



“Biggest is not best”

The FT on Saturday is not a volume newspaper, but its Money section is often a place to go for interesting stories on personal finance. In late February it ran a piece headed “Small societies beat the big banks”. The article reported the outcome of research into where to go for the best fixed rate mortgages. According to Moneyfacts only six of the top 50 two-year fixed rates at 85% loan to value were provided by the UK’s largest lenders - even though they have a 75% market share. This may be surprising.....surely the scale of the big lenders allows them to always win on price?

Well, “no” is the answer. Smaller lenders like Market Harbour have a number of advantages over our larger brethren. Firstly, the speed at which our products can be introduced is significantly faster. This means where we see gaps in the market they can be quickly exploited and this, of course, means better priced products for customers. Secondly, smaller lenders can economically launch smaller volume deals. I have worked at big lenders who needed to sell scores of millions of pounds worth of loans every day. To do that, as a way of life, means mobilising an army of marketing and sales people every time and so products tend to be changed less frequently. Here at Harbour a “tranche” of £5m of loans is cost effective and likely to be keenly priced.

As well as the price there is a service difference too. Large lenders processes run along the “just in time” and “lean” principles drawn from manufacturing. To support this, automated scoring and assessment of mortgage applications is designed in. For many people though, home buying and refinancing have emotional and personal dimensions which are best suited to a more tailored service. It’s a world of difference to talk to Sue or Kevin rather than “computer says no”.

Clearly, I have a position on this but I’d encourage anyone looking to refinance or buy a home to shop around for their mortgage. Just because a lender is on the telly doesn’t mean they are offering the best price or service.

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