

My client is nearing the end of the offer period on her discount mortgage and she is considering remortgaging to a new deal, but is unsure whether a fixed or a discount product would be the best option. As interest rates across discounted and fixed mortgage products are similar at the moment, what would be her best option?



Ramona Leavers,
marketing manager at
All Types of Mortgages

This is a tricky decision as every borrower has different circumstances and mortgage requirements. For example, a priority for some will be to secure a low rate with a cashback incentive. However, other borrowers may want the security of a fixed rate deal. In all remortgage instances All Types of Mortgages would try to ascertain whether the client is likely to wish to stay in their current property or whether they would be looking to move to a new property in the near future, as this will have a huge impact on the product they may opt for.

The general feeling in the market at the moment is that while interest rates are likely to fall in the short term, the likeli-

hood is they will start to increase again next year. If the client in question is seriously thinking about moving in a year or so, then a discounted product with no early repayment charges may be better, as she will benefit from any rate reduction available with the added bonus of being able to move to another property without incurring any additional charges.

However, if this client is adverse to risk and wishes to have the security of knowing what her monthly payments are for the next two or three years, then a fixed rate would be the sensible option to give peace of mind and help her budget accordingly.

The adviser should review the client's

finances regularly to ensure she is receiving the best value for money and that her mortgage is suited to her circumstances. Borrowers should always be encouraged to contact their existing lender as their first port of call as they may be able to provide them with an equally competitive deal to the one they already have.

Royal Bank of Scotland has a 1.84% discounted product until 1 December 2007. The initial rate is 4.75%, reverting to 6.59% and the product has a £395 arrangement fee. Lambeth Building Society has a two-year fixed rate at 4.15% until 31 December 2007. It also reverts to the lender's standard variable rate, currently 6.79%.