

## Renovation Finance Routes Compared

Which type of funding is the better fit for your renovation project?

When funding a renovation project, there is no single “best” finance route that works for everyone. The right option depends on the scale of the work, how quickly you need the money, whether the property is already mortgaged, how much equity you have, and how much risk you are prepared to take on. MoneyHelper’s guidance on paying for home improvements points people towards comparing different forms of borrowing rather than assuming one route fits every job.

That matters because a small bathroom upgrade, a full house refurbishment, and a structural renovation are not the same commercial decision. Using long-term borrowing for a short-life improvement can be inefficient, while using short-term finance for a drawn-out project can get expensive fast. On top of that, the FCA has stressed that the risks of secured lending should be featured prominently alongside the benefits, because borrowing against your home carries the risk of losing it if things go badly wrong.

In practical terms, the main renovation finance routes people tend to compare are:

- **Personal loans**
- **Further advances**
- **Remortgaging**
- **Second charge or secured loans**
- **Bridging finance**

What is renovation finance?

**Renovation finance** is the broad term for borrowing used to fund property improvement works. That could mean cosmetic improvements, a new kitchen, extension work, layout changes, energy-efficiency upgrades, or more substantial refurbishment. The funding route can sit separately from your mortgage, be added to your existing mortgage, or be arranged as another form of secured or short-term finance depending on the project and your circumstances.

The main renovation finance routes

The most common finance routes for renovation projects are:

### 1. Personal loan



A **personal loan** is usually unsecured borrowing. It is often used for smaller or mid-sized renovation works where the borrower wants a clear repayment period and does not want to secure more debt against the home. MoneyHelper groups loans within its broader borrowing options and explains the difference between secured and unsecured borrowing.

## 2. Further advance

A **further advance** is additional borrowing from your current mortgage lender on top of your existing mortgage. MoneyHelper notes that this may be useful if you are looking to pay for home improvements and your home has increased in value since you bought it, though it also means considering the impact on repayments.

## 3. Remortgage

A **remortgage** for renovation funding means replacing your current mortgage with a new one and potentially borrowing extra as part of that process. This can be useful where a borrower wants to restructure the mortgage and raise capital at the same time. MoneyHelper's home-improvement guidance points readers towards mortgage-based borrowing as one possible route.

## 4. Second charge or secured loan

A **second charge loan** is borrowing secured against your home but arranged separately from your main mortgage. MoneyHelper explains that before taking out a second mortgage, you should check whether a further advance from your existing lender is available first and get advice from a suitably qualified adviser.

## 5. Bridging finance

**Bridging finance** is short-term borrowing usually used to bridge a temporary gap where there is a clear exit strategy. It can sometimes be used on renovation projects, especially where speed matters or where a conventional mortgage route is not suitable at the start. The FCA has been clear that regulated bridging finance should have a clear purpose and exit strategy.

### Side-by-side comparison

#### 1. Speed of access

##### **Personal loan**

Usually one of the simpler routes for smaller projects, with less property-related administration than mortgage-based options.



### **Further advance**

Can be simpler than a full remortgage because you may be borrowing more from your existing lender, but it still depends on lender checks and approval.

### **Remortgage**

Usually slower because you are restructuring the mortgage, which can involve product selection, affordability checks and property-related assessment.

### **Second charge / secured loan**

Can sometimes be useful when you do not want to disturb the existing mortgage, but it is still secured lending and needs careful review.

### **Bridging finance**

Often considered where speed is critical, but it is short-term and should not be treated like casual long-term borrowing.

### **Best for:**

- Personal loan: smaller, quicker projects
- Further advance: existing mortgage customers seeking extra funds
- Remortgage: planned projects with time to restructure properly
- Second charge: borrowers wanting to leave the main mortgage in place
- Bridging: urgent cases with a clear exit strategy

## **2. Borrowing size**

### **Personal loan**

Usually better suited to smaller or medium-sized renovation budgets.

### **Further advance**

Can be useful where there is enough equity and the current lender is willing to lend more.

### **Remortgage**

Can be suitable for larger budgets because the borrowing is incorporated into a mortgage structure.

