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Buyers frustrated by mortgage delays

Swamped lenders are taking as long as 80 days to process home loans

Anna Mikhailova Published: 24 February 2013



Avgoustinos Galiassos lost over £700 after ditching a delayed Nationwide mortgage (Akira Suemori)

BORROWERS may have to wait until the summer to secure mortgage offers, after brokers complained that banks were taking up to three months to process applications.

HSBC, Britain's largest bank, admitted last week that applications were taking an average of 56 days to complete — leaving buyers at risk of losing their property. The bank recently took a whopping 84 days to process an application for a mortgage on a flat in London.

Charles McDowell, a respected prime central London property agent, was forced to put his own twobedroom flat in Knightsbridge back on the market after his prospective buyer waited three months to obtain a decision on a loan from HSBC. The purchaser had a 56% deposit and required a mortgage worth £2.5m. McDowell said: "HSBC seem to be completely oblivious to the knock-on effect their inefficiency causes."

HSBC said: "This was an isolated and complex case involving a non-UK resident purchasing a UK property and therefore subject to additional complications. We have apologised to the borrower for any inconvenience caused."

However, brokers warn that such delays are increasingly common. David Hollingworth of London & Country Mortgages, the broker, said: "It can be extremely frustrating for borrowers. We have had clients pulling their hair out because it can take two or three meetings with HSBC before they can get their applications approved."

Brokers are reporting a surge in loan applications as lenders cut rates to record lows thanks to the Funding for Lending Scheme established by the Bank of England. It provides banks and building societies with cheap loans for mortgages and small business lending.

Last week HSBC, which is not taking part in the Funding for Lending Scheme, announced that it had lent £46.8bn to mortgage borrowers and businesses last year — a 25% rise compared with the previous year.

The giant bank has some of the most competitive mortgage deals on the market, which are only available direct rather than through a broker. It is offering the best-buy lifetime tracker for borrowers who have a 40% deposit at 1.88 points above Bank rate, so 2.38%. There is a fee of £1,499.

However, securing a deal remains a challenge for borrowers. Property lending across the board was £10.4bn in December, the lowest level since April last year, according to the Council of Mortgage Lenders, the trade body.

HSBC is not the only lender guilty of delays. Data from a leading mortgage broker, disclosed to The Sunday Times, shows some are taking nearly three times as long to process applications than the fastest lenders in the market. Last week Barclays Wealth, the private bank, was taking an average of 33 working days to process an application — the fastest lender took 13 days.

The data suggests that Shawbrook, Platform, Leeds and Virgin also lagged behind.

Rock-bottom rates on five-year fixes

Source: London & Country Mortgages

Yorkshire building society

2.64% 40% deposit, £1,625 fee

Chelsea building society

2.89% 25% deposit, £1,825 fee

Hanley Economic building society

4.2% 10% deposit, no fee

Andrew Montlake of Coreco, the broker, said: "In the busy spring market, particularly in London where property still tends to go extremely quickly, it is imperative that service is taken into account as much as the interest rate."

Lenders are examining applications in ever greater detail. For example, most still insist on six months' paper bank statements even though many people now receive only electronic copies.

Ian Gray of largemortgageloans.com, the broker, said: "Lenders will not accept electronic bank statements as proof of income. One client, with Smile, the online bank, had to pay £42 for six months' statements and they took more than a fortnight to arrive."

Accord, part of Yorkshire building society, may demand detailed explanations for any items on a bank statement costing more than £250 going back six months.

Case study: Losing out

Avgoustinos Galiassos, 31, was exasperated by delays in his mortgage application with Nationwide and switched

to the Coventry building society, losing over £700 in fees. He works for Coca-Cola and is pictured with his girlfriend, Laura.

Where to go if you need a loan in a hurry

The broker's data seen by The Sunday Times showed that Aldermore and Halifax have the fastest turnaround rates for mortgage applications at just 13 working days on average, although their rates are not the most competitive.

Close behind was BM Solutions with 14 days on average, then Metro bank at 16 days and ING Direct, RBS Group and Abbey for Intermediaries at 18 days. Nationwide and Accord took 20 days on average.

Hollingworth recommends Coventry building society for its speed in processing applications and its competitive rates. The mutual is offering a two-year fix at 2.35% for homebuyers with a 35% deposit. The fee is £999.

Private banks, which specialise in the ultra-high net worth market, are also able to move quickly with mortgage applications.

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