Stelios Haji-Ioannou's Easymoney includes bridging loans in its Isa
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Do bridging loans offer a good deal?

Easymoney's new innovative Isa appears to be generous, but experts have their doubts

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As the end of the tax year approaches, Stelios Haji-Ioannou's Easygroup has taken advantage of the growing popularity of bridging loans to launch one of the most controversial Innovative Finance Individual Savings Accounts (Ifisas).

Bridging loans — short-term finance usually secured quickly against an asset such as property — are notorious for their high interest rates, historically between 12 and 18 per cent. Bridging lending totalled £534.1 million in 2017, up more than £100 million on 2015.

The new Easymoney Ifisa invests in bridging loans and offers savers a target annual return of 4.05 per cent.

Julia Groves, a co-founder of the UK Crowdfunding Association, says: “I absolutely love it that big brands like Easy are bringing innovative Isas into the mainstream, but they have to be transparent; the rates the borrower is paying should be represented in what the investor is getting. Bridging loans can be high-risk.”

About £1 billion is expected to have been invested in Ifisas by the end of this tax year on April 5. This form of Isa lends your money to individuals or companies and offers tax-free returns based on the interest charged.

Easymoney is not the only company to include bridging loans in its Isa — others include Funding Secure, which offers a targeted return of up to 16 per cent, Proplend, which offers up to 12 per cent, Assetz Capital (up to 6.25 per cent) and Kuflink (up to 5.35 per cent). None of these returns is guaranteed.

Ms Groves, the head of crowdfunding at Downing, an investment manager, says: “I would advise that investors ask three questions when considering an Ifisa: what rate are borrowers paying and am I getting a fair share? Is the money secured against an asset and am I first in line to be paid should something go wrong? And do the platform and property developers have skin in the game to ensure they don’t just walk away?”

She isn’t the only person to voice concern over the Easy Ifisa. Others say that there is scant data on Easymoney’s website and that Easygroup has little track record in the finance sector.

A spokesman for Easymoney says: “Easymoney only makes loans to property professionals secured by a first charge [meaning it is first in line for repayment] against UK property.

Its lending team, which it built when it acquired the business of the specialist short-term property lender Tower Bridging, is headed by Jason Ferrando, who has been making short-term property loans for 15 years and has never made a loss."

He adds that the Ifisa "focuses on lower-risk lending [with loan rates] starting as low as 6.5 per cent, unlike some lenders who focus on higher-risk loans above 12 per cent". He says: "The strict lending criteria Easymoney uses includes only writing loans on low-risk properties, where the borrower has a clear and workable exit strategy; only lending to property professionals with a good track record; and focusing on loan terms between 3 and 24 months."

Easymoney is offering "everyday investors" a targeted return of just over 4 per cent and "established professional investors, who underwite loans" a targeted 6 per cent return.

What is a bridging loan?
According to Bridging Trends, a quarterly report on the bridging loans industry, the average term of a loan last year was 12 months and the average loan-to-value about 45 per cent.

Jonathan Harris, the director of Anderson Harris, a property finance specialist, says: "There is a lot of competition, which has brought rates down. Historically you might pay 1 to 1.25 per cent interest a month, 12 to 18 per cent a year, but now we are looking at 5 to 5.8 per cent a year and for the right clients 3 to 3.5 per cent. The risks were high costs and the short time to pay, but they have become less risky."

About 30 per cent of bridging loans are taken because of mortgage delays or people being unable to sell a property before buying another. About 20 per cent are to fund refurbishments and 15 per cent to cover auction purchases. About one in five are second-charge loans, which means the property already has a mortgage on it.

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