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Northern Rock reveals new deals as competition returns

The state-owned bank and Woolwich are the latest lenders to make mortgage rates more attractive for new buyers

James Charles

Northern Rock, the state-owned lender, has introduced competitive new deals for the third time in a fortnight as it seeks to double the amount it lends in the last half of the year.

Borrowers with smaller deposits are the latest to benefit with a series of new deals available to borrowers with only a 20 per cent deposit. The lender is offering a two-year deal with a rate of 5.69 per cent for house purchase, with a fee of £595.

Last week Northern Rock cut rates by up to 0.4 percentage points on a number of fixed-rate and tracker home loans.

The bank has committed to lend £2.7 billion to new and existing customers in the last half of the year, up from £1.3 billion in the six months to June 2009.

Earlier this year it announced plans to boost the struggling UK mortgage market with £14 billion of new lending, and in August said it would lend a total of £4 billion in 2009. It is now offering retention deals to existing customers as well as competitive deals to new borrowers.

Mortgage brokers welcomed signs that competition is returning to the mortgage market as other lenders introduce more competitive deals for cash-strapped borrowers with smaller deposits.

Woolwich, the mortgage brand of Barclays, cut the cost of two, three and five year fixed rates by up to 0.6 percentage points today.

A three-year fix for borrowers needing up to 85 per cent of a property's value has fallen to 6.39 per cent from 6.99 per cent, with a £999 fee. The move cuts the cost of a £100,000 interest-only loan by £74 a month.

The lender, which is the fourth biggest in the UK, also unveiled a number of new deals for cash-rich borrowers with larger deposits, including a two-year fix at 3.79 per cent with a £999 fee for buyers borrowing up to 70 per cent of a property's value.

This is the second time that Barclays has cut rates in as many weeks as it tries to expand its share of the mortgage market.

Nationwide Building Society and Cheltenham & Gloucester, owned by the Lloyds Banking Group, have also cut the cost of deals recently.

Aaron Strutt, of Trinity Financial Group, the broker, said: "The market has really picked up in recent weeks and competition has certainly returned, which can only be good news for borrowers.

"Lenders also appear to be reducing rates at higher loan-to-value ratios, an improvement on recent months when cuts have focused only on deals for borrowers with the largest deposits."

Homebuyers borrowed about £12.5 billion from banks and other lenders last month, a 2 per cent rise on the previous month, according to figures released yesterday by the Council of Mortgage Lenders.



A woman walks past a mortgage broker in Lombard Street, London

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