Borrowers now spending more income on their mortgage than at any time since the 2008 financial crisis... as rates edge closer to 6%

- **Mortgage repayments are making up average of 20% of borrowers' incomes**
- **Average two-year fixed mortgage rate up again by 0.06 points to 5.98% today**

By MARK DUELL and JOHN-PAUL FORD ROJAS
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Britain's homeowners are now spending more income on their mortgage than at any time since 2008, it was revealed today as average rates closed in on 6 per cent.

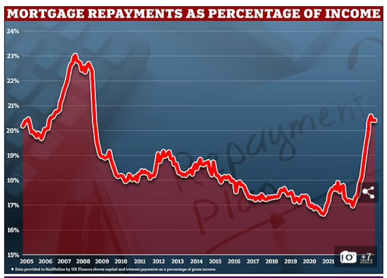
Repayments on new loans accounted for an average of 20 per cent of borrowers' gross incomes between January and April, according to trade body UK Finance.

This is up from 17 per cent in 2020 and is now at the highest level since it hit 23 per cent during the financial crisis. Furthermore, the latest data covered a period that came before the huge rise in mortgage rates which only began three weeks ago.

The rates increase has continued this week, with the average two-year fixed mortgage jumping again to 5.98 per cent today from 5.92 per cent yesterday.

Today's 0.06 point rise is the biggest increase between working days since Friday, June 2 and Monday, June 5 - when it went up from 5.64 per cent to 5.72 per cent.

The two-year rate is up 0.63 points from 5.35 per cent three weeks ago; 0.34 points from 5.64 per cent a fortnight ago; and 0.15 points from 5.83 per cent a week ago.



Mortgages and savings: Check the top rates you can get

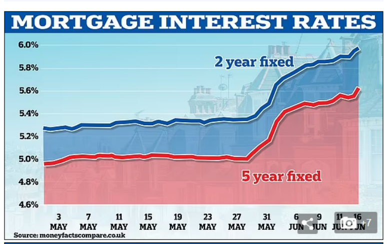
The rapid rises in the Bank of England base rate have pushed up rates on both savings accounts and new fixed rate mortgages.

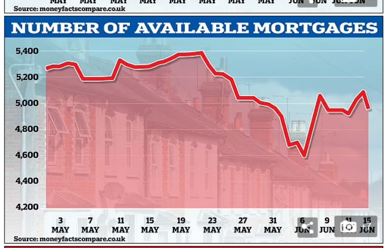
This is Money's savings tables and mortgage calculator can help you check rates on the best deals.

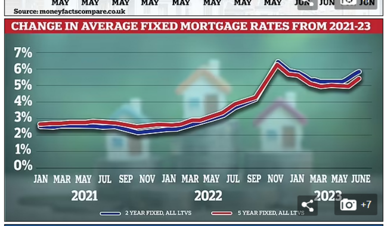
> Savings rates: Check the top deals

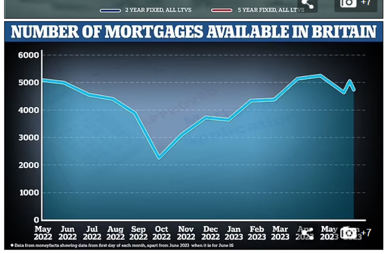
> Savings alerts: Our pick of the best new deals as they land

> Mortgage rates: How much would you pay if you fixed now?









Elliott Culley, director at Switch Mortgage Finance on Hayling Island in Hampshire, told MailOnline today: 'With mortgage rates now starting with a 5 instead of a 4, it is getting harder and harder for clients to stomach the new monthly payments

'Most clients are wanting short-term fixed rates at the moment with forecasts expecting a reduction in interest rates over the next 18 months.

'But these come at a cost and, as a result, some borrowers are resorting to extending the mortgage term. In most cases, this is with the plan to reduce the term again when rates reduce.

'There will be some borrowers who don't have the option to extend the term and if rates rise much further, there is a greater chance of people having to seek assistance from their current lender.'

