MARKET MOMENT

SPECIALIST LENDING

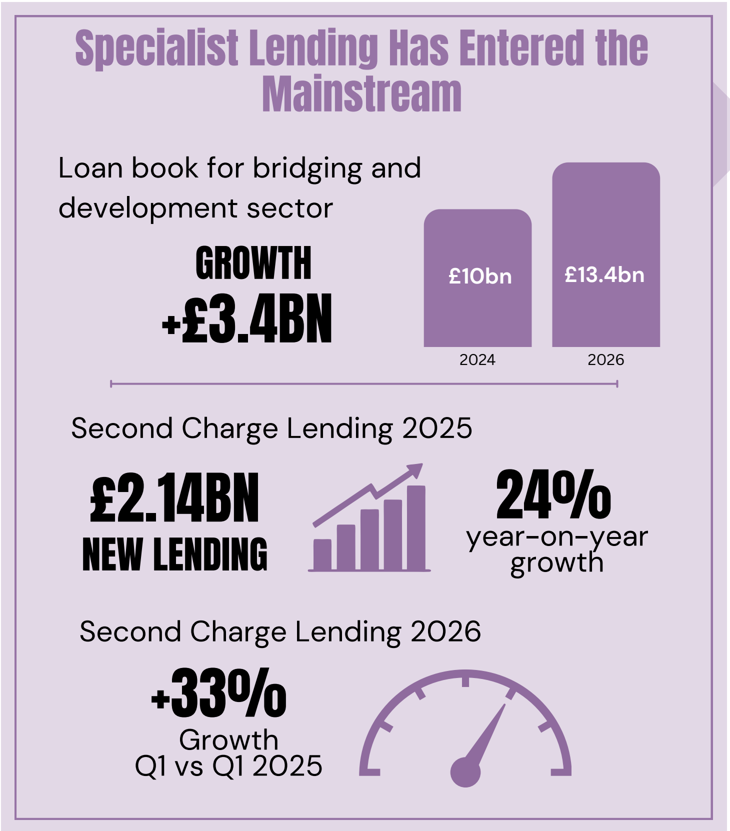
AUGUST 2026

INTRODUCTION

Richard Howes
Managing Director of Mortgages

In this Market Moments written in conjunction with MT Finance, we look at what "specialist lending" means in the UK & why it deserves a bigger place in every adviser's business.

For a long time, specialist lending sat at the edges of the adviser conversation. Bridging, second charge, complex buy-to-let and commercial finance were seen as niche products for unusual cases, useful occasionally but rarely central to how a firm built its business. It could be argued that view is now well out of date, and the numbers make the case for this area of the market quite compelling.



The bridging and development sector alone had a loan book exceeding £13.4 billion in 2026, having climbed from £10 billion just two years earlier. Second charge lending has been growing even faster in percentage terms, with the market reaching £2.14 billion in new lending in 2025, up 24% year-on-year, and Q1 2026 volumes up a further 33 per cent to £624 million. Add in specialist buy-to-let, commercial mortgages, development finance and bespoke later-life lending, and this is no longer a fringe market. It is a genuine, fast-growing pillar of UK property finance, sitting alongside a mainstream mortgage market that itself moves over £300 billion each year.

That scale matters, but the more interesting story for brokers is why the market is growing.

Self-employed clients and those with multiple income streams, portfolio landlords navigating tax and regulatory change, developers needing speed and certainty, older clients seeking asset-release solutions, and buyers competing at auction all sit outside the areas that high-street affordability models are built around.

SPECIALIST LENDING AND THE MARKET

Research shows none of those listed above are unusual clients anymore. Between self-employment, contracting, and increasingly complex household finances, they are quickly becoming the norm. Each of these client types also tends to arrive with a case that is genuinely interesting to work on, whether that is structuring a bridge around a chain break, packaging a limited company buy-to-let application, or presenting a development exit to a lender who understands the asset. For brokers who enjoy the craft of advice rather than just the process of it, that alone is a reason to lean into this market.

This is the opportunity. Every one of these scenarios is a moment where a client needs more than a rate comparison, they need a broker who understands specialist lending well enough to structure the right solution and present it to the right lender. Brokers who build that capability are not just picking up occasional one-off cases. They are positioning themselves as the adviser clients come back to for every stage of a more complicated financial life.

A client with a simple, five-year fixed residential mortgage might only need their broker once every few years. A landlord growing a portfolio, a business owner raising capital against property, or a family managing a bridge between buying and selling has a far higher frequency of need, and far more reason to stay with an adviser who has already proven they can handle complexity.

