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GLOBAL PROPERTY SHOWCASE

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Learning Spanish in Spain

Let's suppose you are moving to Spain and you don't speak a word of Spanish, although you might be able to say 'Hola!', 'Por favor' and 'Gracias'. You can of course start learning before you move, and there are plenty of evening classes that will get you started, as well as a mountain of book-based courses and the increasingly popular online learning. If you know what learning style suits you best it can help a lot; for example, are you a confident solo learner, or are you better in a class where you have the opportunity to interact and practise with others?

But, if you don't have time to learn more than a few basics before you move into your new home in Spain, and let's face it, packing and sorting out everything before you leave is a monumental challenge in itself, then where better to start speaking Spanish than when you're finally in the place where it is the native language.

Language school classes

The most obvious method of learning is to go to a local language school. There are plenty of them in Spain, especially in the areas with more overseas communities, because that is where the demand is. Most schools offer a menu of class types; for example, one-to-one teaching (the most expensive) small groups with a size limit, intensive courses and larger classes. Starting off with classes at a school is the best way to make sure you acquire the foundations of Spanish grammar. For English speakers in particular, the verb tenses are somewhat different to those in English and you'll have to get used to the concept of reflexive verbs (if you learnt French at school these won't be such as shock) and sentence construction without the benefit of the apostrophe. Then there is the fact that there are two verbs for "to be" and the puzzle that is the difference between 'por' and 'para'.

Join an intercambio

Joining an 'intercambio' is another way to learn conversationally. The idea is that Spanish speakers help the non-Spanish speaking and in return you help the Spaniards to learn your native language. It's also a social occasion and you probably won't be surprised to hear that many intercambios are held in bars.

Films with subtitles

Watching films with subtitles is an excellent way to improve your listening and understanding skills. There are a few ways to do this. Watching a Spanish film with English subtitles helps you match the meaning of words. It also helps you to pick up frequently used phrases and slang expressions. Another way is to watch with the subtitles on in Spanish. This helps with pronunciation.

Reading magazines

And, buy some of the easier Spanish magazines. Hola! is a good example, because it doesn't have large amounts of text and the photographs often give some clue to the story. Study advertisements as well. Spanish is one of the easier European languages to learn and it has plenty of words in common with English, but with different endings.

Learning Spanish if you're going to spend time living in Spain will not just help you get by on a daily basis, it will also help you to embrace the people and culture. So, when you can walk into a bar and say "lo de siempre" (same as usual) like a local, you'll feel at home.

> ***"Watching films with subtitles is an excellent way to improve your listening and understanding skills"***

A Marbella Beach Guide

Marbella has a fantastic assortment of beaches and if you ask locals about which one is best, you are sure to get a variety of replies. When you've just moved here deciding whose advice to take can present a challenge. However, Marbella ayuntamiento has introduced an online initiative to solve this problem with its Marbella – Playas Con Sabor website at www.marbellaplayas.com.

Its goal is to help you "find your favourite beach and enjoy the best summer." While the website is clearly created to support the tourism industry and make sure that Marbella's guests enjoy themselves so much they want to return, it's also a valuable resource for residents.

The website's map of the coast indicates the beach and beach club locations. Click on the numbers and you can have a closer look at the location and the facilities. You may find it easier to go direct to the playas/beaches tab and look through the list of beaches by area. It splits them into east, west and city; the latter refers to the beaches of Marbella town.

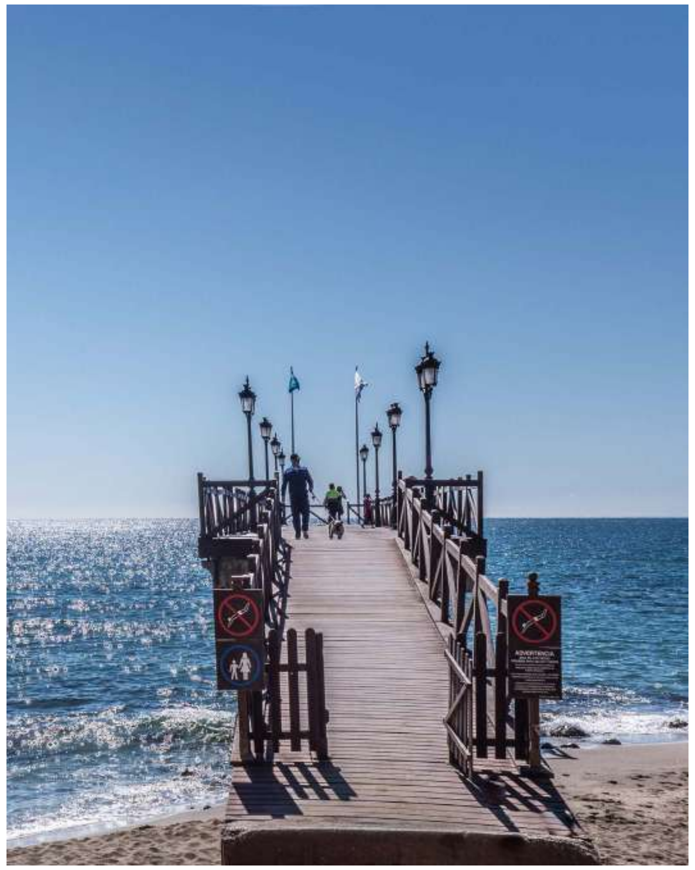
"Costa Natura in Estepona is the best and is the most secure"

