

Welcome to our first newsletter for 2021.

While the UK situation looks bleak with lockdown currently in place across the whole UK and travel bans in place for the foreseeable future, we have seen a surprising spike in activity, and this has been backed up by a few of our collaborators. One of the major portals for all things Spain, thinkSpain.com has reported an increase in property enquiries by 40% in 2020 over 2019. To meet the increase in demand we are pleased to confirm that we further expanded our team in 2020 and we welcome 3 more mortgage advisers on board.

It seems that some of our UK clients had been waiting for a Brexit deal (which has now been agreed) and other international clients (as well as the British) feel confident to pursue their dream home while prices are still low, now they know a vaccine is on its way. Whilst there is more price haggling going on, we have not yet seen prices fall to the extent that was predicted.

Although some clients are happy to purchase via virtual viewings, many prefer to wait until they can travel again. In the meantime, it's encouraging to see clients keen to start the formal mortgage application process. With the Spanish being the happiest nation in Europe (according to the latest Gallup poll), let's hope this year brings lots of new purchases to sunny Spain!

Currency risks

It is expected that the merger of Caixa Bank and Bankia will be formalised by March 2021. And although the merger between Sabadell and BBVA is now off, there may be another on the horizon. Our opinion is that these mergers will not have any significant impact on mortgage borrowing or interest rates, although we may see a change in the currencies accepted. The banks may exclude certain income earners due to their currency risk although we're hoping we won't see too much of a change.

In some instances, we are bypassing the currency problem by placing the mortgage outside Spain, with a bank in Andorra. We were recently able to help a client whose income was paid in Mexican pesos – a currency not currently accepted by Spanish banks for mortgage purposes. By transferring the custodial ownership of some of his shares to the Andorran bank, he was able to borrow the required mortgage amount.

Another option is to set up a Spanish S.L. (sociedad limitada or limited company). We had a client receiving their income from Kazakhstan and whilst they can't borrow via a traditional Spanish mortgage, in principle they can borrow through an S.L. It is important to note though that setting up an S.L. is time consuming (can take up to 6 months) and incurs additional costs - around €2,000 to set up plus the ongoing costs of submitting quarterly accounts.

(Mortgage Direct S.L.)