### **Second charge / secured loan**

Can offer larger borrowing than unsecured loans because it is secured against the property.

### **Bridging finance**

Can be used for larger or more specialist cases, but the key point is not size alone; it is whether short-term funding with a clear exit is appropriate.



**Best for:**

- Personal loan: modest renovation budgets
- Further advance: homeowners with equity and a supportive current lender
- Remortgage: bigger planned renovation spending
- Second charge: larger borrowing without replacing the first mortgage
- Bridging: specialist or time-critical scenarios

### 3. Monthly affordability

**Personal loan**

Often repaid over a shorter term, which can mean higher monthly payments but a quicker route out of debt.

**Further advance**

Can spread repayment over a longer mortgage term, which may reduce monthly pressure.

**Remortgage**

Usually allows borrowing to be spread over a long period, often lowering monthly payments compared with shorter-term unsecured borrowing.

**Second charge / secured loan**

May offer lower monthly payments than an unsecured loan if spread over longer periods, but the debt is secured on the home.

**Bridging finance**

Usually not chosen for long-term affordability. It is a short-term solution, not a comfortable long-haul payment plan.

**Best for:**

- Personal loan: borrowers comfortable with higher monthly payments for a shorter time
- Further advance: those wanting to keep repayments within the mortgage structure
- Remortgage: those prioritising monthly affordability
- Second charge: those wanting structured secured borrowing without replacing the first mortgage
- Bridging: not really about monthly comfort; it is about temporary funding



## 4. Total cost over time

### **Personal loan**

The rate may be higher, but shorter repayment periods can mean the debt is cleared faster.

### **Further advance**

Mortgage-style borrowing can look cheaper monthly, but spreading renovation debt over many years can increase the total amount paid. This is an inference from the long-term nature of mortgage borrowing and repayment impact.

### **Remortgage**

A lower mortgage rate does not automatically mean lower total cost if the renovation borrowing sits in the mortgage for decades. This is the classic “cheap monthly, expensive lifetime” trap. That conclusion is an inference, but a sensible one based on repayment structure.

### **Second charge / secured loan**

Needs careful scrutiny because fees, rates and term length can materially change the real total cost. MoneyHelper recommends checking whether a further advance is available before taking this route.

### **Bridging finance**

Usually not the product people choose because it is cheapest overall; it is chosen because it solves a short-term problem.

### **Best for:**

- Personal loan: contained borrowing over a defined term
- Further advance/remortgage: borrowers who need lower monthly outgoings and accept longer-term cost
- Second charge: case-by-case comparison required
- Bridging: problem-solving, not bargain hunting

## 5. Risk to the home

### **Personal loan**

Typically unsecured, so your home is not directly tied to that borrowing.

### **Further advance**

Secured against your property because it sits within mortgage borrowing.

### **Remortgage**

Also secured against your property. FCA materials stress that the risks of secured lending should be shown clearly, including the risk of losing the home.



### **Second charge / secured loan**

Secured against the home and carries the same broad concern: get it wrong badly enough and the home is in the firing line.

### **Bridging finance**

Often secured lending too, which means the exit plan and fallback plan matter a great deal.

### **Best for:**

- Personal loan: borrowers wanting to avoid linking extra borrowing directly to the home
- Mortgage-based and secured routes: borrowers comfortable with property-backed risk

## **6. Suitability by project type**

### **Personal loan**

Often better for contained projects such as kitchens, bathrooms, decorating, windows or smaller upgrades.

### **Further advance**

Often better for medium or larger projects where the borrower wants to stay with the current lender.

### **Remortgage**

Often better for larger renovation plans or where a broader mortgage review already makes sense.

### **Second charge / secured loan**

Often considered where a larger amount is needed but the borrower does not want to replace the existing mortgage deal.

### **Bridging finance**

Often considered for more specialist situations, such as buying and renovating quickly, dealing with unmortgageable property, or bridging to a later refinance. The “clear exit” point is the non-negotiable bit.