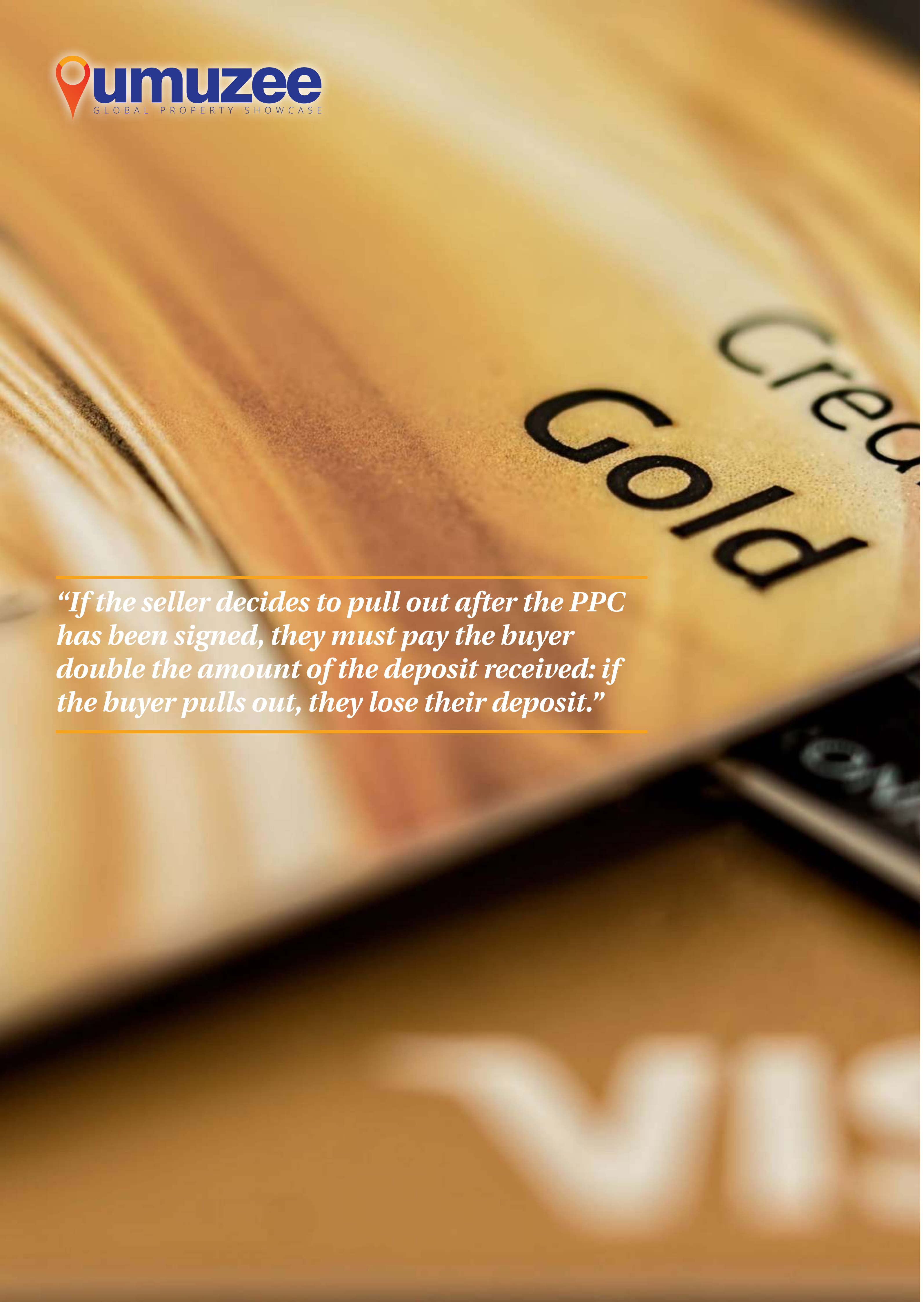
Marbella's beaches, indeed most beaches of the Costa del Sol are known for their chiringuitos. These range from the informal beach shack to more elaborate beach clubs and they all serve refreshments in some form. Click on the tab and you're presented with an interactive map. Click again and the chiringuito's name appear with a link to more information. You'll find a guide to Marbella'as best beach clubs the same way and a list of some of the area's restaurants that are close to the beach.

