Trussle

Mortgage Saver Review

May 2017

Introduction from Ishaan Malhi, CEO and founder of online mortgage broker Trussle

Welcome to the inaugural Mortgage Saver Review. We've created this report to shine a light on the billions of pounds UK homeowners are wasting by not being on the most suitable mortgage.

We calculate that there are two million people in the UK needlessly languishing on a Standard Variable Rate (SVR) mortgage, paying an average of £4,900 per year more than they need to in interest alone.[1] That's almost £10 billion that mortgage borrowers across the UK could be wasting every single year.

To address this issue, we've examined the very different rates offered by lenders over a six-month period, why so many borrowers are failing to stay on top of their mortgage, and what brokers and lenders could be doing to improve the mortgage experience.

We hope this report will provide valuable insight for consumers, as well as the industry and the UK government, who together can empower homeowners to better manage what's likely to be the largest financial commitment of their lives.

There are currently around three million mortgage borrowers in the UK on Standard Variable Rate (SVR) mortgages,[2] of which an estimated one million are 'mortgage prisoners'[3] - trapped on their current rate and unable to switch, in part due to the introduction of more stringent lending rules.

The remaining two million have no reason to stay on an SVR, which could be costing them thousands of pounds a year more than if they switched to a more competitive fixed rate.

This begs the question: why are so many people failing to switch? We've found that a high proportion of borrowers suffer from what we call 'switching inertia', and there are several evident causes of this.

From our research, we know that a lot of people find the initial experience of getting a mortgage so stressful and complicated that they can't face going through it again. A vast number don't understand mortgage jargon and terminology and are unaware that they could be saving a fortune by switching, while others aren't receiving enough support from brokers and lenders.

The Mortgage Saver Review is a comprehensive study based on market research and Trussle's own internal data. We hope it will act as a call to action for the industry, regulators, and the UK government to work together on reforms to ensure borrowers always get the most suitable mortgage.

From these parties, we want to see improvements in the way people are educated about mortgages, from teaching schoolchildren basic terminology to ensuring borrowers are aware of the risks of falling into arrears.

We also want to see an upper limit on the amount that SVRs can exceed the Bank of England's base rate, and help for those who are trapped on SVRs, unable to remortgage to a lower rate deal.

1 See Methodology

2 CACI's "Mortgage Market Database"

3 https://www.mortgagestrategy.co.uk/04-01-two-2

Finally, a legal obligation for lenders to proactively notify borrowers when they're nearing the end of a fixed term. This includes doing all they can to ensure that borrowers have received this notification and are acting on it.

While the majority of the report is addressed to the industry, in the final section we've created the UK's first Lender League table.

This ranking of UK lenders will go beyond best-buy snapshots to provide borrowers with a clearer picture of how lenders' mortgage rates stack up over time, which we hope will help them make more informed decisions, potentially saving large sums of money in the process.

Since launching the UK's first online mortgage broker in 2015 we've continually sought to improve the traditional mortgage process using technology. This approach has helped thousands of homeowners ensure they're on the most suitable mortgage for them.

But a collective effort is needed if we are to help the millions of homeowners currently overpaying on SVRs as well as every future homeowner yet to experience the painful process of securing a mortgage.

Lenders, intermediaries, consumer groups, regulators, and Government must come together to address the issues outlined in this report and ensure every aspirational homeowner has the best chance of realising their lifelong ambitions of owning a home.

I. Malhi

Ishaan Malhi

What’s wrong with the mortgage market?

By commissioning research into the experiences of people securing their first mortgage, we’ve identified some fundamental issues with the market which we believe need addressing.

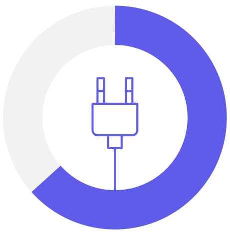
Overwhelming sentiment, clearly apparent from our research, is the frustration people feel when applying for a mortgage. As a by-product of this negative experience, rather than remortgaging at the end of their initial fixed rate period, a huge number of borrowers are not proactively managing their loan by switching to a better deal. These people are automatically moved onto a Standard Variable Rate.

An SVR is a lender’s ‘default’ rate of interest - without any limited-term deals or discounts attached. When a fixed, tracker, or discount mortgage deal comes to an end, borrowers are usually transferred automatically onto their lender’s SVR, which is almost always set at a higher rate of interest.

Along with the hassle and stress associated with mortgages, illustrated by findings presented later in this report, some borrowers aren’t switching because they’re unaware of the savings they could make by doing so.

At least a quarter don’t understand mortgage terminology and jargon, which makes the process impenetrable for them and obstructs them from taking steps to switch. Then there are the estimated one million ‘mortgage prisoners’, many of whom are unable to switch because new lending rules require them to prove they could afford their repayments if interest rates were to rise by 3-4%, a requirement which didn’t exist when they were first granted their loan.[4] This requirement doesn’t apply if remortgaging with their existing lender.

To better understand these issues, we first commissioned research of 1,162 UK mortgage holders in October 2016 and found they were more than twice as likely (63%[5]) to have switched energy provider than mortgage lender (28%). Changing energy provider can lead to savings of around £200[6] a year, but our analysis suggests switching from an SVR to a leading fixed rate mortgage saves on average almost 25 times this amount.[7]



63% switched energy

28% switched mortgage

[4] https://www.mortgagestrategy.co.uk/04-01-two-2/

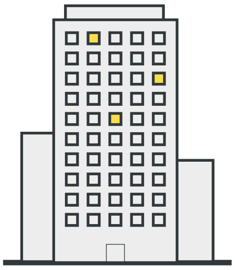
[5] Online omnibus research of 4141 GB adults (representative) by YouGov Plc for Trussle.

