

11<sup>th</sup> November 2014

## NEARLY 3 MILLION SVR BORROWERS COULD SAVE MORE THAN £3,000 A YEAR BY REMORTGAGING

- 68% of mortgage borrowers (3 million) on an SVR could remortgage to a lower rate
- Typical borrower on an average SVR of 4.99% could save over £3,000 in interest in the first year
  - Almost 400,000 mortgage holders are trapped in their current deal

Analysis by HSBC reveals that **4.3 million** mortgage borrowers, representing 39%<sup>1</sup> of the total mortgage market, are currently on their lenders' standard variable rate (SVR). The average of UK lenders' SVRs is currently 4.99%<sup>2</sup>.

These borrowers have typically come off fixed or discounted rate mortgage deals and are now paying their lenders' standard rate, which tends to be significantly higher than the initial rate (see table 1). In principle, these borrowers could switch to a more competitive mortgage deal without paying the early redemption penalty that would have applied throughout their fixed or discounted rate period.

However, to access mortgage rates below 4%, borrowers must apply for a maximum 90% loan-to-value (LTV) and have at least 10% in housing equity. While remortgage deals for LTVs higher than 90% do exist, they invariably have associated mortgage rates equal to or higher than their lenders' SVR.

Table 1: Average mortgage rates and SVRs by LTV band

	Average Rate	Average SVR
85% LTV (15% equity)	2.63%	4.90%
90% LTV (10% equity)	3.41%	4.99%
95% LTV (5% equity)	4.84%	4.94%

Source: Analysis from [Moneyfacts.co.uk](http://Moneyfacts.co.uk)

The good news is there are almost **3 million**<sup>3</sup> mortgage borrowers currently on their lenders' SVR with LTVs that are below 90%, and are therefore free to move to a more competitive rate. This represents 27%<sup>4</sup> of the total UK mortgage market.

For a borrower with a 90% loan on the average UK home (£246,600)<sup>5</sup> and a typical SVR of 4.99%, moving to a two-year discount rate of 2.89% could save them **£3,420**<sup>6</sup> in interest payments each year.

Collectively, if the ‘free to move’ SVR mortgage borrowers could find just 0.5% interest rate savings on their **£240 billion** outstanding loans, they could make a combined annual saving of more than **£1 billion** in first year monthly repayments.

The news is less good for those with LTVs above 90%, who are effectively trapped in their lenders’ SVR and are unable to remortgage to a better deal.

HSBC estimates there are currently **383,311** “mortgage holders”, representing 9% of the 4.3 million SVR market and 3% of all mortgages<sup>7</sup>.

These borrowers will only be able to move to a better deal once their housing equity improves. However, with average house prices making significant gains in the past year – the ONS recorded an average annual house price increase of 11.7% in the year to August 2014 – there is some hope for these borrowers on the horizon.

**Table 2: Regional Analysis**<sup>8</sup>

Region	No. free to move	No. mortgage holders	No. on SVR in region	% of total market on SVR	% on SVR free to move	% on SVR trapped
Midlands	472,011	60,588	532,599	5%	89%	11%
North West	373,078	65,498	438,576	4%	85%	15%
North East	369,519	62,813	432,332	4%	85%	15%
Greater London	340,222	31,837	372,059	3%	91%	9%
East	323,878	31,850	355,728	3%	91%	9%
Scotland	292,333	40,133	332,466	3%	88%	12%
South East	272,407	21,573	293,980	3%	93%	7%
South West	265,394	21,662	287,056	3%	92%	8%
Wales	152,632	22,365	174,997	2%	87%	13%
Central London	33,124	3,052	36,176	0%	92%	8%

The Midlands is the region with the highest number of borrowers on their lenders’ standard variable rate (representing 5% of the total UK mortgage market). However, of these, 89% have LTVs lower than 90% and are therefore free to move to a better deal.

The South East, while having a relatively low number of SVR mortgage borrowers, has the highest proportion of SVR borrowers that are able to remortgage (93%). Only 7% of borrowers on their lenders’ SVR in this area are mortgage holders.

In contrast, both the North West and North East have the highest proportion of borrowers that are trapped in an SVR rate (both 15%). These are also the areas with the second and third highest number of SVR borrowers in total.

**Pete Dockar, Head of Mortgages at HSBC, said:** “With almost three million mortgage borrowers currently in a position to move to a more competitive deal, UK homeowners could be making significant savings on their monthly repayments. Even with equity of just 10%, swapping from an average SVR to a better priced deal could result in savings of thousands of pounds each year.

“It’s crucial that homeowners are aware of when they revert to their lenders’ standard variable rate and regularly check that their loan is still competitive to avoid paying unnecessarily high interest rates.”

**- Ends -**

**HSBC is currently offering customers a two-year discount rate of 2.89% for borrowing up to 90% LTV (with £999 fee). To see more on this and HSBC’s new fee-free remortgage range, [click here](#).**

**For further information please contact:**

HSBC : Melissa Jobson – 020 7992 1433 – [Melissa.Jobson@hsbc.com](mailto:Melissa.Jobson@hsbc.com)

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<sup>1</sup> 39% of all mortgages are on SVR, Source CACI (Q3 2013). This percentage has been applied to the UK total of 11.148 million loans as reported in CML Table MM4 for Q2 2014. While the number of SVR mortgages in different LTV bands have come directly from CACI, CACI is not responsible for the derived calculations and conclusions in this release.

<sup>2</sup> Based on analysis of products from [Moneyfacts.co.uk](http://Moneyfacts.co.uk) (based on loan of 90% LTV).

<sup>3</sup> A total of 2,972,187 are free to move. Source: CACI data. CACI coverage of stock business accounts for 90% of market.

<sup>4</sup> Based on UK total loans as reported in CML Table MM4 (Q2 2014).

<sup>5</sup> Based on a 90% loan on the average UK house price (£274,000) as reported in the ONS House Price Index for August.

<sup>6</sup> HSBC offers a two year discount rate of 2.89% (comes with a £999 fee). Savings have been calculated using the [MoneySavingExpert](#) mortgage calculator and assume a 25 year repayment term.

<sup>7</sup> Source: CACI data.

<sup>8</sup> No. free to move, no. of mortgage prisoners and total no. of SVR borrowers per region sourced from CACI. % of total market uses UK total loans from CML (as before). Northern Ireland not included due to small sample size.

## **HSBC Bank plc**

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