

18 September 2024

Acting now could save mortgage borrowers £1bn, says Lloyds

- Around 135,000 fixed rate mortgages taken out in the last three months of 2020 on super-low rates are due to mature this year
 - Without taking a new deal these rates could triple to an average rate of 6.9%
 - Remortgaging on to new fixed rates could save over £700 per month

Historically low fixed rates ending

Mortgage borrowers whose current fixed rate deals are maturing in the next three months could avoid a £1bn bill if they act now, Lloyds advises.

An estimated 135,000 5-year fixed rate mortgages (see Editors' Notes) were taken out in the last three months of 2020 at rates near historic lows. Fixed rate deals during the final quarter of 2020 were available at under 2%, with longer term 5-year loans an average of 2.4%.

Monthly payments jump

Based on an average 25-year loan advance of £210,000, monthly repayments on a 5-year deal fixed at 2.4% were set at £932 in late 2020. With an Interest Only loan on the same terms, payments would be £420. However, those deals are due to end and Lloyds are encouraging borrowers to act now and avoid unnecessary costs.

At the end of their fixed rate deals, these borrowers could see the interest rate they pay almost triple as they move on to their lender's "standard variable rate" (SVR). The average SVR is now around 6.9% and, with a remaining debt of around £177,000, would cause monthly repayments to jump to £1361 per month: a rise of £429. For Interest Only loans, the monthly payments increase by £788.

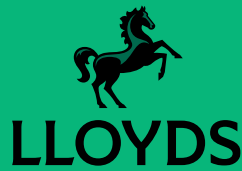
Act now to save hundreds

Though interest rates have not returned to their all-time lows, there are still good, fixed rate deals available that will soften the effects of super-low rates ending.

Remortgaging a repayment mortgage to a Club Lloyds loan (4.14% fixed for 5 years, no fee) could save £275 each month compared to moving on to the average lender's standard variable rate, with repayments of £1086. Interest Only mortgage customers' payments would be £757, £450 lower than being on the average SVR (See Editor's Notes for full rate details).

Club Lloyds account holders also benefit from 'in-app' remortgage service. Launched earlier this year, the whole remortgage journey can be completed from your phone, for existing Lloyds mortgage customers that can take as little as a few minutes.

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Peace of mind if rates drop

And for those worried about arranging a new loan now only for fixed rates to fall further, they not only have a range of shorter deals, but are not tied to the rate until it starts. They can get the peace of mind of arranging a new deal now, safe in the knowledge they can switch if there are better deals available before their remortgage completes.

More information about remortgaging to Lloyds can be found [here](#):

Club Lloyds remortgage products

These rates are available to holders of Club Lloyds personal current accounts. Club Lloyds mortgages rates are 10bps lower than for non-Club Lloyds customers.

Andrew Asaam, Mortgage Director at Lloyds, says:

“While interest rates are higher than they were five years ago, for people coming to the end of their current fixed rate, taking early action can help minimise the jump in monthly payments they may be expecting.

“It’s never been easier for people to switch lender to get a better deal. As well as a range of competitive remortgage products to help borrowers soften the effects of today’s higher rates.

“Acting now gives you the certainty of knowing you won’t see a bigger rise in your monthly payments than necessary, while still giving you the flexibility to choose another deal if rates continue to drop in the meantime.”

Editors’ Notes

Calculations and sources

£1bn shock calculated on average £700 payment increase for 135,000 5-year fixed rate borrowers for 12 months.

2025 Remortgage examples:

- Repayment: Initial £210k loan for 25 years and 85% LTV, paid down to £177k mortgage balance (c60-65% LTV), with a remaining 20-year term
- Interest only example: £210,000 loan, initial 85% LTV and 75-85% LTV at remortgage with a rate of 4.32%
- Both examples assume house price growth of 10% over the 5-year period

Average reversion rate calculated on average Standard Variable Rates on the UK’s top 10 mortgage lenders covering >90% of UK lending.

Estimate of 5-year fixes based on 90% of 303,500 completions in Q3 2020 being fixed, and half being on 5-year deals.

Mortgage completions data for Q3 2020: Source [FCA MLA statistics table 2.2](#)

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Club Lloyds Remortgage Rates (Rates correct at time of issue)

Product Type	Rate (%) Club Lloyds	Fee	Available between		Min LTV (%)	Max LTV (%)
5-year	3.91%	£999	£100,000	£5,000,000	0	60
5-year	3.93%	£999	£100,000	£5,000,000	60	75
5-year	4.11%	£999	£100,000	£2,000,000	75	80
5-year	4.11%	£999	£100,000	£2,000,000	80	85
5-year	4.27%	£999	£100,000	£750,000	85	90
5-year	4.12%	£0	£100,000	£5,000,000	0	60
5-year	4.14%	£0	£100,000	£5,000,000	60	75
5-year	4.32%	£0	£100,000	£2,000,000	75	80
5-year	4.32%	£0	£100,000	£2,000,000	80	85
5-year	4.48%	£0	£100,000	£750,000	85	90

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