[6] https://www.gov.uk/government/publications/household-energy-savings-through-switching-supporting-evidence/many-households-could-save-around-200-per-year-through-switching-energy-supplier-basis-for-claim

[7] Trussle analysis explained on next page

While not all mortgages are tied to the Bank of England base rate, lenders choose their rates based on Monetary Policy Committee (MPC) decisions, which means most mortgages are currently charging very low rates of interest. Yet, only a third (36%) of borrowers are happy with their present payments (despite the current environment of rock-bottom rates).

According to our research, just one in 20 (6%) considered switching to a better rate in the three months following the MPC's vote to cut the base rate to 0.25% in August 2016.[8]



1 in 20 considered switching after base rate cut

One in five (20%) of those on an SVR said that the process of switching would be too much hassle, while 14% said that it all seemed too complicated. Alarmingly, just one in four (27%) understood how cuts to the Bank of England's base rate could affect their mortgage payments.[9]

[8-9] Online omnibus research of 4141 GB adults (representative) by YouGov Plc for Trussle

[10] Market leading two-year fixed rate at 80% LTV, correct as at 15/11/2016

[11] CACI's "Mortgage Market Database"

When the Bank of England made the first adjustment to the rate in more than seven years, cutting it from 0.5% to 0.25%, mortgage rates soon fell as a result. Tracker rates dropped by 0.25% in line with the Bank's action, while fixed rates also hit record lows, with two-year fixed rates available for as little as 1.39%.[10]

However, based on Trussle's analysis, lender SVRs didn't fall nearly as far. The average SVR before August's base rate change was 4.8%, but by November 2016 had fallen only 0.17% to 4.63%.

Prior to the interest rate cut, the average annual saving for people on a fixed rate compared to an SVR was £3,120, but this has now grown to £4,918[11] as a result of the widening gap between the lowest and highest rates available on the market.

This means people on SVRs are spending an average of £4,918 every year above the market-leading rate, a huge sum of money that could instead be paying for home improvements, funding family holidays, or going towards education.

The risk of lenders keeping SVRs so much higher than the base rate is that if the Bank of England does raise rates once or twice over a short period of time, homeowners moving from a fixed rate mortgage onto an SVR would face a considerable shock by soaring monthly repayments. This is because SVRs tend to rise in reaction to the Bank of England lifting the base rate.
This scenario becomes much more likely as inflation gathers pace, having reached 2.3% in March 2017 from just 0.2% in October 2015.

What’s causing switching inertia?

With almost one in three UK mortgage holders currently on SVRs, it’s very clear that too many borrowers are failing to switch to a more suitable rate when the time comes.

To understand why this ‘switching inertia’ exists, Trussle commissioned further research of 2,000 UK mortgage borrowers in March 2017.

Mortgage hassle

Almost a quarter (23%) of those surveyed describe the experience of getting their first mortgage as stressful, 17% say that it was frustrating, and 8% even admit that they were brought to tears by the process!

23% were stressed

17% were frustrated

8% cried

In total, two in five (41%) of the borrowers we spoke to recalled the experience negatively. These stresses seem to have had adverse effects on other aspects of people’s lives, with more than one in five (22%) having to take time off work during the process.

Having been through the experience once, our research shows people are reluctant to tackle a mortgage application again.

This stress is not only discouraging people from switching to save money on the mortgage for their current home, it’s also acting as a barrier for moving along the housing ladder. More than one in ten (13%) say that they’ve been discouraged from moving home by the ordeal of securing their first mortgage.

One in five (20%) say the reason they haven’t switched mortgage provider to find a more suitable deal is because it’s too complicated, and the same number again believe it’s too much hassle.

This problem is more apparent among younger people. One in 20 (5%) over-55s claim getting their first mortgage put them off remortgaging and 7% said it discouraged them from moving home. However, for those aged 25-34, this jumps to 16% and 18% respectively, implying that getting the first foot on the ladder has become a more distressing experience in recent years.

Lack of understanding

One major issue contributing to switching inertia is the number of homeowners who don't understand the acronyms and jargon that lenders and brokers use on a day-to-day basis.

A quarter (24%) of people with a mortgage don't know what SVR stands for and even more worryingly, two thirds (65%) are unaware that a lender's SVR is usually worse value than their fixed rate.

Once again, this is more pronounced among younger people. While 15% of over-55s don't know what 'SVR' stands for, this rises to 34% for those aged 25-34 and again to 42% of 18-24s.

Loan to Value ratio (LTV) has a significant effect on mortgages; the less equity a borrower has in their home, the higher the mortgage payments will typically be over the duration of the loan. In spite of this, almost one third (31%) of borrowers don't know that 'LTV' stands for Loan to Value ratio, with most (58%) 18-24-year-olds in the dark.

Failure to understand these fundamental terms, despite already having a mortgage, means many people are unable to take full control of the biggest and arguably most important financial commitment in their lives.

Many borrowers believe the responsibility for addressing this issue lies with lenders and brokers, with 29% claiming there should be better education of the language used by the industry, and more than one in three (36%) believing mortgage rates should be simplified for easier comparison.

This knowledge gap may help to explain why so many people turn to a broker when applying for a mortgage or remortgaging, especially young people.

Around 70% of borrowers use a broker when applying for their first mortgage and about the same amount do so when remortgaging.[12] However, this still leaves a large number who don't use a broker, and as such, may not be receiving support from anyone to guide them through the many complexities of a mortgage.

[12] http://www.imla.org.uk/resources/imla-changing-face-of-mortgage-distribution-december-2015.pdf

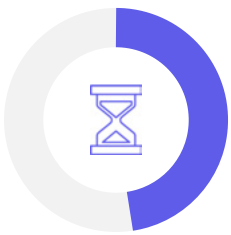
Unawareness of switching benefits

When it comes to switching mortgage, our research found there's a significant awareness gap amongst homeowners about the benefits of doing so.

