



Top tips when refinancing your GP premises

Many GP partners own their freehold or long-leasehold surgery premises subject to financing and could benefit from refinancing with a new lender. Below, Capsticks' Primary Care Group explains the reasons for doing so and summarises the steps you need to take.

Why refinance your GP premises?

The financial benefit could help assist with any combination of the following:

- Buy-outs to retiring partners and buy-ins by incoming partners (which can often be done at the same time as a refinance);
- Mergers and consequential changes to property ownership;
- Funding for improvement works;
- Having more flexible terms with a new lender, as modern GP loans allow for flexibility of incoming and outgoing partners without a full new legal charge (by way of a Deed of Variation, for example), avoiding future costs of a full refinance;
- Addressing exit fees and redemption penalties – some lenders are seeking to withdraw from the GP lending market and are becoming more difficult to deal with due to the lack of resource in this area;
- Your mortgage may also be coming to the end of its term of loan, so it is time to investigate a new lender;
- If your surgery loan-to-value has improved significantly, that could give rise to much more favourable financial terms.

How do I go about a refinance of my surgery premises?

- **Redemption statement** – In the first instance, you need to obtain a redemption statement from your current lender, showing how much is owed to them, including any penalties and fees. This will provide an indicative figure, as it is calculated at a daily rate and will need to be revised, but provides a good indication of the sums involved so any new lender can aim to pay this off.
- **Approaches to new lenders** – Numerous high street banks are now active in the GP finance market. A new lender will request a valuation of the surgery and the indicative redemption figure referred to above. The costs of the valuation will be payable by the borrower and can usually be paid up front or added to the loan (in which case you will usually pay interest on these costs).
- **Marketability of the property** – The proposed lender's valuation will contain certain assumptions about the property, and any discrepancies will need to be reported to the new bank. The lender will be looking for a good and marketable title, so any deficiencies in the title or search results should be addressed as soon as possible. Any ongoing disputes relevant to the surgery should be

resolved and any outstanding rent reviews with pharmacy tenants, for example, should ideally be properly documented. In these post-2008 days, lenders must leave no stone unturned.

- **Buildings insurance** – Any new lender will require evidence of buildings insurance to a reinstatement value specified in their valuation and usually their interest has to be noted. Your insurance broker can arrange the necessary policy.

How can Capsticks help?

We have extensive experience of refinancing complex GP surgery premises and, in the course of doing so, resolving historic issues by taking a sensible and pragmatic approach. Capsticks often act for all relevant parties, such as the bank, borrower/new partners and even retiring partners where there is a buy-out (and no dispute over the terms of the buy-out figure). This reduces costs and simplifies the transaction. With our knowledge of GP premises, you will be in safe hands.

Please contact Asfa Javed for further details of how we can assist with your refinance.

Contact



Asfa Javed

Associate

020 8780 4592

asfa.javed@capsticks.com