



THE  
**FAMILY**  
BUILDING  
SOCIETY

**BANK OF MUM AND DAD**  
A CONVERSATION GUIDE

# BANK OF MUM AND DAD A CONVERSATION GUIDE

*A simple guide to help parents and their offspring discuss financial support.*

## THE ROLE OF THE BANK OF MUM AND DAD

With home ownership seemingly out of reach for many young buyers, receiving a contribution from parents, or other family members, to help with a house purchase is now quite common. This family financial assistance has now made the Bank of Mum and Dad the sixth biggest bank in Britain, worth more than £6.5 billion.

Earlier this year, and in conjunction with the London School of Economics, we published our report, '**The Bank of Mum and Dad: how it really works**'. This report reveals the results of an extensive academic study into how families approach parental help when buying a property.

We also produced a guide '**How to run the Bank of Mum and Dad**', based on experiences of family help collected from our customers. This guide outlines some of the key issues that parents and adult children need to consider for their own financial protection and peace of mind, when it comes to providing or receiving family financial help.

Both the guide and the report can be downloaded from our website:  
[familybuildingsociety.co.uk/bomad](http://familybuildingsociety.co.uk/bomad)





## THE DIFFICULT CONVERSATION

Our research found that one of the biggest issues faced by a family is that the financial arrangement isn't documented. The exact terms of the financial support aren't clear, and neither the parent and / or adult child grasp exactly what is expected from each of them. This can put a strain on the relationship and cause financial difficulty, should unexpected events occur like family break up or that the financial help needs to be repaid quickly.

Agreeing the terms of a loan or a gift requires discussion and sometimes negotiation, but these conversations are not always easy. While some families may be very open about talking about money, many find the challenge of talking about financial arrangements very difficult.

Our research shows that a large majority of families don't seek professional legal advice when discussing financial support. This general lack of advice suggests many aspects of the financial arrangement are not always fully taken into consideration.



### ONLY 8%

of customers took financial advice before providing financial help with a deposit



### ONLY 14%

of customers took legal advice before providing financial help with a deposit

Source: The Bank of Mum and Dad: how it really works (January 2019). Report commissioned by Family Building Society in 2018, in conjunction with the London School of Economics.

## SO, HOW CAN WE HELP?

Our guide aims to help with that conversation and help avoid any misunderstandings that may occur in the future.

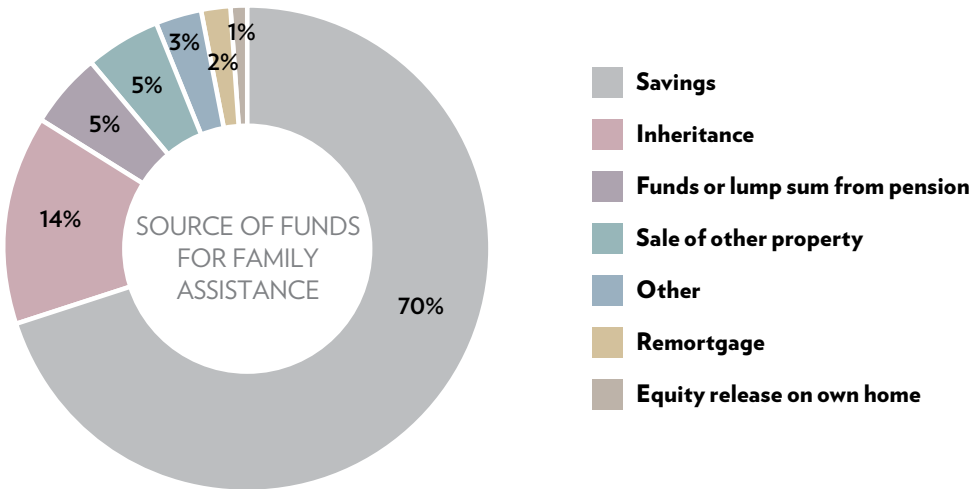
**As a parent,** it's important to be prepared for the conversation. Review your current finances and plans for the future before confirming you're in a position to offer financial support. Don't rush into making a decision.