The website also provides information about which beaches are best for sports, fishing, barbecues and nudism. With regard to the latter, Costa Natura in Estepona is the best and is the most secure. You'll find nudism at Cabopino beach as well, although the set-up is more informal.

The best for sports are El Cable, Las Salinas and La Bajadilla, and there is kite surfing at Rio Real in summer. Lighting barbecues is restricted to El Chopo, El Cable and El Alicate, because the other beaches are surrounded by trees and the fire risk is too great for barbecues. And if you want to fish from the shore, as many people do here, the official time for this is from 20:00 until 08:00.

There are so many beaches to discover here, and at Umuzee we have some stunning beachside properties in Marbella and the Costa del Sol, where you can enjoy a Mediterranean lifestyle. Search for yours now.





"If the seller decides to pull out after the PPC has been signed, they must pay the buyer double the amount of the deposit received: if the buyer pulls out, they lose their deposit."

THE BUYING PROCESS

Step 1. Get an NIE

Overseas buyers will need a Número de Identificación de Extranjeros (NIE), which is a fiscal identification number and required for all kinds of activities in Spain where identification is required, not just property purchases, so it makes sense to apply for one as early as possible. They are obtained from certain police stations. In some municipalities you will need to make an appointment, whilst at others you can walk in and take your place in a queue, which is often rather long. Alternatively, ask your lawyer (or a 'gestor') to apply for the NIE on your behalf for a fee. The cost of getting an NIE if you do it yourself is around €10-15. Gestor fees vary from upwards of €50.

You will need:

- Your passport (original not a copy)
- Address in Spain
- Passport sized photos x 2
- Document showing why you need NIE, e.g. property purchase contract. However, you can also get an NIE without having to show any reason for needing it.
- Non-EU citizens will need the additional proof of legal entry into Spain.

Step 2. Reservation contract

When you have found your property and the purchase price has been agreed, the next step is to sign a reservation contract and signed by both parties. This ensures the property is taken off the market and also agrees the timescale for the purchase. The buyer will have to pay a deposit at this time. This will vary, but the average is €6000. The buyer's lawyer keeps this money in an escrow account. This deposit is fully refundable if the buyer's lawyer finds any problems with the property during the due diligence search. It can also be put towards the purchase funds as part of the private purchase contract, or at completion.

Step 3. Due diligence

The buyer's lawyer must now check all legal aspects of the property, which they will do by looking at the 'nota simple'. Apart from ascertaining that the sellers are the legal owners, this will also show if there are any debts associated with the property. The vendor must pay any debts off before completion can take place.

Step 4. Private purchase contract

The private purchase agreement (PPC) ('contrato de arras') is usually signed by the buyer and seller within 10 days of signing the initial reservation agreement. The buyer's lawyer is expected to complete all due diligence within this time period. Once the PPC is signed, it is binding. At this point, the buyer will have to pay a deposit of between 10 and 20 percent. The buyer is now committed to paying the balance of the sale price and the seller is committed to transferring ownership of the property. If the seller decides to pull out after the PPC has been signed, they must pay the buyer double the amount of the deposit received: if the buyer pulls out, they lose their deposit.

Step 5. Completion

Completion on a property purchase in Spain takes place at a notary's office. The title deed ('Escritura de Compraventa') has to be signed in front of a notary and the final payment plus purchase taxes paid at the same time. The notary sends the title deed to the Land Registry for registration, a process that can take some months.

Step 6. Buying costs

The costs associated with buying a Spanish property are structured differently by comparison with the UK in particular. When budgeting you will need to allow somewhere between 12% and 15% of the property valuation to cover these costs and add another two to four percent for a Spanish mortgage. Don't forget to factor in the cost of getting an NIE and contracts with utility companies.

You will need:

- Transfer tax (ITP) - calculated on the property purchase price and between 6.5 and 10 percent, depending on the region.
- Notary fee of about 0.5%
- Land registry fees - about 0.4%
- Legal fees - about 1% plus IVA of the property valuation

Buyers of new build properties also have to pay 10% IVA and 1.5% of the purchase price in stamp duty.