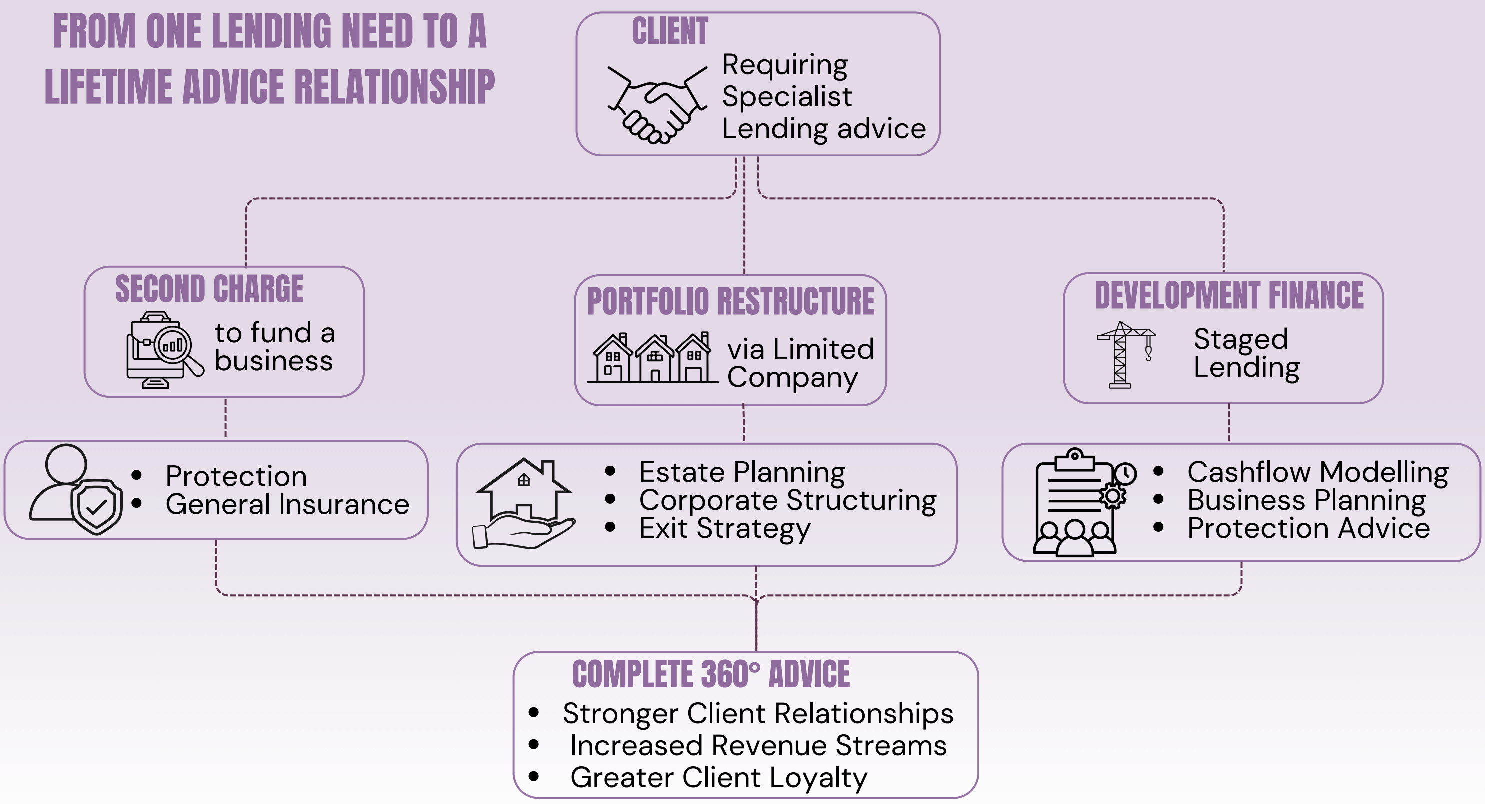
SPECIALIST LENDING AND THE MARKET

Specialist lending, in other words, is not just a revenue opportunity in its own right. It is one of the most effective ways to turn a transactional client relationship into a genuinely long-term one.

It can also lean into other areas of advice to increase remuneration for a broker, complete the circle of trust and provide a complete 360 in terms of lending advice, particularly when one considers putting in a cashflow modelling piece to the advice transaction and into your overall business model. A client raising capital through a second charge to fund a business, for example, is also a client who almost certainly needs protection advice to safeguard that borrowing, and quite possibly general insurance on the asset it is secured against.

A landlord restructuring a portfolio through a limited company is a client thinking about inheritance planning, corporate structuring and, eventually, exit strategy.

A developer drawing down staged finance is a client whose personal and business cashflow are more closely linked than most mainstream cases, and who benefits enormously from a broker able to model that properly rather than treating each transaction in isolation. None of this requires a broker to become a wealth manager overnight, but it does mean that specialist lending conversations open doors to a much wider advice relationship than a single mortgage ever could, and brokers who walk through those doors tend to find they are rewarded for it, both in client loyalty and in the breadth of income a single relationship can generate over time.