Two thirds (66%) of UK mortgage borrowers say they've switched gas or electricity suppliers, three in five (60%) have switched car insurance, almost half (46%) have changed their broadband or landline provider, and a similar number (45%) have switched mobile phone provider. However, less than a third (28%) have switched the mortgage on their main home.

Even a tiny percentage reduction in a mortgage rate could represent thousands of pounds per year in savings for an individual homeowner, yet 50% think that they could save the most money by switching their gas or electricity supplier; a likely consequence of the attention placed on energy switching in recent years.

Even more concerning is the fact that almost half (48%) of UK mortgage holders don't know when their fixed rate period comes to an end, and therefore risk being moved onto an SVR, which could immediately mean higher mortgage repayments that could then rise even further if the Bank of England raises interest rates.



48% don't know when their fixed rate comes to an end

Poor communication

According to our research, one in 20 (5%) borrowers complained to their broker or lender about the service they received during their first mortgage application, while a third (33%) said the process was too slow.

A common cause of complaint seems to be poor communication, and more than one in five (22%) believe better communication from lenders and brokers would drastically improve the application process.

A good starting point for solving this problem would be to ensure that borrowers understand the process from the outset. One in five (19%) said they should be given more clarification of what they needed to submit to avoid rejection, while a quarter (24%) said they want more information about the benefits of switching from the outset.

People also feel that all of the parties involved in the process, such as lenders, brokers, solicitors, and surveyors, should communicate better with one another, with more than a quarter (26%) saying better dialogue between those servicing them would speed up the process.

To reduce the number of people in the UK paying high rates while on an SVR, two in five (42%) think their mortgage provider should alert them towards the end of a fixed period to let them know that it's time to switch, and educate them about the benefits of doing so.

Many lenders do this, including five of the Big Six, but more often than not this constitutes just one letter of notification, rather than an email, text or phone call, all of which are surely more effective methods of communication in the 21st century.

From the issues outlined above, it's clear that the industry, regulators, and the UK government must take more responsibility for helping people to understand mortgages, improving and modernising communication during the applications and removing the stress from the whole process.

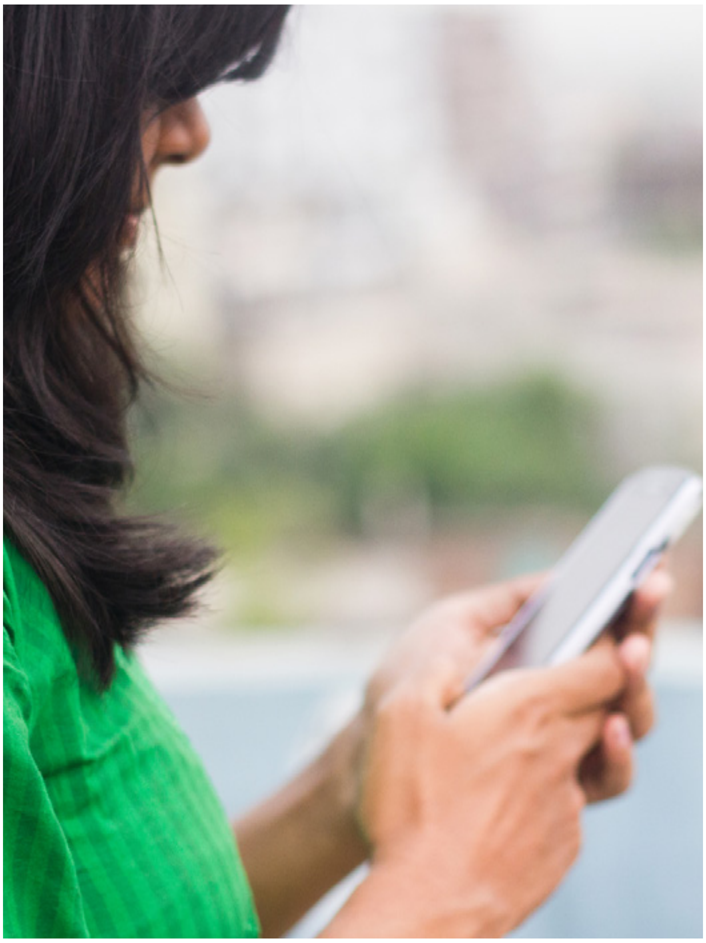
Even small improvements in the way that the industry communicates with customers could collectively save consumers billions of pounds a year, effectively raising standards of living.

The Lender League Table

Comparing different lenders and mortgage products can be a confusing process, not least due to the sheer number of options available.

With tens of thousands of products from close to one hundred lenders, it's easy for people to get lost in a sea of jargon and not fully understand what they're actually looking at, never mind which deal is most suitable for them. This is especially the case for those who don't seek the help of a broker.

A lack of understanding is clearly going to make it difficult for a borrower to select the most suitable fixed or variable rate mortgage for them. Equally though, it's also an issue with SVRs, as borrowers may not appreciate that they can differ by as much as 2.4% between some of the big lenders, meaning the amount they could be charged for slipping onto a SVR can vary greatly.



Until we can spark action to bring an upper limit to SVRs, we want to ensure two things: firstly, that as few people as possible sit on SVRs, and secondly, that borrowers are aware which lenders have the most competitive SVRs and which have the least.

While no borrower plans to slip onto an SVR, so many invariably do. It's therefore crucial that people have access to this information. A borrower who acknowledges they might be poor at managing their finances and are potentially liable to slip onto an SVR, for example, may opt for a lender that demonstrates it has a reasonable SVR and is quick to react to interest rate changes set by the Bank of England.

To provide homeowners with a clearer and fuller picture of SVRs - and the mortgage market in general - we've created the Lender League Table, ranking the UK's mainstream, challenger, and specialist lenders based on the competitiveness of their Standard Variable Rates.

