

Halifax ups rates for interest-only

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Borrowers will be charged a higher rate if they want to take out an interest-only fixed-rate mortgage with Halifax after the lender reviewed its pricing last week.

In line with other lenders, Halifax previously charged the same rate to borrowers, regardless of whether they opted for a repayment or an interest-only deal.

It will now charge 0.2 percentage points more for an interest-only loan.

The lender is one of the first to introduce a two-tier pricing model. Last month, Halifax rolled out the new pricing on a handful of tracker mortgages. It has now extended this to a total of 35 mortgage products.

A two-year interest-only tracker at 60 per cent loan-to-value will now cost 2.79 per cent, compared to 2.59 per cent for the same repayment deal.

Aaron Strutt of Trinity Financial Group, the mortgage broker, said lenders are trying to tempt borrowers off interest-only mortgages as they are more risky than capital repayment deals.

"It won't be long before other mortgage lenders see what Halifax is offering and introduce their own repayment-only rates," he said.