⬂ Money makeover

Slimmer mortgage

We help save £960 a year on a mortgage

Interest rates keep rising and many homeowners face increased mortgage payments they can ill afford. If you are coming to the end of a fixed-rate or discounted deal, rising rates are particularly bad news – your lender's standard variable rate (SVR) may be considerably higher than your current rate.

Shop around

Dave and Kate Rivett, both in their 30s, were facing such higher payments on their East Yorkshire home so turned to Which? for help.

In 2001, Dave, a business development manager, and Kate, an administration manager, took out a 25-year, £94,450 repayment mortgage, with a fixed rate of 5.79 per cent for five years. They were paying Cheltenham & Gloucester (C&G) £603 a month, but would have faced repayments of £655 had they switched to C&G's SVR of 7 per cent at the end of 2006.

Possible deals

Using the Which? online mortgage search, we scoured the market to see what was available. We also asked two independent financial advisers (IFAs) to look at their situation in detail.

In December, the Rivetts had £84,500 left on their mortgage, with a £225 exit fee if they moved lender. They were considering variable- or fixed-rate deals but wanted to avoid early repayment charges. They thought they may move within two years.

Both advisers, looking at 20-year mortgage terms, suggested portable deals with no fees for setting up or moving home.

There were several fixed-rate deals. A three-year deal with the Bank of Ireland, at 5.39 per cent, would mean paying £577.56 a month. A five-year deal with the

The Rivetts saved £80 a month on mortgage repayments

Principality Building Society, at 5.59 per cent, would mean monthly repayments of £587.13.

Our advisers also looked at lifetime tracker deals, for which the rate follows the rise and fall of the Bank of England's base rate for the full term of the mortgage.

The best included a Bank of Scotland deal at 0.24 per cent above base rate, then 5 per cent, meaning monthly repayments of £568. Woolwich was offering 0.29 per cent above base rate, so monthly repayments would have been £572.81.

Chosen solution

The Which? mortgage calculator suggested an even lower variable-rate lifetime tracker deal. ING Direct was offering 0.14 per cent above base rate, with monthly repayments of £567.56 – only available direct to customers rather than through intermediaries such as IFAs.

'I didn't realise you could get such cheap rates without paying a fee upfront,' Dave said.

We also advised the couple to contact their original lender and, Dave said, there

was another pleasant surprise. 'C & G said it was offering a two-year tracker deal of 0.39 per cent above base with no fees or penalty charges. It also said we could do it immediately. This meant our payment would go down to £575 a month, from £603, instead of jumping to £655.'

The Rivetts accepted and were delighted with the deal, although they considered it 'a quick fix' to save money.

In the longer term, they may switch to a fixed-rate deal, perhaps when they move. 'I do prefer fixed rates as I can budget and don't have to worry about interest rate increases,' Dave explained.

⬂ Checklist

Steps to lower repayments

- Check the interest rate of your current provider and when it is due to end if you're on a fixed rate.
- Work out the amount you still owe or want to borrow.
- Check how long your mortgage has to run.
- Use our mortgage search at www.which.co.uk/mortgages to work out your best deal from more than 8,000 available. This site also explains the types of mortgage and when they are most appropriate, accounting for repayment rates and any fees.
- Consider advice from an IFA. To find one, try www.impartial.co.uk
- Ask your current provider whether it can match or better deals you find. This could save you money on switching fees.

TOTAL SAVING £960 a year

COSTS AT CURRENT INTEREST RATES

Since December 2006, interest rates have risen and the specific deals quoted are no longer available.

Chosen tracker deal Now 5.64 per cent = £588 a month
SVR deal Now 7.25 per cent = £668 a month

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