



RYAN POWLER · FEATURED NEWS RESIDENTIAL MORTGAGES 19/09/2022

Average 2-year fix rate mortgage hits 6%

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Moneyfacts reports that the average rate on a 2-year fixed mortgage in the UK has risen to over 6%, reaching 6.01%, an increase from 5.98% on Friday and 5.26% at the start of May.

This increase brings average 2-year fixed mortgage rates back towards the levels witnessed in the turmoil following the mini-Budget last autumn when rates reached 14-year highs.

Longer-term fixed rate mortgages are also becoming more expensive, with the average 5-year fixed rate climbing to 5.67%, up from 5.62% on Friday.

These figures mirror financial market expectations that the Bank of England will implement several interest rate hikes this year. Markets predict that rates could reach 5.75% by the end of the year.

In line with the rising rates, mortgage providers are also reducing their deal offers. According to Moneyfacts, the product count has dropped from 4,923 on Friday to 4,683 this morning.

The increase in rates and the decrease in deals come amid mounting concerns over economic stability and inflation in the UK.

Reaction:

Hannah Bashford, director at Model Financial Solutions:

"An average 2-year fixed rate of 6% sounds scary and will certainly grab headlines but in reality, there are still plenty of rates available just above 5%.

"This average will take into account specialist lenders whose rates are 7%-8%, as well as the mainstream lenders down at 5.4%.

"Consumers are worried, though, and it is the right time to seek expert advice.

"At Model Financial Solutions, we're having lots of conversations about interest rates with existing clients, and those that have been recommended to us, and often it is to put their minds at ease after seeing headlines about 6% rates."

Jonathan Burridge, founding adviser at We Are Money:

"It is irresponsible scaremongering. Average is a terrible word and from my sourcing this morning, 2-year fixed-rate mortgages are still available in the low 5s.

"Aside from their data being questionable, all this sensationalism simply causes panic and instability. We need to keep calm.

"Rates have returned to "average" levels if you look at the last 40 years or so. It is going to be painful for many and they need to speak with balanced professionals who can assist rather than be scared to hell by headline-grabbing stories."

Justin Moy, managing director at EHF Mortgages:

"The average rate will also factor in those products in the specialist and adverse markets, so will show a slightly worse scenario than the majority of mortgage borrowers will experience.

"A quick check of Halifax's 2-year fixed deals this morning suggests a range of 5.4%-5.5% for most loan-to-value (LTV) bands if you are looking to remortgage.

"It is a difficult time, though. We all hang on the words and actions of the Government and the Bank of England this week. We can only hope that the inflation figures are better than expected and that the Bank of England holds back on any more rate increases for the moment."

Riz Malik, founder & director at R3 Mortgages:

"We urgently need a cross-party Mortgage Task Force to find potential solutions to this ticking time bomb.

"This should be comprised of economists, lenders and other stakeholders who are actively involved in the mortgage market.

"We need action or the impending financial earthquake is going to send shockwaves across the country."

Samuel Mather-Holgate, independent financial advisor at Mather and Murray Financial:

"The Government need to change the mandate of the Bank of England so that they put more weight on the future of the economy and give their inflation target a longer term time horizon.

"This would allow them to maintain their independence but take their foot off the accelerator when it comes to rate hikes.

"Confidence breeds confidence and a pause in rate rises will mean lenders stabilise their product offerings and the resultant competition drives prices downwards."

Gary Bush, financial adviser at MortgageShop.com:

"The SONIA swaps rate for 2-years is currently 5.435%, so it's sadly still clear that UK mortgage lenders are still in overreaction mode.

"All that financial advisers can do at the moment is feel sorry for applicants trying to get transactions arranged.

"We simply can't get to Wednesday's inflation figure announcement fast enough."

Lewis Shaw, founder & mortgage expert at Shaw Financial Services:

"The talk of average mortgage rates is unhelpful as no one has an average rate.

"The range across all loan-to-values for a 2-year fixed rate for a standard residential purchase or remortgage with good credit is between 5.05% with a 40% deposit or equity and up to 6.00% with a 5%.

...mortgage rates... deposit."

Graham Cox, founder at SelfEmployedMortgageHub.com:

"Let's just pray the inflation figures on Wednesday are better than expected.
"If they are, rates may fall as quickly as they've risen over the past couple of weeks. If they're worse, hold onto your hats."

Elliott Culley, director at Switch Mortgage Finance:

"The key word here is 'average'. If customers have a good credit score, there are 2-year fixed rates below 6%.
"However, this is in stark contrast to just two to three weeks ago when you could get a 2-year fixed rate under 5%.
"We were even talking about when they might break under 4% a few months ago.
"It shows how quickly the mortgage market is changing, and clients need to be on the ball when it comes to renewing their mortgages."


Ashley Thomas, director at Magni Finance:


"There has been a significant increase in mortgage rates in the past couple of weeks with anticipation that the base rate will go up at the next meeting.
"Hopefully, we will get positive news with the next inflation data and see rates reduce."


Ross McMillan, owner and mortgage advisor at Blue Fish Mortgage Solutions:


"In the current uncertain economic climate, the average mortgage rate across all levels has unquestionably risen in recent weeks but it's important, beyond sensational headlines, that context is also applied.
"Alongside the initial deal length, loan-to-value bands continue to have a bearing on lender risk assessment and associated rates and the higher rates focused on are most prominent at the peak of lenders' risk areas, namely 95% LTV.
"For many people remortgaging, they will be looking at significantly lower loan to values with rates closer in many instances to 5% currently.
"The hope remains that inflation figures exceed expectations this week and the Bank of England refrains from further rate hikes and offers some respite from the volatile marketplace even if temporarily.
"However, it is important to note that claims of an impending crisis are misleading and irresponsible as it's worth noting that mortgage rates have now returned to "normal" levels when considering historical trends."

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