



Why second charge and where should it be used?

Second charge loans are an important resource which can benefit clients of every professional adviser looking to access funds for capital raising.

Strong words, but having a real alternative to the remortgage/further advance option ensures that clients have access to a complete set of choices before a decision is made.

The key aspect in any situation involving client advice is not to prejudge the solution until there is a complete understanding of the client's circumstances. I am constantly amazed talking to some advisers, who have a very narrow view point as to what they will offer their client. Some would never step outside the remortgage path while others are the opposite and prefer a secured loan option. While both options do provide the funding required, the question that should be asked is whether the choice is actually the best one for the client.

From our perspective at Fluent for Advisers, we believe that each method has its merits and it is vital that as second and first charge lending share the same regulator but also the same methodology for the first time after April, advisers are able to see where one method is more appropriate than the other.

The regulator already expects advisers to ensure that clients are informed of all the choices, regardless of whether they actually use them and it has become even more important for the welfare of the client and from a compliance perspective that there is a clear pathway to follow which led to the final advice.

For those of you who are new to second charge lending, please consider the following typical examples when a second charge may be a more viable option to a remortgage.

- When... your client is already on a competitive mortgage rate
- When... your client is tied into their mortgage with heavy redemption penalties
- When... your client has an interest only mortgage
- When... your client needs a larger sum over a longer term to bring the monthly cost down
- When... your client needs funds quickly with no upfront fees
- When... your client's credit status has changed since their last mortgage application
- When... your client needs early settlement flexibility
- When... your client needs to raise capital for a non-traditional purpose
- When... your client is unable to obtain a remortgage or further advance
- When ... A soft credit search at quotation stage is important

Of course, these are just pointers, but understanding when a second charge loan is the more appropriate choice is going to be a crucial skill.

At Fluent for Advisers, we want you to consider us as your personal resource for all things to do with a second charge loan. We can show you the best loan option for your client, based on the factfind you have completed and then to process the paperwork when you have completed the form filling.

The most important role we can fulfil is to provide you with access to the accumulated experience that we have in the business to make sure that you can phone or email us to discuss potential clients' needs and be secure in the knowledge that we can provide the peace of mind that your advice will be based on what is best for the client.

Ends

Contact our team on 01204 477600 or email
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