



Private Client Insights

The Bank of Mum and Dad

**Supporting a house purchase
in a challenging market**

For many first-time buyers, getting onto the property ladder has become increasingly difficult. Rising house prices, affordability pressures and tighter lending criteria mean that saving enough for a deposit can be a significant hurdle.

As a result, family support is playing an increasingly important role in helping the next generation buy their first home. Recent research shows that more than half (53%) of first-time buyers receive financial help from family members through gifts, loans or inheritance. In 2025 alone, families contributed around £11 billion towards property purchases, demonstrating just how significant the so-called 'Bank of Mum and Dad' – and increasingly the 'Bank of Grandma and Grandad' – has become within the housing market.

While this support can make home ownership possible, providing financial help is not always as straightforward as transferring money from one generation to another. Gifts and loans can bring legal, tax and wider financial considerations that families may not have anticipated, making it important to understand the implications before committing to an arrangement.

Support is increasing – but so is complexity

Helping children onto the property ladder is, at its heart, a positive and often necessary step. However, it is rarely a simple transfer of funds.

The key question is not just whether to help, but how to structure that help. The route chosen, whether a gift, a loan or a more complex arrangement such as a trust, can have significant implications for:

- Control over the funds
- Exposure to risk (for both parent and child)
- Tax treatment (both immediately and long term)

Making the right decision requires careful consideration at the outset.



What options are there?

1 Gifting Funds

A straightforward gift remains the most common approach. Parents transfer money to their child, typically to support a deposit, with no expectation of repayment.

From a practical perspective, this is often the simplest route and is generally preferred by lenders, who typically require confirmation that the deposit is a genuine gift with no retained interest in the property.

However, the simplicity comes at a cost:

- The gift is irrevocable—once given, it cannot be reclaimed
- Parents lose control over how the funds are used
- If the child is buying with a partner, the funds may effectively become joint property

There is also a key tax consideration - most gifts are treated as potentially exempt transfers (PETs) for inheritance tax purposes. If the parent survives seven years, the value typically falls outside their estate, but if not, it may still be taxed.



2 Making a Loan

An alternative approach is to structure the contribution as a loan. This allows parents to:

- Retain a right to repayment
- Set terms (including interest, timing and events of repayment)
- Potentially protect the value if circumstances change

However, loans can introduce a number of complexities. They may affect the child's ability to obtain a mortgage, as lenders may view the arrangement as additional debt and factor this into affordability assessments. Without clear documentation, disputes can arise over whether the funds were intended as a loan or a gift, particularly if circumstances change. In addition, in family law scenarios, so-called "soft loans" from parents are not always treated as fully repayable liabilities. As a result, it is essential that any such arrangement is properly documented, typically through a formal loan agreement or legal charge.

3 Using a Trust

For families seeking greater control or protection, a trust structure may be considered. This can allow parents to retain oversight of how and when funds are used, provide a degree of protection from third-party claims such as divorce or creditors, and support longer-term succession planning objectives.

However, trusts introduce a higher level of complexity and require careful consideration from both a legal and tax perspective. Inheritance tax charges may arise on transfer, particularly where values exceed available allowances, and trusts can also be subject to ongoing tax charges, including periodic charges throughout their lifetime. In addition, the administrative and compliance requirements must be considered.

As a result, while trusts can be a powerful planning tool, they are typically most appropriate where the need for control and protection outweighs the additional cost and complexity.

Wider Tax Points

There are also specific tax points that need to be considered in a property context. For example, using a trust structure can affect the availability of principal private residence relief where the occupation of the property does not align with the relevant conditions.

Where parents are involved in acquiring or holding an interest in property, whether directly or indirectly, consideration should also be given to stamp duty land tax, including the potential application of higher rates for additional properties.





Risk and Practicalities

While each structure has advantages, there are several common risks that need to be addressed.

Loss of control and value

With an outright gift, parents generally have no retained interest in the property or any future growth in value. If the property increases significantly in value, that uplift accrues entirely to the child.

Relationship breakdown

If the child purchases with a partner, there is a real risk that the gifted funds become part of the shared matrimonial assets and the contribution is effectively at risk on separation. Without appropriate legal protection, courts may treat gifted deposits as part of the wider asset pool.

Uncertainty around ownership

Where contributions are not clearly documented, disputes can arise as to whether the funds were a gift, a loan or an investment with an implicit ownership share. This uncertainty can create both legal and family tension if circumstances change.

Impact on Parents' Financial Position

Supporting a property purchase can have consequences for parents themselves. Some families rely on savings, investments or even property wealth to fund support, which may affect their own long-term financial security.

Tax Considerations

Tax is often one of the most complex aspects to consider. Capital gains tax is generally not relevant for cash gifts but can arise where property is transferred, and stamp duty land tax may apply where debt or a mortgage is involved in the transaction.

Gifts may fall outside the estate for inheritance tax purposes if the donor survives seven years, whereas failure to do so can result in exposure to IHT.

In addition, more complex arrangements, such as trust structures or retained interests, can bring ongoing tax implications. Ultimately, the tax outcome will depend heavily on how the arrangement is structured and implemented.



Why planning ahead matters



A common theme across all options is that many of the risks arise after the event, when it is too late to revisit the original structure. Key decisions, such as whether funds are a gift or a loan, how ownership is recorded, and whether protections are in place need to be addressed before the transaction completes.

Once the property has been purchased legal ownership is fixed, tax treatments are largely established and retrospective planning options can be limited.

Supporting children onto the property ladder is often one of the most significant financial decisions families will make. In today's market, it is increasingly necessary, but also increasingly complex.

The key is not simply providing financial support, but doing so in a way that aligns with the family's long-term objectives and balances flexibility with protection, minimising unintended tax consequences.

With multiple options available, each with different legal and tax outcomes, early and informed advice is essential. Taking time to structure the arrangement at the outset can help ensure that what is intended as a positive and supportive step does not result in unintended financial or tax consequences later.

Speak To Our Team

If you would like bespoke advice in relation to property ownership, tax planning or succession please do speak to a member of our Private Client Team.

Clear advice starts with a conversation

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*The right outcome starts
with the right advice*



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Sources

Savills, First-time buyers receive £11.0 billion in financial support from families, June 2026.

UK Finance, Family Support Shapes Homeownership Prospects, May 2025.

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