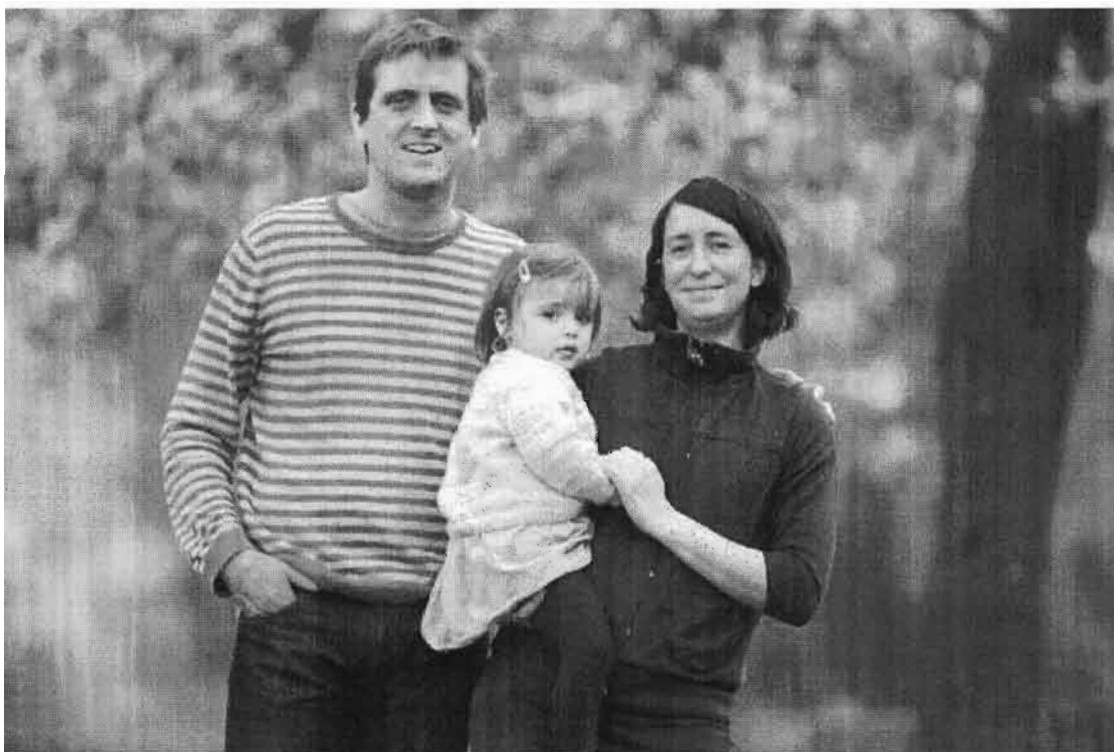


Mortgage lenders set new hurdles

Loan approvals are slumping again as borrowers are finding it tougher to secure a deal

Alexandra Goss Published: 6 May 2012



Mark Weller and Claire Stern suffered a delay when remortgaging to a fixed-rate deal (Adrian Sherratt)

BORROWERS already faced with rising mortgage rates and stricter lending criteria are suffering further headaches thanks to lenders' delays and onerous conditions.

There were 49,860 mortgages approved for house purchases in March, down sharply on January's 57,954 approvals, according to figures from the Bank of England last week.

Lending is predicted to contract further this year, with Lloyds Banking Group and Santander warning that they will be more cautious in advancing loans.

Ray Boulger at John Charcol, the broker, said: "Added to this is the fact that first-time buyer activity on properties between £125,000 and £250,000 is tailing off after the stamp duty holiday

ended in March.”

Underwriting delays

The lack of lending means that those providers willing to extend new mortgages are being swamped with business — and consumers are sometimes suffering long delays as a result.

For instance, brokers report that application approvals at Northern Rock are being significantly held up, in some cases by as much as 10 weeks. The cull of 680 administrative staff at the end of last year before the takeover by Virgin Money is being partly blamed for the problem.

Aaron Strutt at Trinity Financial, the broker, said: “Waiting times depend on the lender, but you would normally expect to wait two to three weeks for an application to be approved.”

