New recession fears push up home loans

FEARS of a double-dip recession have prompted one of Britain's biggest banks to raise tracker mortgage rates.

Woolwich, the mortgage arm of Barclays bank, yesterday notched up rates by between 0.21 pc and 0.51 pc.

It said the average rate rise across all its trackers, including its lifetime loan, loyalty and offset loan deals will be 0.3 pc.

Worries about the impact of a double-dip recession and rising Libor rates — the key rate at which international banks lend to each other, which influences the cost to consumers of deals — lie behind the decision, according to a bank spokesman.

On Monday, Libor reached its highest level since July 2009 as lenders grew ever warier of possible economic turbulence ahead.

New borrowers choosing the Woolwich lifetime tracker loan with a 30 pc deposit must now pay 2.59 pc above Bank of England base rate instead of 2.08 — a 0.51pc rise.

It means someone with a £150,000 mortgage must now pay £718.36 a month — £40 a month more than existing customers.

David Hollingworth, head of communications at mortgage broker London & Country, says: 'With so many gloomy economic indicators flashing, I wouldn't be surprised to see other lenders come forward to raise their rates as well in the coming days.'