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

By HARRY GLASS and SIMON LAMBERT

PUBLISHED: | UPDATED:

Comments (8) | Share +1 0 Tweet 0 Like

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

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 remorgage to


Mortgage red alert: Lenders have begun to raise standard variable rates without the Bank of England base rate rising

Which? says that 70 per cent of borrowers were concerned about the impact any increase would have on their ability to cope financially, while some 14 per cent said they were already struggling with repayments

Who is increasing mortgage rates?

Lender	Rate increase	New rate/SVR	Date comes into force	Borrowers affected
Bank of Ireland	+1.5%	4.49%	1st June / September 2012	100,000
Clydesdale/Yorkshire	+0.36%	4.95%	1st May 2012	30,000
Co-operative Bank	+0.5%	4.74%	1st May 2012	54,000
Halifax	+0.49%	3.99%	1st May 2012	850,000
NatWest/RBS offset mortgage	+0.25%	4.00%	1st March 2012 *	100,000
One Account	+0.25%	3.90% - 4.75%	1st May 2012 *	100,000

From today 850,000 Halifax customers will see a 0 49 per cent rate increase on these products, and around 84,000 borrowers with Co-operative Bank and Clydesdale/Yorkshire also see changes kick in

Bank of Ireland has announced an increase in its SVR which will take effect in two stages on 1 June and 1 September.

IN THIS SECTION

1 Buy-to-let — Should you, could you invest?
2 House prices — Buying and selling opportunities
3 Household insurance — Tales of the unexpected
4 Life insurance — Tips on whether you need it
5 Stamp duty — How much - and can you avoid it?
6 Find a mortgage — Find a brilliant deal now

Latest best buy mortgage deals

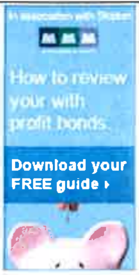
Provider	Rate	Type
HSBC	2 64%	Fixed
first direct	2 89%	Fixed
Chelsea	2.94%	Fixed

See more best buys

EDITOR'S SIX OF THE BEST

- Why the poor will stay poor (another UK record)
- Santander dragged down by Spain's woes
- Which is better: work pension or ISA?
- Can I get a Groupon refund on horse riding lessons?
- How can savers make themselves slump-proof?
- Is the Golden Dragon about to overheat?

LATEST: MORTGAGES & HOME



From today 850,000 Halifax customers will see a 0.49 per cent rate increase on these products, and around 84,000 borrowers with Co-operative Bank and Clydesdale/Yorkshire also see changes kick in.

Bank of Ireland has announced an increase in its SVR which will take effect in two stages on 1 June and 1 September.

NatWest/RBS increased its variable rates for its offset mortgage customers on 1 March and will be increasing variable rates for its One Account customers today.

More...

- What next for mortgage rates and should you fix?
- Can you find a cheaper mortgage? Check the best buys
- Calculator: Mortgage rate rise - what will it cost you?
- Comment: Don't expect any favours from the banks that crashed our economy

Nearly half of those questioned told Which? that if their repayments increased by £50 a month they would need to cut back on regular spending, while 11 per cent would not have enough for essentials.

An increase of £100 a month would see 20 per cent of mortgage-holders not having enough for daily essentials like food, and 11 per cent being unable to pay their mortgage.

Consumers also highlighted the emotional impact of increases in mortgage repayments, describing them as 'devastating' and 'a disaster'.

Borrowers who can remortgage should be aware that it is not all doom and gloom, however, with mortgage rates still near record low levels - although the best deals have most likely been and gone.

Ben Thompson, MD of Legal and General Mortgage Club, said:

Borrowers who can remortgage should be aware that it is not all doom and gloom, however, with mortgage rates still near record low levels - although the best deals have most likely been and gone.

Ben Thompson, MD of Legal and 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.

What is an SVR?

Standard variable rates are the name given to mortgage lenders benchmark cost of borrowing.

This is typically the rate that borrowers move onto once their initial fixed or tracker rate deal has ended.

In the past it was also often the rate at which home owners took out extra borrowing, or in some cases a simple mortgage deal offered, although this use of an SVR has all but ceased at many lenders now.

Crucially, lenders can raise (or lower) standard variable rates as they like, independent of changes

extra borrowing, or in some cases a simple mortgage deal offered, although this use of an SVR has all but ceased at many lenders now.

Crucially, lenders can raise (or lower) standard variable rates as they like, independent of changes

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.

'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.'

- Is the Golden Dragon about to overheat?

LATEST: MORTGAGES & HOME

- A million mortgage holders face paying hundreds more a year as SVR increases kick in today
- Why mortgage rates are being hiked: don't expect any favours from the banks that crashed our economy
- Homeowners warned the clock is ticking on an insurance trap as floods rise
- Home buyers emerge for spring but dark mortgage clouds remain, so what next for house prices?
- Government to consider landlords and tenants charter in bid to simplify private rented housing sector
- The ticking interest-only mortgage timebomb: Millions risk not being able to afford their home
- Want to sell your home quickly? Forget the grand plans and just tidy up and paint
- House prices increase for second month in a row thanks to strong demand in London and the South
- First buyer to benefit from Cameron's housing plan tells of joy at her big move

MORE HEADLINES

MORTGAGE CALCULATORS

- Stamp duty
- Stamp duty for first-time buyers
- True mortgage cost (rates AND fees)
- House prices: Negative equity
- Mortgage monthly interest

MORE HEADLINES

MORTGAGE CALCULATORS

- Stamp duty
- Stamp duty for first-time buyers
- True mortgage cost (rates AND fees)
- House prices: Negative equity
- Mortgage monthly interest

- Mortgage affordability
- Interest rate rise/fall impact
- Savings from an offset mortgage
- ALL CALCULATORS

PROPERTY: DON'T MISS

› Millions of homeowners face higher mortgage payments
10 lenders have announced interest rate increases for new mortgage deals

› Trapped by flood risk
Insurers and Ministers in fierce battle to guarantee homeowners are covered

› Buy-to-let threat over benefit cuts
Housing benefit cuts are threatening the buy-to-let market's resurgence

› The ticking interest-only mortgage timebomb
Walter Harper must leave the he has loved, as he is unable to repay his debt

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

Why are mortgage rates being hiked?

By Simon Lambert

Mortgage lenders have claimed that the cost of funding mortgages has increased significantly and used this to justify their rate rises

On the rise: This is Money's mortgages editor Simon Lambert explains why rates are being hiked and what lenders' excuses are

Many borrowers struggle to understand how mortgages that have already been lent out many years ago can suffer from an increase in the cost of funding

However, this is due to the fact that with variable rate mortgages, ie SVRs and trackers, lenders balance their books on an ongoing basis. So, despite the fact that your mortgage may have been issued five years ago, your lender must balance the outstanding amount on its books at the end of every day

A number of things influence this: the cost of funding on the wholesale money markets, the cost of getting funds in from savers and also the amount of capital regulators demand banks hold against their loans

While the Bank of England base rate has remained at a rock bottom 0.5 per cent, banks and building societies must pay about 3 per cent rate to attract new cash from easy access savers and last year saw the benchmark money market cost of variable rate funding LIBOR rise as the eurozone debt crisis sent everyone running for cover.