Mortgage rates data, provided by financial experts at Moneyfacts, also revealed the average five-year fixed rate rose to 5.62 per cent today - up from 5.56 per cent yesterday.

That rate is now up 0.6 points from 5.02 per cent three weeks ago; 0.3 points from 5.32 per cent two weeks ago; and 0.14 points from 5.48 per cent one week ago.

Meanwhile the number of mortgage products available fell to 4,923 today from 5,082 yesterday - a daily fall of 159 which takes it back to levels last seen on June 8.

Lenders are scrambling to reprice mortgage deals as financial markets bet on further Bank of England rate increases to tackle inflation.

Ross Lacey, director and chartered financial planner at Fairview Financial Management in Rayleigh, Essex, said today: 'The aim of the Bank of England's increases to interest rates is to bring down inflation.

'Given that mortgages still make up a large part of household expenditure, the thought process is that if borrowers are having to allocate a greater portion of their income to their mortgage payments, they will reduce spending elsewhere.

'This hasn't been seen to the extent expected as yet, as many are still on sub-2 per cent fixed rates.

'We've been helping our clients remortgage onto the most competitive rates available, reducing their loan-to-value if possible, and increasing the term of their borrowing which all go someway to offsetting the effect of higher interest rates.'

How mortgage rates and deals are changing

TWO-YEAR FIXED DEAL

- **TODAY** Friday, June 16: 5.98%
- Thursday, June 15: 5.92%
- Wednesday, June 14: 5.90%
- Tuesday, June 13: 5.90%
- Monday, June 12: 5.86%
- Friday, June 9: 5.83%
- Thursday, June 8: 5.82%
- Wednesday, June 7: 5.79%
- Tuesday, June 6: 5.75%
- Monday, June 5: 5.72%
- Friday, June 2: 5.64%
- Thursday, June 1: 5.49%
- One month ago (May 16): 5.32%
- Nine months ago (Sep 2021): 4.24%
- One year ago (June 1, 2022): 3.25%

FIVE YEAR FIXED DEAL

- Friday, June 16: 5.62%
- Thursday, June 15: 5.56%
- Wednesday, June 14: 5.54%
- Tuesday, June 13: 5.55%
- Monday, June 12: 5.51%
- Friday, June 9: 5.48%
- Thursday, June 8: 5.49%
- Wednesday, June 7: 5.47%
- Tuesday, June 6: 5.44%
- Monday, June 5: 5.41%
- Friday, June 2: 5.32%
- Thursday, June 1: 5.17%
- One month ago (May 16): 5.03%
- Nine months ago (Sep 2021): 4.33%
- One year ago (June 1, 2022): 3.37%

Total mortgage products

- Friday, June 16: 4,923
- Thursday, June 15: 5,080
- Wednesday, June 14: 5,018
- Tuesday, June 13: 4,917
- Monday, June 12: 4,952
- Friday, June 9: 5,056
- Thursday, June 8: 4,831
- Wednesday, June 7: 4,597
- Tuesday, June 6: 4,707
- Monday, June 5: 4,686
- Friday, June 2: 4,888
- Thursday, June 1: 4,967
- One month ago (May 16): 5,307
- Nine months ago (Sep 2021): 3,890
- One year ago (June 1, 2022): 4,987

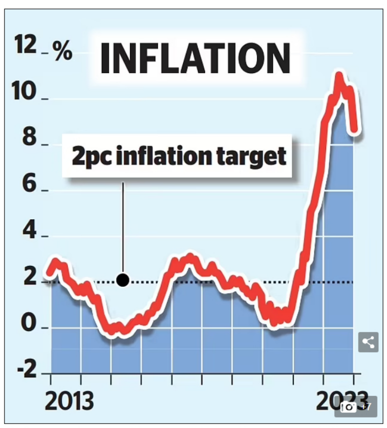
SOURCE: Data from Moneyfacts

The latest turbulence sent yields on two-year gilts – the rate investors charge to lend to the government – to a fresh 15-year high yesterday.

