

# Wealthy face remortgage trap

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Wealthy borrowers who have seen their bonus income reduced or deferred are finding it harder to remortgage, with many forced to stay on their lender's standard variable rate (SVR).

Since the financial crisis, regulators around the world have made banking groups change their pay structures, reducing the level of cash bonuses and deferring some over several years.

As a result, top-end mortgage brokers say they have a growing number of clients who have been unable to obtain new finance because their bonus income is no longer guaranteed, or a larger portion of it is [deferred and in shares rather than cash](#).

Some borrowers are even finding it difficult to remortgage in spite of seeing an improvement in their overall circumstances since they took out their original home loan.

Mortgage brokers said many borrowers have been caught out by a tightening of lending policies at retail banks and building societies in recent years. Many banks have reduced their lending income multiples and [tightened their criteria on bonuses](#).

Mark Harris, managing director of Savills Private Finance, said he has a client who bought a property in 2006 for £1.94m at 90 per cent loan-to-value on an interest-only basis with Bank of Scotland. In spite of the property going up in value and the client only wanting to refinance at 70 per cent, he is unable to obtain new finance because his bonus is no longer guaranteed, with a proportion of it in deferred stock.

The client now has no other option but to stay on the lender's SVR of 4.84 per cent.

"Stricter lending criteria by banks is a problem that even wealthy borrowers are facing, especially those who have seen their bonuses reduced or part of it deferred," said Harris.

Aaron Strutt of Trinity Financial, a mortgage broker, said some banks may now take as little as a quarter of a bonus into consideration.

"If the client is expecting the whole bonus to be used, then they could be disappointed," Strutt said.