THE FAMILY BUILDING SOCIETY

THE BANK OF MUM & DAD:

UNREGULATED, UNDOCUMENTED AND OUT OF CONTROL?

HOW IT *REALLY* WORKS.

With the news that The Bank of Mum and Dad is now the UK's sixth largest lender, it is essential that parents and children are more business-like when helping young people to get on the property ladder. They should discuss finances in detail – theirs and their parents – in coming to decisions about the precise form of the help.

That is the key recommendation of a report by the London School of Economics, sponsored by the Family Building Society. The report contains a wealth of statistics about average amount of money provided by region and about the age of recipients. Extensive surveys and focus groups provide insight into the mechanisms of the Bank of Mum and Dad.

The family needs to decide whether the money is to be a gift or a loan, if interest is to be paid, what any repayment arrangements are to be and what happens if the parents' or children's financial circumstances change. Unlike traditional banks, no forms are completed and no credit checks are made, so in many ways, the Bank of Mum and Dad is rather a misnomer.

Research was carried out online, by interview and by focus group and found that there is often no written record of any transactions because many families are reluctant to talk about money. It is "a difficult conversation", many respondents told researchers.

Although parents are happy to help their children buy a property, around half of those surveyed thought it was unfair that they had to do so. In fact, in some cases the children had higher incomes than their parents.

The report, published today, recommends that a set of guidelines or a template be developed to help ensure parents and children have discussed exactly what they are doing and what everyone's responsibilities are regarding when, how and indeed if repayments are to be made. The family as a whole need to bear in mind the need to make financial provision for possible future care needs of the parents.

Mark Bogard, Chief Executive of Family Building Society, said: "The report confirms what we have long suspected which is that, while parents are happy to help their children, there is rarely any discussion about how any money should change hands or be repaid.

"Failing to carry out some basic planning and documentation can store up a whole host of problems if things go wrong. Things such as the break-up of relationships, the death of one or both parents, or the need for parents to contribute to care costs in future, all need to be considered. So do the requirements of HMRC.

"The Bank of Mum and Dad is now the sixth largest lender and the equivalent of a top 10 mortgage lender. Having talked to our members about their experiences and noting the report's recommendation regarding guidelines, we have produced a definitive guide on how to run the Bank of Mum and Dad."

The 'How to run the Bank of Mum and Dad' guide will be available here: familybuildingsociety.co.uk/runningbomad from 9am 23 January.

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Notes for editors:

1. The Family Building Society, launched in July 2014, is a trading name of National Counties Building Society.
2. National Counties Building Society is the UK's eleventh largest building society, with over 50,000 members and £2.02 bn of assets. Operating from its head office in Epsom, Surrey, the Society employs approximately 160 people and offers a range of competitive savings and mortgage products throughout the UK.
3. National Counties Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
4. Eligible deposits with Family Building Society are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme.