

A S H O R T G U I D E T O

Bridging Finance

A practical guide to short-term property finance for UK investors

Prepared for property investors | 2026

**Your property may be repossessed if you do not keep up repayments on your mortgage.
Most Buy to Let mortgages are not regulated by the Financial Conduct Authority.
The products and services promoted here are not regulated by the Financial Conduct Authority.**

What is bridging finance?

A bridging loan is a short-term secured loan designed to provide temporary funding, usually while you arrange longer-term finance, complete a property sale, or carry out works.

Bridging loans are commonly used for periods of 1 to 24 months and are secured against UK property.

Speed

Indicative decisions can often be provided quickly, with completions within a few weeks.

Flexibility

Bridging can be used where mainstream lenders may not be suitable, for time sensitive transactions .

Short term

Interest is serviced either monthly, retained or rolled up and repaid at exit, depending on the product and the lender.

When property investors use bridging

Auction purchases

Help meet tight completion deadlines where a standard mortgage may not be suitable within the required timescale.

Chain breaks

Complete a residential purchase before your existing sale finishes.

Conversions & development

Support projects involving permitted development, change of use, or more complex property strategies.

Below-market-value deals

Move quickly where a discounted purchase needs to be secured before the opportunity is lost.

Refurbishment

Fund the purchase and improvement of a property that may not yet qualify for mainstream mortgage lending.

Equity release

Raise capital against an existing property to support another purchase or project.

The main types you should know

Regulated vs Unregulated

Regulated bridging applies where the loan is secured against a property that you or a close family member will live in. Bridging for investment property is usually unregulated.

Open vs Closed

A closed bridging loan has a defined repayment date, such as a contracted sale completion. An open bridge has a planned exit but no fixed repayment date, and pricing may be slightly higher.

1st vs 2nd Charge

A first charge loan is the main loan secured against the property. A second charge loan sits behind an existing mortgage and may be used to raise additional capital.

Light vs Heavy Refurb

Light refurbishment usually covers cosmetic improvements that do not require planning permission or major structural works. Heavy refurbishment is more specialised and may involve structural changes, planning, or change of use.

Key terms you'll hear

LTV

Loan-to-value. The loan amount as a percentage of the property's current value. This is often capped at around 70-75%, depending on the lender and case.

Exit strategy

Your plan for repaying the loan, usually through a sale, refinance, or another verified source of funds.

Retained interest

Interest deducted from the loan advance at the outset, reducing the amount released to you on day one.

Drawdowns

Staged releases of funds, often used in refurbishment projects as works progress.

LTGDV

Loan-to-gross-development-value. Commonly used for refurbishment or development cases, based on the projected value after works are completed.

Rolled-up interest

Interest added to the loan balance and paid when the loan is redeemed, rather than paid monthly.

First charge

A legal claim on the property; the primary lender's security.

Exit fee

A fee charged by some lenders when the loan is repaid. Not all lenders apply this.

What it costs — typical UK ranges

Headline rate

0.6% – 1.2%

per month — varies with LTV, asset type and borrower profile.

Any figures shown are illustrative only and are not a quotation or offer of finance..

- **Arrangement fee**
1.5% – 2% of the loan (often added to the balance).
- **Valuation fee**
£500 – £1,500+ depending on value and property type.
- **Legal fees**
Both sides — your own and the lender's solicitors.
- **Broker fee**
Often 1% — check if it's paid by you or the lender.
- **Exit fee**
Some lenders charge ~1% on redemption; many do not.

What lenders look for

The property

Its type, location, condition, and likely resale demand will all affect how a lender assesses the case.

The deal itself

Lenders will want to understand the purchase price, current value, works required, and the overall strength of the opportunity.

Your exit strategy

A clear and credible repayment plan is one of the most important parts of any bridging application.

Your experience

Previous investment, refurbishment, or development experience can strengthen an application, particularly on more complex projects.

