PAYPLAN FACTSHEET

What are secured loans and how do they work?

How does a secured loan work?

A secured loan is a second charge on your property. You will have a mortgage which is the first charge, therefore any additional secured borrowing becomes a second charge and maybe even a third charge.

Just like any secured borrowing on your property, if you fail to pay the lender and don't stick to any agreed repayment plan, they could repossess the property, even if they are second charge.

Secured loans are an effective way for people to borrow against the value of their property if their mortgage lender won't lend more or there is another reason not to disturb the mortgage.

A secured loan lender takes a greater risk as they are second charge, therefore the interest rates are generally higher than a mortgage.

You may be able to borrow more through a secured loan and have it over a longer period compared to an unsecured personal loan.

What if I can't afford to pay my secured loan?

Firstly, make sure you contact your lender and be completely honest. Many lenders will be willing to help, so ignoring them will only make the situation worse.

By being transparent and showing your lender any of your financial information like a budget, they may be willing to negotiate a repayment plan.

However, if your lender won't agree to a repayment plan or you fail to stick to it, they may proceed with court action and repossession.

Should I use a secured loan to consolidate my debts?

A secured loan is an option to consolidate debts, but you need the right advice from a mortgage adviser before taking a secured loan.

A mortgage adviser will look at your current mortgage situation, what options you have and recommend the appropriate borrowing solution to you. They will also compare consolidating debts to keeping them and the costs of both.

Remember, if you're unable to keep up with repayments, our team are here and ready to help.