RISKS

None of this works without confidence in the market itself, which is precisely why the events of H1 2026 perhaps require a look rather than avoidance. The administration of a high-profile specialist lender inevitably raised questions, and brokers are right to want clarity on what it means for the sector's stability. The piece that follows, from MT Finance, tackles that question directly. It looks at what the fallout has reinforced about standards, governance, and transparency across specialist lending, and why the structural demand underpinning the market remains as strong as ever.

For advisers weighing up how much time and effort to invest in this space, that context matters. A market this size, growing for reasons this structural, is not a passing trend. It is a capability worth building properly, and worth understanding from the people lending into it every day. That means investing time in lender relationships, understanding how different specialist lenders approach the same case differently, and being honest with clients about where a case sits on the risk and cost spectrum.

THE EVOLUTION OF TRUST: DEFINING THE NEXT ERA OF SPECIALIST LENDING

mt finance

Gareth Lewis

Deputy CEO

The first half of 2026 has been an exceptionally dynamic period for the property finance sector in the UK. Macroeconomic volatility, shifting political priorities, a conflict in the Middle East that wrong-footed mortgage rate forecasts almost overnight, and a property market that has moved from cautious optimism into something rather more finely balanced have all made for an interesting time in the industry.

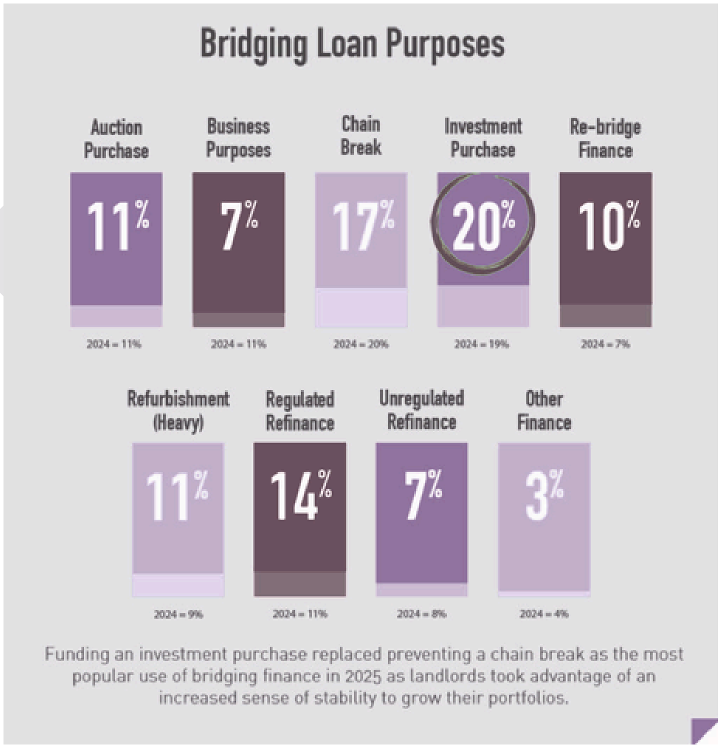
Yet, we cannot discuss the market in H1 without directly addressing the elephant in the room. The collapse of one of the UK's high-profile specialist mortgage and bridging lenders has undoubtedly made this a challenging and introspective period for the sector. The impact from the fall-out has dominated conversations within the wider industry since February, leading many players to question the integrity of the industry. However, it is important to highlight that an isolated structural failure must not be mistaken for a market failure.

This testing period has ultimately reinforced the absolute importance of our industry's fundamentals, which include transparency, sound underwriting, and strong corporate governance. Rather than exposing systemic vulnerability, H1 2026 has proven the profound resilience of the specialist lending community. Intermediaries, funding partners, and sustainable lenders have stepped up to the challenge, collectively driving a permanent professionalisation of the industry. Far from stalling, the sector continues to grow, cementing its status as an indispensable powerhouse supporting the wider UK finance market.

In this edition of Market Moments, we take an honest look at the state of the market and address what Market Financial Solutions (MFS) going into administration has reinforced about the importance of professional standards within the industry, and why the structural need for specialist finance remains unshaken.

THE SPECIALIST LENDING MARKET IN H1 2026

The bridging and specialist lending market entered 2026 on the back of a record-breaking 2025. According to a report from The Bridging & Development Lenders Association (BDLA), lenders' loan books surpassed £13 billion by the end of last year, up from £10 billion in 2024. Additionally, data from Bridging Trends also showed a strong market in 2025, with investment purchase being the most popular use of bridging finance as landlords took advantage of an increased sense of market stability to grow their portfolios.



MARKET GROWTH

52% of bridging lenders reported that origination volumes increased.

More than half of lenders have seen higher lending activity.

