

Atom warns over long-term fixes

One of the UK's leading mortgage distributors and packaging specialists has warned the imposition of 25-year fixed rates could cause an endowments style mis-selling scandal.

All Types of Mortgages said the potential pitfalls included future interest rates dropping, high redemption fees applying during the term and no guarantees that future property moves will be able to be mortgaged.

It said it would applaud the introduction of more long-term fixed rates but only if they provide greater consumer protection which addresses the realities of life today.

The company suggests an interest refund if rates charged exceed base rate for more than five years and substantially reduced redemption penalties if the borrower becomes unemployed, ill or legally separated and therefore needs to sell his property.

It is also calling for no redemption penalties if a borrower subsequently moves to a property that the lender is unable to mortgage due to the vagaries of their underwriting



Jannels: reality of life today

criteria and no redemption or additional interest penalties if the borrower is transferred abroad by their employer and has to rent out the property

Vic Jannels, chairman of Atom, said: "People will often change jobs five or six times in a working lifetime, often necessitating relocation. The divorce rate also remains high and households can face significant changes in income.

"The government has often recognised the importance of labour mobility for a successful economy and it must also therefore ensure that these long term proposals support this, as well as acknowledging the reality of life today."