

## **'Mum & Dad, will you "Go Guarantor" for us?'**

With house prices skyrocketing in the Eastern Suburbs we are seeing a greater number of parents having to come forward and provide a guarantees in respect of a home loans being made available to children purchasing their first home or entering into an acquisition of a business.

If you are asked to sign a guarantee, never take this on lightly. They are potent documents, totally enforceable by the courts and there have been numerous cases where the guarantors have lost either huge sums of money or possibly even their home. I'm very strongly of the view that if you are ever asked to 'go guarantor' for any party, you consult your lawyer and take your time before answering. We as lawyers always have a slightly different take on the situation and are able to consider all the parties' points of view objectively. Many times other options can be explored before a guarantee is signed. Unlimited guarantees should be avoided, if possible. It better that you provide a guarantee limited to a certain amount so you know your worst position if things go wrong.

It is important that you have a close relationship with the parties who are borrowing the funds, understand what the loan is for and what the circumstances are behind the guarantee. Your lawyer will explain the consequences of the guarantee and that if the debtor cannot pay the debt, the responsibility will immediately pass to yourself as guarantor. You must consider the worst scenario as Guarantees are not easy to 'get out of' if the debtor has not built up sufficient resources to borrow in their own right. As guarantor, you should always be thinking about wanting that release and therefore keep in regular contact with debtor to see how things are going.

I can see guarantees are becoming a greater part of ordinary Kiwi life as they can enable great things to happen within families, particularly helping to keep the Kiwi home ownership dream alive, however it's important that all family members positions, particularly your own, are considered carefully before you answer "Sure, that's not a problem sweetheart – we'll do that for you".