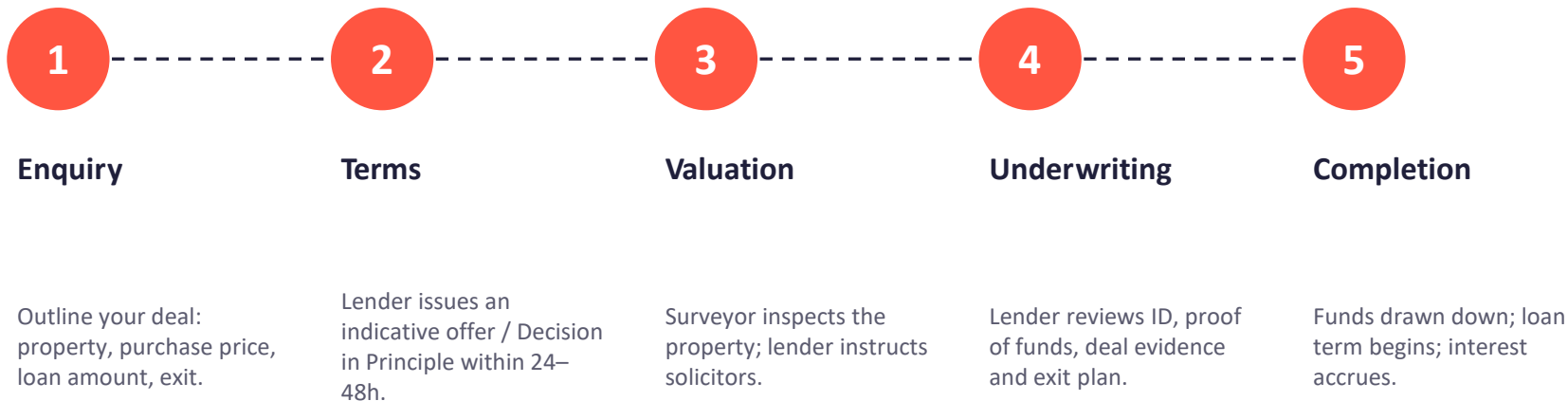
Deposit or equity contribution

Many lenders expect the borrower to contribute part of the purchase price or already hold sufficient equity in the property.

Credit profile

Adverse credit may not automatically prevent an application, but it will usually need to be explained and assessed in context.

From enquiry to completion in 2–4 weeks



Refurb-to-let strategy

The scenario

An investor purchases a tired three-bedroom terrace in Leeds that is not currently suitable for a standard mortgage. The intention is to carry out refurbishment works, improve the value, and then refinance onto a buy-to-let mortgage.

Bridging finance is used to support both the purchase and the refurbishment, with funds released in stages for the works.

This example is for illustration only. Rates, fees, loan amounts, and timescales will vary.

Illustrative figures

Purchase price	£150,000
Refurbishment budget	£35,000
Post – works value	£230,000
Day one loan	£105,000
Term	12 months
Monthly interest rate	0.95%
Total interest (rolled up)	£19,600
Exit	Refinance to BTL mortgage

Auction purchase - 28-day completion

The scenario

An investor secures a two-bedroom flat at auction in Manchester. The property needs a quick completion, but a standard mortgage is unlikely to be arranged within the required timescale.

Bridging finance is used to complete the purchase, with a plan to refinance onto a buy-to-let mortgage after completion and light improvement works.

Planned exit: Refinance to buy-to-let mortgage
Important

This example is for illustration only. Rates, fees, loan amounts, and timescales will vary.

Illustrative figures

Hammer Price	£180,000
Estimated Market Value	£220,000
Refurb drawdown	£15,000
Loan amount	£126,000
Monthly rate	0.85%
Term	9 months
Rolled up interest	≈ £9,639
Exit	Refinance to BTL at 75% of £220k

Risks — and how to manage them

RISK	WHAT IT MEANS	HOW TO MANAGE
Exit delays	Your refinance or sale takes longer than planned.	<i>Build a 3-month buffer into your term and your interest budget.</i>
Rates changes	Your planned BTL refinance rate moves against you.	<i>Stress-test affordability at +1.5% above today's BTL pricing.</i>
Refurbishment overrun	Works cost more or take longer than expected.	<i>Add 10–15% contingency; agree milestones with your contractor.</i>
Valuation risk	Surveyor down-values the property.	<i>Use comparables in your enquiry; engage a broker who knows the lender's panel.</i>
Default & charges	Penalty interest if you go past term.	<i>Speak to the lender early — extensions are usually cheaper than default rates.</i>

Questions worth asking before you apply

Q1 How much will it really cost?

Compare total cost, not just rate: arrangement fee, valuation, legals, broker fee, exit fee and rolled-up interest.

Q3 What slows completion down?

Title issues, delayed valuation access, missing AML documents, slow solicitors or an exit plan that cannot be evidenced.

Q2 What will the lender check first?

A believable exit route, security value, borrower track record, source-of-funds evidence and how quickly legals can move.

Q4 What if there are exit delays?

Speak early. An extension or refinance may be possible, but costs can rise quickly if the plan drifts.

N E X T S T E P S

Ready to explore your deal?

Book your free bridging finance review

Speak to your Bridging Specialist

Jason Hunt

0203 927 1111 | 07771 242345

Jason@sunmap.co.uk



Sun Mortgage and Protection is authorised and regulated by the Financial Conduct Authority.

This guide is provided by Sun Mortgage and Protection Ltd for general information only and does not constitute financial, legal, or tax advice. Finance is subject to status, valuation, and lender criteria.