

If you're exploring bridging finance options and come across an arrangement fee of £2,000 on a £100,000 bridging loan, you may be wondering: is this typical? That's a 2% fee right off the bat, so understanding the broader cost picture is crucial before you commit. In this post, I'll break down what fees to expect, how they relate to Loan-to-Value (LTV), why monthly interest rates are quoted (and why you must sanity-check them), plus what independent valuation reports and legal representation costs to watch for. Along the way, I'll reference insights from trusted sources like Iredell Free News and bridging lenders such as KIS Finance and KIS Bridging Loans.

Understanding Arrangement Fees: An Example

To get started, let's anchor on the "arrangement fee example" you've encountered: £2,000 on a £100,000 loan. This is a clear 2% charge, which is quite common across the specialist bridging loan market. However, what trips people up is that this is only a part of your total borrowing cost.

Why 2%? Arrangement fees serve to cover the lender's initial processing, assessment, and administrative costs before releasing funds. For bridging loans—generally short-term, high-risk lending—the fee compensates lenders for the upfront work and risk exposure.



How Arrangement Fees Fit Into Total Costs

Typical total costs for bridging loans usually range between 7% and 15% all-in, when accounting for:

- **Monthly interest payments** (the bulk of cost)
- **Arrangement fees** (commonly 1% to 3%)
- **Valuation fees** for the independent valuation report
- **Legal fees** for borrower and lender representation
- **Exit fees or early repayment charges** (occasionally)

So, while a 2% arrangement fee on £100,000 may feel steep alone, it's often just one slice of the pie. What's imperative is sanity-checking the total repayment amount including interest and fees—especially since arrangement fees are sometimes added to the principal, increasing the loan balance on which interest is charged (something to flag!).

Monthly Interest Rate Bands and Why They Matter

One quirk I always flag from my case management days is how bridging lenders quote *monthly* interest rates. Unlike traditional mortgages billed annually, bridging loan interest rates are typically expressed per month—often between 0.5% and 1.5% monthly.

Why? Because bridging loans are very short term (usually 3 to 12 months), and quoting monthly rates makes the cost more directly comparable to the loan duration. Unfortunately, casual borrowers sometimes wrongly compare the monthly bridging rate to annual mortgage rates—they're apples and oranges.



Interest Metric	Typical Bridging Loan Monthly Rate	Approximate Annual Equivalent Rate (APR)	Common Misconception
Monthly Rate	0.7% - 1.2%	8.4% - 14.4%	Seen as "high monthly rate" without annual context
Annual Mortgage Rate	N/A	3% - 6%	Compared directly to monthly bridging rate

To sum it up: a 0.8% monthly bridging interest rate looks "high" if read as monthly interest, but annualised it's roughly 10%. That fits with the 7% to 15% total cost ranges I've seen in bridging loan reviews by Iredell Free News and brokers such as KIS Finance.

Loan-to-Value (LTV) and Pricing Levers

Another critical factor driving arrangement fees and interest rates is the Loan-to-Value (LTV) ratio. LTV is simply the loan amount divided by the independent valuation report on your property, expressed as a percentage.

LTV bands influence price as follows:

- **Below ~55% LTV:** Lower risk to lender, so fees and monthly interest rates tend to be at the lower end, sometimes with arrangement fees closer to 1%.
- **Between 55% to 75% LTV:** Middle ground; expect arrangement fees around 1.5%-2%, and monthly interest rates pushing 0.8%-1.2%.
- **Above 75% to 80% LTV:** Higher risk, higher fees and higher interest rates common. Arrangement fees can hit 2%-3%, with monthly rates above 1.2% not unusual.

For example, KIS Bridging Loans advertise competitive rates for loans below 60% LTV, which can lock in lower monthly interest and more reasonable arrangement fees. The key takeaway is that a £2,000 (2%) arrangement fee

on a £100k bridging loan aligns well with LTVs in the ~70%-80% region, but if your property is valued very conservatively or your LTV is lower, shopping around could fetch better numbers.

