

Paragon restarts buy-to-let lending

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Paragon, the lender that issued 10% of landlord mortgages before the crunch, is going back into the buy-to-let market

The lender at the heart of the buy-to-let boom and bust said today it was pushing ahead with plans to resume volume lending despite the potential for the new chancellor raising the capital gains tax rate on property speculation.

Paragon was the third largest buy-to-let lender in the UK, issuing one in ten of all landlord mortgages until the credit crunch forced it to freeze lending. Its shares tumbled from a peak of above £10 to below 60p and in January 2008 it launched a heavily-discounted emergency rights issue. But today it reported profits up 84% to £29.3m and said it was exploring new funding avenues.

"A return to new lending is a key objective going forward," said chief executive Nigel Terrington. "It is our assessment that the economics of new lending, taking into account the higher funding costs and capital now required, appears feasible."

In recent months the buy-to-let lenders which survived the collapse in wholesale lending have begun easing lending terms, with maximum loan-to-value rising towards 80% of the purchase price. Meanwhile a new name in British banking, Aldermore, is expected to take the wraps off a range of buy-to-let deals this month.

But the surprise rise in capital gains tax, if it includes buy-to-let as a non-business asset, may discourage lenders from re-entering the market. Total buy-to-let lending remains moribund after an exodus of providers in 2008.

Council of Mortgage Lenders figures show that buy-to-let lending has remained broadly flat over each of the last five quarters. Paragon said buy-to-let arrears were "falling materially" and "redemptions remain at historic lows."