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MONEY BOX LIVE

Presenter: VINCENT DUGGLEBY

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DUGGLEBY: How will the housing market perform this year in the teeth of austerity? That's the question facing buyers and sellers alike. First indications of what's been happening in January are not encouraging: Nationwide report prices slipped by 0.1% on average and give an annual decline of 1.1%. The Bank of England say that mortgage approvals in December were sharply down. My own admittedly limited check among a few estate agents revealed very little activity in the country as a whole, which is hardly surprising in what's been a pretty harsh winter. A reasonable number of viewings, hardly any offers, and those usually dependent on the sale of an existing property. Lurking in the background, there's talk of inflation which is likely to top 5% in the near future. If that continues, past experience shows that sooner or later house prices catch up. So it's against that background that Money Box Live invites your questions about mortgages - whether you're looking for a new home or trying to get the best deal to replace an existing loan, fixed or variable. Despite base rate remaining at half of 1%, that has very little to do with what you actually have to pay, which is increasingly complicated by set-up fees. Depending on how much you need to borrow and over what period, if you rely on the headline rate of interest you could find yourself badly out of pocket as Which? reports in its February issue. Of course you might prefer the certainty of a fixed rate, but either way it's sensible to get some professional help of the kind on offer here on Money Box Live in the next half hour. 03700 100 444 is the number. With me to provide the answers: Melanie Bien from Private Finance; David Hollingworth from London and Country; and Simon Tyler who's recently set up his own mortgage broking service. Our first question

comes from Linda in Sheffield. Linda?

LINDA: Hi there. I'm a first time buyer and I'm currently employed, but my fiance's doing a teacher training course and he will be a teacher from September. So I kind of have three questions really. Is it better to wait until he finishes and then we have two wages for the mortgage offer?

DUGGLEBY: Yes, so your total income's over £60,000 combined?

LINDA: Yeah. How many multiples of income is it safe to go for? And what deposit size is kind of appropriate? Is it worth hanging on a bit, so the deposit can be bigger? Or is it worth, with this kind of climate, you know getting on with things and getting a kind of fixed rate mortgage now while it's still a reasonable option?

DUGGLEBY: I can see Simon Tyler pulling out his compulsory questionnaire. So having filled in those boxes, Simon, what's the general trend for Linda to look for?

TYLER: Heavens, you've got a lot of questions there, Linda.

LINDA: Yes.

TYLER: I think the first thing you need to establish is really how much you're going to have to pay for the property you want, and then from that you're going to be able to see whether you've got an appropriate amount of deposit. Lenders are basically looking to lend to people who will never ever acquire problems in the future, so if you have a clear income and you have a very strong likelihood of paying your mortgage well and you've got a large deposit, you're going to get the best rates. So if you can get below 60%, you're going to get the very best rates in the market.

DUGGLEBY: Now I guess Linda can't possibly manage a 40% deposit, can you Linda?

LINDA: No, nowhere near. I think 15's probably maximum.

DUGGLEBY: 15% deposit?

LINDA: Yes.

DUGGLEBY: Okay.

LINDA: Probably 20 at a real push. And I mean I could get more from my parents, but we're looking to get married as well, so it's kind of balancing off those two and where the money goes.

DUGGLEBY: Simon's concentrating on the income multiple, so let's look at the income multiple question, Simon - three or four times?

TYLER: Well you can go up to four times joint incomes with some lenders still.

DUGGLEBY: So that's £200,000 plus then is a realistic target on that score?

TYLER: Yuh, but that same lender wouldn't necessarily be looking to give you such a high loan to value as 80 or 85% as they're looking for there. So I would suggest you're probably going to be looking at a cheaper property than that, depending on the properties in your area.

DUGGLEBY: Which in Sheffield shouldn't be a problem, Linda?

LINDA: No, not particularly. I mean you can get a reasonable sized property for around £150,000 to £180,000. That's what we're looking at really.

DUGGLEBY: Okay, so that sounds ... Melanie, that sounds good. She mentioned possibly raising the deposit to a maximum level; talk of parents, which I think is again what you sometimes hear - Bank of Mum and Dad.

