

Fix or stay flexible for the best deals?

We ask experts for their views on how to bag competitive rates on loans, energy and insurance. By Mark Channing

THE cost of running a house has dropped for the first time in four years but it still takes more than 40% of our earnings.

Falling interest rates and energy prices account for much of the decrease, according to AA Ireland, but some of the benefit was lost because of the rising cost of insurance and other items. Conor Faughnan of the AA said: "One of the key drivers of the decrease is that mortgage lending rates are considerably lower than last year."

Households need to understand what is driving costs lower to be able to profit from the trend. With interest rates at an historic low, it might seem like a good idea to fix your mortgage rate. This could be a mistake if commercial pressure forces lenders to make more reductions in variable rates.

Rising insurance costs present a similar dilemma. Ciaran Mulligan of Blue Insurance said: "The only way for motorists to protect themselves against insurance price hikes is to lock in their car insurance premiums for a longer period of time."

Others warn that you need the flexibility of an annual renewal to be sure of the

best deals in a fast-changing market.

We ask experts where prices are heading and tell you what action to take.

MORTGAGES

Mortgages are households' biggest outlay and those on standard variable rates (SVRs) are paying too much.

Ken Murray of the Association of Expert Mortgage Advisers said: "People shop around for insurance annually and mortgages should be no different. If you're on an SVR, you should be looking around."

Despite attractive incentives to switch mortgages, it emerged last week that only 712 home owners have moved to another lender so far this year.

They need to weigh up the pros and cons.

Fixed-rate mortgages provide certainty over your repayments but are inflexible, resulting in penalties if you need to end the deal early to move house or because the fixed rate is no longer competitive. Fixing also means you will not benefit if lenders decide to reduce mortgage rates.

State-owned Allied Irish Banks, for example, had to cut

rates three times in the past year, while other lenders have been forced to offer better deals to customers on SVRs.

Murray is sceptical about more mortgage reductions, pointing out that Bank of Ireland has dug in its heels.

Ulster Bank has some of the best long-term deals for homeowners thinking of fixing, especially those borrowing less than 60% of the value of their homes. They can fix at 3.5% for five years or 3.6% for seven years.

Murray said that homeowners could hedge their bets by choosing a part-fixed, part-variable deal.

This gives a degree of certainty and flexibility, while allowing you get some of the benefit if variable rates fall further. "It gives you a foot in both camps," he said.

Homeowners on tracker mortgages do not need to take any action because none of the alternatives offers better value.

ENERGY

Hoping your gas or electricity supplier will cut prices is a waste of time because you will always save more by switching providers. Wholesale energy prices have fallen rapidly but



suppliers have reduced standard tariffs only marginally.

The Commission for Energy Regulation said the cost of gas and electricity in Ireland is above the EU average. "While the wholesale price reduction was higher than the actual reductions announced by suppliers, this is explained by the fact that suppliers buy ahead at fixed price contracts (hedging) to provide greater retail price stability," the regulator said in its annual report for 2014.

"It can take over six months for changes in fixed price contracts to feed through to retail prices."

More than 80% of households are on standard tariffs even though they could save about €300 a year by taking advantage of a new supplier's switching incentives.

Simon Moynihan of price comparison site Bonkers.ie said: "Last year suppliers blamed the fact that they had to buy their energy so far into the future for not being able to cut prices. But more than a year has passed and wholesale prices are still low, so why are we still paying so much?"

Moynihan does not believe there will be more cuts to standard rates this year and urged households to switch as the only way of saving money.

According to Bonkers, Energia is the cheapest electricity-only supplier and Flogas is the cheapest gas-only supplier. Energia has the lowest dual-fuel offer, although it is cheaper to buy gas and electricity separately.

Switchers should check Bonkers.ie and rival price comparison site Switcher.ie when comparing deals as their websites may have special offers that providers do not make publicly available.

HOME INSURANCE

Homeowners can try to beat rising premiums with a multi-

year policy instead of renewing annually. Insuremyhouse.ie allows you fix the premium for up to three years, while Blue Insurance has a two-year deal.

Multi-year cover is a gamble. You could save money if premiums go up next year but you could end up paying over the odds if they fall. The latter is unlikely, according to insurance experts, because home insurance is cheap at the moment and rising claims are likely to push up premiums.

Jonathan Hehir of Insuremyhouse.ie said: "The cost of home insurance is at an all-time low. It makes sense to fix your premium for a number of years. Weather-related claims

are one of the big drivers of premiums. If this winter is bad, renewal premiums will spike."

CAR INSURANCE

Premiums have jumped 30% in the past year, according to the Central Statistics Office, as insurers sought to stem rising losses.

Three-quarters of the members of the Irish Brokers Association expect premiums to increase significantly in 2016, with 65% forecasting a jump of 20% or more.

Blue Insurance is the only provider with multi-year cover, allowing you fix the premium for up to two years.

Although he sells multi-year policies for household insurance, Hehir does not believe it is a good idea when insuring your car. "You are better off shopping around at the end of each year," he said. "There were huge increases last year but I expect prices will level off.

Cheaper providers could enter the market."

COMMUNICATIONS

Households should wait until December before committing to a new television, broadband and phone bundle.

Eir has a Christmas offer at

€25 a month for the first six months and €77 a month thereafter on an 18-month contract. Moynihan said: "We'll see some new specials from the other TV and broadband providers before Christmas, so you are probably better to wait."

There is not much households can do about price increases, although you do not have to accept them.

Price increases are a change to the terms and conditions, allowing you to terminate the contract and switch to a cheaper bundle without being hit with the supplier's early termination fees.



HOMEOWNERS CAN HAVE PART-FIXED, PART-VARIABLE DEALS – A FOOT IN BOTH CAMPS



