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# Banks target wealthiest borrowers

## The high street lenders are once again offering jumbo loans

[Elizabeth Colman](#)

Government-backed Lloyds Banking Group is extending its best fixed-rate mortgage deals to wealthy borrowers for the first time since the credit crunch.

The move comes as Britain's biggest lenders are loosening their criteria to entice large borrowers through their private banking divisions.

This month, Lloyds has slashed the cost of fixed-rate mortgages through its Cheltenham & Gloucester brand by a huge 1.9 percentage points for purchasers borrowing more than £1m.

Its two-year fix for loans of £1m-£2m has been cut from 5.29% to 3.99% for housebuyers with a 40% deposit, bringing it into line with rates on smaller loans.

Aaron Strutt of Trinity Financial Group, the broker, said: "This is a significant move from C&G ... The bank evidently wants to encourage wealthy borrowers. No doubt it will be looking to cross-sell other products to them."

Brokers report that Royal Bank of Scotland is approving a higher proportion of applications through its RBS Private division than with the high street retail bank.

The banks appear to be targeting wealthier borrowers to meet mortgage lending targets — Lloyds and RBS promised net lending of £3 billion and £8 billion respectively in last month's budget.

Analysts emphasised that mortgage lending is more profitable than it has been for decades. Steven Hayne at Morgan Stanley said: "Whereas in 2006 and 2007 spreads [profit margins] were at 20-year lows, now they're at 20-year highs, so if the banks can get a nice customer in the door, they are happy to lend to them."

Barclays is another high street name that is offering low rates and flexible lending criteria to encourage higher-income borrowers, including first-time buyers with small deposits, via its Barclays Wealth division.

Simon Gammon of Knight Frank Finance, the broker, said: "For a very good client I can arrange a mortgage at 1.25% above Bank rate with the private banking arm of a high street lender. For first-time buyers or those wanting more than 80% borrowing, the margin could be three times as much through the retail bank."

We look at what is on offer.

**LLOYDS** Lloyds cut its two-year fix from 6.39% to 4.49% for housebuyers seeking between £1m and £2m who have a 20% deposit. Borrowers must take the loan direct from the bank, rather than through a broker.

However, there is no 20% deposit category for those who want loans of less than £1m. A 25% deposit is required to be eligible for a rate of 4.29%.

Otherwise, purchasers must go with the 5.99% rate on offer to those with a 15% deposit. Monthly payments for those with a 15% deposit would be £1,287 on a £200,000 repayment mortgage, compared with £1,110 on the 25% deal.

Lloyds' two-year fix for jumbo loans does not match the best on the market, from RBS Private, which is 3.39% with a fee of 0.5% if you have a 30% deposit. Coutts has a two-year fix at 3.79%.

However, Lloyds is unusual among high street banks in that it is understood to be willing to lend up to five times income. Unlike the private banks, there is no requirement to open a current account.

Lloyds said: "Prior to the changes last week, we hadn't made any rate changes on the large-loan range for a significant length of time. So, while the reductions may seem significant, over the same time period they're broadly in line with changes we've made to the mainstream product range."

**RBS PRIVATE** Coutts, part of Royal Bank of Scotland, which is 84%-owned by the taxpayer, increased lending at the height of the credit crunch to wealthy borrowers such as football players — even for those with deposits as low as 5%.

It is continuing to undercut the high street via its RBS Private Banking brand, which is demonstrating a more flexible approach to lending.

Ahmed Khan, a Sunday Times reader from Maldon, Essex, was initially offered a mortgage by Abbey to buy his £1m home but the lender withdrew two months later, citing concerns about the deposit.

Khan, 43, who owns a chain of McDonald's restaurants, was saved by RBS Private, which offered him a variable offset mortgage at 3.75%.

Ian Gray of Largemortgage.com said: "The problem from Abbey's point of view was that funds for the deposit came from the sale of some of his restaurants. However, RBS Private was happy to do the deal. As it turned out, there was no problem with the deposit."

RBS Private Banking lends to individuals with at least £75,000 annual income or couples with combined income of at least £100,000. Alternatively, you can invest £50,000 in one of the bank's products.

Its mortgage rates are about 0.1 points less than the high street. However, brokers said the main difference is the way the private bank applies its credit scoring to borrowers with small deposits.

Ray Boulger, of John Charcol, the broker said: "The high street arm of RBS has been uncompetitive for a while, particularly for those wanting to borrow 90% of the value of a property. Another big lender has told us that it rejects 90% of applications from those with a deposit of 10%. From what I've seen, I find it difficult to imagine RBS is any different."

**BARCLAYS WEALTH** Barclays Wealth, the bank's private division, has been quietly offering better deals to wealthier borrowers than those available on the high street.

It offers a tracker at just 2.49% for loans of £1m or more, and will lend up to five times income to purchasers with a deposit as little as 15%.

The bank said: "Barclays Wealth has been expanding its mortgage capability over the past year and is seeing a growing number of clients making use of its attractive rates in the £1m-plus space.

"It considers lending up to 85% of property values and is able to cater for transactions from the ordinary to the more complex in the UK, France, Monaco, Spain, Portugal, Switzerland and Italy."

Woolwich, the bank's high street lending arm, is also targeting bigger loans. It surprised the market by putting a minimum loan size of £200,000 on its best two-year fixed-rate deal, which is 2.98% with a £1,999 fee. Those borrowing less than £200,000 pay 3.39% with a £999 fee. The deals require a minimum deposit of 30%.

David Hollingworth, of L&C Mortgages, said: "Over the past couple of years we've seen lenders step away from larger loans, so this is a reversal."

**BEST OF THE REST** Brokers recommend fixing for at least five years. Accord, owned by Yorkshire building society, has the market-leading five-year deal at 4.44% with a fee of £1,995 for buyers with a 40% deposit. The maximum loan is £750,000. It would cost £1,104 a month on a £200,000 repayment loan.

The next best deal is from the Post Office at 4.59% with a £995 fee, which would be £1,121 a month on a £200,000 loan.

According to a Reuters poll taken last week, most economists expect Bank rate to be 2% by the end of 2011. If you want a tracker, First Direct has a lifetime deal at 2.39% with a £499 fee provided you have a 35% deposit. Initial repayments would be £886, rising to £1,099 if Bank rate hits 2% and £1,336 if it increases to 4%.

However, the deal has no early repayment penalties so you can switch at any time.

#### **STRAIGHTFORWARD PATH TO LUXURY HOME**

CHARLES FINCH, of London, a film producer and founder and chairman of Finch & Partners, the media company, has reaped the rewards from Barclays Wealth's recent push into the residential mortgage market.

Finch recently completed on the market-leading five-year tracker with the private banking arm of Barclays, which was arranged through his broker, Simon Gammon at Knight Frank Finance.

He used the loan to finance the purchase of his multi-million-pound family home. Finch said: "Barclays Wealth was sophisticated enough to deal with an entrepreneur whose key assets are tied up in their business and are not easily assessed."