Spain reigns in World's 50 best restaurants

Spanish chefs have made a name for themselves in the culinary world. This year, seven of its restaurants appeared in the Top 50 restaurants worldwide, and three of them are in the Top 10.

Securing a place at this coveted and prestigious annual event is something that every restaurant owner would love, but which only the select few actually achieve. This year, the Catalan restaurant El Celler de Can Roca in Girona, run by the Roca brothers Joan, Josep and Jordi. It opened in 1996 next door to their parents' restaurant Can Roca, but moved to new premises in 2007. It has three Michelin stars and in 2013 and 2015 it was named 'Best restaurant in the World' by Restaurant magazine. The style is 'creative Catalan' with dishes served including those based on perfumes, and with unusual presentations such as caramelised olives served on a bonsai tree.

A Basque triumph

The Basque country is home to several successful restaurants that also appeared on the Top 50 list. Mugaritz was in ninth place. Chef Andoni Luis Aduriz opened it in Renteria, Guipuzcoa, near the French border, in 1998 and it has been considered one of the world's best restaurants since 2006. It has two Michelin stars and the restaurant is recognized by the press as "the most important gastronomic phenomenon of the world in recent times."

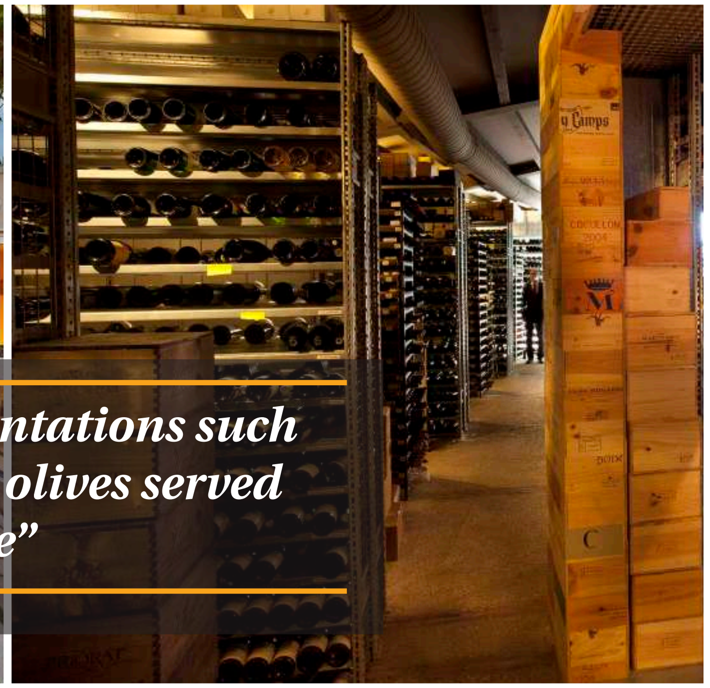
Another Basque restaurant was placed tenth. Victor Arguinzoniz's Asador Etxebarri in Atxondo had previously been in sixth place, but still managed to hold onto a Top 10 spot. Everything is cooked on the grill here, gaining the title of "the world's best barbecue."

Other Spanish restaurants that made the grade include Disfrutar in Barcelona at 18, Arzak in San Sebastian at 31, Tickets in Barcelona at 32 and Azurmendi, near Bilbao, at 43.

Other Spanish winners

Since the awards were launched in 2002, Spanish restaurants have won the best in the world a staggering seven times, with El Bulli taking the top spot five times and El Cellar de Can Roca twice. The awards were held in Bilbao this year at a glittering reception hosted at the Palacio Euskalduna. The No. 1 restaurant in the world by the way is Massimo Bottura's Osteria Francescana in Italy and Mirazur in France came third.

El Celler de Can Roca in Girona



"unusual presentations such as caramelised olives served on a bonsai tree"

mugaritz

Etxebarri in Atxondo

Seek & Buy Properties Overseas
Cherry Holt Road
Bourne
Bourne , Uk
Tel: +44 1780 480 940

