MONEY MATTERS

RM pays £6m for US firm

JASON McGUIGAN, of Critchleys Financial Planning, answers questions on falling interest rates

I'm locked into a six per cent fixed-rate mortgage. Is there anything I can do?
First, you need to look at your loan terms and conditions to see what financial penalties are imposed for repaying early. You can then start to shop around for a better re-mortgage deal.

Once you find an attractive deal, you need to calculate whether the savings will make you better off after you have moved to the new lender and paid the penalty.

Many re-mortgage lenders tare seeking good equity and high deposits so you might be stuck if your loan is close to the actual value of your house.

Some fixed-rate deals provide scope to repay some of the loan during the term without penalty, so if you have some savings, another strategy could be to use these to repay some of the debt. It is very likely that the loan at six per cent is costing you more than the net interest on your savings.

My current lender seems reluctant to change my variable rate mortgage payments. Should I look at re-mortgaging?
Yes although the re-mortgage market is going through a difficult period and finding good deals if you have limited equity is hard. Have a chat with your existing lender to see if they can offer any other packages that might help.

I hope that I will soon receive my savings back from an Icelandic bank. Where can I put it that's safe, and pays a decent interest rate?
Finding a safe haven for your cash is difficult nowadays and we see more people less interested in getting the highest interest rate and more interested in safety of their capital.

You can still access instant access accounts paying well over six per cent and since the UK Government deposit protection is now £50,000 per person (£100,000 for a joint account), perhaps one solution is to spread your savings across a number of institutions up to the protection limit to spread the risk.

An alternative is to invest into government backed investments such as National Savings and Gilts although the returns on offer are not that great when compared to interest on cash.

One other solution is to invest your savings into some type of collective "cash fund". Here your money is pooled along with many other investors funds and the fund manager then deposits the pooled cash across perhaps 60 -80 institutions within the fund to spread the risk.

The only other option is to place your funds via the Irish banks (Anglo Irish, Allied Irish to name but a few) as the Irish Government has agreed to underwrite the Irish banking system up until September 2010.

You are, however, transferring the institutional risk to that of governmental risk.