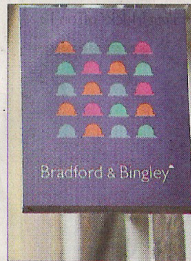


LENDER FOLLOWS LLOYDS TSB AND ABBEY

B&B latest bank to slash rate



PASSING IT ON | B&B

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BRADFORD & BINGLEY today promised to pass on the Bank of England's 1.5 per cent base-rate cut to most of its customers.

It has followed Lloyds TSB and Abbey's lead with the cut, which is set to benefit more than 90 per cent of its loan customers. B&B said the reduction – which applies to

all those customers on a "product variable rate" – would kick in next month.

No other major lender had followed suit early today.

Analysts believe that many lenders are waiting for the interbank lending rates to come down before making decisions.

Jonathan Davis, director of financial advisor Armstrong Davis, said: "Banks nationally and globally have lost

hundreds of billions, if not trillions, of pounds.

"Most will cut their variable rates but I'm not sure if they are going to cut them the whole 1.5 per cent."

The urgent need for the cut was underlined today by data from the Insolvency Service. The report showed the number of people declared insolvent in England and Wales rose nearly 9 per cent in this year's third quarter.

CUT AND THRUST: GET TO THE BOTTOM OF BASE RATES

Why is the BoE base rate important?

It sets the floor for the cost of borrowing money, which is the main lever for controlling the economy, in particular inflation

Why has the rate been cut so steeply?

To kick-start the economy by freeing up more money for consumers to spend in the real economy, and to make it cheaper to set up and run businesses

So why has the rate been high recently?

Because inflation started

to rise this year, which was making daily transactions expensive for most savers, consumers and businesses

Are lenders passing on cuts to customers?

No, despite the political pressure to do so. Lloyds TSB, Abbey and B&B have said they will pass on the cut. Others say they are reviewing their options

Why are lenders holding off?

Because banks are short of money and are not yet confident enough about each other's liquidity

What about tracker-mortgage holders?

Many will get an immediate cut in their monthly repayment. But most tracker agreements have floors of 3 per cent, so it is unlikely they will go much lower than they are now

Is the cut good news for everybody?

No. Banks and building societies will slash savings rates, so interest payments will be lower. Pension funds will also be smaller