The difference between this table and a mortgage comparison website is that we've analysed different lenders' rates over a six-month period to provide a better understanding of which lenders consistently have the lowest SVRs and which consistently have the highest, rather than just offering a limited snapshot of the market.

The table will not only help prospective mortgage borrowers identify which lenders' SVRs should be treated with caution, it should also ring remortgage alarm bells with any borrowers who have mortgages with lenders situated at the bottom end of the rankings and are nearing the end of their fixed period.

The Standard Variable Rates of 76 lenders were captured between August 2016 and January 2017, a six month period starting from the month the Bank of England decided to cut interest rates.

From these, we calculated the average SVR for each lender for every month in the period, and used this to rank the lenders for that month. To produce a final league position over the full six months, these monthly rankings were aggregated (illustrated below under 'score') to demonstrate how consistently lenders were at providing a reasonable SVR.

For example, First Direct had the lowest average SVR every month, so ranked first every time. These monthly number one positions were added together to give it a final score of 6, which saw it placed first in the six-month league table below.

This is the first time such a table has been produced and we plan to build on this with future iterations of the Lender League Table, by ranking all two-year and five-year fixed rates, with charges and incentives also accounted for in our analysis to provide a league table of 'total cost' to the borrower.

Rank	Lender	SVR	Score
1	First Direct	3.69	6
2	HSBC	3.73	16
3	Barclays Bank	3.71	17
4=	Investec	3.79	34
4=	Nationwide Building Society	3.75	34
5	TSB	3.75	38
6	Halifax	3.83	44
7	Lloyds Bank	3.83	54
8	Metro Bank	3.79	57
9	Scottish Widows Bank	3.83	63

As we've mentioned, First Direct is ranked number one, having consistently offered the lowest SVR, heading up the top ten alongside a number of the big banks. However, smaller mortgage providers such as Investec, Metro and Scottish Widows also performed well, as did some lesser known lenders such as Bank of China (11).

Such variety demonstrates the importance for borrowers to explore their options beyond applying for a mortgage through their current bank.

[13] https://www.cml.org.uk/news/news-and-views/challenger-banks-and-specialist-lenders-showed-strongest-growth/

Only four of the UK's 'big six' mortgage lenders by market share feature in the top ten. Together these six lenders arranged 68.9% (£151.58bn) of the gross mortgage lending in the market in 2015 (£220bn) in 2015.[13] (This is the most up-to-date market share data provided by CML).

Market share (2015)	Total lent (2015)	Lender	SVR rank
17.5%	£38.4bn	Lloyds Bank	7
13.9%	£30.5bn	Nationwide Building Society	4=
11.9%	£26.1bn	Santander UK Plc	24
11.2%	£24.7bn	Royal Bank of Scotland	10
8.6%	£18.8bn	Barclays Bank	3
5.8%	£12.7bn	HSBC	2

At the other end of the table, Norton Home Loans sits at the bottom, with an SVR of 12.83%, more than double that of the next lender, MBS Lending Limited. All of those in the bottom ten SVR providers are relatively small specialist or regional lenders, one of which confirmed they targeted a higher risk profile of customer.

Rank	Lender	SVR	Score
68	Accord	5.53	419
69=	Bluestone Mortgages	5.60	429
69=	Nottingham Building Society	5.59	429
70	Hinckley & Rugby Building Society	5.64	433
71	Darlington Building Society	5.75	443
72	Marsden Building Society	5.80	451
73	Kent Reliance	5.87	457
74	Newcastle Building Society	5.99	461
75	MBS Lending Ltd	6.00	467
76	Norton Home Loans	12.83	474

Many of these, however, have very competitive fixed rate mortgages. Nottingham Building Society has a two-year fixed rate of just 1.6% and a five-year rate of 2.21%, while Darlington Building Society's two-year fixed rate is just 1.55% and its five-year rate is 2.73%.

This demonstrates that good deals can be found with a wide range of lenders, but also that it's vital to consider every aspect of the product and be aware if the lender you've chosen has particularly high SVRs.

Monetary Policy Committee rate cut

While SVRs aren't tied to The Bank of England's base rate in the same way that a tracker rate is, lenders will usually increase and decrease their own SVRs based on changes made by the Bank of England's MPC to base interest rates. The severity of the base rate change and how quickly a lender reacts to this can have a significant impact on a borrower's repayments.

On 4 August 2016 the MPC made the decision to reduce base interest rates from 0.5% to 0.25%, the first change since March 2009. Of 79 lenders, six responded immediately and cut their SVRs within 24 hours by around 0.25%.

Lender	04/08/16	05/08/16	Change
Al Rayan Bank	4.49%	4.24%	-0.25%
Bank Of China (UK)	4.14%	3.89%	-0.25%
Barclays Bank	3.96%	3.71%	-0.25%
BM Solutions	4.84%	4.59%	-0.25%
Post Office	4.49%	4.24%	-0.25%
Virgin Money	4.79%	4.54%	-0.25%

Within two weeks of the base rate change, five more lenders cut their SVRs. While most made reductions in line with the change to the base rate, Tesco bank went considerably further with a 0.35% cut, while Pepper Home Loans only made a 0.11% change, across its SVR range (see table on following page).

Lender	04/08/16	08/08/16	09/08/16	10/08/16	11/08/16	Change
Nationwide Building Society	3.99%	3.99%	3.99%	3.74%	3.74%	-0.25%
Pepper Home Loans	–	5.46%	5.46%	5.35%	5.35%	-0.11%
Santander UK Plc	4.74%	4.74%	4.49%	4.49%	4.49%	-0.25%
Tesco Bank	4.24%	4.24%	4.24%	4.24%	3.89%	-0.35%
The Co-Operative Bank	4.74%	4.74%	4.49%	4.49%	4.49%	-0.25%
TSB	3.99%	3.74%	3.74%	3.74%	3.74%	-0.25%

A large number of lenders delayed changes to their SVR until the beginning of September 2016, with some of the biggest names in the market cutting to well below 4%. HSBC's rate moved to 3.69% while Metro Bank's became 3.75% (see table below).

