Mortgage start-up Habito in talks to salvage future at distressed valuation

Habito, one of the UK's most prominent homebuying start-ups, is in advanced talks to secure rescue funding at a sharply reduced valuation, reflecting the bitter headwinds facing fintech companies.

Sky News has learnt that Habito, which launched in 2016, is close to gaining approval for a capital injection said to be worth more than £5m from existing investors.

Sources said on Friday that the new funding was likely to be at a nominal pre-money valuation as low as in the single-digit millions of dollars.

Habito shareholders include Atomico, the listed investment firm Augmentum Fintech, Mosaic Ventures and Ribbit Capital.

The company has previously drawn at least £60m in investment since its launch, with a £35m Series C round announced two years ago.

The rescue fundraising follows the collapse of talks about a merger between Habito and London & Country Mortgages, a privately owned company.

Last week, FT Adviser reported that Habito was cutting dozens of mortgage broker roles as it seeks to slash costs.

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One insider said that if completed, the new funding would allow the company to rebuild its valuation over time, even as mortgage costs rise with this week’s rise in the Bank of England base rate.

Habito attracted attention when it launched a 40-year fixed-term home loan product last year, but was subsequently criticised by the advertising watchdog for claims it made in its promotional activity.

In response to an enquiry from Sky News, a Habito spokesperson said: “In spite of challenging market conditions for tech firms and fintechs more specifically, Habito is in the process of closing its latest round of funding.

“We can’t comment on the specifics of the deal yet, nor can we confirm Habito’s valuation which remains commercially sensitive.

“However, we can confirm that our future plans are focused on achieving profitability and we look forward to sharing more on that in the coming weeks.

“In the meantime, we continue to perform ahead of plan and deliver outstanding customer service to homeowners and would-be mortgage-holders facing down the highest interest rates in almost a generation and the ever-rising cost of living.”

Habito’s reduced valuation reflects an accelerating trend facing many technology companies as global economic headwinds grow.