

## EXCLUSIVE LENDERS

# Firms see opportunity to fill the lending gap

● NATALIE HOLT

Three big lenders are said to be mulling over a return to the UK mortgage market as lending appetite among new entrants also seems to be gathering pace.

As *Mortgage Strategy* exclusively revealed last week, one of the names in the frame is Kensington Mortgages. Since then rumours have emerged that at least two more lenders are thinking of making a return to the mortgage market.

The news that Kensington is showing an interest in lending again has sparked hopes that although the impact of the recession will continue to be felt for a while, the end of the downturn may be in sight.

One industry source says he has been approached by a lender that mothballed itself about a year ago. The lender has not only signalled its intention to return to the market in the not too distant future but also plans to recruit up to 10 staff.

The source says: "Fingers crossed that this is the dawn of a new era."

Another source has suggested that a further 10 firms are looking to get into the market in the next 12 months, with institutional investors thought to be the main players.

The insider tells *Mortgage Strategy*: "Interestingly, US investors are now more bullish about the UK than British investors."

Aviva has recently emerged as the highest profile company to give its backing to institutional investment in the rental sector.

James Harries, sales and marketing director at Manor Mortgages, says: "All sorts of companies are being talked about, ranging from the



MARKET SMELLS FRESH BLOOD

likes of Tesco and Virgin to overseas firms. There is definitely some interest being shown, which can only be good news for the market."

Harries says that some positive recent economic indicators have helped buoy the mood of the industry as a whole.

He adds: "Nobody is forecasting an upturn but at least they are seeing an end to the downturn."

Harries also believes that life assurance and investment companies could be poised to break into the mortgage market.

He says: "These firms have previously seen mortgages as vehicles that allow them to sell products such as life assurance and investment deals into the market."

"They had to watch as lenders pulled back from the market and they lost business. I expect some of them will now be thinking of getting involved and lending."

## PACKAGING

## Packagers have their say as group reforms

EXCLUSIVE ● NATALIE MARTIN

The Association of Mortgage Intermediaries is reforming its Packager Taskforce to debate the future regulation of packagers ahead of the Financial Services Authority's upcoming mortgage market review.

Robert Sinclair, director of AMI, says he wants to ensure packagers have a place in the emerging market and all options are on the table, including packagers being formally regulated by the FSA.

He says: "Our packager code of conduct that was worked on during 2008 gives us a basis for debate and we will be developing this in the coming months to ensure that packager firms have a solid base on which to operate."

"The Packager Taskforce will consider this part of the market with a view to ensuring it has a viable

future. AMI has always seen the packager community as an essential part of the market, helping customers, brokers and lenders to access the best deals."

He adds: "Packagers have borne a significant proportion of the pain of the past few months but the more flexible and resilient firms remain in business."

Vic Jannels, group executive chairman at All Types of Mortgages and a member of the Packager Taskforce, says the sector will play a prominent role in future.

He says: "I've always thought packagers should be regulated and am sure the sector will expand again. It won't be the same as before but lenders will always need distribution and they will come to packagers for this."

## REGULATION

## AMI wants FSA to stay focussed on UK market

EXCLUSIVE ● NATALIE HOLT

The Association of Mortgage Intermediaries is lobbying hard to ensure the regulator's proposals for reform accurately reflect UK mortgage market conditions.

It will publish a paper this week, ahead of the Financial Services Authority's mortgage market review which is due in late September or early October, highlighting differences between the UK mortgage market and its counterparts in the US and Europe.

Robert Sinclair, director at AMI, says: "The UK market is not aligned with those in the US or Europe. Any FSA solutions must reflect this."

"The FSA has often highlighted flaws in the global system in shaping mortgage regulation rather than focus on the specifics of the market. We will address that issue this week."

## LENDERS

## Fraud fuels bad debt charges of £328m at B&B

● NATALIE HOLT

Nationalised lender Bradford & Bingley has suffered charges of £328.4m related to bad debts for the first half of this year, including £270.8m of potential losses from fraud and professional negligence.

A statement included in the group's interim results for the six months to June says that although the bank is pursuing all avenues to reclaim these sums it has not factored in recovering any of the potential losses.

The lender, which was bailed out by the government last September, made a pre-tax loss of £160m in the first six months of this year. Its losses have increased by £133.3m since last June.

B&B's tier one capital ratio has fallen to 8.7% from 8.9% at the end of last year and no additional capital has been provided since it was taken into public ownership.

Just under a year ago B&B found itself under increasing pressure as investors and lenders lost confidence in its ability to soldier on as an independent institution.

The Financial Services Authority then determined that the firm no longer met its threshold conditions for operating as a deposit-taker.

As a result, in September 2008 the government announced it had nationalised B&B's mortgage book and sold the failed lender's branch network and deposit book to Abbey.

Since then B&B has reduced its lending balance sheet to £40.3bn from £42.2bn last June, helped by its decision to waive its early repayment charge.

Arrears at the bank have risen sharply from 2.48% of mortgage accounts in the first six months of 2008 to 5.88% as of June 30.

Richard Banks, managing director of B&B, says: "We are on track to deliver on our business plan priorities which should allow us to repay the Treasury and the Financial Services Compensation Scheme as quickly as possible."

"We are meeting our targets - costs are down, we have reduced lending balances and our arrears situation has stabilised. While looking after taxpayers' interests we are also helping those of our customers who are facing genuine hardship."