

Computer says "no"

Banks' and building societies' reliance on computers rather than skilled underwriters to assess mortgage applications is holding the UK housing market back. This is the conclusion of independent research commissioned by new bank Aldermore.

Ci Research interviewed 200 mortgage brokers throughout the UK and asked what percentage of mortgage enquiries had been declined over the past six months because their clients did not achieve a sufficiently high credit score.

Almost nine out of 10 brokers (88 per cent) confirmed clients were regularly declined by lenders' automated credit scoring systems. Six out of ten brokers said up to 20 per cent of clients had been turned down because of credit scoring and a further 29 per cent said more than 20 per cent of clients had been told 'no' because they failed to achieve a sufficiently high credit score.

During the first six months of this year mortgage brokers were responsible for generating 61 per cent of all new mortgage business, worth £33.9 billion and involving 247,000 transactions, according to data from the Council of Mortgage Lenders.

Colin Snowdon, chief executive of Aldermore's specialist mortgage lending business, said: "Many people will be shocked by these figures, which reveal the extent to which lenders - most of whom let skilled staff go during the recession - are now overly-reliant on technology to make important lending decisions. They now have no other way of sorting the wheat from the chaff.

"The evidence we see at Aldermore suggests that banks and building societies have significantly heightened the bar which borrowers now have to clear in order to qualify for a mortgage, meaning that perfectly creditworthy borrowers are being told 'no' on a regular basis."

Aldermore, which does not use credit scoring, preferring instead to let experienced underwriting staff apply sensible rules

and criteria, says the factors which can cause creditworthy borrowers to be rejected by credit scoring systems include: not being on the electoral role because of a recent house move; a recent job change; minor historic credit issues, even if they have been satisfactorily resolved; being self-employed; having income from several sources; living in rented accommodation; and never having had a loan or credit card

Snowdon added: "Many banks and building societies have lost their appetite to lend and are using credit scoring as a blunt tool to identify only those borrowers who conform to their standardised credit profile."



More intermediary products available

A rise in the number of mortgage products available in August is mainly due to an increasing number of intermediary products, says TrigoldCrystal.

The total number of mortgage products across intermediary and direct channels rose 16 per cent from an average in July of 5,208 to 6,050 in August. However, there was only a 7 per cent rise in direct products - from 1,401 to 1,505. This compares to a 19 per cent rise in intermediary products which rose to an August average of 4,545 from a July average of 3,807.

With over seven times as many intermediary products than direct introduced in August, David Aylmer, business development and marketing director of TrigoldCrystal, said this is very positive news.

Aylmer commented: "With greater competition should come reduced pricing and hopefully this will bring a degree of parity between intermediary and direct product pricing. Although, we know that the majority of our clients now offer a fee-paying option to include advice on direct products, the message that good advice is essential when selecting a mortgage is far better underlined when advisors are not squeezed out of the best deal by banks selling products on a non-advised basis.

"The sooner that equitable pricing between direct and intermediary products returns to the market, the happier we will be. So we look forward to seeing even more intermediary products introduced to the market in the coming months."

Complex prime enquiries on the rise

The Mortgage Alliance (TMA) has experienced a rise in complex prime enquiries for the third consecutive month.

Since TMA's agreement with AToM aimed at giving members access to a range of exclusive products including complex prime deals back in mid-June, roughly one-in-four enquiries are now directly related to complex prime products.

Phil Whitehouse, head of TMA, commented: "It's increasingly evident that brokers are struggling to place the growing number of non-standard borrowers who are failing lenders credit scoring. The 'computer says no' attitude to credit scoring has been highlighted in the press recently and with some just cause. It's important that we support brokers and their clients in this area as many have a good, clean credit history and can prove affordability.

"This is not to say automated systems don't have their benefits but the amount of good quality business which is regularly being rejected could have some serious implications for the wider market if this trend continues."

Dale Jannels, sales & marketing director at AToM, added: "Since launching with TMA, we've been able to help numerous intermediaries place their customers business that high street lenders credit scoring systems had previously declined.

"Non-credit scoring lenders not only have an appetite to lend and a positive approach to getting deals through but they will also consider complex applications that need 'thinking' about."