Woolwich starts interest-only crackdown
By Lauren Thompson
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Woolwich has become the laest bank to slam the door on borrowers who want an **interest-only mortgage**.

Any new or existing remortgaging customers with less than 25% equity or deposit must now take out a**repayment mortgage**, where both interest and capital payments are made.

Even those who have more equity than this, and who are granted an interest-only deal, will have to prove they could afford to make capital repayments if needed.

Aaron Strutt, of broker Trinity Financial Group, says: 'Those with less than 25% equity currently paying interest-only will have to take out a repayment loan if they want to **remortgage**, which will mean a big increase in monthly repayments.'

A Woolwich two-year fixed-rate mortgage at 3.79% on a £150,000 mortgage would cost £300 per month more on a repayment basis than interest-only - £774 instead of £474.

The term of an interest-only Woolwich mortgage cannot be longer than 25 years - or until the borrower retires or turns 70, whichever is soonest.

The deals will be granted only where an 'acceptable repayment vehicle' is already in place, which must be **endowment** policy, stocks and shares **Isa**, **unit trust**, **investment bond** or sale of a property.

Santander, RBS and NatWest, Cheltenham & Gloucester and Skipton BS have also stopped **interest-only mortgages** above 75 % loan-to-value.

Woolwich, owned by Barclays, says low interest rates coupled with uncertain house prices means it may not be suitable for some people to take out interest-only mortgages.