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High street banks focus on large loans

By Tanya Powley

High street banks are now competing aggressively in the large loan market, with many offering more attractive deals than the private banks that have dominated the sector in the past two years.

Mortgage brokers say they are now placing a growing number of million-plus loans with banks and building societies, as some of the European-based private banks have become less competitive on pricing due to their exposure to theeurozone sovereign debt crisis.

"At the start of the crunch, we saw European private banks stepping in where the UK high-street had effectively stopped lending," says Ian Gray of Largemortgageloans.com. "But times have changed. Now, the UK banks have had years to recapitalise and the euro situation has worsened."

One building society has this week started to make a further foray into the large loan market. Accord Mortgages – the broker lending arm of Yorkshire Building Society – has increased the maximum it will lend from £1.5m to £3m, via selected brokers. Accord has a two-year tracker at 2.09 per cent – Bank of England (BoE) base rate plus 1.59 per cent – available up to 75 per cent loan-to-value with a £3,990 fee. It is also offering a competitive two-year fix at 2.59 per cent, available up to 75 per cent loan-to-value, with a £3,990 fee.

"The good news for those looking at obtaining a large mortgage is that they are no longer the preserve of the private banking fraternity," says Andrew Montlake of Coreco, the mortgage broker.

Accord Mortgages says it has an increasing demand from brokers for larger loans. "We have therefore recently increased our maximum loan size to £3m for specific key lending partners," says a spokesperson. "All lending above £1.5m is considered on a case by case basis and requires a minimum 25 per cent deposit."

Other high-street names – including Skipton Building Society, ING Direct, NatWest, Nationwide Building Society, Woolwich, Santander and Clydesdale Bank – also offer attractive deals. In July, ING Direct increased its maximum loan size from £1m to £2m across all of its mortgage range.

This week, NatWest launched a competitive two-year fix a 2.45 per cent for remortgage cases only, available to those with a deposit of 50 per cent or more. It comes with a fee of £499, and free valuation and legal costs, says Aaron Strutt of Trinity Financial.

“There’s a lot more choice in the market for those looking to borrow between £750,000 to £2m,” says Simon Gammon of Knight Frank Finance. He says that, in recent months, his firm has arranged million-plus loans with Skipton Building Society, Abbey and Saffron Building Society.

Brokers say the benefit of taking out a mortgage with high-street lenders is that they will not require borrowers to transfer their banking arrangements or significant assets to them, as private banks typically insist upon.
But there are drawbacks to opting for a large mortgage with mainstream banks and building societies.

Gammon says borrowers have to be “squeaky clean” in order to get a loan. He notes that he recently tried to arrange a million-plus mortgage through Accord Mortgages for a well-known client who – for privacy reasons – had opted to stay off the electoral register. Even though the client could afford the mortgage, the application was turned down by Accord because it did not meet its criteria.

“These high-street names are pricing extremely well but their underwriting procedures are not geared up to the type of client they are going to get,” explains Gammon.

Montlake agrees. “Generally speaking, mainstream lenders operate on a standard underwriting basis so, while there is a degree of flexibility, it does not quite match the private banks ‘blank sheet of paper’ approach.”

Mortgage brokers say that borrowers with more complex financial arrangements, or those looking for loan sizes of more than £3m, are typically better off opting for a private bank.

Barclays Wealth has a two-year tracker at 2.49 per cent – BoE base rate plus 1.99 per cent – available up to 60 per cent loan-to-value, with a 0.5 per cent fee. Borrowers have to invest at least £500,000 with the bank.

Other private banks can offer even more attractive rates depending on the value of assets under management a borrower will transfer to them.

John Charcol recently arranged an eight figure mortgage at three-month Libor – the interbank lending rate which currently stands at 0.98 per cent – plus 1.35 percentage points. “For the right customer, some of the private banks still quote some very good rates,” says Ray Boulger of John Charcol.