Web:
www.sandbpropertiesdirect.com

PRICE: €1,660,000

4 Bedroom Villa in Torrevieja - Alicante (Costa Blanca) , Spain

PRICE: €899,900

4 Bedroom Villa in Teulada - Alicante (Costa Blanca) , Spain

PRICE: €278,000

3 Bedroom Villa in Pilar de la Horadada - Alicante (Costa Blanca) , Spain

PRICE: €375,000

4 Bedroom Villa in El Campello - Alicante (Costa Blanca) , Spain

PRICE: €1,700,000

3 Bedroom Apartment in Altea - Alicante (Costa Blanca) , Spain

PRICE: €419,500

3 Bedroom Villa in Ciudad Quesada - Alicante (Costa Blanca) , Spain

PRICE: €149,800

2 Bedroom Apartment in Torrevieja - Alicante (Costa Blanca) , Spain

British buyers keep coming to Costa del Sol

It seems that the numbers of British buyers heading to the Costa del Sol for a home in the sun is flying in the face of earlier predictions that Brexit would mean the end of the UK's love affair with southern Spain. According to an interview with Javier Ballester, MD of Taylor Wimpey España, the highly successful developers have seen an increase in the number of British buyers over the last year.

The firm, which is also a household name in the UK and has been responsible for a significant number of developments across Andalucia, is so confident about overseas buyer activity that it has recently put €166 million into building 1,000 new homes in Mijas, a popular area with fast access to Málaga's international airport.

Taylor Wimpey chose Mijas, because it has an excellent relationship with its town hall and says that there are many landowners in the area that don't want to be developers, but at the same time want to put it to profitable use. As Javier Ballester told the local press on the Costa del Sol: "This is a golden age for property developers and Mijas council sets businesses reasonable requirements."

He also revealed that they are looking at developing another 600 properties in the Mijas area, although this is not definite and as the MD said, it will take good forward planning to ensure they proceed with care.

When asked about the role of the British buyer in the Taylor Wimpey market, Ballester said, "The British market represents only 20% of our market, although we have seen an increase in British buyers over the last year. Whatever happens, British investors will not stop just because of Brexit."

He did warn that if the number of British buyers did slow down, it would not be because of Brexit itself, but because of unfavourable exchange rates, which, as he points out, is simply "circumstantial." Currently, his primary buyers come from northern European countries including Ireland, Scandinavia, Belgium and the Netherlands.

He is also quite confident that there is no new 'housing bubble' on Spain's most southerly coast. As he pointed out, production levels and property prices are still a long way from the pre-crisis levels, plus mortgage lenders are stricter with buyers. All in all, he sees a sustainable future for property in this region, and the British will still be coming – Brexit or no Brexit.

Buy a business in Málaga

Málaga is a vibrant yet comfortable city that is attracting new industries from other parts of Europe and fast becoming a start-up hub for new companies that in the past might have opted for Barcelona, Madrid or Valencia.

An increasing number of overseas buyers are opting to buy properties in Málaga Central, as well as in the more suburban areas surrounding the city. Many who come to visit also want to purchase a residence for holiday use, or a property for year round living. With a cost of living, including property prices that are 22% lower than Madrid, according to Numbeo, Málaga is economically attractive, but it has something else that Madrid does not; it has a very stylish port and Blue Flag beaches, plus an enviable climate that most cities would love to have,

As a result, the city has a growing expat community and there are organisations, such as InterNations that can help new arrivals with finding a network of social and business contacts. The expansion of the international airport, which is just a few minutes from the city centre has also helped the city expand its overseas visitors and the number of property buyers who enjoy the fact it is a city with beaches, so it provides the advantages of living on the Costa del Sol with the benefits of living in a city that is rapidly becoming more cosmopolitan.

This growing number of expats in the Málaga city area opens up doors for more expat businesses to serve them. Opening a business in Málaga now presents a more attractive opportunity for overseas buyers: the demand for 'expat' bars and restaurants is growing. And these are not the only business opportunities: ice cream parlours are among the other businesses currently available for sale and there are many other commercial premises with potential to become boutiques, jewellery shops, newsagents or bookshops.

Umuzee.com has a number of commercial premises for sale in Malaga. And while you are looking at them, why not look at the residential properties for sale in Malaga Central.

HELP & ADVICE

MORTGAGES

You will need to decide how much you can comfortably afford to put down and what size of mortgage you require. Don't forget to take local property taxes and other living expenses into account when working your budget out. For example, in Spain, the deposit required is between 30-40% and you need to allow 12-15% of the cost of the property for fees and taxes.

That's why we advise getting the specialist advice of a mortgage broker who knows the rules and regulations in each country, and who also has good contacts with local mortgage providers. They can help you to obtain an agreement in principle from a lender – not only will this guide your budget, it will also show real estate agents and vendors that you are a serious buyer.

Getting a Spanish mortgage as a non-resident

Non-residents can get mortgages in Spain; although they are subject to a few more restrictions than if they were a Spanish buyer. Banks will ask for anything from 30 to 40 percent of the property's value as a deposit, before making a mortgage offer. However, if you choose to be resident in Spain, the deposit reduces to around 20 percent. Fixed mortgages and interest-only mortgages are generally not offered in Spain, because the Euribor interest rate has stayed very low for many years.

