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CO-OP PULLS THE PLUG ON INTEREST- ONLY MORTGAGES FOR NEW CUSTOMERS

Mortgage customers have been dealt a blow today as the Co-operative Bank announced it would be pulling the plug on interest-only mortgages for new customers^[1].

Michael Ossei, personal finance expert at uSwitch.com, says: “While responsible banking is to be applauded, interest-only mortgages should not be demonised. The fact is that they still have a role to play in the market, providing a vital step up for those trying to get on the property ladder and a short-term reprieve for those who suddenly suffer a drop in income. First-time buyers, particularly young professionals with every expectation of seeing their careers take off and their salaries soar, will be hit by a blanket policy against interest-only mortgages. It could mean that for some the dream of owning their own home remains just that.

“The biggest concern is that in these days of economic uncertainty, when existing customers need some flexibility from their mortgage provider, they might not be able to get it. Losing the ability to move between a repayment and interest-only mortgage when times are tough could be a real deal breaker for some. We would urge all providers to consider these needs carefully.

“Worryingly, this move could set a precedent and we could see interest-only mortgages pulled from the market altogether. While it’s important for all lenders to lend responsibly, it’s just as vital that providers continue to offer flexibility for consumers - hopefully this move from the Co-op isn’t a sign of things to come.”

For more information visit www.uSwitch.com or call 0800 093 06 07

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Notes to editors:

1. Co-operative Bank press release

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