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Bank waives LOBO loan interest rate hikes

By [Gavriel Hollander](#)

Barclays has agreed to waive its option to increase interest rates on a set of loans taken out by housing associations in the wake of the financial crisis.

At least 15 housing associations are thought to have taken out so-called [LOBO](#) (lender option, borrower option) with the bank, along with [dozens of local authorities](#).

LOBOs are long-term loans, typically lasting between 50 and 70 years, during which time the lender retains the option to reprice at a new rate. When they are repriced, the borrower can either accept the new rate or repay the loan.

In a statement, Barclays said removing its lender option on the loan would “help its clients with their long-term financial planning”.

The bank added: “Over a hundred local authorities and housing associations will benefit from greater certainty that their borrowing costs will not rise in future.

“They will also enjoy reduced break costs than there would have been had Barclays retained its right to change the interest rate. Also they will know that the original value they secured when taking out the loan at rates lower than those available publicly at the time, is now locked in for the lifetime of the loan.”

LOBOs have proved controversial since they emerged as a way to access bank debt when financing was more difficult to secure in 2008/9. Last year, the Commons’ Communities and Local Government Committee launched an inquiry into the use of LOBOs following a Channel 4 investigation.

The loans are also likely to show up on housing associations’ accounts for the first time this year following changes to financial reporting rules, known as FRS 102.

Several housing associations, including [Network Housing Group](#) and [Thames Valley Housing](#), have recently ‘traded out’ their Barclays LOBO loans in favour of fixed-rate borrowing. These deals were both agreed before Barclays announced it was waiving its repricing option.