BIEN: Increasingly first time buyers are having to ask their parents for financial help. And obviously they've got a wedding coming up as well, there's a lot of expenses. So really if you can pull together the biggest deposit you can, not to overstretch yourself too much. A fixed rate is a very good idea for a first time buyer generally speaking because it does help with budgeting and gives you protection against potential interest rate rises. But also she's worried about timing. I think delaying it a little while isn't necessarily going to make things worse because the view of house prices generally are that they are stagnating or indeed will fall in some areas. So it's not so much that she will be priced out of the market further if they decide to wait a bit.

LEWIS: Your comment, David.

HOLLINGWORTH: I agree with all of those things. I mean affordability is the word that gets used a lot now and it's hard to completely dissociate that from the level of deposit that you put down because credit scoring will come into it, and if you've got a small deposit it will be harder to borrow at the higher levels. However, Linda, I think in your situation you have certainly got reasonable affordability there even with one income and that will only improve as time goes on.

DUGGLEBY: And, Linda, one thing to beware of. You see rates quoted. You know you sort of see oh 3.49% or 2.75%. What brokers will do is they will look at the actual cost of the mortgage, ladies and gentlemen. I mean this is the question of saying is a £999 deposit and 3.3% cheaper than a £500 deposit or a £2,000. This is quite ... How do you do that? You just sort of add up the total cost over the term? You know what's your magic trick for that?

TYLER: Well quite often we're going to ask how long you're going to be in that property, how long you expect to be in that property, and then make a projection based on that. But I think actually the other thing that lenders are really going to have the trouble with is once you get over 80% - and you're sounding as though you might need to go over 80% - interest rates will escalate quite rapidly. So if you're looking for instance at a 2 year fix, which many first time buyers look at, below 80% you're talking below 4% interest rates being fairly well achievable. Once you get over 80%,

you're talking about 5 plus. So it's a significant difference in cost for every £1,000 you borrow. So the deposit is important.

DUGGLEBY: Yeah, I was going to say I get the impression that you all agree that probably the first thing to do is to get that deposit as high as you reasonably can.

HOLLINGWORTH: Golden rule is the bigger, the better.

DUGGLEBY: Don't worry too much about getting into the market quickly because we don't think there's going to be any dramatic movements. And as far as the multiples are concerned - bearing in mind where you live, which is Sheffield - we think that your income test will probably be okay. Okay panel, thanks very much indeed. Now Sarah in Herefordshire, your call.

SARAH: Hello there. Yes our current interest, I'm sorry mortgage, will be expiring at the end of March and I'm looking at two products at the moment, both with our existing mortgage company. One's a tracker over 2 years of 2.29% and the other is a fixed over 2 years of 2.95. I mean obviously the tracker is quite appealing because we're going to be saving considerably. But really just to know what you think of ... if you think that interest rates might go up due to rising inflation, and just a little bit confused actually as to what would be the best thing for us to go for.

DUGGLEBY: I think we all think interest rates are going to go up, but nobody's prepared to commit themselves as to when.

SARAH: No I know, I know.

DUGGLEBY: And in terms of mortgages, the problem is you know the 'when' is quite important, Melanie, because if interest rates were to go up by 1% over the next couple of years, it wouldn't be dramatically different. I think people are getting very worried about the discrepancy between the headline rate of inflation, which is heading for 5, and base rate at half ... I mean it's an enormous gap. I mean it's surely

unsustainable, but we can't give the answer as to when it's going to kind of break apart.

BIEN: Well this is it. I mean we've had a lot of people coming to us asking about remortgaging because of those inflation figures and the concern that interest rates will rise sooner rather than later. Which lender are you with, Sarah, may I ask?

SARAH: We're with NatWest.

BIEN: NatWest, okay. So I mean those deals are ... I mean a 2 year fix at the moment, I think is an interesting choice because looking at the interest rate outlook, even those people who think interest rates will start rising towards the end of this year into next year - the problem with a 2 year fix, if you fix now in 2 years time the chances are that interest rates will be on their way up and you will need to remortgage again just as those rates are higher, so it's going to be very expensive.

