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High-street lenders dominate mortgage best buys

By Tanya Powley

High-street names are now dominating the best-buy tables for tracker and fixed-rate mortgages up to the value of £2m – but private banks remain the most competitive option for loans above this level.

Over the past two weeks, high-street lenders have been significantly reducing their rates and becoming more competitive in a bid to boost lending volumes and grow their market share.

This week, Accord, the broker-only mortgage arm of Yorkshire Building Society, cut its rates by as much as 0.35 percentage points and launched [a five-year fixed rate at 3.64 per cent](#) – the cheapest on the market. NatWest also launched a best buy two-year fixed rate of 2.55 per cent, available for up to 60 per cent of a property's value, with a £999 fee.

An analysis by FT Money of current mortgage deals shows that these latest rate cuts have resulted in two lenders – ING Direct and Accord – offering a large proportion of best-buy rates for all tiers of the market up to £2m.

ING now offers the most competitive two-year tracker and lifetime tracker for loans of up to £2m, following its decision earlier this month to increase its maximum loan size from £1m to £2m. It has a two-year discounted tracker rate of 1.9 per cent – 1.6 percentage points below its standard variable rate of 3.5 per cent – available to borrowers with a deposit of 40 per cent or more, for a £1,945 fee.

Accord's five-year fix at 3.64 per cent – which is available up to 75 per cent loan-to-value – is best value for borrowers seeking loans of more than £100,000, due to its large fee. It carries a £1,995 fee for loans of up to £750,000, and a £3,990 fee for those with mortgages of between £750,000 to £1.5m.

However, according to Nigel Bedford of Largemortgageloans.com, while the large fee of £3,990 may put some borrowers off, it still works out cheaper overall than Accord's other five-year fixed rate of 3.84 per cent with no fee for large loans. “[Two](#) and [five-year fixes](#) are now particularly low and it is almost getting to the stage where it seems more sensible to fix your repayments,” said Aaron Strutt of Trinity Financial, the mortgage broker.

High-street lenders are also becoming much more competitive in the large loan market. Clydesdale Bank has a two-year fixed rate of 2.98 per cent with a £1,499 fee for loans between £1m and £2m. Similarly, Nationwide has a best-buy five-year fix at 4.09 per cent, which comes with a £99 fee. Even for loans above £2m, [Royal Bank of Scotland](#)'s two-year fix at 3.25 per cent, with a £999 fee, is a more competitive option than that offered by private banks.

“If you want a large loan, you don’t have to just go to a private bank any more,” said Strutt.

However, mortgage brokers warn that while high-street lenders are now offering cheaper rates, [private banks tend to be more flexible](#) and likely to lend. They also become more competitive on rates for those borrowers who are willing to transfer assets worth up to 50 per cent of the loan value to the bank.

“The key to being able to secure a mortgage from a retail lender is to have a straightforward situation, especially with regards to income,” said Bedford. “If someone has an unusual income stream – bonuses, multiple sources, irregular or overseas income – and wants an interest-only mortgage, the flexibility offered by private banks can be crucial to success.”

Melanie Bien of Private Finance, a mortgage broker, points out that many high-street lenders also impose conditions on types of lending. For example, Accord does not accept properties with an agricultural element, while ING requires an endowment policy, pension, individual savings account (Isa), personal equity plan (Pep), unit trust or a share portfolio to be used as a repayment vehicle for interest-only loans. Private banks don’t have such strict requirements on repayment, explained Bien. “An inheritance, sale of the property, another asset such as a stake in a business or art collection, or paying down the outstanding capital through bonuses – are all acceptable,” she said.