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High street lenders target large loans

By Tanya Powley



High street lenders are offering the most competitive rates for homeowners seeking large mortgages, providing borrowers with a cheaper, but less flexible alternative to private banks.

Banks and building societies have been launching cheap deals on larger loans in recent weeks, with two-year fixes now available under 2 per cent.

Royal Bank of Scotland has the lowest two-year rate at 1.74 per cent, with a £1,995 fee. Accord Mortgages and Woolwich offer rates of 1.99 per cent, with arrangement fees of £1,975 and £1,999 respectively.

“High street lenders have demonstrated more of an appetite for large loans over the past six to 12 months,” said Jonathan Harris of Anderson Harris, the mortgage broker.

Skipton Building Society, Woolwich, Accord, Clydesdale Bank, Metro Bank, Nationwide, Santander and Halifax all offer mortgage rates for homeowners wanting to borrow £1m or more.

But borrowers need to consider carefully where they apply for a mortgage on the high street. Brokers warn that the income needed to borrow a large loan varies significantly between banks, so it is important that borrowers do research before starting the application process.

For example, a couple looking to borrow £2m to buy a £3.4m house would need a minimum income of £400,000 to qualify for the cheapest two-year deals from Woolwich, Santander or Halifax. However, the minimum income needed to get a £2m loan rises to £441,000 with Nationwide, £452,000 with RBS, and as much as £486,000 with Accord, according to Nigel Bedford of Largemortgageloans.com.

The calculations are based on two people buying in joint personal names, both aged 39 with two dependent children, with good credit and no debts or school fees.

Mr Bedford said most private banks will be unable to beat the overall pricing – the rate and the fee charged – offered by high street lenders, unless the borrower has substantial assets

to place with the private bank immediately.

“With most private banks charging arrangement fees of 1 per cent, the flat fees from high street lenders constitute a considerable saving,” said Mr Bedford.

Private banks will typically charge a mortgage rate of about 2.5 to 3 per cent over the cost of funds but this can fall to about 1.6 per cent over the cost of funds if the borrower has a large amount of assets to transfer, said Mr Harris.

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

What income do you need to qualify for a £2m loan on the high street?

Lender	Deal	Income needed
RBS	1.74 per cent two year fix with £1,995 fee	£452,000
Accord	1.99 per cent two year fix with £1,975 fee	£486,000
Woolwich	1.99 per cent two year fix with £1,999 fee	£400,000
Nationwide	2.54 per cent two year fix with £99 fee	£441,000
Clydesdale	2.39 per cent two year fix with £1,999 fee	£445,000
Santander	2.54 per cent two year with £1,995 fee	£400,000
Halifax	2.59 per cent two year fix with £1,995 fee	£400,000

Source: Largemortgageloans.com

“Where private banks are more attractive is in their flexibility, both in credit assessment and deal structure. For many clients this is more important than simply the lowest priced deal,” said Mr Bedford.

And some private banks have become less insistent on the borrower transferring large amounts of money for them to manage in recent months.

“No assets under management is becoming easier to obtain,” said Mark Harris of SPF Private Clients. “The borrower must be a criteria client but the insistence that was once there for an immediate assets under management relationship has gone and more are now prepared to take a longer term view on these things.”

Private banks such as [Société Générale](#), [Kleinwort Benson](#), [Arbuthnot](#), [Barclays](#) and [Coutts](#) have recently eased their criteria.

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