

Time to run for cover from rising loan rates

SEVEN million homeowners with variable-rate mortgages have been warned to move quickly ahead of a rise in interest rates.

A quarter-point rise in Bank rate would add £45 a month to the repayments on a £200,000 interest-only mortgage.

The cost of protecting repayments against the risk of rising rates will jump by 20% from tomorrow as insurers price in a move by the Bank expected within three months. MarketGuard, which offers standalone insurance cover to homeowners worried about the effect of

rising interest rates, will increase the monthly cost of insuring a £200,000 loan against a one percentage-point rise in rates from £73 to £88.

Meanwhile, mortgage lenders embarked on another round of rate rises last week as ING Direct, state-owned Northern Rock and First Direct all rushed to increase the cost of home loans, blaming the rising price of borrowing on interbank money markets.

Northern Rock increased its five-year fixed-interest rate from 4.09% to 4.48%, adding £760 a year to the cost of monthly repayments on a £200,000

interest-only mortgage. Coventry building society and Clydesdale bank are expected to increase rates this week.

Ian Gray of largemortgageloans.com, the broker, said: "Time is running out for homeowners who want to protect themselves against a painful rise in interest rates."

The best five-year fixed-rate loan is from Royal Bank of Scotland at 3.95% with a £699 fee, but that is reserved for those with a 50% deposit. The best rate for those with a 25% deposit is from Yorkshire building society at 4.19%, with a £1,495 fee.