Lender	04/08/16	01/09/16	Change
Aldermore Mortgages	4.98%	4.73%	-0.25%
Buckingham Building Society	–	4.99%	N/A
Chorley Building Society	5.49%	5.24%	-0.25%
Clydesdale Bank	4.95%	4.7%	-0.25%
Coventry Building Society	4.63%	4.37%	-0.26%
HSBC	3.94%	3.69%	-0.25%
Kent Reliance	6.04%	5.83%	-0.21%
Leeds Building Society	5.69%	5.44%	-0.25%
Mansfield Building Society	5.59%	5.34%	-0.25%
Metro Bank	4%	3.75%	-0.25%
Platform	4.76%	4.51%	-0.25%
Progressive Building Society	4.75%	4.5%	-0.25%
Skipton Building Society	4.99%	4.74%	-0.25%
The Hanley Economic Building Society	5.19%	4.94%	-0.25%
Vernon Building Society	4.95%	4.7%	-0.25%
Yorkshire Bank	4.95%	4.7%	-0.25%

Of those which dropped their rates within the first month of the base rate cut, HSBC, Metro Bank, Barclays, TSB, and Nationwide had the lowest average SVRs, between 3.7% and 3.8%. Kent Reliance, Leeds Building Society, Pepper Home Loans, and Mansfield Building Society all averaged over 5%.

While the Bank of England hasn't altered interest rates since August 2016, some lenders have since increased their SVRs while others have fluctuated a number of times.

Following a drop from 4.98% to 4.73% in September 2016, Aldermore Mortgages then increased its rate up to 5.26% in January 2017, higher than it had been before the MPC rate cut. Coventry Building Society meanwhile, dropped its rate to 4.37% at the same time, before gradually raising it up to 4.38% over the following months. It then dropped it again to 4.26% in December 2016, before lifting it to 4.3% and then 4.32%.

With such fluctuation, it's important not to rely on the snapshot view of mortgage interest rates that are offered by comparison websites. A longer term view, gleaned from lenders' rate changes over an extended period on the other hand, provides a more reliable indication of whether a lender's SVR might remain competitive.

If you were take the example of buying a car, a buyer would be more interested to know about the car's performance over the previous six months than its condition on the day of purchase alone.

Of course we haven't seen a rate increase in over half a decade so our data only looks at how lenders react to reductions to the base rate. Historically not all lenders have passed on the full increase to their customers.

SVR vs fixed rate

While some lenders offer far more competitive SVRs than others, they're still generally considerably higher than fixed rates.

Over the six months from August 2016 to January 2017 the average difference between a lender's SVR and their lowest available fixed rate was 2.81% for two-year fixed and 2.17% for five-year fixed. Some lenders, such as First Direct, currently have a fixed rate almost as low as 1% but none are offering a rate below the bank's 3.69% SVR (see table at bottom of page).

With some lenders, the potential saving that can be made by moving from an SVR to a fixed rate is considerably higher than average, before accounting for fees and incentives attached to deals. Newcastle Building Society offers a two-year fixed rate that's 4.6% lower than its SVR, while for Leeds Building Society it's 4.22% lower.

Borrowers could save a substantial sum on a monthly basis by ensuring that they remain on a fixed rate wherever possible and anyone who has a mortgage with these lenders needs to be aware of the severe jump in interest repayments from a fixed rate to a SVR (see table to right).

Of all lenders examined, only one had an SVR lower than its fixed rate. Earl Shilton Building Society's average SVR is 5.11%, compared to a two-year fixed rate it offers of 6.11%. However, its five-year fixed rate is 3.11%, which is still considerably lower than its SVR. With Earl of Shilton accounting for less than 0.1% of the mortgage market, the lender's SVRs will have no effect on the vast majority of UK mortgage borrowers.

6 month average SVR		6 month average best 2 year fixed rate	
Lender	**SVR**	**2yr fix rate**	**Difference**
Newcastle Building Society	5.99	1.39	4.60
Leeds Building Society	5.48	1.26	4.22
Darlington Building Society	5.75	1.55	4.20
Accord	5.53	1.37	4.17
Nottingham Building Society	5.59	1.60	4.00
Hinckley & Rugby Building Society	5.64	1.65	3.99
Yorkshire Building Society	4.80	1.08	3.72
Chelsea Building Society	4.91	1.21	3.69
Norwich & Peterborough Building Society	4.80	1.20	3.60
Skipton Building Society	4.78	1.25	3.53

6 month average SVR		6 month average best 2 year fixed rate		6 month average best 5 year fixed rate	
Lender	**SVR**	**2yr fix rate**	**Difference**	**5yr fix rate**	**Difference**
First Direct	3.69	1.18	2.51	1.88	1.81
Barclays Bank	3.71	1.32	2.40	1.91	1.80
HSBC	3.73	1.08	2.66	1.92	1.81
TSB	3.75	1.22	2.53	2.00	1.75
Nationwide Building Society	3.75	1.23	2.52	1.92	1.83
Metro Bank	3.79	1.94	1.85	1.96	1.83
Ulster Bank	3.82	1.47	2.34	2.23	1.59
Royal Bank Of Scotland	3.82	1.32	2.50	2.03	1.79
Halifax	3.83	1.30	2.53	2.06	1.77
Lloyds Bank	3.83	1.79	2.04	2.55	1.28

Conclusion from Ishaan Malhi, CEO and founder of online mortgage broker Trussle

Trussle's Mortgage Saver Review is the first study of its kind to examine lenders' mortgage rates over an extended period and to identify the challenges faced by consumers in ensuring they're on the most suitable deal for their circumstances.

