

# Money made easy... standard variable rates

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**MONEY MADE EASY**  
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**STANDARD VARIABLE RATES**



Building societies have been quietly increasing mortgage costs for new and existing borrowers despite the ongoing freeze on official interest rates. Britannia's broker-only arm is raising the "reversion rate" on new loans for customers with less than 30% equity in their homes. This follows Lloyds' move to raise its standard variable rate (SVR) for new loans from 2.5% to 3.99% for its Cheltenham & Gloucester brand last month.

We look at which lenders are raising rates, and what you must do about it.

## Who is raising their SVR?

Leeds building society became the latest lender to raise its SVR last week, increasing by 0.20 percentage points to 5.69% — well above the industry average of 4.66%. Brokers have accused Leeds of placing the burden on existing borrowers while luring new customers with attractive offers.

Buckinghamshire building society increased its SVR by 0.49 points to 5.24% last week for new and existing borrowers.

Leeds said: "The interest rates we charge for mortgages must reflect the cost of funds, which has more than doubled since the beginning of last year. We have absorbed the impact of this for an extended period to protect our mortgage customers but now need to pass on part of the cost."

## What has Britannia done?

Britannia is raising the rate that new loans will revert to through its broker-only arm, Platform. The change affects those who have a deposit of less than 30%. Everyone else pays the lender's usual SVR of 4.24%. Those with a deposit of 25% to 30% will be subject to a rate of 4.25 points over Bank

rate — a current pay rate of 4.75%, although by the time a fixed-rate deal expires Bank rate is likely to be higher.

The picture is worse for those with less than 20% — they pay 4.75 points over Bank rate when their deals expire, a current rate of 5.25%. However, the rate could be as high as 9.75% were Bank rate to return to its historical average of nearer 5%.

Aaron Strutt at Trinity Financial, the broker, said: “Those who take out loans with the least equity are in the worst position — they are the ones who will struggle to remortgage on to better fixed-rate deals should house prices fall again and their equity be wiped out. Borrowers should bear this in mind when taking out a loan with Platform with less than 30% equity.”

### What should you do?

Check your SVR. If you are a Leeds customer, for example, you should switch if you can. First Direct has a lifetime tracker at 2.39% with a fee of £499, available to those with a deposit of 35%. Monthly repayments work out at £398 on a £200,000 interest-only loan, compared with £950 on the Leeds SVR. Those with a deposit of 25% get 2.89% from First Direct with a £999 fee.

Alternatively, Britannia and the Co-op offer a five-year fix at 3.99% with a £999 fee for those with a deposit of 25%. This will protect you against Bank rate rises during the period when they are likely to rise most quickly.

Homeowners who are in negative equity — and therefore unlikely to be able to remortgage elsewhere — will bear the brunt of SVR rises. Strutt said: “It may well be worth using any available savings to pay down your mortgage, where the lender will allow it, and boost the equity in your home. This may improve access to better remortgage deals.”

### **Top tip**

Ray Boulger of John Charcol, the broker, believes the 10-year fixed-rate offset from Accord, Yorkshire building society’s broker-only arm, “offers real shelter from the storm”. The deal, at 5.54% with the offset or 5.24% for non-offset, is available for buyers with a deposit of 25%, and has a fee of £1,995.

Boulger said: “The tracker option will clearly be cheaper in the short term, and quite possibly for several years. However, if Bank rate averages more

than 3% over the next 10 years the offset 10-year fixed rate at 5.54% will ultimately work out cheaper.”