If you are retired, aged over 60 and in receipt of a pension, you can still have a mortgage in your name. Most mortgages can be arranged with terms of 25 years (for non-residents) and 30 years (for residents), usually up to a maximum age of 75. For non-residents, some banks have a maximum 20-year term.

Mortgage conditions and criteria

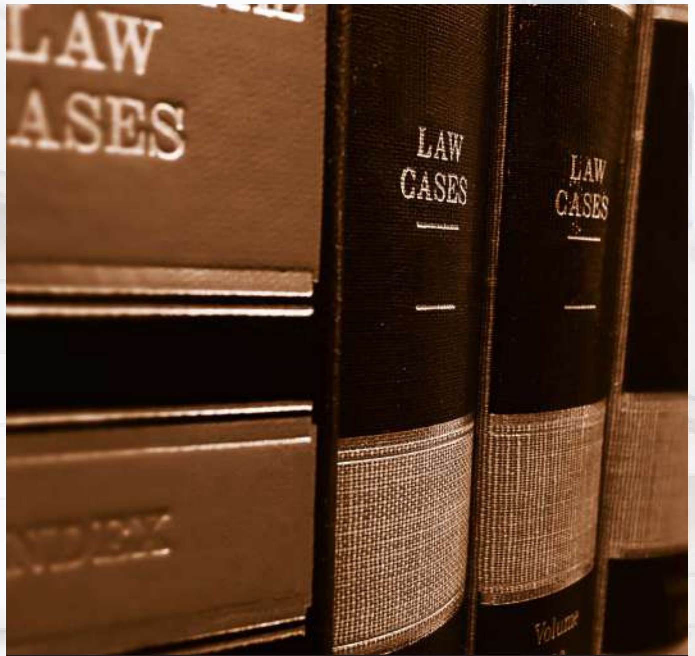
Banks may differ in their checks on creditworthiness. However, most will want to want to examine your current income versus expenditure and any loans you have to see if you can afford the mortgage. To do this they use an affordability ratio based on your net income after tax, and want to see that your debt repayments do not exceed 30-35% of your net earnings. They will also ask you to complete a personal balance sheet to show your existing financial arrangements, and provide documents to prove your income and outgoings.

Mortgage costs

The fee for setting up the mortgage is generally 1% of the value of the mortgage, but it can vary from 0.5% to 2%, but there is also a mortgage deed duty payment of around 1.8% of the value of the loan. In Spain, every document associated with the purchase has to be notarised and the notary's fees are around 0.5% of the loan.

The entire mortgage process can take between six to eight weeks.

Contact Umuzee and we will send you a list of specialist lawyers in the Spanish region of your choice.



FINDING A LAWYER

When it comes to choosing a local lawyer to represent you during the purchase process it is essential that you select one who is expert in this legal area and knows their way around the all the local laws that relate to property. It is also advisable to choose one who speaks the native language, but who can also explain every step of the process in your language (or English) as wellperty.

Contact Umuzee and we will send you a list of specialist lawyers in the Spanish region of your choice.

PROPERTY TAXES AND OTHER COSTS

There are three ongoing charges/taxes associated with owning a property in Spain and these need to be factored into your annual budget.

IBI

This is similar to the UK's council tax. The annual Impuestos de Bienes Inmuebles, or IBI, is calculated on the value of your property and its location. Generally it is between 0.5% - 1.2% and it is paid between September and December each year. This tax is used to pay for local services and infrastructure, such as roads, rubbish collection, street lighting and general maintenance.

Community fees

If you buy on an urbanisation it is likely you will have to pay community fees. These vary enormously and can be paid monthly or as an annual fee. It is one of the costs you should enquire about first when viewing a property. These fees go towards maintaining gardens, pools and the common areas of the community.

Utilities

You will need a Spanish bank account to pay utility bills, as service providers will not accept payment from overseas accounts. Most companies ask customers to set up a standing order for payments, which is better if you aren't in Spain all year round. But do remember to keep sufficient funds in your Spanish bank account to avoid any disconnection of service; reconnection can be costly and time consuming.

Non-resident income tax

As the owner of a property in Spain but as a non-resident of Spain, you will be liable to pay non-resident's income tax. You will have to submit an annual tax return even if you don't rent out the property. The amount of tax payable is based on around 1.1% of the rateable value ('valor catastral') and the tax rate is 19%. If you rent the property out you will have to submit quarterly returns showing income and expenses. The tax rate on this income is 19%.

