

## Consumers Warned Over Sell And Rent Back Schemes

*As fears grow over the ability to make mortgage payments, homeowners have been warned about opting for sell and rent back schemes.*

July 13, 2008 (FPRC) -- Independent financial advisor the Motley Fool has identified that with a number of consumers expressing concerns about meeting repayment demands, many would consider opting for such a plan to avoid having their home repossessed. However, the website noted a lack of understanding about what kind of deal they could expect in doing so. A recent poll conducted by the group found that 20 per cent of people are worried they will not be able to keep up with mortgage payments over the coming year, while 50 per cent said they might call upon a sell and rent back scheme to avoid repossession.

Also known as sale and lease back schemes, such services purport to offer a lifeline to consumers who are facing repossession by purchasing their property and renting it back to them. However, the Motley Fool warned that many consumers were unaware of a number of clauses which could make the deals less attractive. A common misconception identified by the advisor was that those entering the plan would be able to stay in their home for as long as they liked. While more than a quarter (26 per cent) believed this was the case, the firm pointed out that most leasebacks are carried out under an assured shorthold tenancy agreement, many of which last for just six months or a year. After this, the company is at liberty to evict residents from their home.

For those who are concerned about their ability to keep afloat in a tumultuous financial situation, taking out a debt consolidation loan may provide a less drastic solution. By contacting debtors and arranging lowered payment arrangements spread over a longer period of time, consumers may find they are able to meet their financial obligations more easily.

Indeed, the Motley Fool noted that in entering into a sale and lease back scheme, consumers could find they get a lot less than they expected from the sale of their property. While one in six (15 per cent) believed they were entitled to the full value of their home, they were warned that sales were usually completed at a dramatically reduced rate. Consumers were advised that they could lose out on 15 to 20 per cent of the value of their home.

Donna Werbner, property expert at the company, commented: "The allure of such schemes to people facing repossession is understandable. However, I would urge anyone considering doing this to do their research. Much of the information out there is misleading and by the time you find out the truth, it could well be too late to change your mind. What is particularly shameful about these schemes is that they are targeted at homeowners facing repossession - so people who are at their most financially vulnerable."

For consumers who have found themselves struggling with repayment commitments in recent months, taking out a consolidation loan may prove an effective way to get finances back on track and avoid the risk of repossession. In figures released in May by the Ministry of Justice, it was revealed that the number of house reclamation orders had increased by 16 per cent in the past year.

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