



# Developments in the Probate Lending Market



tower street finance  
the experts in probate lending

# What we'll cover today

- A bit about Tower Street Finance
- Myths about Probate Lending:
  - History
  - Process
  - Typical Customers
  - IHT lending – is it here to stay?
  - Product range
  - Risk/liability
- Summary
- Contact details

## What is Probate Lending?

*“It is a loan taken out against a future inheritance to help with the expenses of managing the Estate or to access the inheritance sooner”*

# About Tower Street Finance

- 'Light bulb moment' mid-2018
- Founded 2019 following Solicitor/Customer research
- FCA approval (as Lender) mid-2020
- First Inheritance Advance Sept 2020

- BWAP Innovation Award Oct 2020
- 3 more products developed
- Reputation for solving problems
- Advanced >£50m to date
- Secured £100m Pollen St. funding



Richard (Dicky) Davies

**Co-founder &  
Bus Dev Director**

35 years Consumer  
Finance/Business  
Development experience



Robert Husband

**CEO**

20+ years Consumer  
Finance/FinTech/  
International experience



# Some myths about Probate Lending...

- These are new products, they have not existed anywhere else before, it's a fad
- Customers understand how long Probate takes, and where to get 'Probate Loans' from
- Only people desperate for cash use it; "I know my customers don't need it"
- The issue of needing to pay IHT will go away...
- Probate is not that simple, it's not a 'one size fits all' approach
- Probate Lending is only if there is a Will/post Grant, and comes with high risk/liability

# US Probate Lending market today



Population: **329.5m**

Annual deaths: **3m (1%)**

## Inheritance

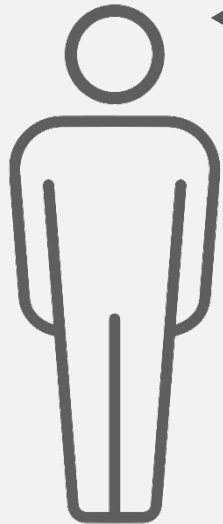
- **\$177k**
- **12 months** to distribution

## Probate Lenders

- **25** Major probate lenders
- Over **50** states
- Top 10 turnover **\$100m** each
- Annual lending estimate **\$1.5bn**

