FINANCIAL TIMES

April 5, 2012 6:27 pm

Banks offer cheaper mortgages direct

By Tanya Powley

Homeowners seeking the best mortgage rates are increasingly likely to find them at a local bank or building society branch – as lenders look to reduce the amount of business through brokers.

Two of the biggest high street lenders offer significantly cheaper rates on some of their mortgage deals if they are applied for via a branch, rather than through an intermediary.

Borrowers can get a two-year fixed-rate mortgage through Santander branches that is 0.5 percentage points cheaper than the same deal via Abbey for Intermediaries, the bank's broker arm.

Similarly, Halifax, part of Lloyds Banking Group, offers a number of more competitive mortgage deals through its branches – at discounts to the quoted broker rate of as much as 0.55 percentage points for a two-year fix, or 0.45 percentage points for a two-year tracker.

Mortgage brokers admit that so-called "dual pricing" – where lenders offer lower rates through branches than through their brokers – has become a more widespread practice in recent months.

"The growing incidence of dual pricing is down to brokers swamping lenders with business and the fairly inelastic nature of branch lending," explained Mark Harris of broker SPF Private Clients.

Nigel Bedford of Largemortgageloans.com said the recent moves by lenders have been designed largely to control the flow of business from mortgage brokers. Last week, the Bank of England's Credit Conditions Survey revealed that lenders expected to lend less in the second quarter, reflecting the tightening in wholesale funding costs since mid-2011 and balance-sheet pressures.

"If a bank were to bring out a market-leading new deal, it would be swamped by brokers who assess things and find

Mortgage rates continue to rise

Banks and building societies have continued to increase their mortgage rates and introduce stricter criteria in recent weeks, as many look to decrease the amount they lend this year, **writes Tanya Powley**.

On Monday, Co-op Bank

became the latest lender to announce that it will be increasing its standard variable rate (SVR) – the rate a customer reverts to at the end of a fixed or tracker-rate term – by 0.5 percentage points, to 4.74 per cent, on May 1. It follows similar moves from Halifax, Bank of Ireland, Yorkshire and Clydesdale Banks over the past month.

Lenders are also raising their new mortgage rates, and introducing tougher criteria for interest-only lending.

This week, Chelsea Building Society increased a range of its two-year fixed-rate deals by 20 basis points, while Nationwide Building Society and Halifax raised the cost of fixed and tracker deals last week.

"There's been a steady trend of lenders increasing rates over the past month," said Ray Boulger of John Charcol, a mortgage broker. He argued that the only reason is that they are choosing to lend less. "A lot of lenders have blamed the increase in the cost of wholesale funds for raising rates but, while this would have been a fair comment a few months ago, it is now less so," he explained.

Nigel Bedford of Largemortgageloans.com agreed. "This is not due to increasing cost of funds," he said, pointing out that two-year interest-rate swaps and the interbank lending rate – which are used to price mortgages – have both fallen slightly.

Even so, brokers believe mortgage rates will rise further in coming months.

the best deals for their clients on a daily basis, whereas branch application volume would hardly change," Bedford said. "You would not suddenly find a huge increase in people walking in to take out a mortgage."

Experts said that this trend of cheaper pricing for direct customers means homebuyers have to carry out their research properly before choosing a mortgage or remortgage deal. A number of the current best-buy rates are offered by HSBC and First Direct – two banks that do not offer any loans through brokers.

HSBC has a lifetime tracker at 2.69 per cent – Bank of England base rate plus 2.19 percentage points – for those with deposits of 40 per cent or more of a property's value, with no fee. First Direct has a competitive offset lifetime tracker at 2.99 per cent – Bank of England base rate plus 2.49 percentage points – with a £495 fee.

Meanwhile, Norwich & Peterborough Building Society has a best buy five-year fix at 3.44 per cent, available up to 75 per cent loan-to-value, with a £795 fee.

According to figures from Defaqto, the financial data provider, almost two-thirds of the 1,805 fixed-rate mortgages now offered are only available direct from the lender, while 18 per cent are available exclusively through mortgage brokers.

However, mortgage brokers argue that, with more banks and building societies tightening their lending criteria and implementing tougher credit scoring, a growing number of borrowers need advice from them.

"Borrowers with clean credit histories and standard incomes have not necessarily needed brokers in the past but, as banks have made their lending criteria so complex, more have started to seek advice," noted Aaron Strutt of broker Trinity Financial.

Harris noted that brokers will also know which lenders have administration problems and are struggling to process applications, as well as being able to recommend lenders that are more likely to be sympathetic to a borrower's circumstances.