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THE SUNDAY TIMES

RBS set to restrict lending

Anna Mikhailova Published: 25 May 2014



Halifax restricted mortgage loans last week (Chris Ratcliffe/Bloomberg)

ROYAL Bank of Scotland is poised to be next to restrict large home loans, after the country's biggest lender announced a similar move last week.

On Tuesday, Lloyds Banking Group, which owns Halifax, Lloyds Bank and Scottish Widows, capped its mortgage lending. It no longer offers more than £500,000 to borrowers if this is more than four times income. So to borrow £550,000, the buyer must earn at least £137,500 a year.

A survey by the broker John Charcol for The Sunday Times showed that out of six major high street lenders, RBS, which owns NatWest, was the only one not to rule out capping mortgage loan sizes.

Ray Boulger at the broker said: "RBS has refused to confirm it will not copy Lloyds' policy, which sends a strong signal that such a move is likely. That increases the risk that other major lenders will feel pushed to adopt the changes."

RBS declined to comment on Friday about the matter. RBS is 80%-owned by the taxpayer while Lloyds is 25%-owned.

The Lloyds decision means all mortgages over £500,000 granted in principle before the cap was announced will now be invalid if the customer does not meet the new criteria.

Despite making the change last Tuesday, Lloyds was slow to update some of its computer systems. Halifax, Britain's biggest lender, and Scottish Widows warned that online applications could be amended later. Lloyds insisted it had fixed the system by Thursday.

Ian Gray of the broker largemortgageloans.com said: "Many would-be borrowers will now need to rethink the properties they can afford."

Nationwide ends checks

Nationwide has stopped carrying out affordability checks on customers wishing to borrow back mortgage overpayments, following a Sunday Times investigation. Money revealed that the lender had required the checks since last December, despite contracts stating overpayments could be withdrawn without them.