

PRIME MINISTER

See L.P.M.

Recd
14/2

MORTGAGE RATES

We have just heard that the Abbey National will be announcing at around 12 noon an increase in their mortgage rates of 0.9 per cent. This will take the rate charged to small borrowers (below £60,000) to 15.4 per cent, and that for larger borrowers to 14.75 per cent. We are not yet clear when this will take effect, but it will presumably be either on 1 March or 1 April.

The Abbey National are the second largest mortgage lender, with 1.1 million borrowers. But they are not one of those who operate annual review schemes whereby actual payments are only adjusted yearly. So both the RPI and the actual impact on borrowers' cash flow will come at the same time.

I would guess that a number of other Societies may now follow suit.

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PAUL GRAY

14 FEBRUARY 1990

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