# How the market developed

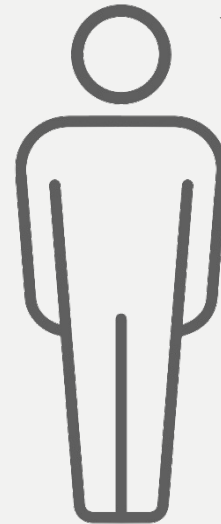
## BENEFICIARY



*"I have an inheritance coming, but I need the funds quicker"*

- Inheritance Advances
- Beneficiary Loans

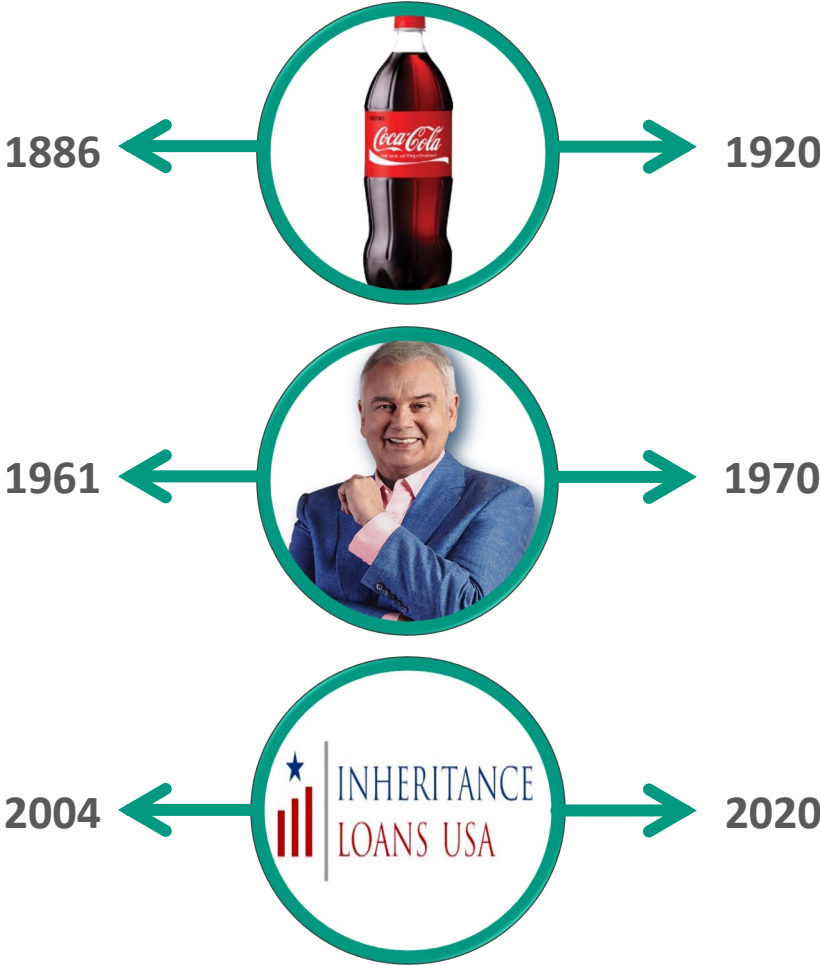
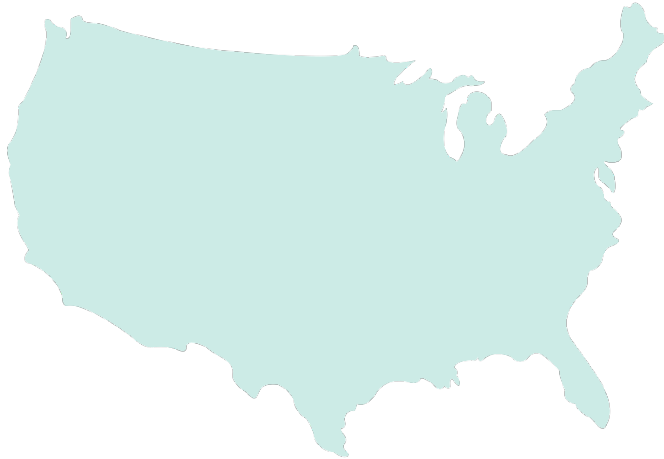
## EXECUTOR



*"I have testamentary expenses but there isn't enough liquidity in the estate"*

- Estate Expense Funding
- Executor Loans
- Inheritance Tax Loans

# US indicators for the UK



# Structural Differences

## USA

- IHT is charged in only 17 states (note at a Federal Level it applies to estates > \$12m, and therefore 0.1% of estates are taxed)
- Therefore, majority of lending is “Beneficiary Lending”
- GDPR does not exist and therefore firms can contact beneficiaries directly based on public records
- Some firms “buy” inheritance for a defined % (generally 25%-40%). Such firms have a reputation for “aggressively demanding liquidation and receipt of inheritance”

## UK

- IHT is more prevalent in the UK, and (in the majority of IHT Estates) some IHT is payable in order to obtain Grant
- Lending is more evenly split between “Beneficiary” and “Executor” loans
- Consumers can only be contacted if they have consented (GDPR)
- Finance is structured as CCA regulated loans (with associated protections)



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# What's important to clients

**50%**

expect their law firm to help them through the process including cash challenges

**50%**

Think that the executor is not responsible for settling any IHT liabilities

**18%**

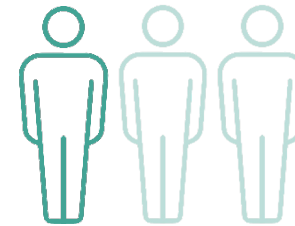
Would want to keep a house if that were part of the estate

