Below-Market-Value Property Purchases

A discount is only useful when the transaction, deposit and valuation stand up to scrutiny.



Below-market-value purchases can attract specialist lender questions about how the price was agreed and where the equity really comes from.

01 Distinguish a genuine bargain from a valuation claim

- Provide comparables and an explanation of the sale circumstances.
- Lenders may base borrowing on the lower of purchase price and valuation, or apply specific rules for concessionary purchases.
- A seller's informal estimate is not evidence of market value.

02 Explain the relationship and funds

- Disclose if the seller is a family member, employer, landlord, company or connected party.
- Document any gifted equity, incentive, retained interest or side agreement.
- A lender may require independent legal advice or refuse particular transaction structures.

03 Check the exit maths

- If refurbishing after purchase, account for all works and holding costs before estimating net equity.
- Do not assume that an immediate remortgage will release the supposed discount.
- Confirm stamp-tax and legal treatment with qualified professionals.

THE NUMBERS | ILLUSTRATION ONLY

A property said to be worth £250,000 and purchased for £190,000 shows a claimed £60,000 discount. A lender valuation of £210,000 reduces that apparent margin to £20,000.

The mistake to avoid

Never hide a side payment or misrepresent the deposit, price or relationship to the seller.

Documents worth preparing

Sale memorandum; valuation evidence; seller relationship details; gifted equity documents; deposit trail; works estimates.

DISCUSS A DEAL

Send the property, borrowing requirement and your timescale to deal@wefinanceuk.com, or call 020 3917 2651.

Email

deal@wefinanceuk.com

Phone

020 3917 2651

WhatsApp

+44 7417 318414

London | Head Office

ER76, The Link Business Centre
49 Effra Road, London SW2 1BZ

Wales Office

Sophia House, 28 Cathedral Road
Cardiff CF11 9LJ

Scotland Office

Westpoint, 4 Redheughs Rigg
South Gyle, Edinburgh EH12 9DQ

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Important information

Your home may be repossessed if you do not keep up repayments on your mortgage. The Financial Conduct Authority does not regulate most buy-to-let mortgages. Bridging finance is typically a short-term, higher-cost form of borrowing and carries risks, particularly if the planned exit strategy is not achieved. A clear repayment strategy should be in place before entering into any agreement. Commercial bridging finance is not regulated by the Financial Conduct Authority.

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