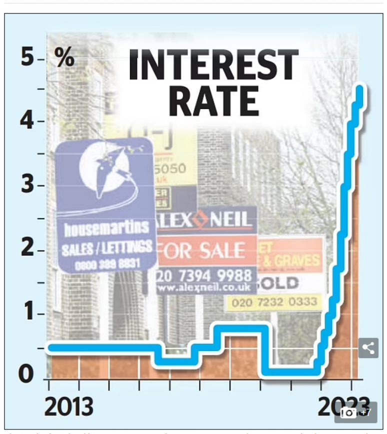
Five and ten year gilt yields are at highs not seen since last autumn's mini-Budget.

Experts have warned of a 'huge week' for mortgages as the latest inflation rate is released next Wednesday, before any change to the Bank of England's base rate one day later.

Gary Bush, financial adviser at MortgageShop.com in Potters Bar, Hertfordshire, told MailOnline: 'Mortgage lenders tweaking upwards twice in a week their fixed rates, sometimes more frequently, has caused chaos with applicant transactions.



Inflation is currently running at 8.7 per cent, with the latest figure due out next Wednesday



The Bank of England base rate is currently at 4.5 per cent and is set to rise further next week

'With next week almost upon us, our eyes are fixed on the Inflation announcement on Wednesday morning - this will be the driver for the all-important Bank of England monetary committee meeting on Thursday and indeed the Swap market thereafter.

'Cross your fingers, legs, or anything for next Wednesday morning's inflation announcement.'

And Graham Cox, founder at SelfEmployedMortgageHub.com in Bristol, said: 'Rates have soared in the past couple of weeks, drastically hitting mortgage affordability and reducing maximum loan amounts. Much will depend on whether the inflation outlook improves over the coming months.

'If mortgage rates stay at these levels for any length of time, then very significant house price falls are likely. Perhaps 20 per cent or more over the next couple of years.'

Meanwhile, Jonathan Burridge, founding adviser at We Are Money in London, said: 'Few predictions at the start of the year saw this latest round of rate rises and that should serve to warn borrowers that no one knows the future. All forecasts prove to be wrong or lucky.

'There will be a great many people worried about their mortgage costs rising, so they should be engaging in a review as soon as possible. Borrowers should try not to panic, we cannot control rates but, term extensions or changes to repayment method may alleviate some financial pressure.

'What will happen to house prices is irrelevant if you can afford your payment and you are an owner-occupier. If you want to buy a home now you could wait and see if values drop and, of course, they might.

'However, if they do we don't know by how much and for how long and all the time you wait you are just delaying being a home owner and waiting may not be to your advantage. Forget rates and focus on affordability, forget short-term property value and look at the longer term.'

Financial markets suggest the Bank of England's base rate now has a one in three chance of hitting 6 per cent by the end of the year.

And Rob Gill, managing director at Altura Mortgage Finance in London, told MailOnline today: 'We're seeing an increasing number of remortgage borrowers seeking advice on not just the lowest available rate but also how to restructure their mortgage to lower their monthly payments.

'Paying down their mortgage, increasing the term and making all or part of the mortgage interest-only are all options that can be explored.

'The right advice to discuss longer-term plans with clients, including how they will eventually pay off the mortgage or meet mortgage payments if the term extends into retirement, needs to be sought by borrowers considering such options.'

Mark Carney, the former Bank of England governor, has dampened hopes that the current period of soaring borrowing costs, which is adding thousands to families' annual repayments, would be temporary.

He said that homeowners who fixed their loans at low rates 'just at the right time' should be aware they will still face a big jump in payments when they conclude.

His warning came as a key adviser to Chancellor Jeremy Hunt said rate-setters should keep doling out the 'medicine' of interest rate hikes to save the 'disease' of higher inflation worsening.

Next week, the Bank of England is expected to go for another 0.25 percentage point hike, taking its benchmark rate to 4.75 per cent.

Market expectations of just how far the Bank will go have risen sharply amid growing evidence of how hard it will be to bring down inflation. It is no longer in double digits at 8.7 per cent but still several times above the Bank's 2 per cent target.

Anticipated hikes also saw the pound climb yesterday to $1.29 against the US, its highest level since April 2022.