The review has identified the key reasons preventing homeowners from switching, and it's clear that more must be done to improve understanding around the process of identifying how and when to switch mortgage.

What's also clear is that today's mortgage market penalises not only mortgage prisoners, but also those who don't understand the value of remortgaging - UK borrowers are unknowingly spending billions of pounds more than they need to each year by being on pricey and opaque Standard Variable Rate deals. Since the Bank of England's cut to interest rates, the gap between the best fixed or variable rates and the average SVR has grown.

As voiced by the public, the mortgage sector is burdened by over-complexity and the persistent use of jargon, which has been proven to discourage borrowers from acting confidently and swiftly to secure the right deal for them. Too many simply switch off once their initial mortgage has been secured and end up paying much more than they should be.

Borrowers believe that lenders and brokers are responsible for educating them and demystifying the mortgage process. However, the entire industry should see this as an opportunity to act as champions of change. This shift in approach would not only benefit borrowers, lenders, and brokers, but could lead to a ripple effect through the broader financial services ecosystem.

In recent years, we've seen a concerted effort from the media and a new breed of financial experts fighting for consumers, to highlight the value of switching suppliers to reduce bills and put aside notions of loyalty. This campaigning has focused on utilities, insurance, and other household bills. What's needed now is a similar effort to raise awareness of the benefits of switching mortgage.

All borrowers should be encouraged to consider what they can afford, which mortgage is right for them, and when they should switch to avoid paying unnecessarily high rates.

From the industry, regulators, and the government, we want to see improvements in the way people are educated about mortgages and a limit to the amount that SVRs can exceed the Bank of England's base rate.

Of equal importance, we want to see a legal obligation for lenders to proactively notify borrowers when they're nearing the end of a fixed term and then do all they can to ensure that borrowers have received this notification and are acting on it.

Improving the mortgage process will not only make homeownership more accessible, but it will put millions more homeowners in control of their fate.

If we can make mortgages simpler for consumers to understand and arm them with the tools they need to get the most suitable deal, we can help people save life-changing amounts of money.

Appendix

The 2 year Fixed Rate Lender League Table

*Data looks at rate rather than total cost

Rank	Lender	Rate	Score
1	Yorkshire Building Society	1.08	13
2	First Direct	1.18	29
3	HSBC	1.08	30
4	Norwich & Peterborough Building Society	1.20	34
5=	Chelsea Building Society	1.21	47
5=	Platform	1.22	47
6	TSB	1.22	48
7	The Co-Operative Bank	1.22	50
8	Nationwide Building Society	1.23	53
9	Skipton Building Society	1.25	67
10	Leeds Building Society	1.26	68
11	Beverley Building Society	1.28	83
12	Furness Building Society	1.31	93
13	Halifax	1.30	94
14	Santander UK Plc	1.31	95
15	Teachers Building Society	1.32	98
16	NatWest	1.32	99
17	Barclays Bank	1.32	103
18	Royal Bank Of Scotland	1.32	105
19	Post Office	1.33	114
20	Tesco Bank	1.34	117
21	Accord	1.37	134
22	Monmouthshire Building Society	1.41	136
23	Bank Of Ireland	1.40	146
24	Scottish Widows Bank	1.39	147
25	Newcastle Building Society	1.39	149
26	Virgin Money	1.41	155
27	Principality Building Society	1.41	158
28	Clydesdale Bank	1.45	164
29	Coventry Building Society	1.44	166
30	Ulster Bank	1.47	177
31	Airdrie Savings Bank	1.50	189
32	Darlington Building Society	1.55	194
33	West Bromwich Building Society	1.59	204
34	Nottingham Building Society	1.60	206
35	Loughborough Building Society	1.64	220
36	Hinckley & Rugby Building Society	1.65	227
37	Marsden Building Society	1.72	237
38	Leek United Building Society	1.71	238
39	Tipton & Coseley Building Society	1.74	245
40	Yorkshire Bank	1.74	247
41	The Hanley Economic Building Society	1.83	251
42	Lloyds Bank	1.79	253
43	Chorley Building Society	1.94	255
44	Progressive Building Society	1.77	256
45	Cambridge Building Society	1.88	266
46	Mansfield Building Society	1.95	282
47	Metro Bank	1.94	284
48	The Mortgage Lender	2.02	292
49	First Trust Bank	1.99	296
50	Family Building Society (NCBS)	2.15	307
51	BM Solutions	2.25	315
52	The Mortgage Works	2.25	323
53	Penrith Building Society	2.28	327
54	Holmesdale Building Society	2.42	328
55	Ipswich Building Society	2.39	331
56	Saffron Building Society	2.42	341
57	Al Rayan Bank	2.49	344
58=	Harpenden Building Society	2.70	352
58=	Pepper Home Loans	2.86	352
59	Precise Mortgages	3.00	365
60	Hodge Lifetime	3.07	372
61	Kensington Mortgages	3.15	380
62	Aldermore Mortgages	3.34	385
63	Dudley Building Society	3.36	390
64	Magellan Homeloans	3.47	396
65	Kent Reliance	3.58	399
66	Bluestone Mortgages	4.44	408
67	Earl Shilton Building Society	6.11	414
68	Norton Home Loans	9.90	420

