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Lloyds feeds remortgaging boom

By Thomas Hale



Lloyds Bank is to offer £500 to customers who remortgage, as historically low interest rates continue to make remortgaging an attractive option for many homeowners.

The offer – which excludes shared equity, shared ownership and buy-to-let mortgages – is available to those remortgaging through the Lloyds Bank Switcher Service.

Remortgage rates for current account customers at Lloyds include a five-year fix at 2.99 per cent with a £995 fee, for up to 60 per cent LTV.

In January, data from the Council of Mortgage Lenders showed that remortgage lending in November, although lower than October's figure, rose 4.1 per cent year-on-year to £4.1bn. According to the Bank of England, total gross mortgage lending in November was £17bn, 39 per cent higher than for the same month last year.

"Over the last 12 months demand for remortgage products has seen a steady increase, in line with the market," a Lloyds spokesperson said.

Nigel Bedford, a mortgage broker at largemortgageloans.com, said that demand for remortgaging has been increasing recently.

"We're getting far more people approaching us for remortgaging who had been sitting on fixed rates for a long time," he said.

He added that people should look at the overall cost of borrowing – including fees – rather than merely being "seduced" by short-term offers. "The extra money should be compared to the difference in interest rates over a two- or five-year period," he said.

Appetite for remortgage deals is also likely to be stimulated by continuing speculation about rising interest rates. Some economists now expect the first rise in the Bank of England's base rate to come this summer, and mortgage pricing may also be affected by the partial winding up of the Funding for Lending scheme.

Increasing product choice for remortgaging is also good news for so-called "mortgage prisoners" – those who find it difficult to remortgage at a competitive rate because they have insufficient equity in their property. As the recovery in house prices becomes more broadly based, the number of people in this position is likely to fall, resulting in further increases in remortgage activity.

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