

## Homeowners hit by rate rise as Permanent TSB raises interest on fixed rate mortgages.

Permanent TSB is the latest lender to increase its mortgage costs in response to surging European interest rates:

**Note : Below are extracts from an article published by The Irish Independent (18th November 2022) as referenced below.**

Weston(2022) details how PTSB are the next bank to follow suit and increase its fixed rate mortgages by an average 0.45 percentage points. These are some of the key takeaways of his article:

- The higher costs will add approximately €60 a month to a new fixed rate mortgage of €250,000
- Those with mortgage approval will have 90 days to draw down at current rates before increase
- The hike comes after Bank of Ireland raised rates on fixed rate mortgages while AIB made a similar move

The higher rates will add around €60 a month to the repayments on a typical new fixed rate mortgage of €250,000.

It is understood the bank will give those with mortgage approval 90 days to draw down at the rates in place before this latest increase, or up to February 15. This will apply to first-time buyers and to switchers.

Some PTSB savings rates are also going up, it is understood. That is in contrast to the other banks that have resisted pushing up deposit rates despite three large rises from the European Central Bank (ECB).

(Weston 2022)

According to Weston(2022) , the rate-hikes trend is likely to continue here before the end of this year and into 2023, with the ECB set to add to the 3 historic increases in interest rates over the last 4 months. Meanwhile the 3 main banks are set to benefit substantially from deposit and lending spreads as a result of the ECB rate increase:

Permanent TSB's variable mortgage rates are not increasing, the lender is set to announce this morning.

Permanent TSB's variable rate is already lower than some other lenders.

This means 56,000 mortgage holders whose loans were transferred from Ulster Bank to Permanent TSB are set to benefit from Permanent TSB lower variable rate.

The Ulster Bank variable rate is 4.3pc, but Permanent TSB has a rate of 3.95pc. This means amount of a saving of more than €200 a year on every €100,000 borrowed.

Last week Bank of Ireland increased the interest on its fixed-rate mortgages by 0.25 percentage points for new customers. And AIB increased its fixed rates recently by 0.5 percentage points. This is half of the size of the increase in fixed rates announced by its rival AIB.

The Bank of Ireland new rates were effective from last week for new borrowers and switchers. It means that the bank's stand-out rate of 1.9pc for those borrowing more than €400,000, with no cash back, will go from 1.9pc to 2.15pc for new borrowers and switchers.

But the new rates will not impact existing BoI customers who are coming to the end of a fixed rate. They will still be able to lock in at the rates that have been in place before the latest hike. There is no increase in variable rates.

Banks here have resisted passing the full impact of a raft of recent ECB rate rises.

The Frankfurt-based central bank has pushed its refinance rate from 0pc to 2pc in three chunky rises since the summer, with another jumbo increase expected next month.

However, tracker customers at all lenders automatically face higher interest in line with the three record rises announced by the European Central Bank in the last four months.

Daragh Cassidy of Bonkers.ie said the ECB is almost certain to raise rates by another 0.5 percentage points when it next meets on December 15 next and again in the new year.

"So it's likely we'll see further rate increases from Permanent TSB and all the other lenders over the coming months, unfortunately."

Non-bank lender ICS has already announced multiple rate rises and heavily restricted its new lending.

Finance Ireland has announced big increases in its rates and suspended its long-term rates of 10 years or more just a year after introducing them. Avant Money has also upped its rates.

The ECB is now paying 1.5pc for bank funds deposited with it, prompting calculations that the three main banks here are set to make a €1bn killing on deposit and lending spreads as the ECB cranks up interest rate increases.

(Weston 2022)

Weston, C. (2022) 'Homeowners hit by rate rise as Permanent TSB raises interest on fixed rate mortgages', *Irish Independent*, 18 November. Available at: <https://www.independent.ie/irish-news/homeowners-hit-by-rate-rise-as-permanent-tsb-raises-interest-on-fixed-rate-mortgages-42153755.html>

(Accessed 19 November 2022).

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