



Mortgage holders set to benefit from price war

Peter O'Dwyer

Mortgage holders are set to reap the benefits of a looming price war between the major lenders with one cut already promising over €1,000 a year in savings to mortgage switchers.

With huge savings already available to customers looking to switch lenders, further good news is coming down the tracks as banks look set to compete with AIB's recent rate cut — its third of the year.

The 0.25% decrease in the bank's variable rate announced earlier this month will affect 156,000 AIB customers directly and spark a rate battle that will benefit many more, according to **Ken Murray**, director of the **Association of Expert Mortgage Advisers**.

"I think it's difficult for [the other lenders] to let it sit now given the level of competition that exists for what is a relatively small market. History will tell you that each of them will continue to fight each other and want to be better in as many [market] segments as they possibly can.

"I'd be shocked if we didn't see a reaction to that from other lenders. The bottom line is it's great for the consumer," Mr Murray said.

Bank of Ireland, for example, is yet to touch its 4.5% variable rate but earlier this year doubled its cash-back offer for first-time buyers and switching customers, effectively dangling thousands of euro in front of potential customers.

The move is typical of the "aggressive" tactics which banks are employing to win over customers. Many of these tactics are likely to be repeated in the wake of AIB's latest gambit.

"If you look at each [of the lenders], each has made some form of aggressive

move. Be it with Bank of Ireland and their cash offer; Ulster Bank with long-term fixed rates and a cash offer; KBC aggressively being number one in most rate segments; and Permanent TSB with a complete revision of their pricing for new and [existing] customers — they are really aggressive moves," Mr Murray said.

As it stands, people should be shopping around for better deals on their mortgage with huge savings to be had for many borrowers.

Comparing AIB's new 3.65% standard variable rate, which comes into effect from October 1, with Bank of Ireland's rate of 4.5% shows the savings that can be made.

"If you're talking about a comparative standard variable rate between Bank of Ireland and AIB, not only will the saving per annum be significant enough, but over the term of the mortgage it will be colossal... For an average €250,000 mortgage you're talking well over €1,000 per year in savings."