

Questions to ask a lender

It is important that you know just what you can and can't do with a loan, and what the costs are, before you sign up.

What fees do you charge?

For all loans, ask about application fees and other charges such as a low equity fee. For fixed interest loans, ask what fees apply if you want to lift the repayments, make lump sum repayments, or repay the whole loan early.

What will be the total cost of this loan, including fees and interest, for the sum I am borrowing and the term I have chosen?

The lender will have to make an assumption about interest rates to do this calculation. But it will show you how much you'll pay back in total. Ask for the fees to be shown separately from the interest. Also, ask for the total regular payment in a year if the interest rate were to be 1% higher than now. That will give you some idea of the risk to your budget if rates rise.

What changes can I make after the mortgage is set up?

For all loans, ask whether you can increase your regular payments from time to time, whether you can pay in lump sums and whether you can pay off the mortgage in full before the end of its term. Ask if you have to give any period of notice before reducing or paying off your loan with a one-off payment.

Fixed interest loans normally convert to a floating rate at the end of the term: ask if you can take another fixed term instead at no charge.

If I buy a new house, can I transfer the existing mortgage?

If you can do this, it is likely to save you money in fees.

If I have a problem which I can't sort out with you, where can I go for help?

It can be useful to have a body which can investigate and help settle disputes, such as the Banking Ombudsman. The Financial Services Federation, which represents some non-bank lenders, has a complaints process.