

Time for one of the 203 offset mortgages?

Independent financial research company Defaqto believe that the combination of flexibility, tax advantages and low interest rates mean that now could be the time for higher rate taxpayers to consider an offset mortgage.

David Black, Banking Specialist at Defaqto, said: "Offset mortgages can work well for higher rate taxpayers who have a mortgage and a reasonable level of savings. Offset mortgages effectively offer tax free interest on savings at the same rate as the mortgage. The savings interest is offset against the mortgage interest payable rather than actually being received."

A savings pot of £20,000 would, at the average offset mortgage rate of 4.25% knock £850 off the annual mortgage interest on a mortgage higher than £20,000. To earn that amount on a taxable savings account a higher rate taxpayer would need to find a savings account paying a gross interest rate of 7.08%.

Others who could benefit from an offset mortgage include:

- The self-employed
- Buy-to-let landlords
- Those receiving a fairly substantial part of their income in the form of an annual bonus
- Those paying school fees

In these instances an offset mortgage can provide the borrower with the flexibility required to assist with irregular income streams or outgoings.

Mr Black continued: "There are some significant differences in the features offered by the 160 different offset mortgages so consumers should think about what features are important to them when doing their research. For example, if they want to have a current account linked to their mortgage only 28% of offsets offer this facility."

Defaqto's Star Ratings assess 68 different features and benefits of offset and current account mortgages. They reflect the level of the features and benefits offered - rating them from a low level 1 to a high level 5. Consumers can see the simple tool on Defaqto's website: www.defaqto.com/stars

The most competitive offset mortgages currently include the following

Lender	Term & type	Interest rate payable %	Arrangement fee	Maximum Loan-to-Value	Linked current account	Linked savings account	Star Rating
First Direct	2 year fixed	3.29%	£998	75%	yes	yes	4
Yorkshire BS	5 year fixed (31/05/2015)	4.79%	£995	75%	no	yes	3
Yorkshire BS	Base rate tracker + 2.09% until 31/05/2012	2.59%	£995	75%	no	yes	3
First Direct	Base rate tracker + 1.99% for term of mortgage	2.49%	£999	65%	yes	yes	4

-Ends-

Notes to Editors:

David Black is a Banking Specialist at Defaqto

David joined Defaqto in May 2004 when Defaqto acquired the financial research company of Blay's Guides where he had 16 years of banking research experience for the majority of which he was a director. Previously he was a political risk underwriter in the City. David is Defaqto's Banking Specialist and specialises in credit cards, current accounts, equity release, mortgages, savings and unsecured loans. He was the Banking Analyst in Defaqto's Insight team until July 2009 when he switched to dealing with the press on all aspects of banking. He is a frequent commentator in both the printed and the broadcast media in his areas of expertise. He is ACII, CeMAP and CeRER qualified, as well as holding an Honours degree from Exeter University.

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About Defaqto: www.defaqto.com

Defaqto is an independent financial research company specialising in rating, comparing and analysing financial products.

Since 1994, Defaqto has built the largest, whole of market, financial product database and become one of the leading providers of financial product data in the UK. We now cover over 30,000 products across banking, life, pensions, investments and general insurance.

Our experts validate and analyse the data to provide insight and consultancy to all layers of the financial services sector including IFAs, mortgage and general insurance brokers, providers, web aggregators and the public sector.

Our products and services include the following:

Defaqto Star Ratings

Our Star Ratings reflect the quality of a financial product and help to identify the range of features and benefits in each one. We review and assess every financial product across various categories and award a Star Rating from 1 to 5. The ratings are aimed at helping consumers and advisers decide which product suits their specific needs. Providers also use the ratings to ensure they offer products to meet differing consumer demands.

Aequos Online

An extensive, independent, financial product analysis and comparison database available in the UK. The database contains feature, rate and fees information on more than 30,000 products from nearly 2,000 providers. Our customers include leading insurance and assurance companies, banks and building societies and investment organisations.

Defaqto Engage

An integrated system for independent financial advisers (IFAs) and insurance brokers. The system makes the reporting, analysis, recommendation and review process easy, delivering the perfect product to meet client needs.

Defaqto Compare

An interactive, comparison tool enabling consumers to easily compare product features against each other on a host of key features, using a simple 'traffic light' system.

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