



Northern Rock and Lloyds TSB in tie up.

Lloyds TSB is to take on Northern Rock's fixed-rate customers under a new three-year partnership. Under the terms of the agreement, selected Northern Rock customers reaching the end of their fixed-rate deal will be given the option of switching to one of Lloyds TSB's fixed-rate products.

The agreement will allow Lloyds TSB to accelerate new business growth in a low risk manner while assisting Northern Rock towards its goal of reducing the size of its balance sheet. The agreement offers Northern Rock customers a fast-track process to switch mortgage providers. Crucially, it will greatly reduce the uncertainty involved for customers who choose to switch providers and give them peace of mind in the current uncertain market conditions.

Only a select few borrowers stand to benefit from the mortgage partnership deal struck between Lloyds TSB and Northern Rock, industry experts argue.

The agreement between the two banks, announced yesterday, will allow only fixed-rate Northern Rock customers to switch to a Lloyds TSB mortgage once they have come to the end of their deal. Those who say Rock's borrowers will now have more options once they come to remortgage have welcomed the agreement.

But Lloyds TSB will undoubtedly cherry pick Northern Rock borrowers, leaving many out in the cold, anyone who doesn't make the grade will find themselves part of a growing borrowing underclass.

These people will face an uphill struggle to find an affordable mortgage when their fixed rate deal comes to an end. Northern Rock borrowers who have not yet sufficiently lowered their Loan To Value will still be facing the lender's Standard Variable Rate. Current products from Lloyds TSB are only available for loans up to 90% loan-to-value.

How Northern Rock plans to deal with those of its customers with loan-to-values higher than this, some as high as 125% has not been decided.

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