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# Lending to Friends & Family

## What can go wrong?

Litigation & Dispute Resolution Law Update



**There can be all sorts of reasons for lending money to friends or family, from helping loved ones through a tough time, to perhaps putting a deposit down on a property, helping out with home alterations or assisting in the purchase of a car.**

Understandably we all prefer to take it on trust that we will be repaid and that there won't be any falling out.

Things can go wrong, however. We live in tough economic times. The person you lend to might suffer a relationship breakdown or become one of the increasing number who lose their job or are made bankrupt.

If you are lending a modest sum of money, which you feel you can afford to lose with good grace, that is one thing.

But what about a larger sum of money which you don't need now, but you will or may need in future?

It is often easier to protect your financial position, and your friendship or family relationship, at the outset.

Often it is simple just to record the loan in a simple document such as a promissory note. For larger sums you

#### Services for individuals:

- Residential Property
- Wills & Probate
- Contentious Probate
- Tax & Estate Planning
- Family, Matrimonial
- Mediation
- Employment
- Accident & Personal Injury Claims
- Litigation & Dispute Resolution
- Agricultural Law
- Town & Country Planning Law
- Elderly Client Services

#### Services for businesses:

- Company & Commercial Services
- Commercial Property
- Civil Litigation
- Employment Law
- Debt Collection

#### Financial Services

#### Lending to Family & Friends

may prefer to have some security, in case anything goes wrong.

For example, if your friend or relative owns a house or flat, repayment of the money you lend could be secured by a charge (mortgage) against their property.

A bank or building society which had loaned money to help them buy their property would still take priority in terms of being repaid out of the proceeds when the property was sold, but at least you would take priority over most other creditors.

Arguments are often best avoided by not leaving things to chance.

#### **Ware & Kay**

good on paper, even better in person

#### **Contact us**

For further advice or to make an appointment, please contact a member of our Litigation & Dispute Resolution Team on York **01904 716000** or Wetherby **01937 583210**.

Alternatively you can email them **law@warekay.co.uk**.