SARAH: Yes.

BIEN: That's why a lot of people at the moment who are looking at fixed rates are looking at 5 year fixed rates because they're not actually costing very much more than that rate you've been offered there, but you're getting security for a longer period of time, giving you more peace of mind.

DUGGLEBY: At the moment though, Simon, base rates are very low, but on the other hand the percentage charged over base rate is relatively high. If base rate were to rise, would that mean that the differential would fall - so if you're say paying 2% over base and base rate went up by 2%, would it then come back to say 1% over base rate? Is that the way it works?

TYLER: Well it won't on the deal that you're just agreeing right now. You'll be on that margin for the length of 2 years. But if competition comes into the market with new lenders arriving, then the automatic result of competition is sharpening of rates

and we have very wide margins at the moment compared to anything we've seen over the last 15 years. So that there we're looking at a deal, a base rate tracker there of just under 2% over base. Three years ago you'd have been getting deals at below base. So there's a massive difference and that is just simply a question of supply and demand and the way the competition is in the market.

DUGGLEBY: Your comments on fixed versus tracker?

HOLLINGWORTH: Well I think the point you make there is that base rate's half a percent. It is going to go up from there; and even if it was 4% or 5%, it would still look relatively low in the historic scheme of things. So just look at what your payments would be. I'm not suggesting base rate's going to go rocketing up in the next 2 years, but have a feel about how well you would cope with that fluctuation and, therefore, you get an idea of how much you would value the security of a fix. And I think Mel's point in terms of looking at the longer term, you're not going to pay an enormous amount more to give you longer term security.

SARAH: That's great.

DUGGLEBY: Okay. Right Victor in Leeds has sent us an email. He's self-employed and he's coming to the end of a fixed rate deal. The rollover position is he goes into a variable 0.9% above base rate - so that's 1.4 overall. He says, 'I can't help thinking it would be wise to get another fixed rate, although I'm aware that you know interest rates generally would have to go up an awfully long way before my variable above base was useless.' What do you think? A sort of wry silence and some smiles.

BIEN: We're all jealous.

HOLLINGWORTH: Tough one to give up, I think, because you won't get that margin at the moment, nowhere near.

DUGGLEBY: I think it's marvellous. .9 - I mean it's amazing over base.

TYLER: I think the issue is it depends what he's paying now. If he's been paying a 2 year fixed rate at 4% ...

DUGGLEBY: Well he's been paying a fixed rate of yeah probably that sort of thing, yeah.

TYLER: So really here's the thing. He could re-fix now at 4% for another 5 years and protect himself from any changes at all. Okay he'll never get the benefit of the halving of his interest rate costs right now, but we all live on what we've got left over after our housing costs, so he won't be any worse off. If he was to look around and consider if I can not have a change in my housing costs and protect myself, that would take a lot of stress out of his life.

DUGGLEBY: Okay.

HOLLINGWORTH: If he wants to stick with it, one tip would be to perhaps overpay on it because he should be out of a penalty period, so use the low rate to try and eat into the debt more rapidly.

DUGGLEBY: Right. And talking of overpaying, it reminds me that Adrian emailed us from Birmingham saying that he's negotiated a new 4 year fixed rate, interest only mortgage at 4.14%. Is that a reasonable rate. Just to check. That's okay, is it?

BIEN: It depends on his loan to value.

DUGGLEBY: Oh well anyway, that's what he's got. But his question is that he's going to be saving £50 a month as a result of it because his previous fixed rate was rather more expensive and he actually wants us to tell him what to do with his £50. Suggests three possibilities - one involving overpayment of some sort or another involving saving. What would the panel do with this spare 50 quid a month?

BIEN: Well with such poor rates on savings at the moment, I would suggest that he

overpays on his mortgage, pays it down more quickly.

DUGGLEBY: As long as the terms permit rather than lump sum payments at the end of a year or two?

