



THE SUNDAY TIMES

Rising bank fees hit households

Mortgages, overdrafts and credit card costs increase

Anna Mikhailova Published: 14 April 2013

(Alamy)



CUSTOMERS are being hit by a barrage of record-breaking charges on current accounts and loans after banks quietly pushed up fees.

The average authorised overdraft rate is at a record high of 15.99%, according to Moneyfacts, the data firm. It said mortgages fees and credit card interest rates are also at record levels.

The surge in charges levied on borrowers comes despite banks wholesale borrowing costs remaining historically low.

Richard Lloyd, executive director of Which?, the consumer group, said: "Rising fees and charges are just putting even more pressure on households. The squeeze on incomes and collapse in consumer confidence has led people to slash their spending, with a devastating impact on the wider economy."

The record rate for overdrafts is up from 15.25% a year ago, and 13.35% in 2008. Customers are currently charged 21.18% for going into the red without their banks permission, up from 19% a

year ago.

Meanwhile, mortgage fees have also climbed. The average rose to £1,522 this month, a 25-year high, up from £1,410 in January and £1,502 a year ago, Moneyfacts said. The average mortgage standard variable rate, to which borrowers revert at the end of a deal, has also climbed — to 3.43%, up from 3.18% a year ago, according to the Bank of England.

Although mortgage fees and SVR rates have climbed, headline mortgage rates have been dropping as a result of the Bank's Funding for Lending Scheme, which has seen banks and building societies offered cheap loans for mortgages and small business lending.

Moneyfacts data also shows that credit card charges have risen over the past year, from 18.6% to 19.1% in 12 months. Average balance transfer fees increased 26% to 3.81% over the past year, according to Defaqto, the data firm.

A survey of 2,000 adults released today by Which? shows complaints against the biggest banks are increasing. It found that 26% of customers have had problems with their current accounts over the past year. The survey also identified the worst offenders, with 30% of respondents who had a Lloyds TSB current account reporting problems in the past year, compared with only 9% for First Direct.

Improved competition in the current account market may result in better service and a fall in the level of charges, according to Kevin Mountford of moneysupermarket.com, the price comparison website. The Post Office will launch current accounts in some areas in the coming weeks, then throughout its 11,500 branch network next year. Tesco bank and Virgin Money will also join the market this year.

Should you pay a high fee for a low mortgage rate?

Look at the total cost of both the rate and the fee when comparing mortgages.

The two best-buy five-year fixes are from Yorkshire building society, at 2.59% with a £1,475 fee, and Norwich & Peterborough, which has a 2.74% rate and a £295 fee. Anyone borrowing more than £257,500 is better off with the higher fee, while those needing less should choose the higher rate, according to broker London & Country.

Take into account the length of the deal. Ian Gray of largemortgageloans.com, the broker, said: "The longer the rate lasts, the longer you can go without paying another fee to another lender."

Cut the cost of your overdraft

The 1st Account from First Direct has a £250 interest-free overdraft, but charges a rate of 15.9% on balances above this.

By continuing to use the site, you agree to the use of cookies. You can change this and find out more by following [this link](#).

Accept Cookies

Cash is no longer king in the property market

THE number of cash buyers for homes has fallen this year, as the availability of mortgages has improved.

Research by Strutt & Parker, the estate agent, showed that the number of buyers not using a mortgage has dropped significantly in the first three months of the year compared with the same period a year ago.

It found that 35% of buyers across the country did not use a mortgage – down from 41% in the same period a year ago. In London, the estate agent found that half the transactions were in cash – down from 65% in the first three months of 2012.

Stephanie McMahon, head of research at Strutt & Parker, said: “There are early signs of a potential shift back from cash-only to cash-and-mortgage buying. This is starkest in London where the trend has been away from cash.”

Last week, Chelsea building society introduced a best-buy three-year fixed-rate mortgage at 1.99% for those with a 40% deposit. It has a £1,545 fee. Meanwhile, Santander launched a five-year deal for borrowers with only 20% deposits at 3.74% with a £995 fee.

Lucian Cook, director of residential research at Savills, the property firm, said: “The market is likely to be less dictated by cash buyers.”

