

Competition for low fixed rates hots up

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There has been a lot of talk about mortgage rates and how much lower the best fixes can go.

With the number of borrowers remortgaging at low levels lenders have had to offer better deals to entice people to switch.

The Royal Bank of Scotland has made its remortgage-only direct rate available through brokers and it is cheap. For those who have 50% equity in their property brokers can access a two-year fixed rate at 2.75%. There is no arrangement fee and it has £250 cash back.

With two-year fixes available below 3% and five-year fixes below 4%, I thought it was hard to see best buys falling much further.

There is still room for reductions as ING Direct has launched a five-year fixed rate at 3.69%. It has a higher fee of £1,945 and is for remortgages only but it is still good. HSBC had the lowest five-year fix a year ago at 4.95%.

The problem with many fixes is that they are too high. Borrowers do not want to lock themselves in at a time when their SVR is low. But with five-year fixes at 3.69% they have less to worry about.

A host of lenders are competing with HSBC on low-fee mortgages. Woolwich and Coventry Building Society are both competitive, with Woolwich's The Great Escape remortgage offering a decent option.

Slightly lower mortgages are available but Woolwich is keen to drum up business. It will be interesting to see how many others follow and start marketing campaigns with lower rates.