

Fancy fixing your mortgage for a decade?

By Tanya Powley

Published: June 11 2010 15:45 | Last updated: June 11 2010 15:45

The idea will seem daunting to most borrowers as ten years is a long time in anyone's books - but with the new Con-Lib coalition Government warning that the next few years are going to be painful, the certainty of knowing exactly how much you will pay on your mortgage each month can start to seem very appealing.

The good news is that the choice for 10-year fixes has widened this week.

Yorkshire Building Society has today launched a best-buy 10-year fix at 4.99 per cent. The deal is available up to 75 per cent loan-to-value and comes with a £995 fee.

The lender is also offering another 10-year fix at a higher rate of 5.09 per cent but it comes with free legal and valuation costs for those remortgaging or a free valuation and £250 cashback for those moving home.

As it's likely you may move house in the next 10 years, all of Yorkshire's new deals are portable offering flexibility for those who may wish to move home before the end of the term.

However, Melanie Bien of Private Finance, the mortgage broker, provides a word of warning. "The lender says it is portable if you move but that will depend on Yorkshire agreeing to the property you are purchasing and the loan-to-value. There are no guarantees and if you can't take it with you, you will have to pay a hefty repayment penalty."

Early repayment charges are as much as 7 per cent for the first three years of the deal, dropping slightly every two years after that.

While shorter term fixed-rate deals have typically been the more popular choice amongst consumers, mortgage experts believe longer term fixes do offer several benefits.

Andrew Hagger from Money.net.co.uk says: "Apart from ease of budgeting, one of the main plus points of a 10-year fixed rate are that you only have one lending fee to payout compared with five separate fees if you opt for a 'switch every 2 years' strategy."

Paying out £1000 in fees as opposed to £5000 over 10 years equates to a saving of £33.33 per month, says Hagger.

For those who feel 10 years is a fix too far, five-year fixed rates may be a better option.

Co-op/Britannia has the lowest five-year fix in the market at 3.99 per cent. The deal comes with a £999 fee and is available up to 75 per cent loan-to-value.

From Monday, Chelsea Building Society will also be cutting its five-year fixed-rate to 3.99 per cent, available up to 75 per cent. The rate comes with a £495 if bought directly from the lender, or £995 through selected brokers.

Simon Gammon of Knight Frank Finance says he has seen a huge amount of clients opting for fixed rates over recent weeks. He says five-year fixes are offering such good value at sub 4 per cent that he has personally opted for the Co-op/Britannia deal.

“There are too many variables on what could happen with interest rates which is why I think fixing for the next five years is a good option,” says Gammon. “The Britannia 3.99 per cent deal is amazing - the lowest five-year fixed rate I’ve ever seen in my career was only slightly lower at 3.89 per cent.”

As Britannia only charges a £150 booking fee and gives borrowers up to four months to complete, the borrower has the option of switching products if a cheaper rate comes out in the meantime - losing out on just the £150 booking fee.

Aaron Strutt of Trinity Financial Group says it is currently advising that five-year rates are the better option over 10-year fixes. “We are not seeing any of our clients opting for 10-year deals because of the premium they would have to pay for the rate over the cheap two-year mortgages,” he says.

According to Money.net.co.uk, if you compare the Yorkshire Building Society 10-year rate with Co-op/Britannia five-year deal, the latter works out £3436 cheaper over the first five years. However, Hagger says borrowers should take into account that they will probably have to pay a further £1000 plus when they remortgage - and who knows at what level rates may be at come 2015.