HOLLINGWORTH: Just have to check there's no early repayment charge. Typically deals will carry up to 10% per annum, so that should be okay.

DUGGLEBY: Okay. William in Farnham, you've got a call now.

WILLIAM: Hello there. Yes, my question really centres around lending criteria. We're coming to the end of a 5 year fix fairly soon, a little bit further down the line than your other callers. We took a 5 year fix out with Northern Rock a little over 4 years ago and put down a relatively small deposit of about 7%. We're worried that we won't have gained enough equity in the property to effectively have enough deposit to remortgage.

DUGGLEBY: Yeah, the sums have moved against you. I think the problem panel here is of course that we're back to the question of the percentage deposit available if you seek a fresh loan. Is that right, David?

HOLLINGWORTH: Yeah, absolutely, a bigger deposit's required whether we're talking about purchasing a new property or indeed remortgaging. And again the rates will escalate as the loan to value position increases. So if you have got less than 10%, then really there's nothing out there; and even with 10%, the rates are going to be potentially higher than the variable rate you'll revert to.

WILLIAM: Yeah. We won't even revert to a variable rate. We're not precious enough to have stayed with Northern Rock, so we're with NRAM, which is I think Northern Rock Asset Management. And anyone coming to the end of a fix with them is automatically told to leave.

HOLLINGWORTH: I think you'd be encouraged potentially to leave. You shouldn't be forced to leave.

WILLIAM: Right, I see. Okay, I think we will have about sort of 15% equity at the end of our fixed rate.

DUGGLEBY: What can you do, Simon, with that?

TYLER: I think what I would do in that circumstance (because you won't be forced to leave, but yes, as David said, they'd like you to go but they can't force you out the door) ...

WILLIAM: Right.

TYLER: ... I would suggest that assuming that house prices start to move a little bit forward, you just wait until you have got a suitable level of equity in the property that can be assessed by a surveyor, not by the local estate agent, and then you'll have a far bigger choice of remortgaging. And as things move on, as I said earlier, competition will come into the market and there'll be more attractive rates out there. But I think this is a longer term switch than you're imagining. I don't think you're going to get out of your current lender during 2011 or 12 even.

WILLIAM: Right, okay. It comes to an end early next year, so we've sort of got a year. We've got 6 months before we can start looking, I suppose.

DUGGLEBY: Well that's just a general question. But, Melanie, when you know your fix is coming towards an end, I mean 3 months must be the absolute minimum to start shopping around?

BIEN: Yeah, you know 3 to 6 months before talk to an independent mortgage broker preferably, see what's out there and what's available because you can book rates up to 6 months before you actually take them out.

WILLIAM: Right.

DUGGLEBY: Right, I've got another question actually about Northern Rock Asset Company, they say, and this is regarding the portability of a mortgage. This is Mary in Southampton who's emailed us saying, 'I find myself needing to sell my property, but Northern Rock Asset Management are demanding full early redemption charge of £20,000. Is there anything I can do because I don't want to lose this amount of capital, or am I just unlucky? It looks as though it's actually preventing me from moving, which I really have to do.' Simon?

TYLER: That's an unfortunate circumstance of this Northern Rock break-up - that people who are still with the old company cannot transfer the terms ...

DUGGLEBY: So it's not portable?

TYLER: ... unless it's exactly the same amount of money that you want to borrow. Therefore you've got to find the equity, the difference in equity if you're buying a more expensive property for yourself. That could be very unpleasant. But the other possibility again, depending on how they can rearrange their circumstances, might be to let the property for a while until a move into a new property for whatever reason they have.

DUGGLEBY: Will they allow you to keep the mortgage on a let property then?

TYLER: I imagine they will at the moment.

DUGGLEBY: Got to ask them.

TYLER: You'll have to ask them.

BIEN: Yeah, you would have to ask.

TYLER: You certainly need to seek your lender's permission in any case, but they might be a little more reticent than most.

DUGGLEBY: Right. Okay, Tony in Farnham, your call now.