BUILDING SURVEYS

It is advisable to get a property survey done. This will reveal if there are any structural defects or other work that needs to be done and can hep with negotiating the final price, as well as preventing any 'shocks' after completion.

Types of Surveys

There are three types of survey:

- Condition reports
- Building survey
- Structural reports

The last one is the most comprehensive and is advised if you are buying older properties and run-down rural properties. The building survey will help you identify any existing problems as well as potential ones and estimate the cost of any repairs. If you are concerned about which survey you should choose, consult a professional surveyor. British buyers can use members of the RICS network based in Spain. The average cost of a survey is €450.

Contact Umuzee for a list of recommended surveyors.

From Property Renovation to Riches

If you are the kind of property buyer who doesn't faint at the prospect of turning a derelict barn into a contemporary home, whether by doing it yourself, or paying a builder to undertake the complete project, buying a property for renovation can be the road to making money.

For some, renovation is a romantic dream, while for others it is business proposition, but either way, Patrick Bright, author of The Insider's Guide to Renovating for Profit, says that if you renovate for profit is, "one of the only ways to manufacture both capital growth and cash flow."

France most famously has an abundance of properties that are ripe for renovation and with some of the least expensive property prices in western Europe, it's a good place to start your search. Indeed, you might even get a book and TV series out of the whole process, just like Peter Mayle did with his Provence residence.

Italy also offers a significant number of properties that are just waiting for a makeover, and there are bargains waiting to be snapped up in regions such as Cantabria, Abruzzo and Puglia. Spain also offers similar opportunities in its picturesque rural areas, such as the hinterlands of the Costa del Sol and Costa Blanca, and that is just two areas where you can start your search.

How to find the right property to renovate

To make a profit, the first thing you need to think about is whether or not the property in question is an opportunity that will return the profit margin you want. This requires some research and planning, because as renovation expert Rebecca Yarrow explains: "If you don't have an eye for what a renovated property will sell for in its market, you're likely to overcapitalise and make a loss."

You will need to look for a property that is likely to outperform the market without the need to pour masses of cash into the renovation project. Basically, this all comes down to a numbers game: "When you assess a property deal, start with the end in mind: what you will be able to sell the property for when it's renovated. You then subtract the original purchase price and the renovation costs, including the costs of holding the property during renovations, and you're left with your profit margin," says Yarrow.

> ***"If you don't have an eye for what a renovated property will sell for in its market, you're likely to overcapitalise and make a loss."***

Another expert in the renovation business suggests you view at least 100 properties before making a decision, because this is the best way to get a real feel for good and bad prices. And, look for a property that is well built, but just doesn't conform to modern tastes. This kind of property often just needs to be rearranged inside to create open-plan spaces and the introduction of larger windows to make it a 21st century 'des res'. Stay away from any property that has major structural defects, because that will suck up all your cash. So, always get the opinion of an architect and/or civil engineer before making a purchase.

Renovating investors should also make a checklist of all the essential elements of a property that are likely to need attention, such as the electric wiring and plumbing, and find out what the situation is locally about getting connected to mains supplies if none exist.

In fact, the road from renovation to riches ultimately depends on self-discipline and sticking to a budget that also makes room for contingencies. When buyers fail to make a profit, it is because they have gone way over-budget. To avoid this, the expenditure needs to be tracked constantly, and if you go over it in one week, try to compensate for that the next week.

If renovating properties excites you, it could be an excellent business opportunity that brings with it the experience of a new culture – start your search in Spain, Italy or France at umuzee.com now.

Warning: pay the holiday rental tax in Spain

If you are buying a property in Spain with the intention of turning it into a holiday rental business, please pay attention. The Spanish tax authorities are searching for any owner who hasn't paid the relevant tax. This may not apply to you right now, but always keep it in mind for the future.

All holiday rentals have to be registered with the Department of Tourism under and have a holiday rental licence, and without one of these, you cannot market your holiday home. When you do market it, you must include your registration number with the advert to avoid getting a knock on the door from Hacienda, which is what the tax authorities are called in Spain.

How will the Spanish tax authorities find my holiday rental?

By employing a team of super sleuths to comb the Internet. Some owners mistakenly seem to believe that if they advertise a Spanish holiday rental on a site like Airbnb, nobody from Hacienda will spot it. Not so, as the figures show.

During 2017, Hacienda contacted at least 136,600 holiday rental owners to warn them that they needed to declare income from the property. The Hacienda team had searched through holiday rental sites like Airbnb, and HomeAway, demonstrating that the taxman rarely leaves any stone unturned.