The 5 year Fixed Rate Lender League Table

*Data looks at rate rather than total cost

Rank	Lender	Rate	Score
1	Coventry Building Society	1.90	21
2	Platform	1.91	26
3	First Direct	1.88	30
4	Leeds Building Society	1.84	31
5=	Nationwide Building Society	1.92	32
5=	Tesco Bank	1.93	36
6	HSBC	1.92	39
7	Barclays Bank	1.91	53
8=	Metro Bank	1.96	54
8=	The Co-Operative Bank	1.95	54
9	Skipton Building Society	1.96	66
10	Virgin Money	1.97	71
11	TSB	2.00	82
12	Yorkshire Building Society	2.03	89
13	Chelsea Building Society	2.04	94
14	Norwich & Peterborough Building Society	2.04	98
15	Royal Bank Of Scotland	2.03	105
16	NatWest	2.05	107
17	Halifax	2.06	108
18	Santander UK Plc	2.07	118
19	Accord	2.11	123
20	Clydesdale Bank	2.09	126
21	West Bromwich Building Society	2.15	141
22=	Bank Of Ireland	2.16	144
22=	First Trust Bank	2.12	144
22=	Post Office	2.16	144
23	Nottingham Building Society	2.21	162
24	Principality Building Society	2.22	166
25	Newcastle Building Society	2.24	167
26	Ulster Bank	2.23	173
27	Progressive Building Society	2.33	190
28	Hinckley & Rugby Building Society	2.37	202
29	Monmouthshire Building Society	2.43	209
30	Saffron Building Society	2.39	210
31=	Family Building Society (NCBS)	2.47	212
31=	Yorkshire Bank	2.41	212
32	Investec	2.46	214
33	Airdrie Savings Bank	2.50	220
34	Cambridge Building Society	2.54	233
35	Chorley Building Society	2.57	234
36	Lloyds Bank	2.55	241
37	Leek United Building Society	2.74	243
38	Darlington Building Society	2.73	255
39	Dudley Building Society	3.02	265
40	The Mortgage Works	3.01	270
41	Earl Shilton Building Society	3.11	274
42	Newbury Building Society	3.19	283
43	Holmesdale Building Society	3.27	287
44	Hodge Lifetime	3.46	303
45	Vernon Building Society	3.49	304
46	Kensington Mortgages	3.57	306
47	Buckingham Building Society	3.57	312
48	Precise Mortgages	3.54	313
49	The Mortgage Lender	3.67	316
50	BM Solutions	3.91	330
51	Kent Reliance	4.09	336
52	Aldermore Mortgages	4.60	340

The SVR League Table

*Data looks at rate rather than total cost

Rank	Lender	SVR	Score
1	First Direct	3.69	6
2	HSBC	3.73	16
3	Barclays Bank	3.71	17
4=	Investec	3.75	34
4=	Nationwide Building Society	3.75	34
5	TSB	3.79	38
6	Halifax	3.79	44
7	Lloyds Bank	3.82	54
8	Metro Bank	3.82	57
9	Scottish Widows Bank	3.83	63
10	Royal Bank Of Scotland	3.83	67
11	Bank Of China (UK)	3.83	69
12	Ulster Bank	3.86	71
13	Tesco Bank	3.90	76
14	NatWest	3.91	78
15	West Bromwich Building Society	3.99	96
16	Hodge Lifetime	4.01	100
17	Penrith Building Society	4.15	108
18	First Trust Bank	4.18	112
19	Al Rayan Bank	4.25	124
20	Newbury Building Society	4.25	128
21	Bank Of Ireland	4.26	131
22	Post Office	4.27	133
23	Coventry Building Society	4.38	148
24	Santander UK Plc	4.50	150
25	The Co-Operative Bank	4.50	156
26	Airdrie Savings Bank	4.50	159
27	Progressive Building Society	4.54	173
28	Platform	4.55	176
29	Virgin Money	4.55	177
30	BM Solutions	4.60	188
31	Harpenden Building Society	4.63	194
32	Family Building Society (NCBS)	4.69	199
33	Clydesdale Bank	4.74	205
34	Vernon Building Society	4.74	211
35	Yorkshire Bank	4.74	217
36	Cambridge Building Society	4.75	229
37	Monmouthshire Building Society	4.78	245
38	Aldermore Mortgages	4.79	248
39	Norwich & Peterborough Building Society	4.79	251
40	Principality Building Society	4.79	253
41	Skipton Building Society	4.80	255
42	Beverley Building Society	4.80	256
43	Holmesdale Building Society	4.82	270
44	The Mortgage Works	4.83	272
45	Yorkshire Building Society	4.83	275
46	Teachers Building Society	4.85	279
47	Tipton & Coseley Building Society	4.87	282
48	Chelsea Building Society	4.91	283
49	The Hanley Economic Building Society	4.98	303
50	Dudley Building Society	4.99	304
51	Loughborough Building Society	4.99	311
52	The Mortgage Lender	4.99	314
53	Magellan Homeloans	5.02	317
54	Buckingham Building Society	5.03	318
55	Melton Mowbray Building Society	5.03	320
56=	Kensington Mortgages	5.07	345
56=	Precise Mortgages	5.09	345
57	Earl Shilton Building Society	5.11	346
58	Bath Building Society	5.13	360
59	Leek United Building Society	5.16	363
60	Scottish Building Society	5.19	372
61	Pepper Home Loans	5.26	378
62	Chorley Building Society	5.28	380
63	Ipswich Building Society	5.33	393
64	Furness Building Society	5.36	399
65	Mansfield Building Society	5.38	402
66	Saffron Building Society	5.39	404
67	Leeds Building Society	5.48	416
68	Accord	5.53	419
69=	Bluestone Mortgages	5.59	429
69=	Nottingham Building Society	5.60	429
70	Hinckley & Rugby Building Society	5.64	433
71	Darlington Building Society	5.75	443
72	Marsden Building Society	5.80	451
73	Kent Reliance	5.87	457
74	Newcastle Building Society	5.99	461
75	MBS Lending Ltd	6.00	467
76	Norton Home Loans	12.83	474