**As an adult child,** make sure you do your research and have evidence available if needed. And be realistic. Be prepared for the conversation and give your family time to think and see if they have the finances to support your needs.

## BE OPEN AND PREPARED

### Some key points to consider

- ✔ Be open and honest with each other.
- ✔ Communication needs to be clear. It's important that everyone understands the part they are expected to play in this so called business relationship.
- ✔ Make sure everything is carefully thought through.
- ✔ Be clear on what has been agreed – document what you have decided, make sure it's understood and kept for easy reference.



Source: The Bank of Mum and Dad: how it really works (January 2019). Report commissioned by Family Building Society in 2018, in conjunction with the London School of Economics.

CONVERSATION CHECKLIST

We've listed some key questions and topics that we recommend you should both consider when first approaching the conversation of financial assistance.

Please note this is not a replacement for legal advice but it should help highlight important things that need to be discussed, helping to give you both that added peace of mind.

There is space to write down what decision has been made and how both parties will proceed.

1. HOW MUCH WILL BE BORROWED AND WHAT WILL IT BE SPENT ON?

How much is required?

£ .....

How much money can the parent(s) afford?

£ .....

What will the money be used for?

(deposit / stamp duty / monthly mortgage repayments / legal fees / housing renovations)

.....  
.....

Will further money be required in the future?

.....

Before the family contribute will the adult child have to save a certain amount to support the property purchase? If so, how much?

.....  
.....

## 2. HOW WILL MY FAMILY CONTRIBUTE?

Will the money be a gift? ☐ Will the money be a loan? ☐

Will the equity from the family home or family savings be used as security against the mortgage? ☐

*Our Family Mortgage allows family assets, such as savings and property to be used as security into the mortgage calculation. Visit [familybuildingsociety.co.uk/Family-Mortgage](https://familybuildingsociety.co.uk/Family-Mortgage) for more information.*

### FAMILIES THAT PROVIDED LOANS AND GIFTS AND THEIR ARRANGEMENTS



**82%**

of customers were not charging interest on the loan



**84%**

of customers did not draw up a formal deed of gift



**TWO-THIRDS**

of customers expected loan repayment as and when their adult child could afford it, rather than agreeing a fixed repayment schedule



**78%**

of customers did not have a formal loan contract in place

Source: The Bank of Mum and Dad: how it really works (January 2019). Report commissioned by Family Building Society in 2018, in conjunction with the London School of Economics.

### 3. WHAT ARE THE CONDITIONS OF THE ARRANGEMENT?

#### If it's a loan...

Can the loan be paid back when money is available?

.....

Will there be a fixed repayment schedule? .....

Will this be monthly or yearly? .....

(This needs to be reasonable and not too much of a burden on the mortgage and other outgoings.

If the loan needs to be paid back by a given deadline, it's important to state this from outset)

Will interest need to be paid on the loan? If so, how much will this be? .....

What will happen if repayments are missed? .....

If the loan isn't paid back will the amount be deducted from inheritance?

.....

Will the loan be written off after a couple of years if regular payments are made?

.....

#### If it's a gift...

Once the gift is given will the property be solely that of the adult child or will the parent(s) benefit from the property?

.....

Will the parent(s) have any input into the decision about where and what to purchase?

.....

#### Conditions of the loan / gift

When the property is sold, will the parent(s) benefit from any profit made?

.....

## 4. WHAT IF PERSONAL CIRCUMSTANCES CHANGE?

If either party was to fall into financial difficulty, what will be the next steps?

.....

If we have a disagreement and fall out what will our plan be?

.....

If future plans were to change and the money needs to be repaid back sooner than expected, what will our plan be?

.....

.....

## 5. BUYING WITH ANOTHER INDIVIDUAL?

Is the money just for the adult child or for both the adult child and another individual?

.....

Will the property / mortgage be in the name of the adult child or joint with another individual?

.....

Are there any conditions in place?

.....

If the relationship breaks down, will that change any previous points discussed and what will our plan be?

.....

.....



## 6. PROFESSIONAL LEGAL AND FINANCIAL ADVICE

It's important to consider professional legal and financial help. They can help point out any pitfalls and problems in the areas you need to consider.

