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## Co-op raises rates for 54,000 borrowers



A Co-operative bank sign above a branch in Northampton Darren Staples/Reuters

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The Co-operative Bank is to raise the standard variable rate (SVR) paid by 54,000 existing mortgage customers from 4.24 per cent to 4.74 per cent next month, adding £57 per month to the cost of a typical £200,000 home loan.

The bank has blamed increases in the cost of funding for the rise in its SVR, which is the rate that borrowers pay after a fixed rate or discounted deal comes to an end.

The increase will also affect customers who took out mortgages through the former building society Britannia, which is now part of The Co-operative Bank. It follows similar moves by Halifax, Bank of Ireland and Yorkshire and Clydesdale Banks last month.

The Co-operative Bank said it would allow borrowers with a deposit of 10 per cent or less, who would be unlikely to qualify for a mortgage with another lender, to fix for five years at their existing rate of 4.24 per cent without paying an arrangement fee.

This rate is lower than the current best-buy five-year fixed for borrowers with a 10 per cent deposit – which is 4.79 per cent with a £599 fee from HSBC.

However, existing borrowers with slightly more than 10 per cent equity in their properties may be frustrated that they do not qualify for this option.

Aaron Strutt, of Trinity Financial Group, the mortgage broker, said: “Anyone who is sitting on a standard variable rate that is not capped could see their mortgage payments rise at any time as other lenders are expected to follow these recent rate increases.

“If you are on a variable rate that is not pegged to the Bank of England base rate you should look at what other mortgage options are available to you and consider switching.”

However, other borrowers with Nationwide Building Society and Cheltenham & Gloucester SVR mortgages have a clause in their contracts which means that their rate can never rise by more than 2 per cent over the Bank of England base rate, which is forecast to remain on hold until 2014, so they are likely to be better off staying put.