

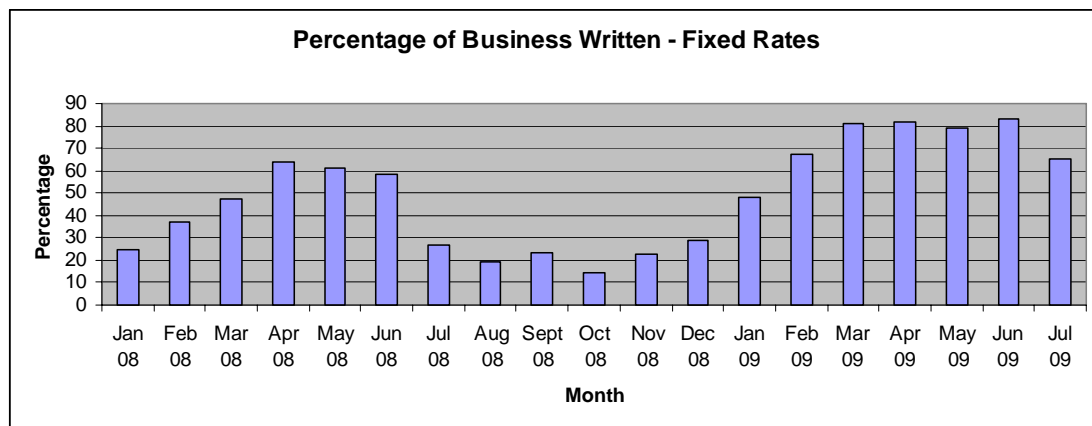
27th August 2009

MARKET SHARE TAKEN BY VARIABLE RATES MORE THAN DOUBLES IN JULY

- Tracker / discount share of the market for John Charcol clients up from 17% in June to 35% in July

Following the recent steep rise in the cost of fixed rate mortgages the sheen has gone off their popularity according to the **John Charcol Index**, the monthly mortgage activity monitor from John Charcol, the UK's leading independent mortgage adviser.

"The popularity of fixed rates with John Charcol clients has been on a roller coaster since the beginning of last year. In January 2008 only 25% of our clients choose a fixed rate but that percentage rose rapidly and 4 months later was up to 64%, before collapsing to a low of 14% in October. After a modest increase from this low until the end of 2008 there was a surge in the first 6 months of this year, with the fixed and capped rates taking a record 84% over the 4 months to June of this year. The rapid increases in the cost of fixed rates during June eroded their value in insuring against future interest rate increases and so in July we advised more clients to take a tracker or discount rate. As a result variable rate take up more than doubled to 34.7%, with fixed rates' share of the market falling back to 65.3%. A modest increase in the availability of tracker and discount rates above 75%% LTV also facilitated the move away from fixed rates." comments Ray Boulger of John Charcol.



"The above figures are based on the number of individual cases each month but we also analysed the split between fixed and variable based on the total amount of lending in each category and this threw up some very significant differences. Looked at on this basis fixed rate lending was over 10% lower at 54.6% of the total, with variable rates taking 45.4%. What this clearly indicates is that borrowers taking out large loans were much more likely to opt for a variable rate, which in most cases was a tracker. For some clients this is because they want flexibility to overpay more than the 10% p.a., which is typically the maximum allowed on a fixed rate without incurring an early repayment charge. It is the higher net worth clients who are more likely to want not only this facility but also see value in the superb flexibility offered by an offset mortgage, and most offsets are trackers.

"We have seen a further dramatic fall in the take up of fixed rate mortgages this month and it looks almost certain that fixed rates will take less than half of the market in August, both by case number and volume. This reflects the changing views on how long interest rates will stay low and in particular the actions of the Bank of England this month in the major extension of its Quantitative Easing programme. It also demonstrates the value of advice and that many clients want advice on the fundamental question of whether to take a fixed or floating rate. When that advice is presented clearly and the reasons for it explained it is respected.

