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Returning expats face mortgage blow

By Tanya Powley

British expats hit by worsening conditions in the eurozone and hoping to return to a new UK home may now find themselves turned down for a mortgage.

Thousands of Britons who emigrated to Spain, Greece and Cyprus in search of a "better life" are believed to be returning to the UK after suffering falling property values and poor exchange rates for several years.

But most expats are likely to struggle to get a mortgage on a UK property as lenders typically impose strict lending criteria or do not lend to expats at all.

"Expats returning to the UK may find borrowing to be tricky," explains Adrian Anderson, director of broker Anderson Harris. "The lender will often require them to be back in the UK for a specified period of time to be able to credit score."

According to mortgage brokers, only a handful of lenders offer mortgages to expats returning to the UK, and these deals usually come with strict conditions.

The main two high street banks that will lend to expats are Halifax, part of Lloyds Banking Group, and NatWest, part of the Royal Bank of Scotland.

Halifax will lend up to 75 per cent of a property's value to expats but only on the basis that the borrower returns to the UK within three years. The property can be rented in the meantime, explains Anderson.

Listen to Tanya Powley interview Hugh Wade-Jones of Enness Private Clients on expat mortgages www.ft.com/moneyshow

Lloyds to scrap transfer fees

Lloyds TSB International will no longer charge its banking

Lloyds TSB Scotland will lend to anyone who has lived outside the UK for more than 183 days per year but the property has to be their main residence. Like Halifax, the borrower may let the property on an assured short hold customers a fee to transfer money abroad, a move that will help reduce monthly costs for expats.

The decision by the bank to remove transfer fees for its Premier International Account customers will be welcomed by expats who send regular monthly payments to service a mortgage on an overseas property, and those with holiday homes abroad.

Most high street banks typically charge between £10 to £25 to send money abroad. Lloyds TSB International previously had a £15 fee for sending money online and £25 via the phone.

"Many expats rate foreign exchange and money transfers as an important financial service and fee-free transfers will be a great benefit to the huge number of our customers who continue to have financial commitments in more than one country," says Russell Galley, managing director of Lloyds TSB International.

However, experts say customers should still expect to be charged a fee by the recipient bank abroad.

tenancy while they are overseas.

However, other high street lenders will only lend to expats who work for a multinational company.

According to Hugh Wade Jones, director of Enness Private Clients, NatWest has particularly strict rules. "Even if you work for a multinational company they will decide whether the country is acceptable, this includes a number of reasons such as currency stability," he explains.

Similarly, BM Solutions, part of Lloyds Banking Group, will provide buy-to-let mortgages to expats but has one of the most "onerous" multinational requirements.

"The multinational company must have offices around the globe with at least one in Europe and be listed on at least one of the five major stock exchanges," notes Wade-Jones.

Meanwhile, other banks have made it harder for Britons living in certain parts of the eurozone to get a mortgage. Last year, Lloyds TSB International said it would no longer accept mortgage applications from overseas buyers or UK expats living in Italy, Ireland or France.

But most banks and building societies will typically require expats to be resident in the UK for more than 12 months before applying for a mortgage in order to build up their credit history.

For example, Coventry Building Society requires expats to be resident for 12 months, while Woolwich, Accord Mortgages, Principality Building Society and Leeds Building Society require the borrower to be living in the UK for at least two years.

Nigel Bedford of Largemortgageloans.com says this is primarily so that lenders can find some current credit history when they carry out their automated credit searches. They also prefer to see that potential borrowers have settled back into a job here – as not everyone will be relocating back with their overseas employer.

For those expats who do not fit the high street banks' criteria, the international arms of these banks may be a better option. NatWest International, Barclays Wealth International and Lloyds TSB International all offer lending to expats, although the latter only lends on investment properties.

"Despite all the advertising about HSBC being 'your global bank', they are not necessarily the best at helping borrowers moving between countries," notes Bedford.

Expats borrowing up to 70 per cent of a property's value can get a two-year fixed-rate at 4.29 per cent, with a 0.75 per cent fee, from NatWest International, or a two-year tracker with a pay rate of 3.14 per cent, Bank of England base rate plus 2.64 percentage points.

Self-employed expats will find it the hardest to get a mortgage, brokers warn. "Some lenders will not entertain self-employed people whatsoever and by and large those that do require them to have a well-known multinational accountant," explains Wade-Jones.

Employed wealthy expats will find it easier to get a mortgage as private banks are happy to assess worldwide income and assets. In order to meet the criteria for private bank lending, borrowers must have sufficient income and net wealth to make them an attractive private banking client.

"The advice we give to expats returning home is to plan as far ahead as possible and to find out what mortgage borrowing they can reasonably expect to get to buy a new home in the UK," notes Bedford.