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## A double blow for Santander borrowers

*James Charles* Published: 12 February 2012



More than 300,000 Santander borrowers with interest-only mortgages will be unable to remortgage to a new deal after the lender introduced tough new criteria last week.

The Spanish bank, the second-biggest mortgage lender in the UK, has doubled the deposit required for new interest-only loans from 25% to 50%, in a move to reduce its exposure to that sector of the market.

This means most existing Santander customers, who have an average deposit of 48%, would not qualify for interest-only deals.

Last year, new borrowers taking out a Santander mortgage had an average deposit of 35%.

The clampdown follows changes made by rival lenders in the wake of the credit crunch to restrict the availability of interest-only loans, which allow borrowers to pay off the interest each month, but not the capital.

Brokers warn that other lenders could follow suit and apply stricter criteria to interest-only deals. Aaron Strutt of Trinity Financial said: “When one of the biggest lenders makes such a significant change, other banks often follow its lead.”

Five years ago, 34% of new loans were interest only. Last November, only 10% were.

Santander said existing interest-only customers with at least a 25% deposit would still be able to take their loan with them to a new property, so long as they do not need to borrow more.

Last week the bank also increased interest rates on loans for new borrowers by up to 0.5 points.