

# Borrowers left in chaos by mortgage crackdown

Lenders grappling with new affordability rules are preventing sales from going through, writes Anna Mikhailova



The rules have taken more than £100,000 off the amount available to some borrowers

lending, brokers have said.

Mortgage Advice Bureau figures to be released this week will show remortgage applications fell 12% last month, to their lowest level since January.

In one case, a couple that wanted to remortgage and had a child in a £995-a-month nursery was able to borrow £309,000 from a high street lender before the MMR but this was nearly halved to £174,000 under the new rules.

Ray Boulger of John Charcol said: "Lenders are cutting the maximum they will lend, so average loan sizes are falling — even though house prices have been rising over the same period."

Ian Gray of the broker large-mortgageloans.com said: "Some lenders are offering much less because they now factor in outgoings they did not consider before."

In another case, a homebuyer suspects that tougher criteria as a result of MMR resulted in his mortgage offer being dramatically reduced, although the lender denies this.

David Laurence, a Sunday Times reader, feared that his

## Mortgage offers shrink

Average loan size



Source: John Charcol

purchase of a new family home would fall through after Barclays said it was cutting his loan by more than £100,000. He was given a written agreement in principle in February by the bank for a £418,900 Help to Buy mortgage guarantee loan.

The bank had asked for details of all his outgoings — including the childcare costs for his one-year-old daughter, which come to £650 a month.

Over Easter he and his wife had an offer accepted on a property in Leigh-on-Sea, Essex, after a long house hunt. However, Barclays then said it

would be prepared to lend only £315,000.

Barclays said that Laurence's annual income had fallen between obtaining the agreement in principle and making a full application. He denies this.

"I was shocked," said Laurence, an estate agent who previously worked as a bank manager. "I had all my paperwork ready from the start, with payslips, bank statements and P60 forms going back four years, so the lender had all the information when making the original offer."

The bank also said there was discrepancies between the outgoings set out on his application and those listed on his credit reference agency file.

It said: "The customer called our telephony-based mortgage service and verbally provided details of his annual income. The following day a mortgage broker submitted an application and the same income details were provided."

"We take a five-year forward view and we have been stress-testing applications for years. We have not made significant changes since the implementation of MMR, as the affordabil-

HOMEBUYERS are seeing mortgage offers slashed by more than £100,000 as a result of tough new lending rules, leaving many scrambling to complete purchases.

The broker John Charcol told The Sunday Times that the average mortgage obtained by its clients last week was £300,000, down from £316,000 four months ago. In some cases, high street banks have cut the amount they are willing to lend by more than £100,000.

The sharp fall has been blamed on the mortgage market review (MMR), introduced by the Financial Conduct Authority, the City watchdog, last month.

Under the terms of the review, banks must obtain detailed information about the committed expenditure of borrowers, including childcare costs, as well as basic household bills. They also have to stress-test applications to ensure borrowers can afford much higher interest rates.

Widespread confusion about how to interpret the rules is leading banks to apply excessive caution and scale back

requirements are already factored into our workflows."

Laurence managed to secure a loan by approaching the broker Springtide Capital, which advised him to raise his deposit from 5% to 10% and apply to Skipton building society, which was willing to lend him more than he needed.

Ian Gray at broker large-mortgageloans.com said: "We would like lenders to be much clearer on how they treat certain expenses." ■