TONY: Yes, I have a fairly large mortgage on a reasonable house worth about 1.2 million, and the mortgage is 515,000. I'm currently with Northern Rock and I just can't seem to remortgage. I want to get away from them. I'm retired by the way as well. I'm 70 years of age and nobody seems to look at me.

DUGGLEBY: Yes. Well this, panel, has been a recurring theme from some of our older listeners - that they are having difficulty in arranging, in some cases releasing some money other than going for a home income plan; in other cases to provide money for refurbishment and perhaps an extension or something like that. Or in your case, the money you're needing ... You're not seeking to get any money out of it. You just want to replace the mortgage?

TONY: No, no, just want to remortage. Cash flow, cash flow.

DUGGLEBY: Yeah. Melanie?

BIEN: Yeah it is difficult because of age. And obviously we have got an ageing population, so it should make sense that lenders are more flexible towards older borrowers, but unfortunately because of the tightening since the credit crunch, it's just becoming more difficult. There are lenders who will consider older borrowers up to 75, even 80 ...

TONY: Really?

BIEN: ... but they're fewer and far between. So again speak to a broker. I mean historically lenders like Halifax have been very good, so they might be worth approaching. But you know as long as you can show some income that covers the

mortgage payments, it shouldn't really be an issue.

DUGGLEBY: Is the term a problem then, David?

HOLLINGWORTH: I think the term's probably the problem you're running into. Most lenders now have brought their maximum age down to 75 and, therefore, you start putting it over 5 years, potentially on an interest only basis, it should still remain affordable. But then it's a case of what you do at the end of 5 years. Someone like Leeds Building Society could go to 85 and I think Darlington Building Society. A slightly different name there, but again they can consider going beyond as long as the income is there to service the loan.

TONY: Sure.

DUGGLEBY: Any ideas from you, Simon?

TYLER: Well we would certainly talk to Leeds about this. In your situation, Tony, I imagine that with a loan of that size, a property of that size, you have significant income mainly from pensions.

TONY: Yes, I do.

TYLER: So if you are receiving all your income from an occupational pension scheme, then you're one of the safest borrowers to lend to ...

TONY: *(over)* Well that's helpful.

TYLER: ... and commercially it's madness that you can't get a loan. It's very, very frustrating. Many people are finding circumstances they would have thought all day long people would lend to, they won't do now. But unfortunately with rules about what lenders refer to as lending into retirement - which you're already in retirement, so it's not even relevant - but that doesn't compute for modern lenders at the moment

who are trying to avoid any form of crisis lending where they don't understand. So there are still people out there who will help you. I'd definitely approach building societies because on the whole the mutual approach is going to be more forgiving.

TONY: Right, thank you very much.

DUGGLEBY: I'll add a couple to your question, Tony. One from Chris in Gloucester. Her husband and she want a mortgage of £80,000 - loan to value 37%, joint income £22,000. 'My husband is 74 years old and I'm 55'. Again similar sort of question. 'We're having trouble. We can't find any lenders who are prepared to look at this prospect although we really do need to move from our fairly large house to a bungalow.'

HOLLINGWORTH: Well it's a classic case of downsize. It's the same issue, I think, exactly the same problem.

DUGGLEBY: It's just smaller sums, yeah.

HOLLINGWORTH: But of course people are looking to downsize, but that may still require a mortgage at the end of it.

DUGGLEBY: Yeah, it does. I mean they say 'We've been mortgaged for 30 years. So what's the problem just because my husband's in his 70s?' The answer, I suppose, is what you already said - is they'd just rather not look at it?

TYLER: There are still too many people looking for money and too little money out there to supply them. So once a lender decides that the perfect person looks like this particular square box; if you step outside it, never mind how sensible that sounds, you're going to go to the back of the queue. That's the problem.

DUGGLEBY: But I mean in general terms as brokers, I mean you would say it's not a lost cause?

TYLER: Absolutely not, no. What we do is, using that analogy further, we'll get people to the front of the queue or into a queue they didn't know existed - for a shop they didn't know existed as well - and supply them with the answer.

