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Loans curb at RBS

Elizabeth Colman

Royal Bank of Scotland, which is 70% owned by the taxpayer, is making it more difficult for first-time buyers to take out loans.

From Tuesday, the interest-only mortgages popular with new home-owners will be offered only to those with deposits of at least 25%. Buyers with smaller deposits will have to take repayment mortgages, where capital borrowed is repaid as well as the interest, adding hundreds of pounds to the monthly payments.

Previously, interest-only mortgages were available to buyers with only a 15% deposit. The change will also apply to NatWest and First Active, part of RBS Group.

Brokers said RBS mortgages would become "off-limits" for many first-time buyers who favour interest-only deals because they are more affordable initially.

On a £200,000 loan, monthly repayments with RBS's three-year fix at 4.39% would be £732 for an interest-only mortgage, compared with £1,099 for a repayment deal.

Aaron Strutt, of the broker Trinity Financial Group, said: "This will undermine attempts by first-time buyers to take advantage of lower house prices to get on the property ladder."

RBS said: "As a responsible lender, in the current climate we believe it is prudent for customers with a higher loan-to-value ratio to repay capital on the loan to protect against house price movement and to strengthen their position going forward."

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