

# Super-low mortgage deals ‘snatched’ from borrowers

Banks have been accused of forcing out customers on cheap loans

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James Murray could port his cheap Woolwich tracker if he repaid capital (Dwayne Senior)

LENDERS that sold “super-low” lifetime tracker mortgages before the credit crunch have been accused of using sneaky tactics to force borrowers to give up their cheap loans.

Borrowers who were fortunate enough to take out home loans that track Bank rate for the life of their mortgage have seen their repayments plummet over the past five years. With Bank rate at just 0.5% today, some are paying less than 1% for their loan.



But Woolwich, the mortgage arm of Barclays, and Santander are now refusing to let borrowers “port” their loans — transfer them to a new property when they move — even though the mortgages were originally sold as portable deals. The change could cost borrowers looking to move thousands of pounds in extra repayments as they will be forced to take out a new loan.

Ray Boulger at John Charcol, the broker, said: “Being able to port your mortgage was always subject to the bank’s discretion. However, now the banks are imposing new conditions that borrowers with super-low lifetime trackers have to satisfy. This isn’t illegal, but it’s arguably unfair and a case of moving the goalposts because the borrower’s circumstances haven’t changed while the bank’s conditions have.”

Ian Gray at largemortgageloans.com, the broker, warned that borrowers are also at risk of losing their super-low trackers if they want to borrow more. He said: “Those with super-low trackers need to be careful not to rock the boat. Any slight change to your circumstances and it’s likely the bank will try to snatch your rate away from you.”

The trackers, also sold by Lloyds TSB and some small building societies, were popular before the credit crunch. Boulger recalls that a fifth of John Charcol loans sold in one month during 2007 were super-low lifetime deals. Back then, Woolwich was selling loans at 0.69% above Bank rate, then 5.5%, but earlier in the last decade it was selling loans as low as 0.19% over Bank rate — a pay rate today of just 0.69%. In 2006, Abbey sold offset mortgages as low as 0.49% over Bank rate, which was then 4.5%.

With the spread between Bank rate and the cost of funding widening dramatically since 2007, such loans are set to cost lenders millions of pounds before the mortgages expire.

Boulger added: “Borrowers are right to try to hold on to these rates for as long as possible. It really wouldn’t make sense to remortgage for the foreseeable future if it is avoidable.”

Last week, the Council of Mortgage Lenders reported a 25% drop in the number of people who remortgaged in June, compared with the previous year.

Borrowers who have reverted to lenders’ standard variable rate (SVR) see little incentive to move as Bank rate is expected to stay low for the foreseeable future.

However, borrowers were warned not to become complacent last week after Cambridge building society revealed plans to raise its SVR to 4.99% from 4.59% next month.

Research for The Sunday Times by L&C Mortgages, the broker, has shown that some borrowers can save almost £3,000 a year if they remortgage from the average SVR at 4.79%.

The monthly payments on a £200,000 repayment mortgage at 4.79% would be £1,145. Those with a 40% deposit could remortgage onto HSBC’s lifetime tracker at 2.14% above Bank rate — 2.64%. This would cut repayments to £911, a saving of £234 a month.

David Hollingworth at L&C said: “There’s a mini-mortgage war and borrowers should take advantage of some of the lowest rates we’ve seen. Also, most of the lenders in the best-buy tables are offering incentives such as free legal fees and free valuations on remortgages.”

Santander said it would not automatically reject applications because borrowers were on a low rate and that clients were assessed “case by case”.

Woolwich said: “A requirement of porting is that a borrower has to meet our current lending policy.”

### **Case study: Portable loan**

James Murray, 37, an actor from Alresford, Hampshire, was allowed to port his cheap Woolwich

tracker as long as he switched from interest-only to capital repayments.