SVR vs Fixed Rate

Part 1 of 2

6 month average SVR		6 month average best 2 year fixed rate		6 month average best 5 year fixed rate	
Lender	SVR	2yr fix rate	Difference	5yr fix rate	Difference
Accord	5.53	1.37	4.17	2.11	3.42
Airdrie Savings Bank	4.50	1.50	3.00	2.50	2.00
Aldermore Mortgages	4.85	3.34	1.52	4.60	0.26
Bank Of Ireland	4.27	1.40	2.87	2.16	2.10
Barclays Bank	3.71	1.32	2.40	1.91	1.80
BM Solutions	4.60	2.25	2.35	3.91	0.69
Cambridge Building Society	4.79	1.88	2.91	2.54	2.24
Chelsea Building Society	4.91	1.21	3.69	2.04	2.87
Chorley Building Society	5.28	1.94	3.34	2.57	2.71
Clydesdale Bank	4.74	1.45	3.30	2.09	2.65
Coventry Building Society	4.38	1.44	2.94	1.90	2.48
Darlington Building Society	5.75	1.55	4.20	2.73	3.02
Dudley Building Society	4.99	3.36	1.63	3.02	1.97
Earl Shilton Building Society	5.11	6.11	-1.00	3.11	2.00
Family Building Society (NCBS)	4.63	2.15	2.49	2.47	2.16
First Direct	3.69	1.18	2.51	1.88	1.81
First Trust Bank	4.18	1.99	2.19	2.12	2.06
Halifax	3.83	1.30	2.53	2.06	1.77
Hinckley & Rugby Building Society	5.64	1.65	3.99	2.37	3.27
Hodge Lifetime	4.01	3.07	0.95	3.46	0.55
Holmesdale Building Society	4.87	2.42	2.45	3.27	1.60
HSBC	3.73	1.08	2.66	1.92	1.81
Kensington Mortgages	5.09	3.15	1.95	3.57	1.53
Kent Reliance	5.87	3.58	2.28	4.09	1.78
Leeds Building Society	5.48	1.26	4.22	1.84	3.64
Leek United Building Society	5.19	1.71	3.48	2.74	2.45
Lloyds Bank	3.83	1.79	2.04	2.55	1.28
Metro Bank	3.79	1.94	1.85	1.96	1.83
Monmouthshire Building Society	4.79	1.41	3.38	2.43	2.36
Nationwide Building Society	3.75	1.23	2.52	1.92	1.83
NatWest	3.86	1.32	2.54	2.05	1.81
Newcastle Building Society	5.99	1.39	4.60	2.24	3.75
Norwich & Peterborough Building Society	4.80	1.20	3.60	2.04	2.76

SVR vs Fixed Rate

Part 2 of 2

6 month average SVR		6 month average best 2 year fixed rate		6 month average best 5 year fixed rate	
Lender	**SVR**	**2 year fix rate**	**Difference**	**5 year fix rate**	**Difference**
Nottingham Building Society	5.59	1.60	4.00	2.21	3.38
Platform	4.55	1.22	3.33	1.91	2.65
Post Office	4.25	1.33	2.92	2.16	2.09
Precise Mortgages	5.07	3.00	2.07	3.54	1.53
Principality Building Society	4.79	1.41	3.38	2.22	2.57
Progressive Building Society	4.54	1.77	2.77	2.33	2.22
Royal Bank Of Scotland	3.82	1.32	2.50	2.03	1.79
Saffron Building Society	5.39	2.42	2.97	2.39	3.00
Santander UK Plc	4.50	1.31	3.20	2.07	2.43
Skipton Building Society	4.78	1.25	3.53	1.96	2.82
Tesco Bank	3.91	1.34	2.57	1.93	1.98
The Co-Operative Bank	4.50	1.22	3.28	1.95	2.55
The Mortgage Lender	5.02	2.02	3.00	3.67	1.35
The Mortgage Works	4.82	2.25	2.57	3.01	1.81
TSB	3.75	1.22	2.53	2.00	1.75
Ulster Bank	3.82	1.47	2.34	2.23	1.59
Virgin Money	4.55	1.41	3.14	1.97	2.57
West Bromwich Building Society	3.99	1.59	2.40	2.15	1.84
Yorkshire Bank	4.74	1.74	3.00	2.41	2.33
Yorkshire Building Society	4.80	1.08	3.72	2.03	2.76

Methodology

Lender League Table

To produce the Lender League Table, Trussle obtained Standard Variable Rates (SVRs) and fixed rates from mortgage data provider Twenty7Tech. Some lenders offer other types of variable rate (eg. a lifetime tracker) once an initial period has ended, which have been included alongside SVRs for simplicity. Rates were captured daily between 1st August 2016 and 31st January 2017, a full six months from the Bank of England's decision to cut interest rates.

These have been used to calculate a monthly average for all lenders that had applicable products across the six-month period. Daily SVRs captured were an average of all of a lender's available SVRs on that day, whereas fixed rates were the best available rates on that day.

Each month's League position was then added together to provide an aggregate ranking. Total costs, which includes incentives and charges, have not been accounted for in this first iteration of the League Table, relying instead on comparison headline rates.

Consumer surveys

Market research for the Mortgage Saver Review (pages 3-7) came from the following two sources:

- YouGov poll of 1,162 representative UK mortgage borrowers carried out in October 2016
- OnePoll survey of 2,000 representative UK mortgage borrowers carried out in April 2017

*In the report, we say that the average mortgage borrower on an SVR could save £4,918 by switching to the leading fixed rate in the market. This is calculated in the following way:

Calculated against an average house price in January 2017 of £218,000, excluding any fees associated with switching, assuming 60% LTV means average mortgage value of £130,800.

The average SVR in January 2017 was 4.77%, and the best 2 year fixed rate was 0.98% from Yorkshire Building Society.

£130,800 at 4.77% = £6,178.73 interest owed in the first year,
£130,800 at 0.98% = £1,261.03 interest owed the first year,
£6178.73 - £1261.03 = £4,917.70,
£4,917.70 x 2 million people = £9.83 billion.

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Important information

Your home may be repossessed if you don't keep up repayments on your mortgage. You may have to pay an early repayment charge to your existing lender if you remortgage.

Trussle