We will get legal advice ☐

We will get professional advice ☐

## MOVING FORWARD

- ✓ **Review your arrangement regularly, for example every six months.**  
This can help you discuss any issues that may occur.
- ✓ **Maintain good communication and talk openly and honestly.**
- ✓ **Being organised is vitally important. The more you have written down the more you can be prepared for something going horribly wrong.**

For more information on the Bank of Mum and Dad and how it really works visit our website:

[familybuildingsociety.co.uk/bomad](https://familybuildingsociety.co.uk/bomad)

Here you can download our research report and guide on 'How to run the Bank of Mum and Dad', as well as find some frequently asked questions and answers that arise when first approaching the conversation of financial support.

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*If you have any doubt, and  
actually even when you don't,  
then you should always document  
any transaction.*



# OTHER HELP

## FAMILY BUILDING SOCIETY

**The Bank of Mum and Dad: how it really works**  
[familybuildingsociety.co.uk/bomad](http://familybuildingsociety.co.uk/bomad)

**Generational Divide**  
[familybuildingsociety.co.uk/generational-divide](http://familybuildingsociety.co.uk/generational-divide)

**Family Mortgage**  
[familybuildingsociety.co.uk/Family-Mortgage](http://familybuildingsociety.co.uk/Family-Mortgage)

## ADVICE AND CHARITIES

**Citizens Advice**  
[citizensadvice.org.uk](http://citizensadvice.org.uk)

**Money Helper**  
[moneyhelper.org.uk](http://moneyhelper.org.uk)

**National Debtline**  
[nationaldebtline.org](http://nationaldebtline.org)

## BROKERS AND INDEPENDENT FINANCIAL ADVISERS

**British Insurance Brokers' Association**  
[biba.org.uk](http://biba.org.uk)

**Unbiased.co.uk**  
[unbiased.co.uk](http://unbiased.co.uk)

**Vouchedfor.co.uk**  
[vouchedfor.co.uk](http://vouchedfor.co.uk)

## FINANCE

**Financial Ombudsman Service**  
[financial-ombudsman.org.uk](http://financial-ombudsman.org.uk)

**Moneyfacts**  
[moneyfacts.co.uk](http://moneyfacts.co.uk)

## PROPERTY

**Propertymark**  
[propertymark.co.uk](http://propertymark.co.uk)

**Deposit Protection Scheme**  
[depositprotection.com](http://depositprotection.com)

**Help to Buy**  
[helptobuy.org.uk](http://helptobuy.org.uk)

**Own your home**  
[ownyourhome.gov.uk](http://ownyourhome.gov.uk)

**The Letting Protection Service Northern Ireland**  
[lettingprotectionni.com](http://lettingprotectionni.com)

**The Letting Protection Service Scotland**  
[lettingprotectionsotland.com](http://lettingprotectionsotland.com)

**safeagent**  
[safeagents.co.uk](http://safeagents.co.uk)

**New-homes**  
[new-homes.co.uk](http://new-homes.co.uk)

**Ombudsman Services**  
[ombudsman-services.org](http://ombudsman-services.org)

**Onthemarket**  
[onthemarket.com](http://onthemarket.com)

**The Property Ombudsman**  
[tpos.co.uk](http://tpos.co.uk)

**reallymoving.com**  
[reallymoving.com](http://reallymoving.com)

**Rightmove**  
[rightmove.co.uk](http://rightmove.co.uk)

**Royal Institution of Chartered Surveyors**  
[rics.org](http://rics.org)

**Self Build Portal**  
[selfbuildportal.org.uk](http://selfbuildportal.org.uk)

**Shelter**  
[shelter.org.uk](http://shelter.org.uk)

**UK Association of Letting Agents**  
[ukala.org.uk](http://ukala.org.uk)

FOR MORE INFORMATION CONTACT YOUR  
MORTGAGE ADVISER.

ALTERNATIVELY, TELEPHONE OUR FRIENDLY  
AND HELPFUL TEAM.



**03330 140140**



**FAMILYBUILDINGSOCIETY.CO.UK**

This leaflet can be provided in alternative formats on request.

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