DUGGLEBY: Okay. And Penny, you're next from Merseyside.

PENNY: Hi. We currently ... We bought our house in 2007, unfortunately.

DUGGLEBY: Peak of the market.

PENNY: Yeah. It's crashed. My husband's got a job in a different area. We've currently rented our house out and our lender is starting to talk to us about negative equity mortgages, so we wouldn't have a deposit to take over to the next property. Have you got any advice for us?

DUGGLEBY: I think when you say talk to you about negative equity mortgages, you mean the lender is ... you've probably made some initial inquiries about taking on another mortgage, have you?

PENNY: Yeah.

DUGGLEBY: Yes, okay.

PENNY: We'd be quite happy to take our existing mortgage over ...

DUGGLEBY: I think the message is you're saying questions are being asked and you're not quite sure what lies behind the questions, but I expect my panel know perfectly well what they're getting at.

HOLLINGWORTH: Penny, can I ask who the lender is?

PENNY: It's Nationwide.

HOLLINGWORTH: Yeah. So there's relatively few lenders that have any kind of solution for people in your situation, but Nationwide would be one of them. It has a negative equity solution for existing borrowers, so it could enable you to take that mortgage over and add on any negative equity that you're currently in. If you're trading up, they'll still expect some contribution as a deposit from you, like they would with any other borrower.

PENNY: What if we trade down? We're quite happy to try and trade down.

HOLLINGWORTH: Yeah, well I mean that's going to be ideal from the lender's perspective again because you'd be reducing your level of borrowing and probably reducing your loan to value situation. So Lloyds also has launched something. You can't take any additional borrowing with Lloyds, but again for their existing borrowers only - so it wouldn't be open to you - it's a potential option. But that's the only option you're going to have, is from Nationwide, as you're an existing borrower.

DUGGLEBY: Melanie?

BIEN: Yeah the only thing from memory on that, I think Nationwide do charge a higher rate on that, don't they?

DUGGLEBY: Yes, I was going to say it's going to be more expensive.

BIEN: You can't take your existing mortgage with you in terms of rate, so that's probably something to consider. But it is worth talking to them about it.

PENNY: What sort of higher rate would be charged?

BIEN: I can't remember what it is.

HOLLINGWORTH: On the additional amount, I think it's in excess of 7%.

BIEN: Yeah, it's expensive.

DUGGLEBY: Ooh gosh, that's steep, isn't it, yes? You're looking very Delphic, Simon? Have you got some magic solution?

TYLER: I think if you've already moved out of the house and you've let it and Nationwide are happy with that and they will consider switching you onto a new property and remaining in negative equity, that's a great position. If on the other hand you want to leave it as it is and buy another property if you have a deposit, then that's another option as well because they won't force you to repay that now.

PENNY: Okay.

DUGGLEBY: And we have an email from David. And he's a 20 year old and he says that he went to inquire generally about a mortgage with a 5% deposit. He wasn't turned away. But the moment he mentioned new build apartment, they apparently took fright, leapt into the air and said, "You need about 25%" and he thinks this is rather strange. Well I suppose for a 20 year old it might, but I suspect we're probably old enough to realise why. So why? Simon?

TYLER: Well back to lenders and their decision making. All their decision making and all their criteria are based on previous experience, and their past experience most available in their memory is losing a huge amount of money on investment properties which were basically one or two bedroom flats in city centres that were not London.

DUGGLEBY: Like Halifax?

TYLER: Well possibly.

DUGGLEBY: That's where it is.

TYLER: And so metropolitan areas that are not London is basically where they lost a

lot of money. So every lender who takes that view - once bitten, twice shy. So at the moment, unfortunately, new build flats are really very much at the bottom of the list of attractive options.

DUGGLEBY: So, Melanie, would he be treated more favourably if he went and bought you know an older property perhaps and perhaps did it up or something?

BIEN: Absolutely. An older property, he will be able to get better terms and need a smaller deposit.

DUGGLEBY: Yes.

HOLLINGWORTH: They'll even view new build houses more favourably than they will new build flats.

