

## Nationwide defends its 125pc loan

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### **FINANCIAL SERVICES**

BRITAIN'S largest mutual Nationwide yesterday defended its decision to launch a mortgage allowing customers to borrow up to 125 per cent of the value of their property.

The product is aimed at homeowners in negative equity who want to move to a house worth more than their own. But critics warned yesterday that the mortgage would increase the debt burden on customers.

Jonathan Davis, of financial planners Armstrong Davis, said: "We're in a residential property market where the trend is still down despite the annual spring bounce, yet they're encouraging people to take on more debt, backed by an asset which is still falling in value."

"There's no risk to the bank at all because if the borrower doesn't pay it back, the debt will fall on their inheritors," he said.

But Nationwide said the offer – which lets customers in negative equity borrow 95 per cent of a new property at a fixed rate, plus a sum equivalent to the negative equity on their current home – was only aimed at a "niche group" of customers.

Andrew Hagger of moneynet.co.uk said the product was not risky because "the borrowers in question will already have a solid track record...and proved over a period of time that they can afford the monthly repayments."