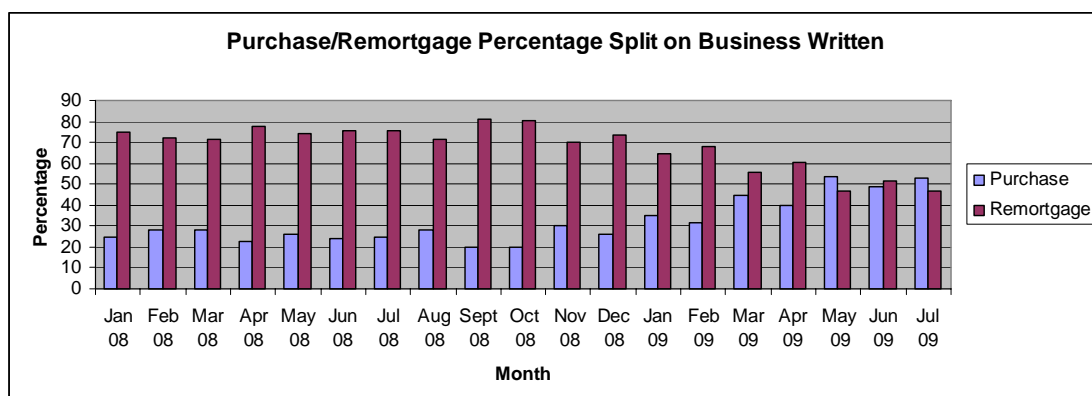
"I expect the split between fixed and variable rate lending on the business which lenders get direct will still strongly favour fixed rates as many lenders do not offer advice, but only information, even though surveys show that many customers think they are getting advice! "

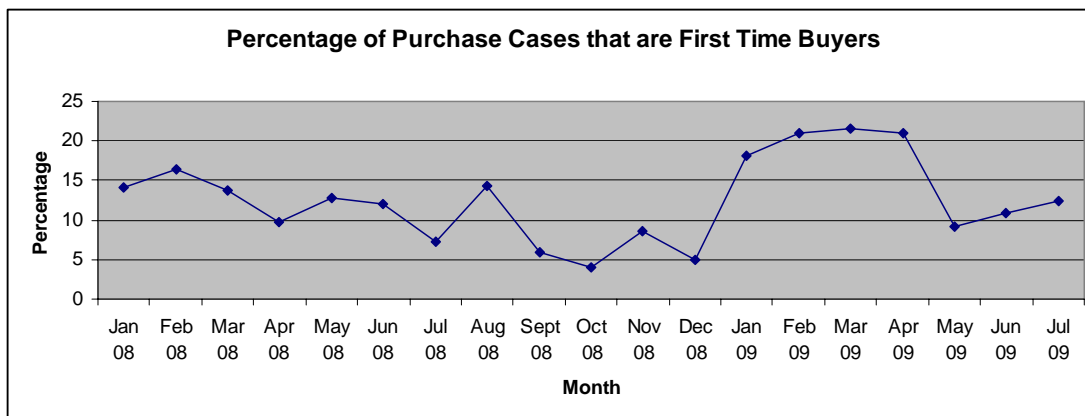
Boulger continues, "Purchases took over 50% of the market in July for the second time this year, despite our figures for remortgages including clients effecting a product transfer with their lender. The remortgage figures produced by the Bank of England and the CML do not include product transfers and so our split between purchase and remortgage business can not be directly compared with theirs. First Time Buyer activity as a percentage of total purchases increased on the month but is still well below the percentages seen earlier this year."

The John Charcol Mortgage Index is published monthly, tracking three important statistics, based on mortgage business written by John Charcol. The index is a leading indicator of trends being based on mortgage applications submitted to lenders, whereas figures reported by the Council of Mortgage Lenders (CML) and the Bank of England (BoE) are based on completions, which typically take place 2-3 months after the mortgage application is submitted.

