

# Industry worries as Natwest bans interest-only for first-time buyers

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Industry experts have expressed concern over NatWest Intermediary Solutions' decision to stop offering interest-only to first-time buyers.

The bank says the move is about being a responsible lender and ensuring first-time buyers can afford their homes.

But Melanie Bien, director at Private Finance, says: "First-time buyers are all different and to tar them with the same brush is unfair.

"We have had a barrister client on £100,000 a year looking for his first mortgage so to say he can't afford an interest-only deal seems wrong."

London & Country says that a borrower with a £200,000 mortgage at 75% LTV on a 3.59% rate would pay £598.33 a month on an interest-only deal.

But on a 25-year repayment basis this shoots up to £1010.93.

David Hollingworth, head of communications at London & Country, says: "NatWest is shying away from first-time buyers using interest-only as a cheap mortgage. But it will also stop first-timers using it as a flexible option in the early years."

Aaron Strutt, communications manager at Trinity Financial Group, says: "I can't see the logic in singling out first-time buyers. From an affordability point of view it would make more sense for them to have half the loan on a capital re-payment basis."

A spokesman for NatWest says: "Repaying capital from the outset will help protect first-time buyers from the possible threat of negative equity in the future.

"This will make it easier for them to move up the property ladder as they will have a better chance of building up equity in their property to provide them with the deposit needed for their next house move."

The decision follows similar ones by Coventry Building Society to ban interest-only for first-time buyers, Northern Rock to restrict it to 75% LTV and Lloyds Banking Group to ban it for mortgages over £500,000.