Exit Strategy Clarity and Evidence

Before you sign up to any bridging loan, I cannot stress enough the importance of a well-defined, evidence-backed exit strategy. Bridging loans typically last 3 to 12 months, designed to “bridge” you from one property or finance event to another. But lenders expect realistic plans for repayment or re-financing, and failure here can significantly increase your overall costs.

Common exit strategies include:

1. Sale of the property once works are done or market conditions improve
2. Refinancing to a longer-term mortgage
3. Cash release from other assets

If your exit plan relies on vague or overly optimistic assumptions like <https://www.iredellfreenews.com/lifestyles/2026/how-much-does-a-bridging-loan-cost-in-the-uk/> “the property will sell quickly” without proof (e.g., a current market valuation or buyer interest), expect lenders—like those at KIS Finance—to question your application or increase fees to compensate for risk.

Sanity-Check Fees Against Exit Strategy Risks

The reason I always stress this is because fees like your £2,000 arrangement fee and monthly interest payments mount quickly if your exit is delayed or unclear. For example, rolling arrangement fees into the loan principal adds interest charges on top of costs you might have anticipated “once.” It can cause total repayment to snowball beyond typical 7%-15% cost ranges reported in market updates from reliable sources such as Iredell Free News.

Independent Valuation Reports and Legal Representation

Below the headline fees, never neglect the ancillary yet necessary costs:

- **Independent Valuation Report:** Bridging lenders will require an up-to-date, independent valuation to assess risk accurately. This usually costs £300 to £500 and must be factored into your budget.
- **Legal Representation:** Both borrower and lender need legal specialists to review the loan and security documents. Lender’s solicitors might be paid directly or via you, and borrower’s legal fees can run £500 to £1,200 or more depending on complexity.

Ignoring these costs is a classic mistake. If you rely solely on quoted arrangement fees and monthly rates, you risk underestimating the total outlay. Firms like KIS Bridging Loans include detailed breakdowns of these costs in their legal packs, so always request those and seek independent advice.

Summary: Where Does a £2,000 Arrangement Fee on £100,000 Bridging Loan Stand?

Aspect	Typical Range	Your £2,000 on £100k Loan	Comment
Arrangement Fee (% of Loan)	1% - 3%	2%	Middle of typical range
Monthly Interest Rate	0.5% - 1.5%	Varies by LTV & risk	Must verify exact rate
Total All-In Cost (incl fees & interest)	7% - 15% APR	Pending full cost review	Essential to sanity-check totals
Valuation Fee	£300 - £500		
Additional	Must budget separately	Legal Fees £500 - £1,200+	Additional Essential for borrower and lender

Bottom line: a £2,000 arrangement fee on a £100,000 bridging loan is a normal, not excessive, example of costs in this market segment—especially as noted by market commentary from outlets like *Iredell Free News* or broker offerings from KIS Finance. But it is just one part of a complex cost structure. Always factor in monthly interest, valuation, and legal fees, clarifying exit strategies, and ensure no fees are rolled into the balance without scrutiny since that can inflate your interest charges.

Final Advice & Next Steps

Before proceeding, here's a checklist I recommend for any bridging finance inquiry:

1. Request a full cost schedule, with arrangement, interest, valuation, and legal fees broken down
2. Clearly understand your exit strategy and gather evidence lenders will accept
3. Confirm LTV based on current independent valuation report
4. Check if arrangement fees are added to loan principal and charged interest
5. Discuss with brokers or lenders like KIS Bridging Loans to get competitive quotes

Bridging loans are a powerful tool for short-term property finance, but like any finance product, closely scrutinising arrangement fees, interest costs, and ancillary charges will keep your borrowing sane and cost-effective.

For more insights and real-world updates on bridging loan markets, following publications like *Iredell Free News* and engaging with brokers such as *KIS Finance* can be very helpful in making well-informed decisions.