October 18, 2013 6:27 pm

Private banks tighten lending criteria

By Tanya Powley

Homeowners have fewer options to get a cheap mortgage from a private bank without having to transfer cash or assets immediately, after several banks tightened their criteria.

SG Hambros this week said it will no longer lend to borrowers without any assets for them to manage – known as “dry lending” – after it reached its target of £80m lending for the year. It expects to re-enter this market next year.

Coutts, the Queen’s bank, has also tightened its lending criteria recently, according to mortgage brokers. The private bank has returned to its previous policy of requiring £1m assets under management to be transferred before it will extend a mortgage. However, for certain particularly wealthy clients they can still consider lending without this, said Nigel Bedford of Largemortgageloans.com.

Barclays Wealth also requires a minimum of £500,000 assets under management for homeowners to obtain their best rates, or 50 per cent of the loan if it is over £3m.

The moves mean homeowners seeking large loans without committing any of their assets face fewer options compared to earlier this year, when banks were less insistent upon immediate assets under management relationship.

“Overall, the options for dry lending from private banks are getting harder to find, but not impossible,” said Mr Bedford. “A well-presented proposal for a quality client can still secure very attractive terms, even if there are no assets for a bank to manage.”

Jonathan Harris of mortgage broker Anderson Harris, said he is working on a number of cases where there are no immediate assets to be transferred. However, the clients’ circumstances – for instance, the pending sale of a business or property – are such that there is a realistic chance these will follow.

While high street lenders continue to offer some of the most competitive rates for homeowners seeking large mortgages, with two-year fixes available at under 2 per cent, private banks offer a more flexible alternative.

They will typically be a better option for people with more complex income streams, such as bonuses, trusts and offshore incomes.

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FT Money editor Jonathan Eley

“The high street banks are increasing their appetite in the large-loan market, but as soon as the client’s circumstances fall slightly outside the norm, they generally can’t assist,” said Mr Harris.

He said clients who would typically struggle with the high street banks are those from overseas with relatively low incomes, but who are asset rich and often over the age of 60.

For the right borrower, private banks continue to offer competitively priced lending, typically on a Libor or base-rate linked basis over a five-year renewable term.

According to Mr Harris, best terms are usually about 2 to 2.25 per cent over Libor for a mortgage backed with an element of assets under management. Rates typically rise to between 3 to 3.5 per cent over Libor for dry lending. If the borrower has no immediate assets to transfer but is likely to do so in the medium term they can obtain rates of about 2.75 to 3 per cent over Libor.

Most private banks these days will require clients to transfer cash or assets to them as soon as accounts are opened to secure cheaper home loans, while others include a clause saying the interest rate will rise after six or 12 months if the promised cash or investments have not been deposited. Some banks will only offer short-term loans of 12 or 24 months and refuse to renew them if the borrower has not transferred assets by the end of that period.

Christophe Billard, group commercial director at SGPB Hambros, said: “We will resume lending again in early 2014 and we remain committed to lending and to mortgage financing for our wealthy clients, a service which is part of our private banking and wealth planning offering.”

and property and mortgages reporter Tanya Powley will also take part in the online Q&A.

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