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Mortgages & home

A million mortgage holders face paying hundreds more a year as SVR increases kick in today

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Mortgage red alert: Lenders have begun to raise standard variable rates without reference to the Bank of England's base rate.

In contrast, tracker mortgages will only move with the base rate and a fixed rate is guaranteed for as long as that deal lasts.

More than one million mortgage holders will eventually pay hundreds of pounds per year extra from today, as lenders hike their payments despite the base rate remaining stuck at its record low 0.5 per cent.

A total £300million will be added to the nation's mortgage payments bill thanks to the increases in standard variable rates (SVRs) on home loans, according to figures from campaign group Which?

The rise in payments will add an extra drag on to consumer's finances and confidence at the same time as Britain has found itself dragged into recession again.

And in a double whammy for homeowners, banks and building societies have begun to raise their rates on the deals that those on standard variable rates would ...

General Mortgage Club, said: 'Although nobody wants their mortgage rates to rise, today's rates have to be seen in the context of historical levels, and they are very low indeed by comparison.

'It is almost certain that we have now seen the cheapest mortgage rates in a lifetime and that rates bottomed some time ago.'

James Moss, MD of Curzon Investment Property, said: 'This is a kick in the groin for homeowners. It's bad news for two reasons: firstly, a rise of half a percent in repayment rates equals a 12.5 percent rate hike on a 4 percent mortgage. At a time of rising energy prices and food bills, this will hit people hard.

'Secondly, those borrowers who are already on the verge of falling behind could be tipped over the edge or boxed in from being able to remortgage onto a better deal if they're already in negative equity.'

The greatest impact of these latest rises will be felt by 'mortgage prisoners' who are unable to move to another provider.

Which? chief executive, Peter Vicary-Smith said: 'Our advice to anyone struggling with their mortgage repayments is speak to your lender straight away.

'It is encouraging that a third of people we spoke to had approached their lender, but, worryingly, in one in five cases, they said their lenders offered no help at all.

'This is just not good enough and we want to see banks do more to help their customers who are struggling. These SVR rises are the consequence of the lack of competition in the market and the failure of the Government to take action to promote competition.

'This is why the new financial regulator, the FCA, needs to be a watchdog not a lapdog. It must stand up for consumers and stand up to the banks.'

Chris Taylor, of MarketGuard which offers to insure people against rate increases and will pay out to Halifax SVR borrowers who have taken out policies, said more rises could hit.

He said: 'The Halifax SVR increase reinforces that no one should be fixated on when the Bank of England rates. The banks' cost of borrowing has risen and will rise further if banks continue to believe there is risk in the market and fear lending.

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