

How deferring interest can help clients.

Considerations of risk and more complex underwriting requirements e.g foreign nationals are reflected in the interest rate charges on some of our products. As a result, we have designed them to allow the customer to defer some of the interest until redemption.

This example explains how deferring interest can help clients borrow a larger gross loan and reduce monthly interest payments.

Deferred interest: case study

Meet James, a foreign national who is purchasing his first property in the UK. He is looking to buy an investment property in London for a purchase price of £600,000. He has a deposit of £300,000 to contribute.

James is focused on the potential for long-term capital appreciation. This is despite the low yield of 3.2% that produces £19,200 p/a in rent.

In this scenario, James has chosen the 5 year fixed rate at 5.99% with 1% deferred.

How deferring interest could help the client achieve a higher loan amount

The following example illustrates how James could defer the interest and achieve the required loan amount of £300,000 which will, in addition to his deposit, cover the purchase price. Deferring the interest could also reduce the monthly payments, meaning greater cash flow for James throughout the loan.

In this example, the maximum loan amount Octopus could lend is £307,815.

It is of course highly important that clients understand that deferred interest is collected on redemption at the end of the term.



Interest rate (p/a)
Purchase price
Deposit
Annual rent
Fixed term

5.99%
£600,000
£300,000
£19,200
2 years

Option 1
Deferring the interest

Option 2
No interest deferred

Pay rate 4.99%
1% interest deferred

Pay rate 5.99%

ICR

...

125%

We apply the ICR to the pay rate of **4.99%**

125%

We apply the ICR to the pay rate of **5.99%**

Gross loan

...

Customer requires £300,000

The client can borrow this larger amount because we are calculating at a **4.99%** rate

£256,427

The client can borrow this smaller amount because we are calculating at a **5.99%** rate

Arrangement fee 1.5%

...

£4,500

£3,864

Monthly interest payment

...

£1,266

Lower monthly interest payments provide greater cash flow throughout the life of the loan

£1,299

12 monthly payments cost the same as the annual rent income

Redemption balance

...

£319,725

Gross loan (£) + fee + (fixed term* annual deferred interest)

£260,291

Gross loan (£)

It is highly important that clients understand that deferred interest is collected on redemption at the end of the term therefore the equity in the property will be significantly reduced.

This kind of offering could help clients who might be a challenging proposition for mainstream lenders. Working with Octopus Real Estate could bring them not only the funds but the time to build their UK buy-to-let portfolio.

Buy-to-let range

Specialised solutions

Our buy-to-let product is focused on solutions for more unconventional cases. Borrowers include portfolio landlords, first-time buyers, foreign nationals, expats, and investors in semi-commercial properties.

We're a specialist lender and these are specialist products, that can combine several borrower complexities in one simple product. The process is streamlined, making it more convenient for introducers to work with us.

Deferred interest

The interest rate charged on our products reflects the risk and increased complexity of the loan. That includes more extensive underwriting, while still maintaining fast turnaround times.

Therefore, we have designed products to allow the customer to defer some of the interest until redemption. This can also help keep monthly costs as low as possible, which in turn frees up cash flow for our customers.

Octopus Real Estate, a property company with a difference

Property finance can be improved and we think we know how. It needs to be fast, because you haven't got time to lose. It needs to be flexible, because every borrower's needs are different. And it needs to be certain, because you can't afford to be let down.

Our commitment to introducers and clients is straightforward: to make quick decisions and stick by them, to offer loans at every stage of the property life cycle, and to provide unconventional solutions for unconventional needs.

We're award winning, but not complacent. An innovator in our field, with over £3bn lent to date. And we comprehensively cover the commercial, residential and property development sectors.

Our loans typically range from £50,000 to £50 million, and with access to multiple credit lines we can provide bespoke, customer focused finance to borrowers throughout the UK. Since 2008, our team has grown to over 70 professionals, who ensure your property finance experience is simple and easy.

Get **indicative terms** by filling in a quick enquiry, we will aim to respond within 4 hours.

[Submit a quick enquiry](#)

For an **agreement in principle** submit a full enquiry.

Our credit team will review and aim to respond within 24 hours.

[Submit an individual application](#)

[or a company application](#)

Ready to get in touch

Call our Business Development Managers on **0800 294 6850** or email sales@octopus-realestate.com

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