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## Woolwich cuts the cost of tracker deals

**Woolwich cuts its tracker deals by up to half a point as lenders fight it out at the top of the table for the best variable rate**

James Charles

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Mortgage brokers have welcomed a move by Barclays to cut one of its most popular deals by 0.45 percentage points and remove restrictions on other home loans.

The lender announced that it was reducing the interest rate on its lifetime tracker to 2.79 per cent, or 2.29 points above the Bank of England base rate of 0.5 per cent. It was previously 3.24 per cent.

The deal is available for borrowers with at least a 30 per cent deposit, has a £999 fee and carries an early redemption charge of 1 per cent for the first two years.

The most competitive tracker deal is currently available from HSBC at a rate of 2.24 points above base, a pay rate of 2.74 per cent. However, the deal is only available to cash-rich borrowers with at least a 40 per cent deposit.

Woolwich, the mortgage brand of Barclays, also unveiled a lifetime fee-free tracker mortgage today with an interest rate of 3.19 per cent, also for people with a 30 per cent deposit.

Base-rate trackers have grown in popularity in recent months as economists predict that the Bank of England base rate will remain low until at least next year. Fixed-rate home loans, which are traditionally the most popular type of mortgage deal, have become more expensive in the three months as lenders pass on the rising cost of securing funding from wholesale moneymarkets.

Aaron Strutt, of Trinity Financial Group, a broker, said: "More clients are taking tracker rates because they are so much cheaper than many fixed rates on the market.

"The Bank of England base rate is widely expected to stay low for the next couple of years, but borrowers should be careful not to take a tracker rate with extended penalties because it would prove costly to switch to a fixed rate when the base rate does eventually rise."

Woolwich has also removed restrictions on its one-year tracker deal with an interest-rate of 1.98 per cent - the cheapest mortgage deal on the market - which limited the amount it would offer through brokers to between £200,000, £500,000.

Andy Gray, head of mortgages at Woolwich, said: "We're seeing more interest in tracker mortgages, probably related to the combination of rock-bottom, stable base rates and an increasingly competitive market. These new mortgages have the potential to appeal to significant numbers of customers."

Barclays has made a major push into the mortgage market this year, becoming the second largest net lender, behind HSBC. The bank has lent £15 billion since 2007. It has grown its total mortgage book from £69.8 billion at the end of 2007 to £84.4 billion in June this year.

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