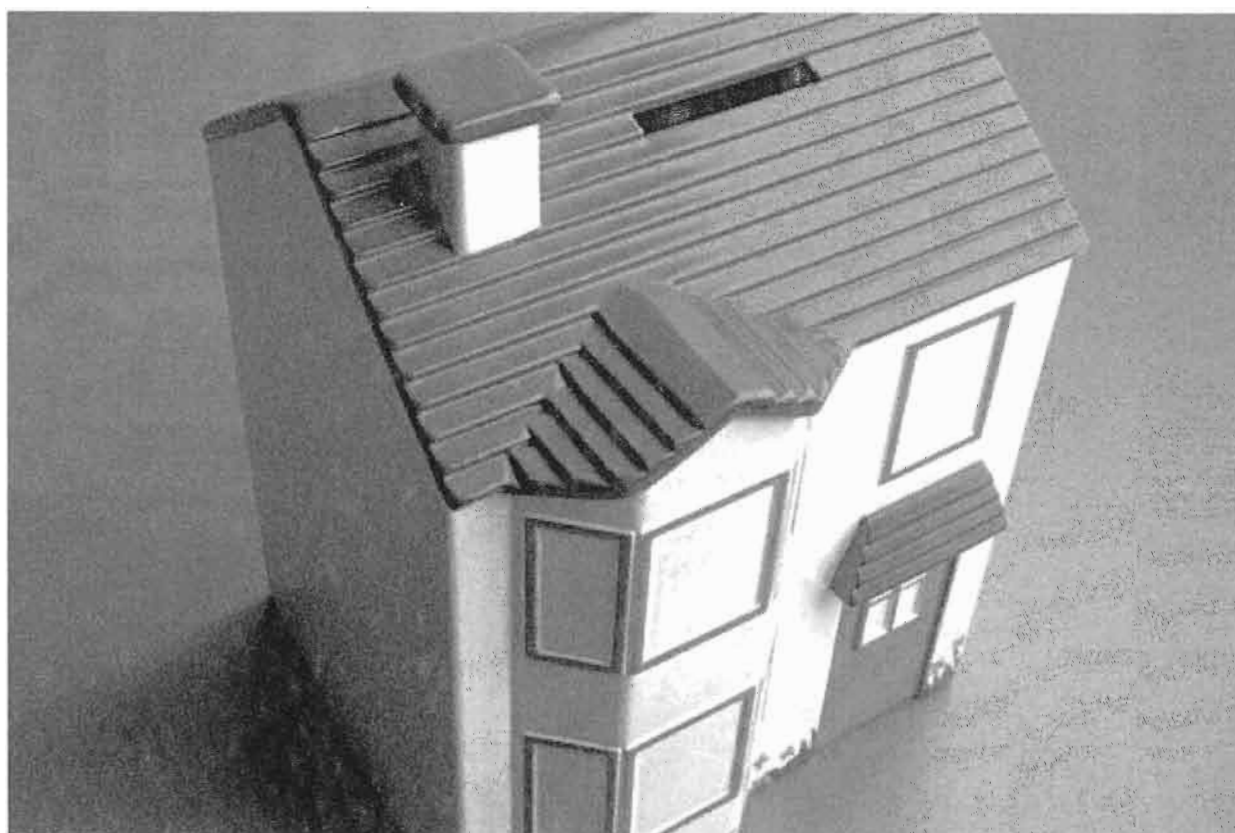


Borrowers hit as another lender raises its rates

ING is the latest to join the trend. Time to get a better offer

James Charles Published: 8 July 2012



Big savings can be made by switching (Image Source)

BORROWERS on the variable mortgage rate from ING Direct could save more than £6,000 over five years by switching deals before the rate rises next month.

Last week, the Dutch lender announced that it was increasing its standard variable rate (SVR), to which borrowers revert at the end of an introductory deal. It will jump from 3.49% to 3.99% on August 1.

This is the latest in a series of moves to raise variable rates as a result of the eurozone crisis, which has pushed up the cost to banks of borrowing on wholesale markets.

More than 1m borrowers were hit by rate rises on May 1. Halifax, Britain's biggest mortgage lender, raised its SVR to 3.99% and the Co-operative and Clydesdale and Yorkshire banks made similar moves. Thousands of borrowers with Bank of Ireland are facing a 1.5-point rise; the bank's SVR increased by one point in June and will rise half a point in September.

David Hollingworth, of broker London & Country Mortgages, said: "The ING standard variable rate was previously one of the lowest on the market, so this move did not come as a surprise. It should prove a catalyst for borrowers to review their deal and move on to a more competitive rate."

Figures from London & Country Mortgages show that a homeowner with a 40% deposit and a £200,000 capital repayment mortgage, who switched to the best-buy five-year fixed-rate deal from Yorkshire bank at 3.79% could cut the cost of their monthly repayments by £264 a year — or £1,320 over five years.

Switching to the best-buy tracker deal from HSBC at 2.49 points above Bank rate, so 2.99%, would cut the cost of repayments by £1,284 a month, or £6,420 over the next five years, assuming Bank rate remains flat.

Borrowers with a 25% deposit could save £4,598 on the same mortgage by switching to the best-buy lifetime tracker from Bank of China at 2.48 points above Bank rate, so 2.98%, with a higher £1,295 fee.

Ian Gray, of broker largemortgageloans.com, said: "As long as you have at least 20% equity in your home, you should be able to beat the rate hike."

Borrowers with only a 10% deposit, or less, have few options. The best-buy five-year fix for those with a 10% deposit is from HSBC at 4.79%. The bank also has the best-buy lifetime tracker deal at 4.29 points above Bank rate, so 4.79% — the same as the fix. Repayments would rise £90 a month compared to sticking on the ING variable rate, according to L&C.

Figures released by the Bank of England last week showed that mortgage approvals for house purchases fell to 51,098 in May from 51,627 in the previous month — a smaller decline than predicted.

Net mortgage lending, which measures the total amount of new loans after repayments have been deducted, rose by only £563m — the smallest increase since September 2011 and below the £800m rise forecast.

Paul Diggle, property economist at Capital Economics, the consultancy, said: "Lenders are once again reducing the availability of mortgage credit. Against a backdrop of renewed recession in the UK and the escalating crisis in the eurozone, mortgage approvals are unlikely to break out of their rut any time soon."

Experts predict that mortgage rates will fall over the coming months as a result of the Funding for Lending scheme announced by the Bank of England last month.

It will provide Britain's biggest lenders with cheap long-term loans worth £80 billion or more over the coming years to lend to individuals and businesses.