**70%** don't know what the probate process is



**50%** don't know how long the probate process takes

**1 in 3** would like their inheritance earlier



**40%** are going to use their inheritance to pay off debts

**40%** would dispute a will if they needed to and had the funds

**50%** expect their solicitor to provide options to solve all these problems

# UK Probate Lending market

Population: **65m**

Annual deaths: **600k (1%)**

## Estates

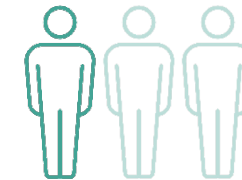
- Over **£80bn** is inherited each year
- Over **200k** estates worth over **£100k** pass-through probate each year

## Expenses

- **30k** estates face an inheritance tax bill (average bill of **c£200k**)
- Funeral and property expenses cost **£15k** on average



An estate takes on average **12 months** to pass through the administration process



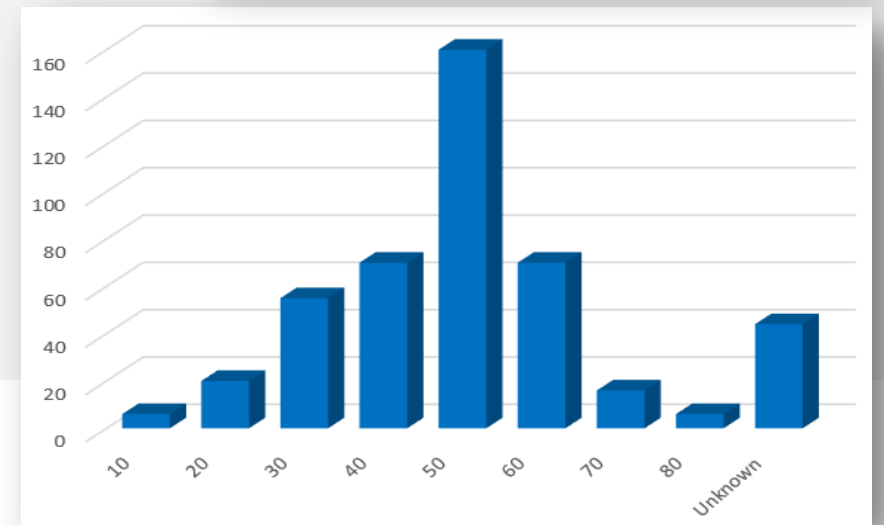
**1 in 3 people** would like to receive their inheritance quicker than the current process allows

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# About our audience

- **Gender:** Website visitors have a slight weighting towards male (c55%)
- **Age:** Website visitors are weighted towards the over 50s (as are Customers) but we receive more online enquiries from 25–34 year-olds
- **Geography:** Our website visitors are well balanced with concentration around London/the main conurbations and lower density around Central Wales and Cumbria
- **Behavior:** Our website visitors and enquiries enjoy Food, News, Media & Entertainment, Lifestyle and Sport



