
From The Sunday Times

September 20, 2009

Halifax devalues property prices

Surveys undervaluing properties wipe out gains in the housing markets and potentially lock borrowers out of top deals

Elizabeth Colman

Britain's biggest lender is under-pricing homes by up to 35%, despite the upturn in the housing market — potentially adding £12,000 to the cost of mortgage borrowing.

House prices are up 4% from their April trough, according to the Halifax house price index, and have risen 7.8% on Nationwide's index from a February low. On both, prices are down 20% from their 2007 peaks.

However, brokers are reporting huge property "down-valuations" by Halifax, owned by taxpayer-backed Lloyds Banking Group — a move that could lock borrowers out of the top deals. Halifax's best five-year fixed rate for its borrowers with only 10% equity is 6.19%. However, if you had 40% equity, you would be best off moving to another lender: HSBC charges just 4.95%. The difference could take £12,400 off the cost of a £200,000 mortgage over five years.

Simon Lord, 49, an estate agent, and his wife Katherine, 44, from Bath, came to the end of their mortgage with Halifax in July. The bank gave an automatic valuation, based on its house price index, which gave the Lords less than 25% equity.

Unhappy with the figure, they paid about £1,000 for Halifax's own surveyor, Colleys, to visit their property for a physical valuation. This turned out to be 35.6% higher, at more than £1m, giving them the 60% equity required for the top deals. "We would have had to acquiesce to a far less favourable mortgage if we'd accepted Halifax's initial valuation," said Lord.

Ray Boulger of John Charcol, the broker, said: "This is a shockingly big down-valuation and a number of clients are finding themselves in the same position."

Halifax said it updated its index every quarter for valuation purposes. This penalises home owners when prices are rising, though benefits them in a falling market. A spokeswoman said: "We're confident that we have a robust process in place."

Here, we offer some advice for those looking to remortgage or buy:

REMORTGAGERS

Halifax offers existing customers with a deposit of 5%-10% a five-year fix at 6.19%. Those with equity of 10%-25% pay 5.99%. However, Boulger said: "Borrowers with a deposit of 25% or more have a choice of other lenders, so it's very important to get the right valuation."

The top five-year fix for those with a 25% deposit is from Newcastle building society at 4.99%. Repayments on a £200,000 loan come in at £1,168 a month — £119 less than Halifax's 5.99% deal. Those with a 40% deposit would pay £1,163 a month with HSBC's 4.95% loan — £124 less than Halifax.

If you have less than 25%, consider staying on your lender's standard variable rate. Halifax's SVR is 3.5%, but Accord, part of Yorkshire building society, charges 5.35%.

BUYERS

Lloyds and Royal Bank of Scotland last week launched five-year fixed-rate mortgages at 7.49% and 7.29% respectively for buyers with deposits of 10% — more than double the wholesale cost of five-year funds at 3.3%. Aaron Strutt of Trinity Financial Group, a broker, said: "For Lloyds and RBS to launch

rates close to 7.5% when the cost of funds is falling is quite shocking.”

The best deal for buyers with a 10% deposit is 6.19% with Britannia building society. This would cost £1,311 on a £200,000 repayment loan, compared with £1,477 for an RBS loan — a difference of £166 a month.

[Contact our advertising team](#) for advertising and sponsorship in Times Online, The Times and The Sunday Times, or place your [advertisement](#).

Times Online Services: [Dating](#) | [Jobs](#) | [Property Search](#) | [Used Cars](#) | [Holidays](#) | [Births, Marriages, Deaths](#) | [Subscriptions](#) | [E-paper](#)

News International associated websites: [Globrix Property Search](#) | [Milkround](#)

Copyright 2009 Times Newspapers Ltd.

This service is provided on Times Newspapers' [standard Terms and Conditions](#). Please read our [Privacy Policy](#). To inquire about a licence to reproduce material from Times Online, The Times or The Sunday Times, click [here](#). This website is published by a member of the News International Group. News International Limited, 1 Virginia St, London E98 1XY, is the holding company for the News International group and is registered in England No 81701. VAT number GB 243 8054 69.

