



Fiona Campbell
The Association of Scotland's Self-Caterers Ltd
227 West George St
GLASGOW
G2 2ND

6th February 2023

Dear Fiona,

Short-Term Let legislation in Scotland

Further to our very positive meeting in Inverness two weeks ago, I would be very grateful for any representation you are able to make to the Scottish Parliament on behalf of my industry sub-sector - Commercial property finance, broking and sales, which is pivotal to the operation of the commercial property sales market in the Scottish accommodation sector.

I would summarise the impact as follow:

- I am a self-employed commercial mortgage adviser, working on behalf of the buyers of B&Bs, holiday parks, guest houses, and small hotels.
- At present, sellers of Short-Term Accommodation are now largely unable to sell - and buyers unable to buy.
- Last year, my business income was 73% derived from arranging finance for new purchasers of short-term accommodation.
- If I was to lose this level of income this year, my personal income would be decimated, as would many others trading in this sector.
- Lenders are absolutely key to make the market function as it should.
- But lenders are quickly pulling out of the market, unable to lend to a prospective purchaser because of the belief that their client cannot secure a trading licence as part of concluding missives on a property purchase.
- We know the effect of lenders pulling out of the market - we saw this at Covid in March 2020, when business sales/purchases plummeted; and of course in the financial crash of 2008.
- This is the problem currently facing buyers in this sector NOW.
- The effect on sellers is to create a "Barrier to Exit" as they are unable to sell their business, as buyers cannot secure finance.
- Finance is required in 96% of business purchases in this sector.

- To put into context, if a rule with this impact was implemented in the personal mortgage market, people would be unable to buy a home, as there would be no lenders. The market would collapse.
- This is what we are now facing for the small commercial accommodation sector, unless urgent changes are made to the implementation of the legislation.

In terms of solutions I would suggest that the government look at the following

- Consider making the core license requirements “transferable” between buyer and seller.
- Free up the ability of a new owner / host to apply for a temporary license or license transfer during the mortgage / finance application stage (which itself can take 6-9 months).
- Review the requirement for police checks – why are these needed in this particular sector ?
- More flexible use of temporary licenses when a business is being bought and sold.
- Consider reliance on the seller’s license to meet legislation requirements during the difficult period of concluding the purchase/sale of an existing business.

My commercial broker network has now raised the matter with my UK industry body, the NACFB with whom I would encourage the government to actively engage.

Many thanks Fiona for your continued efforts.

Yours sincerely



Ken Macrae
Director
Kintail Finance, Inverness