

# Fight for your mortgage rights

Borrowers' struggle worsens as loans dry up at banks, writes James Charles

**MORTGAGE** borrowers face the toughest lending conditions in a decade as dire figures released last week exposed a collapse in lending by high street banks.

Santander, the second-biggest lender, released figures on Thursday for the first quarter of the year that showed gross lending slumped 15% to £4.2 billion, the lowest level since it arrived in the UK in 2004. Borrowers repaid £600m more to the bank than it provided in new loans.

In the third quarter of 2007, the bank lent £10.2 billion under the Abbey brand.

The March figures from the British Bankers' Association show net lending (the amount advanced less repayments made) by high street banks fell to its lowest level in 12 years at £800m for the month. Gross lending sank to £7.75 billion, close to the lowest for a decade. Meanwhile, the Council of Mortgage Lenders (CML) said some 40% of all sales in January were made to cash buyers, compared with just 18% before the financial crisis. Experts blame the lack of mortgage lending for the rise.

Michael Coogan, chief executive of the CML, said: "There has not been a surge in cash buyers, it has remained consistent."

Instead, the figure demonstrates the collapse in the number of borrowers securing mortgages to fund house purchases.

In some areas, including southwest England and London, cash buyers represent up

to 80% of transactions, according to Chesterton Humberts, the estate agent.

Ray Boulger at John Charcol, the broker, said: "Some high street banks are set to reduce lending further this year. Building societies will pick up some of the slack, but it remains to be seen whether they will be able to meet the shortfall."

Some mutual lenders, such as Yorkshire, have promised to increase lending by up to 30% over the next year. However, the mutuals have also been criticised for imposing loan criteria as tough as the risk-adverse banks. Skipton, which introduced a deal for first-time buyers with a 5% deposit last month, admitted three in four applications were rejected.

The decline in lending at the biggest banks is significantly altering the shape of the housing market. There were 53,000 house sales in January, according to HM Revenue & Customs. The CML estimates 21,825 of these were cash buyers. In June 2005 there were also about 22,000 cash buyers, but overall sales topped 120,000.

The lack of buyers using mortgages is expected to hit house prices in the coming months. Hometrack, the data company, will release figures tomorrow, which are expected to show that sellers will outnumber buyers significantly.

The figures are likely to give further support to warnings from Rightmove, the prop-

erty website, that a sharp rise in the number of sellers last month was unlikely to be matched by an increase in buyers. It added that March had seen the biggest monthly jump in unsold stock on agents' books since May 2007 — up from 70 to 74 properties per branch.

Santander insisted that it was "open for business" and said the reduction in business was led by a reduced demand for its loans. In the past fortnight a number of banks, including Santander and Barclays, have cut rates and improved terms.

However, Ian Gray at largemortgage-loans.com said: "Even good borrowers with a big deposit are being turned down."

We show you how to buck the trend.

## BONUSES

Employees awarded cash or shares-based bonuses that are being deferred will struggle to secure a mortgage from banks, which are generally considering only cash bonuses paid as part of annual income. Even then, only 50% is taken into account at Barclays and Northern Rock, while RBS will include only 25%. "Private banks are more sympathetic to bonus income," said Melanie Bien of Private Finance, the broker.

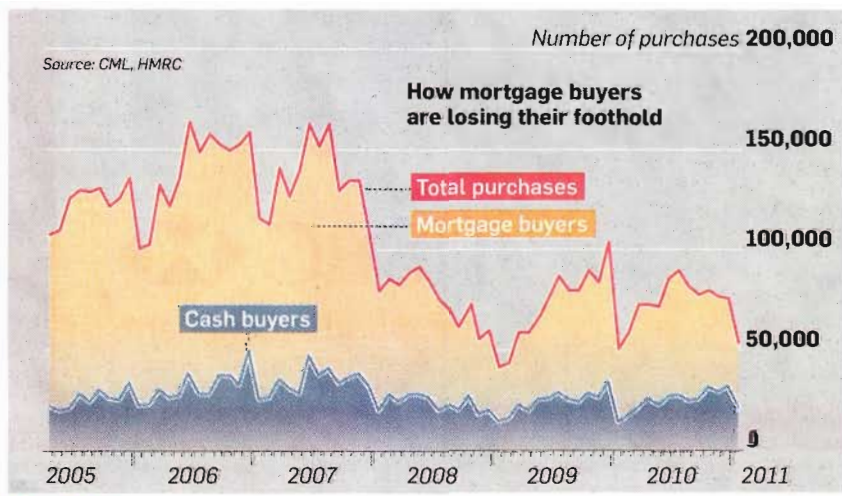
Private banks are also offering longer-term deals: HSBC Private Bank has introduced a 10-year deal for new borrowers with an initial rate of 2.5 points above Libor, the interbank rate, so 3.3%.

## SELF-EMPLOYED

The majority of lenders, including Barclays, Nationwide and Santander, will not consider profits left in a limited company. Self-employed people sometimes do this to minimise tax. However, Clydesdale and Yorkshire banks, which are owned by the National Bank of Australia, will accept profits left in a company as part of affordability calculations. Clydesdale has a five-year fixed rate of 4.59% for borrowers with a 35% deposit. There is a £999 fee.

## PAST CREDIT HISTORY

The biggest lenders use credit scoring to assess mortgage applications. These can be affected by anomalies on your file. Aaron Strutt of Trinity Financial Group, the broker, said. "Recently moving house or job, for example, can have an impact. Missing a payment for a debt or mobile phone contract causes even bigger damage." If you are likely to be affected, go to a broker who can find a lender that uses common sense, not just computers.



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