GROWTH OUTLOOK

35% of lenders expect **further growth**

COST OF BORROWING

0.75% - 1%
Avg. bridging loan rate

COST OF BORROWING

48% of lenders report average loan terms of **12-15 MONTHS**

Furthermore, the Bridging Market Survey 2026 from Interpath and the BDLA, published in June 2026, showed that 52% of bridging lenders reported origination volumes had risen this year, with 35% forecasting further growth. The average monthly rate for bridging loans has settled in the 0.75–1% band. Average loan terms have extended slightly, with 48% of lenders reporting terms of 12–15 months, reflecting a slightly slower sales and refinancing environment.

THE SPECIALIST LENDING MARKET IN H1 2026

However, it hasn't all been smooth sailing. The wider property market has experienced some turbulence. Average UK house prices were broadly static in March 2026 on an annual basis, though mortgage approvals for April were up 9% year-on-year to 65,945, which is a more positive signal. Regional divergence has widened: the Northeast, Northwest, and Northern Ireland are performing ahead of London and the Southeast, where prices have softened. Crucially, the outbreak of conflict in the Middle East in late February injected a sharp dose of uncertainty, with average two-year fixed mortgage rates rising from around 4% at the start of the year to above 5% by April, reversing the easing trend that had supported optimism at the turn of 2026.

For specialist lenders, this macro backdrop is not unwelcome in operational terms. When mainstream underwriting tightens and transactional uncertainty rises, demand for flexible, judgment-led lending tends to rise with it. The specialist market has historically strengthened precisely in the conditions we are now navigating. Specialist lending has long outgrown its historic classification as a niche or last resort option. Today, it functions as a vital pillar of the UK financial ecosystem, providing essential liquidity precisely where traditional lenders cannot deploy capital efficiently.

H1 2026 market at a glance
Total BDLA market loan books: exceeded £13 billion
Lender volume growth: 52% reporting higher volume
Average monthly bridging rates: at 0.75% - 1%
Core terms: 48% extending outward to 12-15 months

BUILT TO LAST: A SECTOR BUILT ON TRUST AND ACCOUNTABILITY

For an industry that has long championed speed, entrepreneurial agility, and flexible manual underwriting, the MFS event has understandably raised questions. Specialist lending operates in a space that mainstream regulation does not fully reach. Because of this, institutional-grade internal compliance and rigorous capital structuring must serve as the primary safeguards for market integrity.

As the economy continues to evolve, the scale of the underserved population is growing, and with it comes the demand for a market that can comprehensively support these borrowers. Structural shifts are reinforcing this demand across multiple key areas:

Housing supply pressures	A chronic, growing undersupply of UK housing requires agile developers to rapidly acquire, convert, and refurbish existing stock.
Demographic changes	An ageing population is generating a growing demand for nuanced, later-life mortgage and asset-release solutions.
Modern workforce realities	A modern workforce increasingly shaped by self-employment, contracting, and multiple income streams falls outside rigid, high-street algorithmic credit scores.
Portfolio realignment	A buy-to-let market navigating intense regulatory and fiscal tax changes is generating complex refinancing and corporate property repositioning requirements.
Transactional velocity	A buoyant auction market requires speed and absolute funding certainty that mainstream lenders simply cannot provide.

All these factors drive home the fundamental point that specialist lending exists because it is structurally needed. It is not an alternative of last resort, but a precision corporate instrument for sophisticated borrowers, property investors, and developers with varied, non-standard needs.

CONCLUSION

H1 2026 has tested the specialist lending market. The industry has confronted a macro environment shaped by geopolitical shocks, interest rate volatility, a more cautious housing market, a high-profile administration that invited scrutiny of the entire sector, and a regulatory landscape in active flux.

And yet, the market has held its own. Loan books remain near record levels, origination volumes are rising, and structural demand from self-employed borrowers, property investors, developers, and complex-income households shows no sign of abating. The lenders with the strongest governance, the most transparent capital structures, and the most committed funding lines have found that the post-MFS environment has strengthened, rather than weakened, their competitive position with brokers and borrowers.

That is the enduring lesson of this period: **the fundamentals always win**. Transparency, sound manual underwriting, strong corporate governance, committed capital, and genuine professional relationships are not simply boxes to be ticked, they are core competitive advantages. This structural evolution is exactly what the permanent professionalisation of our sector is ultimately about.

At MT Finance, these principles have long been part of our core values, and they remain the foundation on which every single transaction we clear is built. We believe that specialist finance, practiced with uncompromised rigour and operational integrity, is one of the most powerful and important tools available to professional advisers navigating the increasingly complex financial lives of UK borrowers. We remain entirely committed to this market, to our broker partners, and to the ongoing work of making our industry better, safer, and stronger.

GET IN TOUCH

mortgages@paradigm.co.uk

www.paradigm.co.uk

0330 053 6061

Paradigm
MORTGAGE SERVICES