Lloyds Bank warns house prices to fall 7% this year as customers struggle with mortgages

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TUMBLE in UK house prices this year began to look a racing certainty today when the biggest mortgage bank forecast they would fall 7%.

That call from Lloyds Bank comes on top of similar predictions from Nationwide (5%) and Santander (10%).

At the fringes of finance, wilder talk of a spectacular crash has been heard but that seems unlikely to transpire given housing shortages and a recovery in the mortgage market.

Lloyds boss Charlie Nunn was talking as he unveiled profits of £6.9 billion for the year, which is flat on last year, though the fourth quarter was spectacular.

Profits for the last three months near doubled to £1.8 billion, figures that are unlikely to reduce complaints that banks are profiteering while interest rates rise.

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The biggest high street bank set aside £1.5 billion to cover bad debts and admits that some customers are already in trouble.

CEO Charlie Nunn said: “20% of customers are having to take difficult decisions, cancelling subscriptions, moving towards value brands. We are focussing in on those customers who are going to have an income shock.”

There’s also a looming “mortgage shock” for 200,000 Lloyds customers due to exit a fixed rate deal this year.

Nunn was paid £3.8 million, but that is down from a year ago when he got compensation for shares he gave up when leaving previous employer HSBC.

The fallout from Liz Truss’s disastrous mini-budget in September continues, with all banks increasing the cost of loans and pulling the best offers.

Nunn is optimistic that those forced to refinance in the period just after the mini-budget should at least be able to get a cheaper loan next time. Bank of England interest rates may not have peaked, but fixed rate mortgage deals look cheaper from here on, he said.

Nunn thinks that while this year will be tough for many, it will be “nothing like the financial crisis, more like recessions we had nearer the start of the century”.

The bank said: “Although the macroeconomic outlook remains uncertain, our people, business model and financial strength ensure that we can continue to support our customers.”

Lloyds shares fell 1p to 50p. Over five years they are down nearly 30%.

Ian Gordon at Investec notes that the shares trade at a discount to rivals NatWest and HSBC. There is a £2 billion share buyback, but critics note the share price seems stubbornly stuck around the 50p level.

Lloyds Net Interest Margin – the gap between what it pays savers and charges borrowers is up from 2.54 to 2.94%.

Rising bank NIMs have led to criticism that savers are being penalised.

Nunn insists it is a competitive market and says most customers are staying with Lloyds.

The dividend is 2.4p up from 2p. Around 600,000 Brits hold Lloyds shares.

The bonus pot for staff is up 12% to £446 million.