What is also quite remarkable is that in 2016, Hacienda only issued 21,500 warning to holiday rental owners. The difference between the years is dramatic to say the least.

The stakes are high for Hacienda and their searches are unlikely to decrease given that in 2016 its coffers were boosted by almost €15 million in holiday rental tax. And, since the Holiday rental Licence scheme started three years ago, Hacienda has reported that income generated by holiday rental income figures has grown by 40% to €522 million. That is taxable income, so if you are buying a holiday rental property in Spain, register it and stay on the right side of the tax authorities.

5 ways to save money by investing in solar energy

When you own a property in a sunny country, and at Umuzee we have plenty of locations that qualify for that, it is worthwhile considering investing in solar energy. The big fireball in the sky is an unbeatable source of renewable energy, but many people are wary of the initial installation costs. However there are at least five good reasons why it makes good financial sense in the end.

Free electricity for life

Once installed, you can expect to get a return on your investment of somewhere between 10 and 30 percent. This may depend on where you live, and on the tax rebates and incentives offered, but solar professionals estimate that you will have recouped your initial payment within eight years, simply because you will have free electricity. Furthermore, solar panels last for about 25 years, require little maintenance, so you should be making savings for at least two decades.

Good return on investment

Although the cost of electricity varies between countries, one thing is for sure; the cost keeps rising. Once you're on the solar grid, you'll keep making an even greater return on investment as prices rise.

A tax rebate on installation

In an effort to encourage a greater uptake of solar panel installation, many governments allow property owners to claim a tax rebate on the installation costs. This varies from country to country, so you need to do the relevant research.

Sell it back potential

You can even make money from becoming an electricity supplier. If your solar installation produces more energy than you need, you can sell your excess back to the main grid and get what is called "feed-in tariffs." This is widely practised in countries worldwide. For example, in the UK you can sign up for a 20-year rolling contract linked to the Retail Price Index.

Boost the value of your property

A solar installation potentially increases the value of your property, especially as more buyers are looking for eco-friendly homes. Try to ensure that the installation is aesthetically pleasing as this will help to raise the resale value even more.

Undoubtedly, it is worth researching solar electricity options when you're buying a home in the sun. After all, what is not to love about a natural source of energy that is ultimately free and is a central part of our environment.

UK lenders offer new mortgages for retirees

When you get to a certain age you become aware that the standard mortgage term is unlikely to be available to you. Can you get a twenty-five year mortgage at 60? The bank may not be terribly optimistic about it being paid off in full, even if we are living longer. However, there is a new trend emerging: a growing number of lenders are offering a new mortgage package for older borrowers and they are based on being interest-only.

They are called RIOs

The retirement interest-only (RIO) mortgage is a lifeline for some folks who have an existing interest-only loan that is almost at the end of its term. The RIO allows them to remortgage their current interest-only loan and then use the sale of a property to repay the debt.

The regulations have been relaxed

RIOs actually started some years back, but the UK's financial regulator called a halt to them following the introduction of stricter lending rules. These rules stopped borrowers from getting an interest-only mortgage if they planned to use their property to repay it when they died or moved into care. However, in March 2018, these regulations were relaxed, and now lenders can accept borrowers who want to use this option. We have to remember that if you do take out an RIO, you still have to show that you can meet the monthly interest payments.

several banks and building societies have introduced retirement interest-only products

Since the watchdog relaxed the rules around later life lending, several banks and building societies have introduced retirement interest-only products, but they are not cheap. However, they can be less expensive than a capital repayment mortgage. One lender charges 4% at a maximum loan-to-value of 60% and a product fee of £999. A number of building societies now have lower rates at around 3.49%. As more lenders offer this product, the rates and costs will come down further in favour of the consumer.

What age do I have to be?

All retirement-interest only products carry an absolute minimum age of 55 - with some lenders opting to only lend out to over-60s. Most lenders also have a maximum age: for example, one lender's terms stipulate that the mortgage term must end before the client reaches the age of 99, while at least one has no upper age limit.

What are the concerns?

A lender selling an RIO, should be expert in equity release and they are supposed to have specialist equity release qualifications. Without an equity release qualification, an adviser can only point the borrower in the direction of other products - but can't advise on them. Please remember this and ask about the qualification of the person selling you an RIO product. Dave Harris, chief executive of equity release lender More 2 Life, told 'This Is Money': "A RIO mortgage can be taken out through an adviser or directly from a lender who must inform the customer that "a lifetime mortgage may be available and more appropriate for the customer".

If you're going to take this step, perhaps because you want equity release to buy an overseas property, please make sure you get qualified and independent financial advice.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