



Focusing on the headline rate is leaving mortgage borrowers thousands of pounds worse off, research from Legal & General Mortgage Club shows

- Nearly two-thirds (63%) of UK borrowers say that the interest rate is the most important factor in deciding their next mortgage.
- Analysis by Legal & General Mortgage Club shows that a borrower with a £250,000 mortgage who locks into a 5-year fixed rate product and then decides to move or remortgage could face as much as £10,891 in early repayment charges.
- Yet, only 13% of borrowers see early repayment charges as being important to consider when getting their next mortgage.

UK borrower's fixation with mortgage interest rates is leaving them susceptible to thousands of pounds in unexpected costs, because they are not considering the impact of other product factors, such as exit fees. The latest research from Legal & General Mortgage Club has found that most borrowers overlook the impact of factors like early repayment charges (ERC) when seeking a new mortgage.

Legal & General Mortgage Club, the UK's largest and longest-standing, has uncovered that nearly two-thirds (63%) of UK borrowers consider the interest rate to be the most important factor in deciding their next mortgage. However, analysis from the Club found that some borrowers could face thousands of pounds in extra costs if they wish to move to a new product before their existing fixed term ends.

A borrower that locks into a five-year fixed rate product and then decides to move or remortgage could face £10,891 in ERCs. Yet, only 13% of borrowers see ERCs as being important to consider when getting their next mortgage.

“The crisis has taken its toll on the finances of people across the UK and many are now looking for ways to keep their household bills to a minimum. A great place to start is with a mortgage as this is normally people's biggest monthly expense. So, reducing its interest rate down can only be a good thing, right? Well, our latest research shows why it is also important to look beyond the headline rate and consider other factors, like exit charges. Not doing so could mean having to pay thousands in unexpected costs when it comes time to move home or remortgage.

“When looking for a new mortgage, it is typically helpful to work with an independent adviser. Whether searching for a low-interest option, or a product which provides more repayment flexibility, it is worth seeking advice. Doing so will mean access to a larger range of mortgage options and these professionals can also recommend specific options based on your individual circumstances.”

Kevin Roberts, Director, Legal & General Mortgage Club

Notes to editors

About Legal & General

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with international businesses in the US, Europe, Middle East and Asia. With over £1.1 trillion in total assets under management, we are the UK's largest investment manager for corporate pension schemes and a UK market leader in pension risk transfer, life insurance, workplace pensions and retirement income.

About Legal & General Mortgage Club

Legal & General Mortgage Club is one of the UK's largest and longest-running mortgage clubs, completing £667bn of mortgages since 1995. We are involved in nearly one in five of all mortgages in the UK, in addition to nearly one in three of all intermediated mortgages. The Mortgage Club prides itself on adding value to the adviser community by working closely with new and existing lenders to deliver great products, pricing and criteria. Our popular SmartrFit tool, which is free to advisers, combines an affordability calculator with lender criteria to provide accurate, quick results, to help make advisers jobs easier so they can spend time where it matters.

<https://www.legalandgeneral.com/adviser/mortgage-club/>

Methodology

The data was collated from a survey of more than 1,000 consumers with a mortgage conducted by Legal & General Mortgage Club.

Legal & General Mortgage Club's early repayment charge (ERC) calculation is based on averages from five leading five-year fixed rate mortgage products which feature ERC charges. A borrower with a £250,000 mortgage that chooses to move away from their fixed-rate mortgage product could face charges of:

Year One – £10,841 (5%)
Year Two – £9,853 (4%)
Year Three – £7,796 (4%)
Year Four – £5,234 (2%)
Year Five - £2,762 (1%)

Further information [journalists only]

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