

Planning risk is one of the most critical factors developers and investors need to understand when seeking development finance. Whether you're applying for **pre planning finance** or aiming to secure **conditional funding** based on planning permission, lenders have well-defined processes and criteria to manage this risk. In this article, we'll explore how lenders approach planning risk, what developers should know about loan mechanics like staged drawdowns and build progress, and why broker selection matters.

Understanding Planning Risk in Development Finance

At its core, **planning risk** refers to the uncertainty and possible complications associated with securing planning permission for a development project. Because borrowing sums against future value depends greatly on having the right consents in place, lenders are careful about financing too early or without sufficient safeguards.

There are generally two scenarios concerning planning risk:

- **Pre Planning Finance:** Where funding is sought before planning permission is granted. This carries the highest risk.
- **Conditional Funding:** Funding is offered on the condition that planning permission is granted within an agreed timeframe.

Lenders treat these with different strictness, risk premiums, and funding structures.

Key Broker Selection Criteria in Managing Planning Risk

Because development finance can be complex, especially with planning risk involved, working with the right broker is vital. Here are some top criteria:

- **Speed:** Planning-related deals move fast, and delays can kill a deal. Brokers who understand lender expectations and can quickly marshal information are invaluable.
- **Lender Access:** Brokers with wider panels or multi-lender access give you better chances to find funding tailored to your planning stage and risk level.
- **Transparency:** Clear, upfront communication about fees, loan terms, and lender policy on planning risk helps avoid nasty surprises during the application process.

Companies like **The Loans Engine** and **KIS Finance** have earned good reputations for balancing quick, transparent processes with access to a broad lender panel. Third-party review platforms like Reviews.io can offer candid user feedback on brokers and lenders to help you decide.

Who this is for:

Developers and investors who want an efficient, transparent process with access to multiple lender options for projects at any stage of planning.

Deal Size Capacity and Published Loan Bands

Not all lenders are created equal when it comes to loan size and risk appetite around planning. Many lenders publish loan bands with clear minimum and maximum lending ranges for development finance:

Lender Loan Size Range Project Type Planning Risk Appetite KIS Finance £100k to £3 million Residential and mixed-use Offers conditional funding, some pre planning finance on select projects The Loans Engine £250k to £5

million Residential developments, small to mid-scale commercial Focuses on conditional funding, limited pre planning, with staged drawdowns Scottish Bridging Loans £100k to £2 million Primarily Scottish properties, bridging and development finance Flexible conditional funding with a strong regional focus

Many lenders prefer conditional funding deals rather than loan agreements purely based on pre planning status, as this helps mitigate planning risk. However, some specialist lenders will consider pre planning finance where the developer's experience, site, and exit strategy justify it.



Who this is for:

Developers looking for clear guidance on loan sizes and lender appetite according to the planning status and geography of their project.

Development Finance Mechanics: Navigating Staged Drawdowns and Build Progress

Because development finance is secured against an asset not yet built, lenders manage risk by releasing loan funds in stages — what is commonly called **staged drawdowns**. This ensures capital is deployed as the project hits agreed milestones, lowering exposure.

- **Initial Advance:** Often released after the loan completes but prior to build commencement. This may cover acquisition and initial site costs.
- **Subsequent Drawdowns:** Released upon inspection and certification of build progress, typically verified by independent surveyors.
- **Retention or Final Completion Stage:** A final tranche paid on practical completion or sale of the development.

Understanding these mechanics is crucial. For example, if planning risk causes delays, the staged funding schedule may also be postponed, impacting project cashflow. Experienced brokers and lenders help structure agreements to account for this risk.

Who this is for:

Developers needing clarity on how funding is released in sync with construction milestones and [bridging loan broker UK](#) how planning risks may affect these stages.

Simplifying GDV, LTV, and Loan-to-Cost in Development Finance

Financial metrics can often sound intimidating, but here's a simple breakdown:

Term Meaning Importance in Planning Risk GDV (Gross Development Value) The expected market value of the completed development. Lenders base maximum lending on GDV, often expressed as a percentage. LTV (Loan-to-Value) Ratio of the loan amount against the current or completed value of the property. High LTV increases lender risk; lower LTV cushions impact of planning failure. Loan-to-Cost (LTC) Loan amount compared to total project cost (land purchase + build costs). Essential for budgeting and demonstrating developer equity.

For example, a lender may offer finance up to 70% LTV or 75% LTC but will want to see a credible GDV to justify it. In cases of planning risk, lenders often tighten these ratios or require more equity from the developer.



Who this is for:

Those requiring straightforward explanations of key financial ratios affecting funding offers and risk assessment.

How Lenders and Brokers Use Panels and Multi-Lender Access to Manage Planning Risk

Single-lender deals may limit your flexibility when risking pre planning or conditional funding. Brokers who work with multiple lenders and panels — like **The Loans Engine** and **KIS Finance** — can access a broader array of products tailored to your project's planning stage and risk profile.

This multi-lender access substantially improves chances to:

- Find lenders with specific appetite for pre planning risk or conditional funding.
- Obtain competitive rates and fees by leveraging different policies.
- Switch funding routes dynamically if planning permissions or deals change.

Scottish Bridging Loans, for example, through their regional focus, offer strong bridging solutions with planning risk considerations tailored for Scottish developers, assisted by close broker partnerships in the local market.

Conclusion: Navigating Planning Risk Successfully

Planning risk doesn't have to be a deal-breaker in development finance — provided you:

1. Select brokers who prioritise speed, transparency, and multi-lender access.
2. Understand your deal size in the context of published lender loan bands.
3. Grasp the mechanics of staged drawdowns and how build progress affects funding.
4. Master basic financial metrics such as GDV, LTV, and LTC to better communicate with lenders.

By working with reputable brokers and specialist lenders like **KIS Finance**, **The Loans Engine**, and **Scottish Bridging Loans**, leveraging platforms like Reviews.io for honest feedback, developers can confidently navigate the complexities of planning risk and secure development finance tailored to their needs.