

BoI to 'pay stamp duty'

Mortgage lender accused of employing boom-time tactics with deal

By **Christian McCashin**

BANK of Ireland has fired the first shots in a potential 'mortgage war' by announcing that it will pay 1 per cent of the mortgage back to first-time buyers to help cover stamp duty.

But lending advisors warned last night that the initiative to aid first-time buyers could actually worsen the market.

The move has also been slammed for reflecting the banks' boom-time tactics that led to an overheated housing market.

Ken Murray, director of the Association of Expert Mortgage Advisors, said: 'Schemes such as this may in fact further exacerbate the supply and demand issues currently facing Ireland's property market.'

And David Hall of the Irish Mortgage Holders' Organisation said: 'Any advice I would give anybody is very, very simple. It is ask yourself this; if how a lender behaves when you're in mortgage difficulty is any-

thing to go by you couldn't touch a Bank of Ireland mortgage with a 50ft barge pole, plain and simple.'

The bank's head of mortgages Áine McCleary trumpeted the scheme, remarking: 'Bank of Ireland is very keen to support first-time buyers who are looking to purchase their first home. First-time buyers represented almost half of the new mortgage market in value terms in 2013 and we are seeing demand from all parts of the country, particularly now as property prices have stabilised outside Dublin.'

The bank has said it has provided more than €2billion in mortgage approvals under its First-Time Buyer and Mover fund launched in October 2012 and has another €2billion in funds to meet 'current and anticipated demand'.

Due to the fall in house prices, BoI believes house affordability is at its best level since 1998. A spokesman said: 'In many cases first-time buyers have accumulated sizeable deposits as they were waiting for

property prices to stabilise prior to making the decision to purchase their first home.'

Ms McCleary added: 'We under-

stand that today's first-time buyer needs all the help they can get when seeking to get their foot on the property ladder, and we want to make it very clear that we want to lend to them.'

But Karl Deeter of Irish Mortgage Brokers warned: 'That a bank is willing to pay a person's stamp duty has the hallmarks of the kind of thing we used to see in the run up to the boom. Clawing back lost market share in this manner would be better served by giving people greater choice as opposed to paying them off.'

Permanent TSB said it has no

plans for a similar initiative. A spokesman said: 'We monitor developments in the market closely but we are very happy with our strong performance in the mortgage market at present and we have no current plans for an initiative like this.'

AIB also said it will not follow suit. But a spokesman said: 'AIB is approving four out of five mortgage applications received. AIB offers 92 per cent loan-to-value on mortgages up to €400,000, 85 per cent loan to value over this amount and 75 per cent for one bed apartments.'

Mortgage adviser Mr Murray said borrowers need to tread carefully, remarking: 'While we welcome any initiative that is designed to help first-time buyers we would advise people considering this offer, as with any offer from any lender, to be satisfied that they have done the necessary research into the offer and into the lender behind it.'

'If we have learned from our Celtic Tiger days, and we believe this generation of buyers certainly has, then they will look at this or any offer with caution and do their homework for the long term.'

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WHY FIRST-TIME BUYERS NOW HAVE TO PAY UP

STAMP duty on the first €1million of a property price is one per cent of the price, costing a buyer up to €10,000.

On the amount paid of more than €1million the duty rises to two per cent.

The duty was brought back in with the 2011 Budget, meaning

that all house purchases in Ireland are now liable for stamp duty.

This means that first-time buyers who were previously exempt from the tax now have to pay stamp duty.

Other exemptions, such as properties under 125 sq metres, will

now be liable and the first €127,000 will no longer be exempt.

Stamp duty is a tax paid to the Government when changing documents on a property.

It earned its name from the documents having to be officially 'stamped' to show the tax or duty had been paid.