### **Best for:**

- Personal loan: smaller defined improvements
- Further advance/remortgage: medium to major renovations
- Second charge: larger projects where the first mortgage should stay untouched
- Bridging: specialist renovation cases with a clear next step



## When each route may make more sense

### A personal loan may make more sense if:

- the renovation budget is modest or mid-range
- you want the debt cleared in a shorter timeframe
- you do not want to secure extra borrowing against the home
- you want a simpler, more ring-fenced borrowing structure

### A further advance may make more sense if:

- you already have a mortgage and sufficient equity
- your current lender is willing to lend more
- you want to avoid a full remortgage
- the renovation is large enough to justify mortgage-based funding

### A remortgage may make more sense if:

- the project is substantial
- you are already reviewing your mortgage deal
- monthly affordability matters more than repaying the borrowing quickly
- the property position supports additional mortgage borrowing

### A second charge or secured loan may make more sense if:

- you need larger borrowing
- you want to keep your current mortgage deal in place
- a further advance is not available or not suitable
- you understand and accept the risks of secured borrowing

### Bridging finance may make more sense if:

- speed is essential
- the project is temporary or specialist in nature
- mainstream mortgage borrowing is not currently suitable
- there is a very clear exit through sale or refinance

## Common mistakes people make when comparing renovation finance routes

### Looking only at the monthly payment

Lower monthly repayments can look attractive, but longer mortgage-style borrowing can cost more over time. That conclusion follows from how mortgage repayment structures work.



### **Ignoring the risk of secured lending**

The FCA has been explicit that the risks of borrowing secured on the home need to be shown prominently, not tucked behind the shiny benefits.

### **Funding a short-life upgrade over a very long term**

Paying for short-life improvements over decades is often not great capital discipline. That is an inference, but a commercially sensible one.

### **Using bridging finance without a real exit**

This is one of the fastest ways to turn a clever deal into a stress test. The FCA's focus on clear exit strategy is the key anchor here.

### **Not checking whether a further advance is available before taking a second charge**

MoneyHelper explicitly says to check that first.

### **Questions to ask before deciding**

Before choosing a renovation finance route, ask yourself:

- How much do I actually need to borrow?
- Is this a modest upgrade or a major refurbishment?
- Do I want lower monthly payments or quicker repayment?
- Am I comfortable securing extra debt against my home?
- Do I want to keep my current mortgage deal untouched?
- How fast do I need the money?
- If using short-term finance, what is the exact exit route?
- What is the total amount repayable under each option?

### **Comprehensive conclusion**

There is no single best renovation finance route because different finance products solve different problems. The right answer depends on the size of the project, the urgency, your mortgage position, your available equity, your cash flow, and your attitude to risk. MoneyHelper's guidance is broadly consistent on this point: compare the available borrowing routes carefully and do not treat all finance as interchangeable.

A **personal loan** is often the better fit for smaller or medium-sized renovations where you want the borrowing kept separate from the mortgage and repaid over a shorter period. It is usually cleaner, more contained and less risky to the home, although monthly payments may be higher.

A **further advance** is often a sensible route where you already have a mortgage, have enough equity, and want to raise extra funds from your current lender without replacing



the whole mortgage. It can be a practical middle ground for homeowners already sitting on a mortgage relationship that still works.

A **remortgage** is often more suitable for larger renovation projects where you need bigger funding and want lower monthly repayments by spreading the cost over a longer term. That can help affordability, but it also means the total cost needs very careful scrutiny.

A **second charge or secured loan** can make sense where more funding is needed and you do not want to disturb an existing mortgage deal, but MoneyHelper is clear that borrowers should check whether a further advance is available first. This is secured borrowing, so the risk profile is more serious.

**Bridging finance** is usually the specialist option, not the default option. It can be useful where speed matters or where the property or project does not suit mainstream finance at the outset, but it only really makes sense where there is a clear and credible exit strategy.

In plain English, **personal loans are often better for smaller, contained renovation costs, mortgage-based options are often better for larger planned works, second charge loans can help where the first mortgage should stay untouched, and bridging finance is usually for specialist short-term situations rather than everyday renovation borrowing.** The smart move is to match the finance route to the job, not to chase whichever headline sounds slickest in the first advert you read.

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