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Mortgage lenders won't follow HSBC

Elizabeth Colman

BRITAIN'S biggest mortgage lenders have no plans to cut rates to match HSBC's 1.99% deal for homebuyers, dashing hopes the move will kickstart the market, The Sunday Times has learnt.

Lenders believe the £1,199 fee on HSBC's two-year discount — considerably higher than the average fee at £790 — will deter many, as will the 40% deposit needed to be eligible for the loan.

A source at Abbey said it was unlikely to make aggressive rate cuts but was offering "incentives" on purchase-only deals such as free valuations and cashback.

Its best tracker is a two-year deal at 2.95% with a fee of £495.

Halifax and Nationwide are also unlikely to cut rates. Aaron Strutt of Trinity Financial Group, a broker, said: "Halifax and Nationwide don't seem to be particularly worried about HSBC's new rates as they aren't going for massive market share.

"They also know that many of the inquiries that go to HSBC will not complete as many borrowers will not pass its strict lending criteria."

Halifax has a two-year tracker at 2.99% and Nationwide's is priced at 3.08%.

Andrew Montlake of Coreco, the broker, added: "Reports are that the percentage of applicants declined by HSBC is over 70% due to incredibly inflexible lending criteria."

HSBC's deals are only available through branches.

Montlake added: "HSBC's tactic is to create a buzz, take in as many applications as possible and then embark on a ruthless cherry-picking exercise whereby it only lends to those it considers worthy."

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