DUGGLEBY: Yes. I mean he says why are banks squeezing the bottom end of the market? I mean I suppose he's making a reasonable point - that if it's a first time buyer trying to get a foothold and these are the very people who are being most massively penalised and this is why the market essentially you know isn't really getting going at all.

BIEN: It seems very unfair, but they're regarded by lenders quite often as being the highest risk because they have the smallest deposits.

DUGGLEBY: Sure. Alright, let's take one more call. This is Daniel in Brighton. Your call, Daniel?

DANIEL: Yeah, hi there. I was just wondering if the panel can advise the best product for a 4 year fixed mortgage. We've got a £65,000 mortgage on a property worth about £300,000. The problem is I was made redundant a couple of years ago, so I've got a new business now, and my earnings aren't particularly high and I'm being refused by most people other than my existing lender, which is the Woolwich.

DUGGLEBY: Yes, this is the problem for the self-employed, of course - somebody like yourself who hasn't got a long record of self-employment and therefore a good solid set of accounts. Are lenders a little bit more relaxed or are they still very uptight about the economy generally, Simon, that makes them ultra cautious at this time?

TYLER: Lots of things make them ultra cautious at this time, but certainly somebody who's recently started a business. Is it related to your previous employment?

DANIEL: No it's not, it's very different.

TYLER: Okay and how long have you been trading now?

DANIEL: 2 years and it showed a steady profit. And, like I say, we've got good savings and things like that.

TYLER: 2 years with a loan to value at the rate you're talking about is actually definitely a deal that could be done by a number of people.

DUGGLEBY: It's a very low rate.

TYLER: The key is you have a tiny loan to value. But I'm just intrigued why 4 years particularly? It's a very unusual requirement to say 4 specifically.

DANIEL: Well I mean I heard you talking earlier about saying that ... Initially we were looking at 2 years, but you were saying that in 2 years time ...

DUGGLEBY: (*over*) You usually go for 2, 3 and 5. For some reason or other, 4 doesn't usually feature. But if we just assumed a 5 year rate, can you give us a figure or two to think about?

HOLLINGWORTH: Well some have gone into that 4 year in order to try and differentiate between 3 and 5. I think off the top of my head that Coventry Building

Society has a very decent 4 year fix at the moment for around 4%.

DANIEL: Right, lovely.

DUGGLEBY: Okay. One quick final question from Paul in Polegate. But please make it quick, Paul.

PAUL: Right, okay. In July I will be coming to the end of my fixed rate mortgage, which is currently at 4.95%.

DUGGLEBY: Yuh, 4.95.

PAUL: I've been offered another mortgage today, which is capped at 2.74%.

DUGGLEBY: For 2 years?

PAUL: For 2 years.

DUGGLEBY: Right, panel. Quickly the solution for Paul. Is that a good deal or can you better it? Sounds good to me.

HOLLINGWORTH: I'd be tempted to check that the cap is at 2.74 as opposed to being tracking at 2.74 with a cap.

PAUL: It's capped at 2.74.

HOLLINGWORTH: Well that would be outstanding.

TYLER: That's surprising.

HOLLINGWORTH: You have seen capped trackers coming in where they're

tracking base rate, but then capped at a higher level.

DUGGLEBY: So I think the answer to your question, Paul, is it sounds a bit too good to be true. But if it's there, by all means take it if it's ...

HOLLINGWORTH: Grab it.

PAUL: I've read the paperwork and it's capped at 2.74 for 2 years.

TYLER: Excellent.

HOLLINGWORTH: Excellent.

PAUL: Okay.

DUGGLEBY: Okay, well thanks for that. The final call we've got time for in this Money Box Live. And thanks to the panel: Melanie Bien from Private Finance; David Hollingworth from London and Country; and Simon Tyler from Tyler Mortgage Management. Paul Lewis will be here with Money Box at noon on Saturday and I'll be back the same time next week to take more of your calls on Money Box Live. And if you can't manage it on the day, then the subject will be advertised on our website and you can contact us by email: moneybox@bbc.co.uk.