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Lenders launch new ten-year mortgages

By Tanya Powley

A number of banks and building societies have been launching competitive ten-year fixed-rate mortgages this week, including a new cheapest-ever ten-year loan at 3.99 per cent. But in spite of the record low rates on offer, mortgage brokers believe the take-up of these deals will be limited.

This week, Norwich & Peterborough Building Society, Woolwich and National Counties Building Society have all launched new longer-term fixed-rate deals priced below 5 per cent.

Norwich & Peterborough's ten-year loan at 3.99 per cent is the most competitively priced. It offers borrowers the chance to fix their mortgage at a record low rate for a decade.

The deal is available to homeowners with a deposit of 25 per cent or more and comes with a £295 fee. Purchasers will get £200 cashback, while remortgage customers are offered free valuation and legal services.

The next best rate is from the Co-operative Bank with a rate of 4.79 per cent after Yorkshire Building Society withdrew its ten-year loan at 4.19 per cent this week.

National Counties and Woolwich have also launched new ten-year deals, however both are less attractive. National Counties has a competitive rate of 4.19 per cent but it is only available to borrowers looking to remortgage who have 75 per cent or more equity in their home. It comes with a fee of £495. Woolwich's rate is higher at 4.99 per cent available up to 70 per cent loan-to-value, with a large fee of £1,499.

Although rates have become more attractive, David Hollingworth of London & Country, the mortgage broker, said there can be a number of disadvantages in opting for a longer-term fix.

"Borrowers have less flexibility when it comes to a ten-year deal," he noted. For example, difficulties can arise if the borrower wants to move home. Although most lenders should allow borrowers to take their mortgage with them, known as

"porting" a mortgage, some are increasingly refusing borrowers this option if they no longer meet the lender's borrowing criteria.

Last year, the Financial Ombudsman Service reported an increase in the number of complaints from customers whose application to move their mortgage had been declined because lenders had tightened their criteria since the deals were granted.

Homeowners also face big penalties if they need to exit a deal early. Norwich & Peterborough charges early repayment charges (ERCs) of 7 per cent for borrowers who leave within the first three years of a deal, falling from 6 per cent to 1 per cent over the remaining seven years of the mortgage.

"I can't see a huge take-up simply because the British mortgage borrower's psyche really isn't tuned in to deals longer than five years," said Nigel Bedford of Largemortgageloans.com.