



David Hatcher

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Property sector could recoup £10bn bank mis-selling windfall

9 September 2013 | By [Mike Phillips](#)

Property borrowers are in line to recoup between £5bn and £10bn from lenders due to complex interest swaps put in place at the height of the market.

A report released today from DTZ reveals that the sector could pursue recourse from banks over the mis-selling or poor structuring of hedging put in place in the run up to the crash.

It takes data from law firm Collyer Bristow and swap specialists Vedanta Hedging that shows that borrowers who have pursued banks for mis-selling or mis-structuring interest rate swaps have received redress from banks totalling £104m after reaching out of court settlements with lenders.

This equates to around 18% of the amount that they should have paid to banks to break swaps when their loans needed to be restructured.

If extrapolated for the whole industry, this could total £5bn-£10bn of redress for borrowers. It will also mean that loans that thus far have not been able to be restructured because of swap breakage costs can now be refinanced.

Banks are typically paying redress in the form of reduced fees on new loans, a reduction in swap break costs or a cash payment.

Hans Vrensen, global head of research at DTZ, said: "As floating rates came down in 2009 and have stayed down since, swap mark-to-market costs have posed an increasing problem for many borrowers. In some cases, where the swap term exceeded that of the loan, these costs were very high relative to the value of the property, making refinancing difficult and sometimes impossible. In my view, these swaps' mark-to-market costs have been one of the biggest impediments so far to successful refinancing and restructuring of debt across the commercial property industry. The swap reviews have the potential to unlock this impediment, which is a positive for the market to continue its recovery."

Mayad Rassam, of Vedanta Hedging, added: "We are pleased about the level of redress that we have assisted clients to achieve so far, in conjunction with their legal teams. It is important to note that time is running out for many as the swap contract must almost always be challenged within six years of entering into the swap. While the media headlines will inevitably focus on SMEs, we are advising a number of large international property firms, some with notional swaps in the hundreds of millions, who believe they did not fully understand the complexity of what was provided to them."

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