

# Millionaire mortgages hit the high street

High street lenders are offering their best rates to housebuyers seeking large mortgages — even undercutting private banks

*Elizabeth Colman*

Published: 13 June 2010



Jeremy Davidson arranged a seven-figure mortgage with Barclays Wealth (Vicki Couchman)

High street lenders are offering their best rates to housebuyers in the market for large mortgages — even undercutting private banks for the first time since the credit crunch.

Brokers report that cheaper rates can now be found on the high street than at most private banks, as mainstream lenders ramp up competition in the “jumbo” loans market.

Despite clampdowns on large loans by Lloyds Banking Group, historically Britain’s biggest lender, and Northern Rock, there has been a flurry of activity in recent weeks.

Some lenders, such as Abbey — part of Spain’s Santander group — have been offering “secret” mortgage deals to high-end borrowers. Although not advertised, fixed rates as low as 2.56% are available for loans over £1m.

The shift comes as a quarterly property index from Knight Frank Finance, part of the estate agency chain, reveals that the number of large loans arranged in Britain jumped 162% last month compared with the same time last year.

Last week, it emerged that foreigners bought more than half the homes in the capital that were sold for more than £750,000 this year, taking advantage of the fall in sterling to scoop up multi-million-pound properties.

Foreigners, as well as Britons, are taking out mortgages to fund their purchases, making the most of cheap borrowing costs, brokers said. Simon Gammon of Knight Frank Finance said: “We have arranged loans to local and overseas borrowers and expect to do more with private and foreign banks, which are positive about the prospects for Britain and prime markets.”

High street banks also appear to be more positive. Royal Bank of Scotland (RBS) is lending at cheaper rates via its high street brands compared with loans offered by its private banking arm, Coutts, according to Largemortgageloans, the broker.

Last week, Clydesdale Bank launched a loan of up to £2m for the first time since the credit crunch with a flat £1,499 fee – lower than some fees for smaller loans and undercutting private banks that charge up to 2% of the loan value.

Nationwide building society increased the maximum it will lend as a proportion of the mortgage value, from 70% to 75%.

However, private banks remain the better option for borrowers who rely on bonuses to repay their mortgages and for those needing to borrow 80% or more of the purchase price. This is our guide to navigating the jumbo loans market.

### High street loans

RBS recently advanced £1.2m to a borrower with a 40% deposit, with interest fixed at 2.59% a year for two years, plus a £999 arrangement fee, according to Largemortgageloans. Coutts offers a two-year fixed rate of 2.99% a year, with a 0.5% fee or £6,000 on the £1.2m loan.

Ian Gray of Largemortgageloans said: “The total cost is £77,760 with Coutts so you would save a whopping £14,601 over two years by going with RBS on the high street. Take note, however, that Coutts will consider mortgages of up to 80% of the purchase price, while RBS will only lend to 60%.”

Lloyds appears to have shut the door to big borrowers with its decision to curtail interest-only lending for sums above £500,000. Gammon said: “About 95% of our high-end clients are interest-only borrowers.”

### **Best of the bunch**

Abbey is prepared to lend up to £1.5m at 2.49% with a fee of £999 to those with a 30% deposit, but buyers will need a broker. You can get the same rate on smaller loans. Northern Rock is understood to do bespoke loans on large amounts as well.

Gray said: “Until now, for loans over £1m, borrowers had to go with private banks charging fees of up to 2% of the loan. However, if someone has a good equity position and strong income we are able to approach some high street banks that can consider lending more than £1m, even though they don’t advertise this to brokers or the public.”

### **Private banks**

Wealthy borrowers hoping to buy property or remortgage flocked to private banks as big loan credit dried up on the high street at the height of the banking crisis in 2008-9.

Private banks are still the better bet for asset-rich, income-poor borrowers, those with small deposits and borrowers with a high level of bonus income. However, rates are increasingly less appealing — many are linked to Libor, which is a wholesale borrowing rate 0.2 percentage points higher than Bank rate.

Criteria can also be strict — for every £1m that EFG Private Bank lends, another £500,000 has to be invested with the bank. HSBC Private Bank will lend a minimum of £1m but requires approximately £2m-worth of investments with it.

Aaron Strutt of Trinity Financial Group, a broker, said: “Coutts requires customers to open a current account and the promise of investment business — if not now, in the future. Ideally, you will have £250,000 under investment and Coutts would not charge a fee for banking with them.”

Private Finance, another broker, said last week it was looking to specialise in loans above £1m because of the growing demand.

The firm's Melanie Bien said: "There seems to be a greater need for advice at the higher end of the property market than ever before. Brokers can form a bridge between the private banks and clients who may need them but do not yet have the relationship."

### **Best of the bunch**

Barclays Wealth has one of the cheapest offerings — a tracker at 2.49% a year (1.99 percentage points over Bank rate) with no early redemption penalties for paying off the loan or switching early and can waive the upfront requirement to move investments to the bank. It will lend to those with a deposit of just 20% and will allow interest-only loans.

However, with an upfront arrangement fee of 0.5% of the loan value, mortgages can work out more expensive than on the high street.

On a £1.2m loan, the total cost of the Barclays deal over one year is £31,080 — so borrowers who have a 40% deposit and are able to secure the Coventry deal would be £3,801 better off over one year with the society because of the lower fee, despite paying the higher rate.

Barclays also tends to insist on the most expensive valuation, which can cost around £3,000. However, Gammon said: "Barclays is much more willing to be flexible — this is the best option where there is no straightforward income stream."

### **No big dilemma**

Jeremy Davidson, 51, a property consultant living in London's Belgravia, arranged a seven-figure mortgage with Barclays Wealth, the high street giant's private banking arm.

He put up a deposit equal to about half the loan and secured a variable rate of just 1.99 points above Bank rate, so currently 2.49%, through his broker, Peter Macallan at Knight Frank Finance.

Davidson said: "There is a perception that you can't get substantial mortgage finance and there are no 'great deals' on large loans without attaching a big price. That wasn't my experience at all.

“Barclays Wealth was content to agree the loan without requiring a more extensive banking relationship from me.”