

Mortgage and Property

**Specialist lenders spearhead rate cuts, but will high street follow?
Brokers give their views**

by Meg Bratley | Jul 21, 2023

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Over the past two days, challenger lenders like MPowered and Gen H have turned the tables with a fresh wave of rate reductions. Citing the recent dip in swap rates, MPowered said they are "taking the opportunity to pass the savings to you and your customers by lowering all of our 2-year fixed rates". UK newswire, Newpage, asked brokers for their views and whether the high street will soon follow suit.

Neezam Roman, Co-Founder at Rebus Financial Services, said: "It's great to see lenders like MPowered and Gen H leading the way with rate reductions following the recent drop in swap rates and this should be applauded. I hope to see more lenders following suit. However, we should keep in mind that Swap Rates aren't the only factor that determines how lenders price their deals. Many lenders will be concerned that if they offer the most competitive deals, they will be unable to keep up with the volume of new applications they would receive. We've seen this happen multiple times this year and it has led to last-minute product withdrawals or brokers having to wait for hours in a queuing system to reserve mortgage funds for their clients. I think we are more likely to see lenders acting cautiously and not wanting to be the first to drop their rates."

Darryl Doffer, Mortgage Expert at The Mortgage Expert, said: "It's very encouraging, and commendable, that the specialist lenders are taking the lead on rate cuts. It will be interesting to see how long the 2-year deals remain available, but it's at least a step in the right direction."

Ross Lacey, Director & Chartered Financial Planner at Fairview Financial Management, said: "It's good news to see any mention of rate reductions. However, looking at the headline rate alone won't tell the full story, as with a higher product fee, this could be a more costly option than other products with a higher headline rate depending on the amount being borrowed."

Riz Malik, Founder & Director at R3 Mortgages, said: "It's commendable to see specialist lenders such as Gen H and MPowered Mortgages capitalising on positive market dynamics to pioneer rate reductions. Let's hope that high street lenders can adopt this proactive approach and translate any favourable market movements, however small, into rate reductions. This could be the beacon of hope the UK mortgage market needs amidst the current environment."

Gary Bush, Financial Adviser at MortgageShop.com, said: "These new challenger lenders, MPowered and Gen H, are doing the right thing in showing the old-school lenders how they should be performing when a light appears at the end of a long tunnel. Lenders who are quick to remove rates for more expensive ones should also be the quickest to react to a sign of lower rate availability. The High Street lenders need to take a good look at themselves before the FCA's consumer duty commencement on 1st August."

Justin Moy, Managing Director at EHF Mortgages, said: "It's still very early days but great to see some of the smaller lenders reduce rates, and they should be applauded. High Street lenders will not be reacting quite yet, though, as many have only just increased rates so will probably give it a week or two before they see how things pan out. The inevitable rate increase makes for an interesting few weeks. Managing Director at EHF Mortgages."

Jamie Lennox, Director at Dimora Mortgages, said: "Hats off the Gen H and MPowered for leading the way by being the first to move with a downward trend on rates. However, what is disappointing to see is a number of big lenders who used market volatility as a reason to withdraw rates with little to no notice, yet when market conditions improve they are nowhere to be seen with reductions."

Graig Fish, Director at Lodestone Mortgages & Protection, said: "These smaller lenders should be commended for such speedy reactions to the improved data, though initial thoughts are that their products may have been slightly overpriced in the first place. I do, however, fear that it will be quite some time before we see the 'big' lenders make any reductions of note, even though they are the quickest to make the increases, based upon 'commercial' decisions as they are swift to point out. Surely that works both ways?."

Rhys Schofield, Brand Director at Peak Mortgages and Protection, said: "It looks like one of the big boys will have to blink at some point with the wholesale cost of borrowing dropping significantly in the past week. The under-reported aspect of the story about recent rate rises has been that lenders have been falling over themselves to not be the cheapest, lest they drown in application volumes and that has driven up prices as a result. Who will be brave enough and has the capacity to take the first step?."

Graham Cox, Founder at SelfEmployedMortgageHub.com, said: "The high street lenders are sure to start reducing their rates if swap rates continue falling. After a year of low transaction volumes, many banks and building societies will want to stimulate demand where they can afford to do so. Ultimately, it all comes down to their own cost of funding, but hopefully we're now past the worst of this current blip."

Elliot Benson, Owner and Mortgage Broker at Sett Mortgages, said: "The general theme when I am speaking to lenders is that they want to lend and so I am expecting that, if this dip in swap rates continues, we will see a race to the bottom from the High Street lenders as there are still plenty of people who want to buy and remortgage at the moment."

Rohit Kohli, Operations Director at The Mortgage Stop, said: "It's always the way that the challenger businesses drive change in an industry and it's great to see lenders like Gen H and MPowered take on this mantle. The so-called high street lenders could have taken the limelight but have chosen not to at this time. I hope that we start to see movement in rates over the next few days from some of the main lenders, even if small, as this will go a long way to restoring confidence in the market."

Stephen Perkins, Managing Director at Yellow Brick Mortgages, said: "I don't think the mainstream lenders will be swayed by what the challenger banks are doing: they are too busy watching each other and typically are always slow to react when that action is favourable to clients, such as swap rate reductions or passing on higher rates to savers. For the challenger lenders, though, it is a great opportunity to be the first to act and to benefit from the positive PR and brand awareness from doing so. Well done to them."

Russell Maggs, Mortgage & Protection Adviser at Maggs Financial Services, said: "Like many things, prices go up like a rocket but fall like a feather. People that have negotiated a deal in the last few weeks should be chasing their mortgage adviser to reassess their options again in the weeks ahead. With the ease of swapping deals post-application, hopefully no one has to stick with the higher rate deals applied for in the past few weeks. And those that need to re-mortgage are

encouraged to do so as early as possible."

Paul Welch, Founder and CEO at Large Mortgage Loans, said: "Specialist lenders are more agile, early adopters of technology and so are generally better equipped to react quickly. They will have been waiting eagerly for the inflation figures news so that they could be quick off the mark. In contrast, high street lenders mostly lag behind, except, ironically, when it's about trimming their savings rates."

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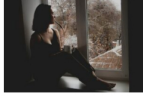
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