# Segmenting our audience

<b>A</b> City Prosperity	A01	World-Class Wealth
	A02	Uptown Elite
	A03	Penthouse Chic
	A04	Metro High-Flivers
<b>B</b> Prestige Positions	B05	Premium Fortunes
	B06	Diamond Days
	B07	Alpha Families
	B08	Bank of Mum and Dad
<b>C</b> Country Living	B09	Empty-Nest Adventure
	C10	Wealthy Landowners
	C11	Rural Vogue
	C12	Scattered Homesteads
<b>D</b> Rural Reality	C13	Village Retirement
	D14	Satellite Settlers
	D15	Local Focus
	D16	Outlying Seniors
<b>E</b> Senior Security	D17	Far-Flung Outposts
	E18	Legacy Elders
	E19	Bungalow Haven
	E20	Classic Grandparents
<b>F</b> Suburban Stability	E21	Solo Retirees
	F22	Boomerang Boarders
	F23	Family Ties
	F24	Fledgling Free
<b>G</b> Domestic Success	F25	Dependable Me
	G26	Cafés and Catchments
	G27	Thriving Independence
	G28	Modern Parents
<b>H</b> Aspiring Homemakers	G29	Mid-Career Convention
	H30	Primary Ambitions
	H31	Affordable Fringe
	H32	First-Rung Futures
<b>I</b> Family Basics	H33	Contemporary Starts
	H34	New Foundations
	H35	Flying Solo
	I36	Solid Economy
<b>J</b> Transient Renters	I37	Budget Generations
	I38	Economical Families
	I39	Families on a Budget
	J40	Value Rentals
<b>K</b> Municipal Tenants	J41	Youthful Endeavours
	J42	Midlife Renters
	J43	Renting Rooms
	K44	Inner City Stalwarts
<b>L</b> Vintage Value	K45	City Diversity
	K46	High Rise Residents
	K47	Single Essentials
	K48	Mature Workers
<b>M</b> Modest Traditions	L49	Flatlet Seniors
	L50	Pocket Pensions
	L51	Retirement Communities
	L52	Estate Veterans
<b>N</b> Urban Cohesion	L53	Seasoned Survivors
	M54	Down-to-Earth Owners
	M55	Back with the Folks
	M56	Self-Supporters
<b>O</b> Rental Hubs	N57	Community Elders
	N58	Culture & Comfort
	N59	Large Family Living
	N60	Ageing Access
	O61	Career Builders
	O62	Central Pulse
O63	Flexible Workforce	
O64	Bus-Route Renters	
O65	Learners & Earners	
O66	Student Scene	

Over-indexed in Segments:

- A (City Prosperity)
- B (Prestige Positions)
- C (Country Living)
- G (Domestic Success)
- N (Urban Cohesion)

Under-indexed in Segment:

- L (Vintage Value)

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# The history of Inheritance Tax

**1694** estate tax introduced as 'Probate Duty' on personal property in Wills proved in Court

**1796** became death duty, taxing estates over a certain value called 'legacy, succession & estate duties'

**1894** modern-day inheritance tax introduced, when the Government needed to fill a £4m deficit

**1949** post 2<sup>nd</sup> World War 'Estate Duty' increased from 60% to 80% to pay for rebuilding

**1969** Estate Duty rates peaked at 85%!!!

**1986** became the Inheritance Tax we know today at a 40% rate

**2009** allowances for IHT were frozen until March 2026

**2022** allowances for IHT were frozen further until April 2028



# How Estates become 'Asset Locked'

- An Executor is personally liable to settle the estate expenses, including IHT on an Estate
- IHT must be paid within 6 months of Death
- IHT must be paid in order to obtain a Grant of Probate
- A Grant of Probate is required for the Executor to gain control of the Estate
- Estate assets cannot be sold until the Grant of Probate is received
- The Executor has to fund the IHT themselves to kick start the process



# Why does IHT attract so much press in the UK?

- After Income Tax, IHT probably attracts the most press comment
- Historically, only 1 in 25 Estates (25k, or just over 4%) paid some form of IHT
- That increased to 1 in 20 Estates (30k, or 5%) in 2021 due to the pandemic

So, why the fuss...?

- *The average IHT bill is just over £200k, and it nets over £6bn for the Treasury every year*
- *Almost 50% of all IHT is paid in London and the Southeast (Tory heartlands...)*

IHT is also viewed as a 'rich person's tax', and 'double taxation'; however – consider this – the majority of IHT is caused by increasing property and share prices; these increases in value have not been 'earned' or 'paid for', they are 'profit'. ***Is it still an unfair tax...?***

# Is IHT here to stay? Probably...

- A Tory Treasury Minister recently said IHT would be his 'top choice' for a tax to abolish
- However, given the backlash over the – now reversed – removal of the 45% tax threshold, removing a perceived 'tax on the rich' could suffer the same reaction
- In the current economic climate of tax increases and spending cuts, it is highly unlikely that IHT is going to be abolished - £6bn will keep a lot of people warm this Winter!
- The freeze on allowances was extended to April 2028 in the Autumn Statement
- ***What does that mean for you?***
- The number of Estates likely to incur IHT could more than double by 2028 to 1 in 10 Estates...

