just a case of leveraging our expertise and lender relationships to secure the best deal for your clients, we're available to help you make the most of the growing opportunity in commercial finance.

Written by:

Richard Brett

Richard Brett,
Commercial Finance Specialist,
Brightstar Financial

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FOR INTERMEDIARIES ONLY

Product and criteria information correct at time of print (13.09.2024)

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InterBay



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delays at
completion.

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At Solstar, one of our primary roles is helping mortgage brokers to get their cases completed without unnecessary delays. Addressing any insurance requirements at the outset can prevent delays at completion. We understand the nuances and specific requirements of different lenders and can help arrange insurance for complex as well as straightforward cases.

In contacting us to assist with the insurance, brokers can be confident that they are leveraging our specialist expertise and that we'll be able to arrange a policy to prevent delays and deliver a smooth customer journey for the client. However, in some instances, especially where there are complex or unusual requirements, this can take time to produce detailed market presentations for an insurance underwriter to assess. This is why it is important to contact Solstar as early in the process as possible.

Some of the specific lender requirements we see include; noting a lenders interest, first loss payee, composite Insured, flood risks and subsidence. Some lenders also require terrorism insurance as standard, which we can source as a standalone policy. A lot of lenders may also require a £1,000 maximum excess in the areas mentioned to be able to accept the policy. Often these are things that a broker may not even consider at the outset of an application so, if in doubt, please pick up the phone to us and we'd be happy to discuss exactly what is needed.

Solstar are also experts in understanding and arranging landlord policies. We can help with basic buildings or contents insurance, or with a full suite of protection to cover Freehold Blocks, large portfolios, houses and flats, holiday lets and Air BnB. In addition to providing basic cover, we can include more comprehensive options such as accidental and malicious damage, landlords legal cover (which will assist with tenant disputes/evictions etc), rent protection and landlord home emergency cover.

This is particularly beneficial for landlords who prefer to be "hands off" with their investment properties and want the peace of mind to know that they will be fully protected for any unexpected situations – and we can make it easy for brokers to deliver that peace of mind to their clients. We can even insure the investment property when works are being carried out (structural and non-structural) or if the property will be unoccupied prior to letting.

Hospitality is another area where specialist knowledge is important and we can arrange insurance on pubs, restaurants and hotels. I recently arranged a high-risk policy for a hotel with a swimming pool, which was really difficult to obtain, and we are currently assisting a pub chain who are selling the freeholds to a number of their pub landlords.

One final mention has to be when dealing with High Net Worth individuals who wish to insure their own home and contents. As you would expect, a high value property with contents that include high end works of art, antiques, jewellery and watches require a more bespoke insurer and broker. We have seen many instances whereby High Net Worth clients just accept the year on year increases offered by their existing insurer, but we have successfully saved these clients hundreds, and even thousands a year in their insurance premiums when they review with us.

My key message for brokers is to carefully consider any insurance requirements early on in the process and pick up the phone if you have any doubts. We're here to provide the expertise you need and are always happy to help.

This publication is for mortgage professionals and is not intended for the general public

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How business banking used to be, just better.



For more information,
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Book an appointment with one of our National Account Managers today!

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