

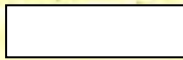
George Eustice MP
Member of Parliament for Camborne, Redruth & Hayle



HOUSE OF COMMONS
LONDON SW1A 0AA



2nd December 2013



Please find enclosed the letter that I have received from Andrew Jones, Group Risk Director at West Bromwich Building Society, regarding your concerns about the increase in the interest rates of tracker mortgages for landlords.

As you can see Mr Jones addresses several of the points made in your letter and I trust that the enclosed clarifies West Bromwich's position on the matter.

Thank you again for getting in touch.

Kind regards,

A handwritten signature in black ink that reads "George Eustice".

George Eustice MP

ARJ/HLH

15th November 2013

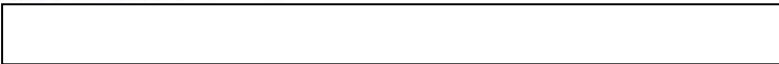
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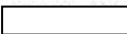
Dear Mr Eustice



Thank you for your letter dated 11th November 2013 addressed to Jonathan Westhoff, the Society's Chief Executive. He has asked me to respond on his behalf.

I was rather surprised to see the term "professional landlord" attributed to the communication which your constituent has received from West Bromwich Mortgage Company (a wholly owned subsidiary of the Society). I have checked our communications and cannot find any reference to this term. We have used the term "Buy to Let landlord with multiple properties". This is an entirely appropriate description of individuals who have three or more buy to let properties in their portfolio. We have also used the term "professional investor". Ironically, this is used by the individual who is heading up the class action group through Property 118 of which Ms Daniels is a supporter.

I would also like to reassure you, and your constituent, regarding the use of a credit reference agency. When borrowers applied for these mortgages they completed an application form which gave the lender (West Bromwich Mortgage Company) a number of rights as regards the use of credit reference data. One of the reasons that the company was authorised to use a credit reference agency was for the "management of your account". Consequently, the credit reference checks that have been undertaken are within the purposes which have been accepted by the borrower. It may also be helpful if I clarify that these credit reference checks would not leave a footprint which would be visible to another lender.

 claims that the mortgage term which allows the company to vary the interest rate on her tracker mortgage was not sufficiently clear and obvious. However, the letter which accompanied her mortgage offer included the following paragraph:-

"Please note that except during the period of any specified fixed rate of interest all rates of interest are liable to change both before and after completion and that monthly payments will vary with the interest rate".

020 560 0140

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020 560 0140



A tracker rate could not be categorised as a specified fixed rate and therefore the Company is able to vary the interest rate.

Enclosed with the offer document was a booklet containing, amongst other things, the mortgage conditions relating to the offer. Section 5 of the mortgage conditions makes it clear that unless the rate of interest is a fixed rate then it can be varied at any time for a number of reasons, including:-

"to reflect market conditions generally"; and

"to make sure our business is carried out prudently, efficiently and competitively"

In addition, prior to completion of the mortgage, Buy to Let borrowers were required to sign a Mortgage Deed in the presence of a witness. The following text appeared immediately above the signature boxes.

"By signing this mortgage you accept the terms of the standard conditions of offer, the special conditions of offer and the mortgage conditions."

Consequently, the Mortgage Company, and indeed the Society, are firmly of the opinion that the mortgage terms permit the interest rate to be varied. As a Buy to Let landlord with multiple properties [redacted] is a professional investor and therefore more than competent to assess and understand the contractual terms relating to the mortgage.

[redacted] also refers to the increase in her mortgage repayments and it may be helpful if I highlight the fact that in all of the Buy to Let tracker mortgages where the rate is being increased, the interest rate paid on completion was in the region of 5% to 6%. At that time, in order to be granted the mortgage, the borrowers would have satisfied the Company that the rental income was more than sufficient to pay the mortgage. As a result of the reduction in the Bank of England Base Rate, the vast majority of these Buy to Let Tracker mortgage borrowers are receiving unprecedented levels of net income.

In practical terms, this means that for a mortgage exposure of £200,000, Buy to Let Tracker borrowers are now benefitting by more than £8,000 per annum compared with the rate that was originally charged. Indeed, even after the increase, the monthly repayments will be considerably less than the payments which were being made when the mortgage completed.

Many Buy to Let tracker borrowers with the Company have seen their monthly mortgage repayments reduced by over 60%. Over that same period the rents paid by tenants of Buy to Let properties have, on average, increased by around 15%. The latest Buy to Let index from LSL Property Services paints a positive picture of the UK's BTL sector, with average rents at an all time high.

The current expectation of the Bank of England is that interest rates will not change for a while yet and this is having a very adverse impact on the performance of the West Bromwich Group. The Society is a member-based organisation, and the Directors are very conscious of the need to balance the interests of customers and members. In effect, a small number of Buy to Let Tracker borrowers, with multiple properties, are receiving a wholly disproportionate benefit as a result of the ultra-low interest rates and this is at the expense of the Society's many hundreds of thousands of savers, many of whom are elderly and place a great reliance on their savings income.

I hope that you will find my response helpful in explaining the background to the recent communication with a number of Buy to Let borrowers, including [redacted]

[redacted]

Yours sincerely



Andrew Jones
Group Risk Director