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# Our products

## Inheritance Tax (IHT) Loan

A solution for estates that are 'locked' because the executor\* must pay the Inheritance Tax to apply for the Grant of Probate, but needs the Grant to realise the assets to pay the bill

## Inheritance Dispute Funding

A solution for beneficiaries to cover the legal costs to dispute an inheritance. Unlike other products we don't ask the beneficiary to jump through expensive hurdles to assess the dispute

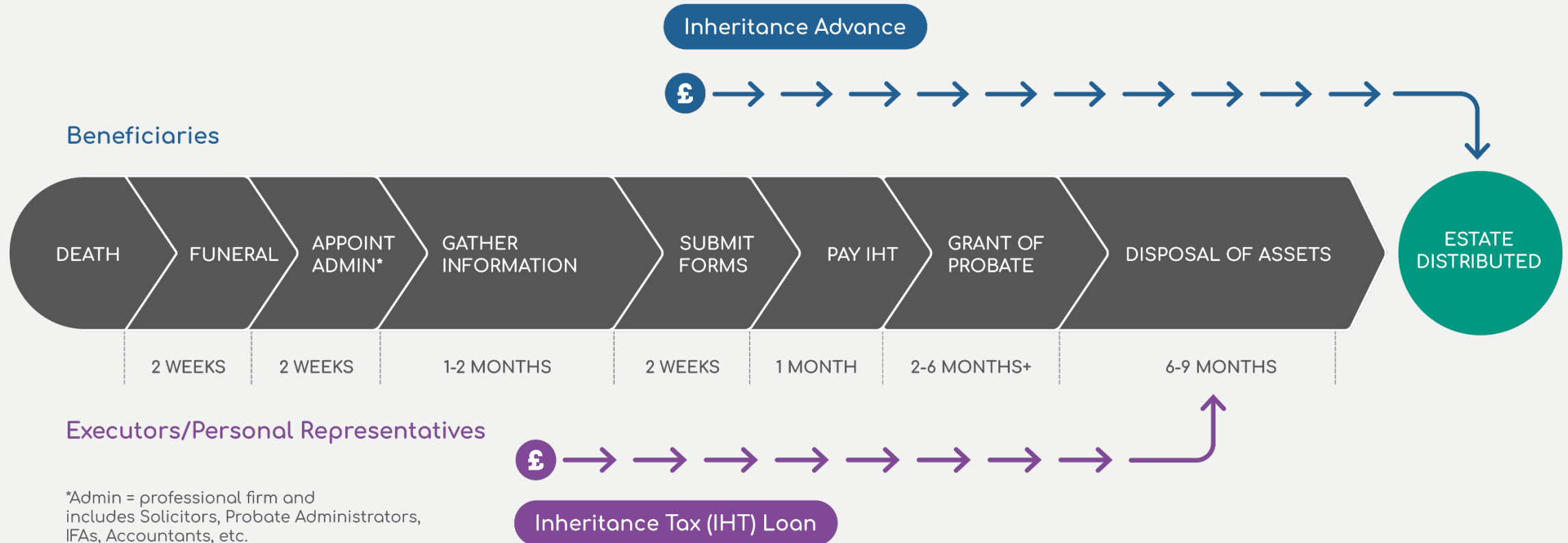
## Estate Expense Funding

A solution available to executors\* and personal representatives who can't fund the costs associated with administering an estate

## Inheritance Advance

A solution for beneficiaries to access their inheritance sooner, with the Advance repaid out of the proceeds of their inheritance, but with no risk or personal liability