The three statistics tracked each month are the percentage split:

- Between Fixed rates, Capped rates and Tracker/Discount rates*.
- Between Purchases and Remortgages.
- Of First Time Buyers compared to all Purchasers.





ENDS

Borrowers should contact John Charcol on 0800 71 81 91 or visit www.charcol.co.uk

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Notes to editors:

The fixed/capped/tracker split is heavily influenced by the advice given by John Charcol and it is to be expected that the swings between fixed and variable rates will be much greater than the figures from sources such as CML and BofE. Their statistics are made up of a mixture of advised and non advised sales and the advice offered by different brokers and lenders will vary.

Definition of First Time Buyers

The percentage of the purchase market taken by FTBs varies depending on definition. The Council of Mortgage Lenders treats any purchaser who is not simultaneously selling a property as being a FTB. This means that, for example, anyone who is returning to the property market after renting for a period or after a spell working as an expat will be treated as a FTB, as will someone acquiring a second property. As a result the CML estimates that it overstates the number of FTBs by about 25%, although their method of calculation is consistent and so its figures still provide a good indication of trends.

At one time many lenders offered some additional, and usually cheaper, mortgages for FTBs to choose from and lenders' definition of a FTB varied. A few lenders still offer special FTB mortgages but most don't and so there is now less reason for borrowers to want to be classified as FTBs in marginal cases in order to qualify for a particular mortgage deal. At John Charcol only genuine FTBs are classified as such but there are situations where it is possible to argue as to whether or not a purchaser is a FTB. The most obvious is where a couple are buying and one is a genuine FTB, but the other either currently or previously owned a property. In this situation John Charcol would not normally classify the purchasers as FTBs, with the possible exception being where the actual FTB is the sole or principal earner.

Percentage split of Fixed rates, Capped rates and Tracker/Discount rates			
2008	Fixed	Capped Tracker	Tracker/Discount
Jan	25.0	-	75.0
Feb	36.8	-	63.2
Mar	47.6	-	52.4
Apr	63.7	-	36.3
May	61.2	-	38.8
Jun	58.2	-	41.8
Jul	26.5	-	73.5
Aug	19.2	-	80.8
Sept	23.4	0.2	76.4
Oct	14.2	-	85.8
Nov	22.9	-	77.1
Dec	29.1	-	70.9
2009			
Jan	47.8	-	52.2
Feb	67.4	0.3	32.3
Mar	80.9	5.1	14.0
Apr	82.0	4.6	13.4
May	78.7	1.8	19.5
Jun	83.1	-	16.9
Jul	65.3	-	34.7

Purchase/Remortgage Percentage Split on Business Written		
2008	Purchase	Remortgage
Jan	24.9	75.1
Feb	27.9	72.1
Mar	28.5	71.5
Apr	22.4	77.5
May	26.0	74.0
Jun	24.2	75.8
Jul	24.5	75.5
Aug	28.4	71.6
Sept	19.7	81.3
Oct	19.7	80.3
Nov	30.1	69.9
Dec	26.2	73.4
2009		
Jan	35.3	64.7
Feb	31.9	68.1
Mar	44.5	55.5
Apr	39.8	60.2
May	53.4	46.6
Jun	48.7	51.3
Jul	53.0	47.0

Percentage of Purchase Cases that are First Time Buyers	
2008	
Jan	14.1
Feb	16.5
Mar	13.7
Apr	9.8
May	12.7
Jun	12.0
Jul	7.3
Aug	14.4
Sept	5.9
Oct	4.1
Nov	8.6
Dec	5.0
2009	
Jan	18.1
Feb	21.0
Mar	21.6
Apr	20.9
May	9.2
Jun	10.9
Jul	12.5

About John Charcol

Your initial consultation is obligation free. There will be a minimum fee for our service of £350, of which £150 is payable when you apply, and we will retain the commission from the lender. Alternatively, you can choose the fee only option which is typically 0.63% of the amount borrowed. The precise amount will depend on your circumstances and loan amount, and will be discussed and agreed before you make an application.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

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