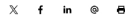


Mortgages Oct 10 2023

# Skipton launches 3.55% mortgage to support borrowers



(Garrett Fuller/PA Wire)

By Tom Dunstan

Skipton Building Society has introduced a range of low rate two-year fixes aimed at helping existing borrowers with payment difficulties, in a move one broker has called "unprecedented".

Skipton Building Society is offering rates for existing borrowers starting at 3.35 per cent fixed for two years at 60 per cent LTV, but it comes with a 5 per cent product fee.

EHF Mortgages managing director, Justin Moy, said the announcement is unprecedented for residential mortgages and will help Skipton borrowers who need help with the monthly payments and deferring costs through a larger fee added to the mortgage.

"This is a similar strategy to buy-to-let lenders who have been using higher fees to bring mortgage rates lower, and make mortgages more affordable as a result," he explained.

"This concept from Skipton BS for residential mortgages I am sure will interest other lenders, and will have borrowers seriously considering it, too."

A similar sentiment was shared by Charwin Private Clients director, Randal Mitchell, who commented: "Shrewd move by Skipton knowing that headline rates get the attention more than the fees."

Mitchell stated that, for many, this will be an extremely attractive option reducing payment shock at the end of current fixed-term deals, whilst spreading the cost of the margin over the remaining term.

"Either way, this is an aggressive move by the Building Society and will be sure to ruffle other lenders' feathers."

MortgageShop.com financial adviser, Gary Bush, added: "This kind of out-of-the-box thinking is needed by other lenders to help maintain the UK's mortgage market".

However, John Charcol mortgage technical manager, Nicholas Mendes cautioned: "They say if it looks too good to be true then it certainly will be".

He elaborated: "While the headline line rate of 3.35 per cent in the current market might seem great the 5 per cent arrangement fee will likely out way any benefits when choosing this deal over a competitor."

A similar sentiment was shared by Peak Mortgages and Protection brand director, Rhys Schofield, who stated: "Is it really 3.35 per cent?"

"With a 5 per cent fee, in essence clients are actually paying 5.85 per cent and may well be better off taking a 'higher rate' with less fees.

"It probably has its place but whether it's a good idea or not is definitely something to talk to an adviser about. Borrower beware."

Yellow Brick Mortgages managing director, Stephen Perkins, added that the announcement was a very "innovative" move to allow Skipton's existing clients to capitalise some of their interest in exchange for lower monthly payments.

He added that this will also increase their client retention and reduce risk of arrears.

"However, borrowers need to weigh up the overall cost of the product against their personal priorities," Perkins said.

Thanks to the *Newspage community* for sharing their thoughts with FTAdviser.

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