# The Probate Process



# Financial structure

Interest  
1.2% to 1.5% per  
month, calculated  
daily, rolled up\*

2% Origination  
fee

No monthly  
repayments or  
early repayment  
charges

Open ended  
No fixed term  
No liability/risk

\* Representative APR 17-22%

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# All our products share a common DNA

- ✓ No credit checks
- ✓ No charge over property
- ✓ No estate shortfall risk
- ✓ No monthly repayments
- ✓ No personal liability for customer
- ✓ No requirement for a Will
- ✓ No early repayment penalties
- ✓ No liability on solicitor/administrator/adviser
- ✓ Available pre or post Grant of Probate

We do not have a  
typical customer

## Case study 1

### The problem

- £2m estate, mainly single Central London property
- Both parents died in quick succession
- 2 young siblings as joint beneficiaries
- £350k IHT liability
- No liquid assets and no means to pay

### The solution

- **Inheritance Tax Loan** for full amount
- Both beneficiaries also took out an **Inheritance Advance** to 'tide them over'

## Case study 2

### The problem

- £2m estate, mainly residential property, few liquid assets
- £300k IHT liability, estate 'locked' as no means to pay
- Solicitor one of 3 named executors
- Other executors had limited financial acumen

### The solution

- **Inheritance Tax Loan** taken out by Solicitor with no personal liability
- Joint and several liability with other executors
- Could have taken out in sole name
- Also applicable for some Trust structures

## Case study 3

### The problem

- £2.4m estate, multiple geographies/asset classes
- UK IHT, French IHT and solicitors' fees to pay, totalling £950k
- No liquid assets in Estate
- HMRC deadline 31<sup>st</sup> October
- 60+ documents received 26<sup>th</sup> October

### The solution

We provided an Executor loan facility, called **Estate Expense Funding**, of £950k which was agreed within 24 hours:

- £750k UK IHT paid by 31<sup>st</sup> October deadline
- Drawdowns to pay other expenses as required\*

# Client/Partner experience



Very **friendly helpful and professional** group provided a fast-tracked service I would use their services again for sure should the situation call for it.

STEVE

Absolutely **professional company**, would definitely recommend, staff very good answer all questions and are quick to accommodate you, highly recommended.

SUSAN

So **efficient and professional** as well as having empathy with my situation.

CAROLE

When our colleagues mention the products to customers, the first reaction is often surprise that products such as these exist. But once they are explained, there is also an element of **relief**, and they often wonder **why it has taken someone so long to come up with the idea!**

SIMON HANCOX, KINGS COURT TRUST

**Real can-do attitude** and personal attention.

NORMAN

Tower Street Finance **made it so easy** for us to partner with them. The **products are highly beneficial to clients** and can make the whole process much less stressful.

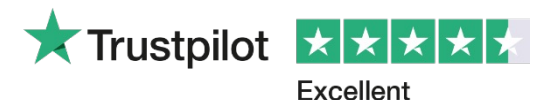
PENN CHAMBERS, LONDON

**Everything was explained** to me on how the advanced loan worked. Everyone I communicated with was **very helpful**.

HMA

**It's obvious that TSF carried out extensive research** to determine exactly what products the market needed. Their attention to detail is meticulous and they offer **products that are transparent, accessible** and which **deliver maximum benefit** to partners, executors and beneficiaries. **Any lender that is as strongly customer focused as TSF is destined to be market leader.**

ALEX EWEN, BRIDGING.COM



# Summary

## We have innovative products to help your clients solve Probate issues

- We pride ourselves on solving problems  
*“the answer is ‘yes’ until we say ‘no’...!”*
- As we are Lender of Record, we make quick decisions
- We offer **upfront commission** on introduced loans
- There is no typical customer, each situation is different
- **Just call us to discuss any situation – we are here to help!**



# How can we help?

Please get in touch:

 0343 504 7100

 partners@towerstreetfinance.co.uk

[www.towerstreetfinance.co.uk](http://www.towerstreetfinance.co.uk)