So-called swap rates, which are used as the basis of mortgage prices, have climbed too - explaining why lenders are acting.

Bank of England officials are pushing ahead with rate increases as they try to tame stubbornly-high inflation, with Prime Minister Rishi Sunak and Mr Hunt making clear they will back the policy - even if it sends the UK tumbling into a recession.

Financial markets are also pushing up the cost of Government borrowing as the expected path of central bank rate rises. And Mr Carney said they would remain high for governments across the world for some time.

'They are going to be paying higher interests for their debt for the foreseeable future, not just measured in 12 months, 24 months but actually the big tectonic shifts in the global economy mean that we are likely to have higher longer term interest rates for a period,' he told ITV.

'Governments need to get used to that now, plan for that today, and it does mean tough choices.'

The same market movements mean mortgage lenders have been scrambling to reprice deals in recent weeks.

Mr Carney said it was a 'good working assumption' that consumers would have to pay more to borrow for many more years.

What Bank of England Monetary Policy Committee members have said about rates

The Bank of England is weighing up whether to raise interest rates for the 13th meeting in a row next week.

Here is a summary of recent comments by members of the Monetary Policy Committee (MPC).

MPC MEMBERS WHO VOTED IN MAY FOR 25 BASIS-POINT HIKE

ANDREW BAILEY, GOVERNOR

June 13: 'We still think the rate of inflation is going to come down, but its taking a lot longer than expected.'

He said British food price inflation had been slower to drop than global commodity prices, despite past reassurances from the Bank's contacts in the retail industry that prices would fall. 'We've been told for some time, you know, they've reached their peak, they're going to come down, the rate of inflation is going to come down. And then the contacts come back and say 'Sorry, we got that one wrong."

May 23: On interest rates, he said: 'I can't tell you whether we're near to the peak, I can't tell you whether we are at the peak. I think we are nearer to the peak than we were.'

BEN BROADBENT, DEPUTY GOVERNOR

May 11: 'A lot of ... global prices are declining.'

'And we expect for that reason predominantly - so independently of the rate of unemployment - (that) that will bring down wage growth.'

DAVE RAMSDEN, DEPUTY GOVERNOR

May 18: 'There is more of a concern (among investors) about persistence of inflation (in Britain) and therefore an expectation that our short-term rate - set by us - will be higher. That feeds through into yields'

JON CUNLIFFE, DEPUTY GOVERNOR

Has not commented on monetary policy in recent months.

HUW PILL, CHIEF ECONOMIST

May 12: He said there was evidence of a 'more favourable pattern in terms of the inflation outlook' but 'there may be more work to do.'

'To the extend that we see elements of greater persistence, there may be scope, at least to continue with the tightening of policy we have at the moment.'

'If we were to see more evidence that inflation is falling and most inflationary pressures are easing ... then the outlook for interest rates would be different.'

CATHERINE MANN, EXTERNAL MPC MEMBER

June 12: She said central banks like the BoE could find it hard to communicate the end of their rate-tightening cycle. 'Fine-tuning is something that monetary policy is not very good at if the ultimate objective is to focus on inflation.'

'I called it the policy boogie ... you hike, you cut, you hold and you're just kind of giving signals that are hard to determine and hard for the market to understand why you're doing it.'

'Inflation expectations, in fact, are on the downswing even as some of these core and services prints have been more robust than we would have hoped for.'

JONATHAN HASKEL, EXTERNAL MPC MEMBER

June 12: He said the BoE is 'closely monitoring' indicators of inflation momentum and persistence, in an article for the Scotsman newspaper. 'My own view is that it is important we continue to lean against the risks of inflation momentum, and therefore that further increases in interest rates cannot be ruled out.'

May 25: 'I prefer to lean against the risks of inflation momentum. As difficult as our current circumstances are, embedded inflation would be worse.'

