

20 July 2010

Are increased margins here to stay?

Fixed mortgage rates continue to fall as lenders try to tempt borrowers off record low variable deals.

While borrowers are benefitting from the lowest rates in seven years, lenders are continuing to take record margins.

Unfortunately for borrowers opting for unsecured lending, rates continue to rise as the bank base rate becomes even more disjointed.

Mortgages

	Average Rate	Margin over swaps	Margin over fixed rate bond	Highest margin since (swaps)	Highest margin since (bonds)
2 year fixed	4.54%	3.14%	1.42%	March 2010	September 2009
3 year fixed	5.15%	3.38%	1.63%	All time high	June 2010
5 year fixed	5.56%	3.11%	1.51%	All time high	May 2010

Source: Moneyfacts.co.uk 20.7.10

Unsecured Lending

	Average Rate	Margin over bank base rate	Highest margin since
Personal Loans	12.6%	12.1%	All time high
Credit Cards	18.8%	18.3%	All time high
Authorised Overdraft	14.24%	13.74%	All time high

Source: Moneyfacts.co.uk 20.7.10

Michelle Slade, spokesperson for **Moneyfacts.co.uk**, commented:

“Competition has returned to the mortgage market, but while rates are at their lowest levels in seven years the margins taken by lenders continues to increase.

“The mortgage market remains disjointed from the swap rate market, which has traditionally been the barometer of fixed rate mortgages.

“Many providers continue to raise on balance sheet funding through premium priced longer term bonds.

“As lenders look to reduce mortgage rates further, savers end up paying the price through lower savings rates.

“If lenders truly want to tempt borrowers off record low standard variable rates, they need to reduce rates further and sacrifice margins.

“Mortgage approvals remain at record lows and it seems that only a bank base rate rise will kick start the remortgage market.

“Despite the UK economy moving out of recession, a number of market indicators and sentiments remain subdued for unsecured lending.

“Recent announcements by the Government point towards large scale public sector job losses, which will continue to have an adverse impact on lenders’ appetite to lend.

“Customers successfully applying for unsecured credit are paying a heavy price as the increase risk is passed on through increased margins.

“Until banks and building societies repair their balance sheets, its highly likely these increased margins are here to stay.”

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Our dedicated research experts produce three monthly publications as well as providing real time news and data services to the majority of banks and building societies. Additional information can be found at www.moneyfactsgroup.co.uk.

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Looking for extra comment, a chart or more information, then please give us a call. We are always more than happy to help.

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