



The Bank of Mum & Dad
– The 6th Largest Lender

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Imbalances in the property market have pushed house prices to a record high with the average house price breaking through the £360,000 barrier for the first time (Rightmove House Price Index), this has put significant pressure on first time buyers and their ability to purchase their first home.

Let's look at some first-time buyer facts:

- It takes on average 8 to 10 years to save for a deposit
- The average age of a first-time buyer has increased to 32
- A recent poll (Legal & General Oct 2020) suggests that the number of first-time buyers in the UK has doubled in the past year
- Average income needed for a first-time buyer purchasing a property solely increased from £45,600 in 2019 to £50,800 in 2021
- Nearly two-thirds of first-time buyers feel that they will never make it onto the property ladder
- A recent poll (Legal & General Oct 2020) taken highlighted that 56% of buyers revealed that they would have struggled to buy a property without the help of their family.

In 2019 the London School of Economics suggested that families are the 6th biggest mortgage lender, with over £6 billion given to their families to help them make that step onto the mortgage ladder. However, it is not just first-time buyers that need financial help 61% of the lending in 2020 through the Bank of Mum & Dad went to the over 35's who are looking to purchase larger properties for their expanding families.

Who can gift money?

This is largely dependent on the lenders' criteria, generally, lenders will allow gifts from:

- Parents
- Siblings
- Grandparents

Gifted deposits from distant family members i.e., aunts and uncles may not be permitted and in most cases, gifts from friends will not be permitted.

What do conveyancers require in terms of gifted deposits?

- Name of person receiving the gift
- Name of the person gifting
- The amount of the gift
- Declaration that it's a gift with no repayment
- Declaration that the person gifting has no stake in the property
- A letter will need to be signed by the party gifting the deposit, this may also need to be witnessed
- Proof of ID and address from the person gifting the deposit
- Proof of funds i.e., bank statements. This ensures that firms meet AML requirements

Please note that each firm will have their individual requirements.

How can parents protect their gifts?

For parents gifting money to a family member who is purchasing a property with a partner or friend, they may want to protect their gift with a Declaration of Trust. This trust states who the money was gifted to so in the event of a split it'll ensure that the money remains the property of the family member.

Are there any other options?

Lenders are becoming more creative in their product offerings to take account of parental assistance which sometimes negates the need for gifting monies, some of the other options include:

- Joint borrower sole proprietor mortgages
- Offset mortgages
- Springboard mortgages
- Guarantor mortgages

With various options to consider with your clients, our extensive panel of conveyancing firms will be there to support you and your clients - if you would like to discuss any individual scenario, please feel free to contact Chantal or Jodie.

Getting Started with eConveyancer

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- If you've not received your registration details or require any assistance registering on eConveyancer, please contact either Chantal or Jodie
 - Chantal Wright on 07500 707670 or email Chantal.Wright@hellosmoove.com
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