MPC MEMBERS WHO VOTED IN MAY TO STOP RAISING RATES

SWATI DHINGRA, EXTERNAL MPC MEMBER

June 13: 'The lags in monetary policy transmission imply that there is little we can do to affect inflation in

First-time buyer zero rate up to £425,000 only applies if buying a home costing £625,000 or less

*Transactions under £40,000 do not require a tax return to be filed with HMRC and are not subject to the higher rates

Stamp duty charge -

'If you have still a few years of low interest rates on your mortgage, if you fixed just at the right time as it turns out - recognise that there will be an adjustment over the medium term.

'It's a question of degree but direction is
'It's a question of degree but direction is
very clear.' Some experts caution that the Bank of England is going too far with rate rises - since their impact takes some time to be seen in the economy.

One member of the Bank's rate-setting Monetary Policy Committee, Silvana Tenreyro, has recently likened those 'hawks' pushing for more hikes to the 'fool in the shower' who scalds himself by impatiently turning up the heat before the water can warm up.

the immediate future.'

'There are reasons to suspect that policy transmission will be slower than previous cycles.'

SILVANA TENREYRO, EXTERNAL MPC MEMBER
MEMBER

April 14: 'We need to be patient (to see the effects of past rate increases). We don't want to get burned. We don't want to get an ice-cold shower.'

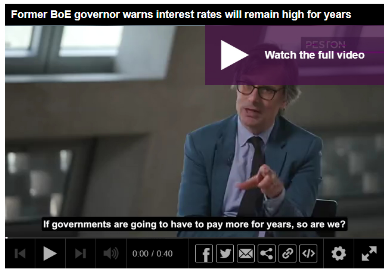
But Sushil Wadhwani, a former MPC member who now sits on the Chancellor's economic advisory council, today argued that more action was still needed in spite of the pain.

He told the BBC: 'It's very important for us to get inflation down if we want sustainable growth.

'In that sense it's important to continue administering the medicine in the form of higher interest rates, not withstanding the side effects because if we delay raising rates then we might find that the disease gets worse. And we might then find that we have to do even more and experience even worse side effects.'

Mr Wadhwani added that it was 'increasingly looking like inflation is embedded' - meaning that it is no longer the result of external shocks such as energy and food price spikes and instead driven by a cycle of wage and price increases.

Former BoE governor warns interest rates will remain high for years



A UK Finance spokesman told MailOnline today: 'At the moment, cost of living pressures and higher interest rates coupled with steep house prices are impacting affordability.

'Lenders carry out a thorough assessment ahead of any new borrowing to ensure mortgages are affordable in the long term. However, for anyone worried about their finances – your lender is here to help.

'We would encourage customers struggling to pay their mortgage to speak to their lender at the earliest possible opportunity, so they can discuss the options available for help.'

On products being pulled at short notice, the spokeswoman added: 'Movements in swap rates are outside the control of lenders.

'When there are changes lenders may have to pause or withdraw products at short notice both to manage service, and because increased demand will exhaust the funding allocated for the fixed-rate deals on offer.

'The banking and finance industry understands the impact of short-notice withdrawals on customers. Whilst changes to products are time critical, mortgage availability remains strong across all LTV (loan-to-value) bands.'

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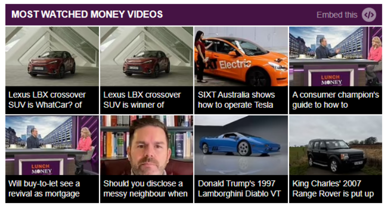

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Vinny777, London, United Kingdom, 7 months ago

Well done mr clueless Hunt, looks like your policies are really working .Luckily you won't last long and we can move on from your disastrous Governance here

Click to rate 0 0

mydaywillcome, WindsorCastle, United Kingdom, 7 months ago

Investigation by ONS showed the average wage in the UK is the same as it was 15 years ago. That's the problem and the Tories have been happy to let this happen.

Click to rate 1 0

fallulla, Pembs, United Kingdom, 7 months ago

In the 35 years I had various mortgages the payments were never less than 40% of my take home so maybe 30% of gross.

Click to rate 3 1

William4UK, Surrey , United Kingdom, 7 months ago

Thank you Mr Hunt and the BOE, it's official, UK Ltd is closed to investment, business and personal wealth, recession here we come