Fix now before deals are dropped

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Homeowners considering fixing their mortgage rate should act as soon as possible – because lenders are increasingly withdrawing their best fixed rates and replacing them with more expensive deals, brokers have warned.

On Tuesday, Skipton Building Society withdrew its entire range of competitive five-year fixed-rate mortgages, including its 90 per cent loan-to-value deal. The lender said the move was due to unprecedented demand over the past two days.

Last week, NatWest pulled its attractive five-year fixed rate of 3.75 per cent, available for up to 50 per cent loan-to-value, and replaced it with a more expensive rate of 3.95 per cent, with a £699 fee.

Fixed-rate mortgages have become more attractive to borrowers because of the low rates on offer and the growing likelihood that interest rates will rise this year. Mortgage brokers say they have seen an increase in borrowers opting for fixed-rate deals over the past few weeks.

“More clients are seriously considering fixed rates, particularly those who are financially aware and have been watching the swap rates increase over recent weeks,” said Nigel Bedford of Largemortgageloans.com, the mortgage broker.

Trinity Financial has also received more requests from its clients for fixed-rate mortgages. “For borrowers with at least a 25 per cent deposit, the lowest fixes are not a huge amount higher than the cheapest trackers and this makes them attractive,” said Aaron Strutt of Trinity.

The cheapest five-year fixed-rate currently on offer is First Direct’s 3.89 per cent with a £99 fee, available on loan-to-value ratios up to 65 per cent on a full capital repayment basis. Borrowers who want an interest-only deal can opt for Accord or Barclays Wealth, which both have five-year fixes at 3.99 per cent, available on mortgages of up to 75 per cent loan-to-value.

Bedford believes fixed mortgage rates will increase by about 0.50 percentage points over the next month as lenders’ current tranches of funding run out and they have to go to the market to secure new funds for lending.

“As yet, very few lenders have significantly increased their fixed rates as they still have money that they bought at the lower swap rates,” he explained. He said Barclays Wealth would look to increase its 3.99 per cent five-year fix by around 0.50 per cent when its current tranche runs out.

“The advice must be for anyone concerned about rising interest rates to secure a good fix soon or they may be disappointed,” he warned.

Melanie Bien of broker Private Finance said borrowers could book a fixed rate ahead of time.

“You can book a rate up to six months before you actually take it out, depending on the lender, so this may enable you to enjoy a cheap variable rate for a while longer before moving on to the fix,” she said.

Other options include splitting a mortgage between a range of rates. Simon Gammon of Knight Frank Finance said he recently had a client borrow £500,000 on a lifetime tracker rate, £500,000 on a fixed rate for two years, with another £500,000 on a fixed rate for five years. Some private banks will allow clients to arrange a fixed rate for a year's time. Carlo Sammartano of Barclays Wealth expected this would prove popular for those with a strong opinion on what will happen to interest rates.

However, Ray Boulger of John Charcol believed borrowers would benefit from low variable rates for another year or more. "The advice we're giving is that there is no rush to buy a fixed rate," he said.