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LOW BASE RATE WINNERS AND LOSERS

Winners

- Low LTV borrowers **£4.2bn a year** better off than those with high LTVs
- Homeowners in London, whose property values have risen by up to **54%**

Losers

- Fixed rate mortgage borrowers **£3.2bn** worse off per year than tracker rate
- Homeowners in Hartlepool whose property values have fallen **28%**

Analysis by HSBC has calculated the financial impact to borrowers from four years of the record low 0.5% base rate since 4th March 2009.

Fixed vs. Tracker Mortgage Borrowers

Borrowers who opted for a fixed rate mortgage since March 2009 would collectively be at least £3.2bn¹ worse off per year than if they had taken out a tracker rate as the base rate plummeted. Those who took out a five year fix in 2007 when the average rate was 5.83% have lost out the most. The average mortgage customer would have paid £9,408 more in interest over the five year period than if they had taken out a tracker mortgage, average rates for which had fallen to 2.75% by 2011.

On the other hand, borrowers opting for a tracker mortgage have benefitted from the low base rate environment over the past four years, with 826,500 borrowers having collectively saved at least £1.26bn² a year compared to fixed rate mortgage costs, an average saving of £1,510 in interest per mortgage per year. The average difference in rates is 1.46%, with the average tracker rate at 2.86% and the average fixed rate at 4.32%.

Those borrowers who reverted onto the capped SVRs on offer from some lenders have also benefitted, from record low rates, with some paying as little as 2.5% for the remaining term on their loan.³

Low LTV vs. High LTV Mortgage Borrowers

Mortgage borrowers who have been able to take advantage of a low LTV rate (<75%) have paid a collective £4.2bn⁴ a year less in interest since the base rate fell to 0.5% in March 2009 compared to rates available to those with a higher LTV (>85%). For a two year mortgage on the average property, this is an annual interest saving of £1,012 per mortgage.

Low LTV rates have been 1.63% lower on average than higher LTVs ones. More than two million borrowers have benefitted from the average low LTV rate of 3.25%. The gap between

high and low LTV deals was at its widest during 2012, with a 2.01% rate gap, meaning low LTV holders saved a total of £474m⁵ interest in that twelve months alone.

The average rate difference between tracker and fixed deals over the four year period has been 1.47%, with the average tracker rate at 2.89%, and the average fixed rate at 4.36%.

In addition, 839,000 mortgage borrowers currently have insufficient equity to move onto a better deal. Falling house prices in some areas mean these “mortgage prisoners” have seen the equity in their property decline, meaning they have missed out on the lower rates available during the low base rate years.⁶

Regional House Price Divide

Homeowners in the south have seen the biggest gain since the base rate moved to 0.5%, with property values rising in every borough of the South East, London and East of England and all but two areas in the South West (Torbay and Cornwall) over the past four years. There are 13.2 million households in areas where house prices have risen.⁷

The top 5 winners overall are all in Central London:

- Kensington and Chelsea (+£379,368/**54%**)
- City of Westminster (+£233,623/**43%**)
- Camden (+£166,663/**36%**)
- Hammersmith and Fulham (+£147,225/**34%**)
- Islington (+£135,065/**37%**)

The top 5 winners outside of London are all in the South East:

- Surrey (£40,326/**15%**)
- Brighton and Hove (£37,860/**20%**)
- Windsor and Maidenhead (£33,487/**11%**)
- Wokingham (£33,011/**13%**)
- Buckinghamshire (£27,171/**13%**)

The top 5 ‘losers’ in terms of property value have been:

- Hartlepool (**-£29,049**/-28.00%)
- Blackpool (**-£25,393**/-24.64%)
- Redcar and Cleveland (**-£20,989**/-17.75%)
- Liverpool (**-£20,852**/-18.77%)
- Pembrokeshire (**-£20,798** /-13.50%)

Peter Dockar, Head of [Mortgages](#) at HSBC commented,

“The low base rate period has been a tough economic environment, but borrowers have benefitted substantially over the last four years. Some of these winners have gained from already owning property in the right area, or already having sizeable equity in their home which has given them access to low LTV mortgage rates

“With mortgage rates now at record lows, now is the time for borrowers to review their finances as many may be able to make significant savings by accessing competitive deals on their home loans.”

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Notes to editors:

CML table ML5 (Loans taken out March 2009 to December 2012)

Fixed rate = 2,107,900 (62.1% of all mortgage loans)

Tracker rate = 826,500 (24.6% of all mortgage loans)

Average fixed rate = 4.318%

Average tracker rate = 2.862%

CML table MM8 (March 2009 to December 2012)

Total gross mortgage lending = £540,820m

Fixed rate mortgage lending = £335,849m (62.1% of gross lending total)

Tracker rate mortgage lending = £133,042m (24.6% of gross lending total)

Average repayment on £100,000 mortgage

Annual repayment of average fixed rate (4.318%) = £6,552

Annual repayment of average tracker rate (2.862%) = £5,604

Annual Difference (1.456%) = £948

¹For the £335,884m of fixed rate mortgages, the collective first year loss compared to tracker mortgages is $£948 \times 3.35884 = £3.2\text{bn}$.

²For the £133,042m of tracker mortgages, the collective first year gains compared to fixed rates is $£948 \times 1.33042 = £1.26\text{bn}$.

³Average mortgage size = £159,300. Therefore the average first year annual saving for a tracker mortgage is $£948 \times 1.59300 = £1,510$.

⁴Moneyfacts Quarterly Mortgage Selections best rates for <75% and >85% two year fix deals. For the £381,242m of low LTV mortgages, the collective first year gain compared to high LTV mortgages is $£1,112 \times 3.812 = £4.2\text{bn}$. Average mortgage size for LTV mortgages between March 2009 and December 2012 was £159,743. The annual saving on £100,000 mortgage was

£1,112 so for the average mortgage, the annual saving in interest compared with a high LTV deal is $£1,112 \times 1.59743 = £1,778$.

⁵Average annual saving made per low LTV mortgage in 2012 = £888

533,500 low LTV mortgages were in the market in 2012, therefore total savings were $£888 \times 533,500 = £474\text{m}$

⁶http://www.newsroom.hsbc.co.uk/press/release/36_million_svr_borrowers_could

⁷Land Registry House Price Index, March 2009 compared with December 2012.

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