

Swiss loans in demand

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WEALTHY borrowers are applying for mortgages on UK property in Swiss francs in the belief that the currency is set to weaken against the pound. The turmoil in stock markets around the world has seen the franc, a safe haven for anxious investors, soar in value against other currencies.

The Swiss government announced further measures last week to try to stop the rapid appreciation of its currency, but it strengthened to Sfr1.17 against the pound, compared with Sfr1.80 two years ago, according to World First, the currency broker. It closed at Sfr1.25 on Friday.

The rapid rise against sterling last week has prompted traders in the City to contact brokers to inquire about availability of Swiss franc mortgages. Ian Gray of largemortgageloans.com said: "One of our wealthy clients, who is employed in financial services, is of the view that the recent huge gains in the Swiss franc's value against the pound will reverse.

"We're arranging his mortgage. If the franc weakens against the pound, the sterling equivalent of his mortgage will decrease and he will profit from the move."

Another broker, Coreco, has had inquiries for franc mortgages.

Borrowing in francs is also attractive because of the low rates available from Swiss lenders. It is possible to secure a lifetime tracker with a rate of 2 points above Swiss base rate, which is currently 0.053%, so 2.053%, said Largemortgageloans. Someone taking a £500,000 mortgage in Swiss francs would borrow Sfr612,650 at a rate of Sfr1.225 to the pound. Repayments would be Sfr1,048 a month, or £855.

If the Swiss franc weakened by 5% against the pound, the value of the loan would fall to £476,214 and the repayments would be £815.

However, experts warn of huge risks. Hundreds of British buyers were badly advised to take Swiss franc loans on Cypriot properties before the credit crunch.

Repayments have since soared as the franc has strengthened by 54% against the pound since 2007, said HiFX, the currency broker.