David Hollingworth at London & Country, another broker, added: “Ironically, lenders with keen rates can be victims of their own success as they can struggle to keep up with the volume of inquiries.”

As a result, providers will sometimes withdraw from the market for a time to concentrate on processing deals already received. Accord, part of Yorkshire building society, recently withdrew its rates for a few weeks to allow staff to catch up on processing.

Accord states on its website how long it is currently taking to process applications. Last week, it said it was starting to process them within four working days of receipt.

Northern Rock said: “Our mortgage processing service times are openly declared on our website and currently the average is 33 days. As a responsible lender, it is essential that we ensure applicants are able to afford the loan, and we try to complete this process as quickly as possible. In more complicated cases, or where appropriate documentation is not readily available, it can take slightly longer.”

Restrictive panel

HSBC caused uproar earlier this year when it cut the number of solicitors and conveyancers it uses for mortgage transactions from thousands to just 43 firms, in an attempt to prevent fraud.

Previously, customers could choose their own solicitor to carry out legal work, plus the work required by the lender. Now, borrowers can choose either to have one of HSBC’s approved panel do their legal work too, at a fixed cost, or opt to use their own solicitor and pay a separate fee of £192 (£160 plus Vat) for HSBC’s lawyer.

Borrowers who do not want to use their own solicitor pay a fixed fee of between £293 and £1,210, depending on the value of the property, to use one from HSBC’s panel. This fee is refundable, minus the search costs, if the property purchase falls through.

However, many buyers do not want to be pushed into this option — perhaps because they already have a solicitor they trust, or because they are selling their old property at the same time as buying a new one and do not want to involve two sets of lawyers.

Independent lawyers have also warned that the “no win, no fee” model could jeopardise customer service as it is viable only for firms that operate on a “volume” basis, while other critics say the panel is too small to cope with the amount of business received by such a large lender, which is often at the top of the best-buy tables.

The Law Society, which represents solicitors, claims the panel is already causing delays to purchases. In a letter to its members, it said: "It is clear that for housebuyers using HSBC, delays are emerging . . . We are aware that some estate agents are advising caution to consumers who are considering an HSBC mortgage."

HSBC said it was looking to increase the panel over the coming months and was processing another 46 firms at present. It added: "We would argue that the 'no win, no fee' element is in the interest of our customers."

"HSBC has been exceptionally busy in 2012; however, our customers' average conveyancing completion times are now in line with or ahead of the market average."

Deals withdrawn

When lenders launch a product or set of rates, they often allow only a matter of hours to complete applications under the previous terms to avoid being flooded with business.

For example, Nationwide building society announced last Tuesday that it was cutting rates on some of its products and reducing fees by up to 50%. The email was received by brokers at 4pm and they were given until only 5pm to reserve existing deals before they were withdrawn.

Strutt said: "Though Nationwide was cutting rates in this instance, this practice obviously creates a big headache when lenders are raising rates."

"Giving such a short window means there's a good chance brokers won't be able to get the documents needed from the buyer in time and, even if they do, the quality of an application is not going to be as good if someone is rushing."

Information requests

Ian Gray at largemortgageloans.com, the broker, said it was common practice for lenders to "string along" an application for weeks and even months, asking for more information from the client. However, this information does not get looked at until it is fully submitted.

Gray said: "It is rare that a deal goes through without further requests for information and supporting documents. This all causes great delays to the purchase — perhaps it would have been better if the bank had made a clearer decision at the start so the buyer could have moved on to another provider."

What's more, HSBC will not accept a printout of an online bank statement as a proof of income. While this policy is part of the effort to crack down on mortgage fraud, it can mean a headache for honest homebuyers as they have to get their bank statements endorsed by a stamp and signed off in a branch.

Fix avoids costly surprises

Mark Weller, 36, and Claire Stern, 33, who live in Bristol with their daughter, Selma, 2, suffered a delay when remortgaging to a three-year fixed-rate deal at 3.45% with Northern Rock last month. The couple had been on the Halifax standard variable rate. They opted for a fixed rate, arranged through L&C, the broker, to give them peace of mind because of concerns that rates could increase.