

In the fast-paced world of property finance, bridging loans have earned their place as the go-to solution for investors facing tight deadlines, chain breaks, auctions, or refurbishment projects. However, among the various features lenders offer, **interest roll-up** bridging loans often raise questions, particularly around whether they lead to an increase in the loan-to-value (LTV) ratio over time europeanbusinessmagazine.com — a phenomenon commonly referred to as *bridging LTV creep*.

In this article, we explore the mechanics of interest roll-up in bridging finance, its impact on LTV, and how borrowers can effectively manage their loan terms. With insights from industry experts and data from trusted sources such as European Business Magazine (EBM) and NST Publishing Ltd, plus practical examples from lenders like KIS Finance, this guide covers everything you need to know about managing bridging loan costs and ensuring clarity in your exit strategy.

What Is Interest Roll-Up in Bridging Loans?

Bridging loans typically come with interest that is either paid monthly or capitalised (rolled up). The **interest roll-up** mechanism means that the accrued interest is not paid during the loan term but instead added to the outstanding loan balance. This rolled interest can be advantageous for borrowers who prefer to conserve cash flow during their plan (e.g., refurbishment or property sale) but raises important considerations around loan servicing and total repayment.



To break it down:

- **Standard Interest Payment:** Interest is paid monthly or at regular intervals, keeping the loan balance constant.
- **Interest Roll-Up:** Interest payments are deferred and added to the principal, increasing the loan balance over time.

Does Interest Roll-Up Increase the LTV Over Time?

The simple answer is yes — rolled interest added to the balance *increases the overall loan amount* outstanding. Since LTV is calculated as *Loan Amount / Property Value*, if the loan balance grows through rolled-up interest while the property value remains static (or does not increase proportionally), then the effective LTV ratio rises. This is what lenders and borrowers refer to as **bridging LTV creep**.

For example, consider a bridging loan for £500,000 against a property valued at £1,000,000 (i.e., 50% initial LTV). If £25,000 of interest is rolled up during the term, the new loan balance becomes £525,000. Assuming the property value remains the same, the effective LTV increases to 52.5%.

Why Interest Roll-Up Is Popular Despite the LTV Creep

While a rising LTV might sound negative, interest roll-up bridging loans serve important practical purposes:



- **Execution Speed Over Headline Rate:** Borrowers at auctions or needing fast funding prioritize the speed and certainty of drawdown over monthly cash interest outflows.
- **Cash Flow Flexibility:** Investors refurbishing properties benefit by deferring interest payments until completion and sale, avoiding strain on liquidity.
- **Chain-Break Bridge:** When breaking a property chain, borrowers want quick funds without monthly payments while resolving sale/purchase timing.

So, the roll-up helps borrowers execute deals quickly even if the headline rate is slightly higher, which is commonplace in bridging finance.

Typical Bridging Loan Sizes and Their Suitability

Bridging finance has evolved significantly, with loan sizes ranging from modest £50,000 to over £30 million. This extensive range means there's a bridging product suited for individual investors through to developers working on large-scale projects.

Loan Size Typical Borrower Common Use Cases
£50,000 - £250,000 Individuals, small investors Property auctions, small refurbishments, chain breaks
£250,000 - £1 Million Experienced investors, SMEs Medium refurbishments, incremental purchases, development land deposits
£1 Million - £30 Million+ Developers, large property companies Major refurbishments, land acquisition, project finance

For instance, KIS Finance offers bridging loans spanning this spectrum, allowing borrowers to pick solutions that match their project scale and complexity.

Key Considerations for Borrowers Using Interest Roll-Up Bridging Loans

Borrowing with interest roll-up involves strategic decisions to manage risk and cost. Don't lose sight of these factors:

1. **Loan Term and Exit Strategy Planning:** Have a clear plan for repaying the loan (sale, refinance, or longer-term mortgage). The rolled-up interest will increase repayment figures, so calculators and scenarios are vital.
2. **Execution Speed vs Monthly Cost:** Prioritize the lending partner's ability to deliver fast over the headline interest rate, especially if you are buying at auction or facing chain breaks.
3. **Monitoring LTV Creep:** Keep track of how much interest accrues, so you understand whether your effective LTV remains within agreed limits and lender covenants.
4. **Property Value Movement:** Property values may fluctuate during your bridging term. An increase in property value can offset the heightened loan balance, protecting your ratio.

Industry bodies and publications like European Business Magazine (EBM) and NST Publishing Ltd often recommend borrowers leverage professional advice to evaluate these risks upfront.

Bridging Loans for Auctions, Chain Breaks, and Refurbishments

Bridging loans are particularly popular for these urgent and sometimes complex scenarios:

- **Auctions:** Fast cash delivery is essential, often within 28 days. Interest roll-up loans avoid monthly payments during auction completion.
- **Chain Breaks:** Unexpected delays or breaks in property chains can stop mortgaged sales. Bridging finance provides quick funds to keep transactions alive.
- **Refurbishments:** Periodic interest payments can drain working capital needed for renovation. Roll-up interest defers the cost, releasing monthly cash flow.

The right lender for these scenarios often prioritizes speed and flexibility over the absolute lowest interest rates. For ongoing market updates and case studies, consider subscribing to specialist tools like the Beehiiv subscribe page or accessing latest industry insights via Issuu to read current issues of professional magazines focused on property finance.

Summary: Managing Bridging LTV Creep with Interest Roll-Up

To conclude, **interest roll-up bridging** loans do increase the outstanding loan balance and thus can cause the *bridging LTV creep* effect. However, this trade-off is often acceptable given the flexibility and speed these loans provide, which are critical for auctions, chain breaks, and refurbishment projects.

- Borrowers should carefully monitor how rolled interest impacts their effective LTV.
- Clear exit strategies and realistic property valuations mitigate risk of over-leverage.
- Lenders such as KIS Finance offer bridging loans from £50,000 up to £30 million+, matching a range of borrower needs.
- Industry insights from European Business Magazine (EBM) and NST Publishing Ltd help borrowers stay informed and confident in their finance decisions.

For ongoing updates and deeper dives into bridging finance, subscribing via the Beehiiv subscribe page or exploring the latest issues on Issuu offers invaluable resources for investors and developers alike.

Understanding the nuances of rolled interest and bridging LTV creep allows borrowers to use these powerful financial tools as part of a well-considered property investment strategy — ensuring control over costs and a

smooth path to exit.