



Due Diligence

Questions to ask (or answer)
when considering private
finance





Welcome

Hello friends,

Are you considering lending money to a property developer? Or are you a developer seeking private finance?

If so, then performing due diligence is absolutely essential. However, due diligence is one of the most frequently used expressions in property and the least explained...

The Expat Property Story Podcast and Sean the Property Tax Accountant have teamed up to put together this handy guide to help you identify the risks of lending money to others or demonstrate your reliability when seeking funds from investors.

Want to hear more? Listen to us discuss this topic in [episodes 104 and 105](#) of the podcast or sign up to our newsletters [here](#) and [here](#).

John & Sean

PS - if you find this list useful and want to share it with a friend, just direct them to PropertyTaxAccountant.uk/books or ExpatPropertyStory.com so they can get their own copy for free.



Disclaimer

The contents of this document do not represent a full and comprehensive sets of questions and tasks when performing due diligence. It has been prepared for entertainment purposes only. Unless you are an expert in the field of due diligence, professional expertise should be sought.



Commercial due diligence

1. Why does the developer need the money?
2. Is the loan for a specific project/property or a general business loan?
3. Is there (will there be) a charge on the property? Is it a first or second charge?
4. Who else is lending money for this project / to the business?
5. How does the developer plan pay you back in full, on time?
6. What contingency plans does the developer have to repay the loan if:
 - a. Renovations are delayed or more expensive than planned?
 - b. The property has not increased in value as more as anticipated?
 - c. Mortgages are not available at the end of the term of the private finance loan?
 - d. Mortgage interest rates have increased on other properties owned by the developer?
7. What will you do if the developer doesn't pay you back in full, on time?

Reputational due diligence

1. Does the developer have a high-quality website?
2. What can you see in the developer's social media? How well established is their presence?
Do they act professionally online?
3. What do people in your network have to say about the developer?
4. Have you spoken to the developer's previous investors?
 - a. What were their experiences?
 - b. Were they paid back in full, on time?
 - c. Was the developer fully transparent?
 - d. How was the developer's communication?

Operational due diligence

1. Who owns the company?
2. Who is involved in the company? Directors, Persons with Significant Control, Others? Are they all listed in the investor pack? Where are they based?
3. Where is the company operated from? From the company's registered address or somewhere else?
4. Are the operations of the company sustainable in the future?

Legal due diligence

1. Has the company filed its accounts and confirmation statements on time?
2. Does a holding company own the company? If so, what other companies are held within this structure?
3. Are the owners / directors involved with other companies?
4. Have any individuals been disqualified as a director?
5. Have any of the companies associated with any of the directors / PSC been liquidated? Did the company pay all debts on wind up? What were the circumstances?

Financial due diligence

1. Are the company's assets greater than the liabilities, i.e., is the company solvent?
2. What do the fixed assets consist of? Are they valued appropriately?
3. What do the current assets consist of?
4. Is the Director's Loan account overdrawn?
5. Will the company run out of money before it can repay your loan?
6. Are any charges fixed (i.e., on a property) or floating (on the business)?
7. Can the developer or their representatives competently talk you through the accounts?



We hope you found this guide useful!

John & Sean

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