

'My Cyprus mortgage repayments went up by 166pc'

Thousands of British investors who were mis-sold property in Cyprus face devastating losses. The Wilkinsons' repayments went from £300 to £800



David and Michelle Wilkinson's monthly mortgage repayment has risen 166pc Photo: Paul Cooper

By Nicole Blackmore

7:36AM GMT 15 Dec 2013

Thousands of British investors who were mis-sold property in Cyprus have until December 31 to file a legal claim against lenders and developers – or face devastating losses.

(Update - since publication, the Cypriot government has extended the deadline to December 31, 2014)

As many as 15,000 Britons bought property in Cyprus between 2003 and 2009. Many bought “off-plan”, meaning building work was still unfinished or hadn't even begun.

Most of those affected are buy-to-let investors who planned to offer the property to holidaymakers. Some were expats who moved to the island to work or for retirement.

A large number now face financial ruin due to huge currency fluctuations, which caused mortgage repayments to double or triple in size, and plunging house prices.

Banks and developers advised buyers to take out Swiss franc mortgages because the currency was considered stable and the interest rates were comparably low. However, it soared 40pc against the euro in the aftermath of the financial crisis and some banks hiked mortgage rates.

At the same time, Cypriot property values plummeted by 70pc in some areas, trapping investors in negative equity. UK buyers are estimated to have €1.6bn (£1.3bn) of debt outstanding to Cypriot banks.

Many investors argue their mortgages were mis-sold because they were not alerted to the currency risk by banks. Others said Cypriot solicitors used invalid powers of attorney to commit them to loans with terms different to those marketed.

Developers also took out mortgages using the title deeds on their properties as collateral, which meant their homes could be sold in order to pay off developers' debts. Some properties were never completed or lacked amenities such as golf courses and spas which were promised by developers.



The Cypriot government has given investors until December 31 to file claims in the Cypriot courts. However, Duncan McNair of London-based law firm Cubism Law said a legal battle is under way to determine whether mis-selling cases are heard in the UK or Cyprus. He said investors should first lodge a claim in the UK, then lodge a second in Cyprus as protection against the cases being heard there.

David Wilkinson, 41, and his wife, Michelle, 37, bought a house near Ayia Napa in eastern Cyprus in 2007 for £130,000 (€150,000). The couple, who own a small transport business, bought the property off-plan through a firm called MRI Overseas Property. They put down a £30,000 deposit in 2007 and MRI, which has since gone into liquidation, organised a Swiss franc mortgage for £100,000 through Alpha Bank – a Greek lender at the centre of hundreds of mortgage mis-selling claims.

Mr Wilkinson said: “MRI took control of the situation. They told me that getting a mortgage in

Swiss francs was the best option because it was the most stable currency. I was told the mortgage repayments would be in the region of €300 to €400 a month over 30 years. I wasn't warned of the risk that my mortgage payments could almost triple if the currency fluctuated."

When building work finished in 2009 the couple's monthly repayment on the mortgage was €300. It has since hit €800 – a crippling 166pc increase.

Mr Wilkinson said: "The state pension in Britain is rubbish in my opinion, and I decided to invest in property in Cyprus for retirement. If someone had told me of this type of risk there's no way we would have bought the property."

At today's exchange rate, the couple would need to find £180,000 to pay off the loan. The property is now worth just £85,000 and Mr Wilkinson fears he will lose his home in Lancashire if he defaults. He said: "I could lose my daughter's inheritance. I've been duped into a mortgage in Cyprus that's far more expensive than I was told. This has been a total nightmare and I've had sleepless nights."

Mr McNair said investors would be better off fighting their case in the UK because the legal system "has integrity" and judges are "knowledgeable and able". The Cypriot system can be "slow, ponderous and uncertain," he said.

In June, London-based law firm Maxwell Alves Solicitors filed an action in the High Court on behalf of 215 clients. George Kounis, a lawyer at the firm, said the Cypriot government could agree to a 12-month extension to the deadline, but urged investors not to take chances.

UPDATE: Cyprus extends deadline for property mis-selling victims



Telegraph Mortgages
Fee-free, expert advice on the right mortgage for you. 1,000's of deals compared

Compare

How we moderate

© Copyright of Telegraph Media Group Limited 2014