

Banks admit mischarging 18,000

Yorkshire and Clydesdale Banks have admitted undercharging 18,000 customers on variable rate mortgages after a software error led to monthly miscalculations on customer repayments.

All affected borrowers have been asked to make up the shortfall, which could send some borrowers repayments soaring by up to £300 a month.

Parent company, National Australia Bank (NAB) said 3% of affected customers have complained about the repayment hike so far, adding that it has already installed a team, including CeMAP qualified mortgage advisers, to liaise with customers.

A spokesman for both banks said: "We suggest that customers increase their payments but we are willing to discuss a variety of solutions. We have transferred some to lower-rate products, including remortgage and first-time buyer loans, in a bid to make any payment shock as small as possible."

According to the banks, all those affected should receive a letter within the next two weeks, and customers will see their mortgage payments move to the correct level, plus extra to cover the shortfall. The banks said roughly 50% of its customers will pay £25 more a month on average, with £2 of that

covering the shortfall.

The banks added that if customers could not afford the suggested payment, the case would be reviewed.

A City briefing from NAB confirmed the gaffe, including the mortgage shortfall total and administration costs, are estimated to cost in the region of £19m.

Yorkshire and Clydesdale Banks apologised for the mistake and said it was caused by its repayment calculator's inability to deal with several interest rate cuts in quick succession, with each cut making the problem worse.

In a statement, Steve Reid, retail director for Clydesdale Bank, said: "We are very sorry that this error has happened and for any inconvenience that it may have caused to those customers affected."

A spokesman from the Financial Ombudsman Service (FOS) said any complaints would be assessed individually, but that compensation for mortgage underfunding cases generally varies from between £250 to £1000. The FOS website explains that the amount of compensation is dictated by the extent of harm to the borrower.

UK achieves 1.1% growth in Q2

Growth across all business sectors from March to June shows the UK is exceeding expectations by making a speedier recovery than expected.

Gross Domestic Product (GDP) increased 1.1% in the second quarter of 2010, compared to an increase of 0.3% in Q1.

Business and financial services led the recovery in the services sector, where growth rose from 0.3% the previous quarter to 0.9% in Q2.

Robert Sinclair, director of

AMI, said: "Although financing is still tight and lenders are still applying tight criteria to mortgage lending, the other end of the situation is that consumers are showing a greater degree of confidence."

This growth could emerge from any part of a sprawling financial service sector, said Sinclair, and mortgages or retail are still a tiny part of that.

British Bankers' Association (BBA) data, also released on Friday, shows mortgage approv-

als for purchases fell back to their lowest numbers in a year to 34,813.

RICS chief economist Simon Rubinson, said that in his opinion, this does not strengthen the case for a base rate rise.

"We are unconvinced of the merits for such a move, despite the robust second quarter data and believe this will be the high water mark for quarterly growth in the economy with fiscal tightening set to bite as the year draws to a close."

In brief

Afl restructures team

Abbey for Intermediaries has appointed Jeremy Duncombe as head of sales for the field sales force, as part of a restructure of the intermediary distribution senior management team. Sue Carvell is now head of sales overseeing telephone sales in Glasgow and Manchester. Duncombe, who joins from St James Place Wealth Management, starts his role on 2 August.

Your Money awards

Santander, parent company of Abbey for Intermediaries, and ING Direct walked away with the top mortgage awards at last week's *Your Money Awards 2010* held at the Merchant Taylor's Hall in the City of London. Santander took home the award for Best Direct Mortgage Provider, while ING Direct was named Best Online Mortgage Provider.

June lending jumps 15%

Gross mortgage lending in June rose to £13.1bn, up 15% on May's £11.4bn. This is an increase of 7% on the same period last year, according to CML figures. In Q2 2010, gross lending reached around £35bn, up 17% on Q1 this year, and up 7% from the second quarter on 2009, while H1 lending remained unchanged at £65bn. The CML said the seasonal pick-up in June still evidenced low levels of activity.

Atom becomes Bank of China distributor

All Types of Mortgages (Atom), the Horsham-based mortgage packager, became the fifth packager to sign a deal with the world's third largest bank to offer Bank of China's residential, buy-to-let and commercial mortgages.

"Atom is experiencing positive growth in the emerging market and the addition of another lender to our panel of offerings demonstrates that lenders do still want to lend," said sales and marketing director, Dale Jannels.

"The prime buy-to-let and residential lender is testing the water with us because it knows that we are on the largest network panels and have access

to all the key UK distributors," Jannels added.

Bank of China deals start at 2.8% for residential borrowers and offer LTVs of up to 75% on residential and 65% for buy-to-let and commercial property with no credit scoring.

Bank of China launched into the market in July last year, and joined the Council of Mortgage Lenders three months later in October 2009.

The bank's other packager distributors include Solent Mortgage Services, Complete Mortgage and Loan Services, Connect Mortgage Group and Savills Lending Solutions. Connells is the Chinese bank's official surveyor in the UK.

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