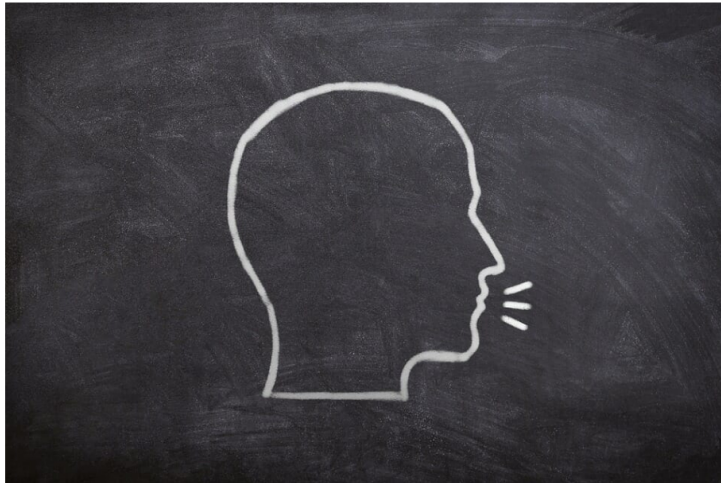


Mortgage and Property

ONS CPI: “This is a disaster” / “Mortgage brokers feel like the grim reaper right now” – reaction

by Brandon Russell | Jun 21, 2023

Share this article



Following the May inflation data published this morning, there has been an outpouring of concern for the mortgage and property markets.

In response to this, IFA Magazine have asked brokers, advisers and mortgage professionals for their thoughts on the situation.

Lewis Shaw, founder of Mansfield-based Shaw Financial Services: “This is a disaster. With CPI having stayed the same and core CPI rising, we can expect to see gilt yields spike as investors look for higher returns from government debt. This spells terrible news for the property market because the Bank of England will be under enormous pressure to hike rates tomorrow, almost certainly by 50 basis points. The knock-on effect is mortgage rates will continue to soar and the pain for households will intensify. With mortgage rates already at the most painful level since the 90s, we can expect a slowdown in the property market and house prices are well and truly in the crosshairs.”

Gareth Davies, director at Southampton-based broker, South Coast Mortgage Services: “With inflation proving more stubborn than first thought, it’s nailed-on that the base rate will increase once again on Thursday. You have to question the effectiveness of these continuous increases and the implications they have on people’s mortgage costs. Is pushing people to breaking point on their mortgage payments really justified simply to get inflation down a little more? Mortgage brokers feel like the grim reaper right now. Constantly having to tell people their biggest debt is about to jump by hundred of pounds a month, and there’s little anyone can do about it.”

Justin Moy, founder at Chelmsford-based mortgage broker, EHF Mortgages: “This is a disaster for inflation and the government this morning, and pretty much guarantees a 0.5% increase in base rate this week. The Bank of England has no other tools or means to attempt to reduce inflation, and lenders have already priced their products for this. The fear of god has already been put into borrowers this month, and there are plenty of panicking borrowers already this morning in my inbox screaming for help.”

Craig Fish, Managing Director at London-based mortgage broker Lodestone: “So the Bank of England’s program of interest rate rises is not having the desired effect on inflation. Even more worrying is that core inflation is increasing. Surely now is the time to take stock, change tactics and stop these increases, as they aren’t working. The Bank of England and government are on the brink of a mortgage and property market timebomb. The future of the economy is of vital importance and should be given more consideration. Tackling inflation is a marathon, not a sprint. I now fear there may be a 0.5% increase in the base rate tomorrow.”

John Choong, an equity and markets analyst at InvestingReviews.co.uk: “May’s inflation print is yet another disaster as the headline figure is left unchanged from last month’s 8.7%. This comes in higher than what the market had been expecting (8.4%). This hasn’t been helped by core inflation, which has risen to a high of 7.1%, pushed by air travel, recreational and cultural goods and services, and second-hand cars. Due to the hotter-than-expected print, it’s now extremely likely that the Bank of England will raise rates at tomorrow’s meeting, and even possibly by 50bps. Bond yields are now expected to rise to their highest levels since 2008, which will put even more pressure on mortgage rates and an already delicate housing market. The one bright spot, however, is that the price of motor fuel fell in May, while food inflation continues to slow down. Even so, the UK economy remains in big trouble as the Bank of England may have no choice but to trigger a recession by hiking rates rapidly, as robust discretionary spending shows no signs of abating.”

Riz Malik, director of Southend-on-Sea-based independent mortgage broker, R3 Mortgages: “The persistent 8.7% CPI inflation, coupled with rising core inflation, was certainly not the news we hoped for. It almost certainly signals an impending increase in the base rate tomorrow. Our hope is that the Bank of England will restrict its actions to a modest hike, preferably no more than 25 basis points given this data. This is not the data the mortgage market needs.”

Mark Grant of Gloucester-based business finance broker, The Business Finance Branch: “Stubbornly high inflation, stuck at 8.7% for the year to May, is looking like a ‘very British problem’. Spain’s inflation rate is in the low single digits

and rate rises were paused in the US after their May figure fell back to 4%. A 'mortgage time bomb' is part of the commentary around whether interest rate rises are still the right tool to fight inflation, or are adding to our problems. We polled over 800 SME business owners and directors this week asking if interest rate rises were working to control inflation. 70% answered No, with 17% saying it was too soon to tell, and 13% backing the rate rises as working. In their comments, businesses suggested interest rate rises are now doing more harm to the broader economy than good."

Gary Bush, financial adviser at the Potters Bar-based MortgageShop.com: "This latest inflation figure is terrible news for us all and sadly will start another round of mortgage rate crisis for at least the next month. We expect the Bank of England Monetary Committee to increase the base rate at lunchtime tomorrow by at least 0.5%, leading mortgage applicants onto very tricky ground. It's clear that the UK appears to be trading well but with this awful inflation rate still troubling us, the Bank of England is going to keep pulling on the rate increase lever. I think it's time for the government to look out of the box a little and work on other controls that they have within their grasp as beating the UK public over the head with higher interest rates is going to cause some real long-term pain unless they are careful. Troubling times are ahead."

Rohit Kohli, director at Romsey-based mortgage broker, The Mortgage Stop: "The inflation figures released this morning have stuck at May levels, which is bad news for everyone. This means that the Bank of England will almost certainly raise interest rates tomorrow, the only question is by how much. It is hoped that lenders have already factored in this potential rate increase, as there have been significant increases in rates over the past month. This could bring stability to swap rates and prevent frequent changes to lenders' products. However, if markets become unsettled due to this morning's inflation figures and swap rates begin to rise again, we may see further rate increases and falling house prices. The government must take tangible steps to support rising costs and spiralling interest rates, rather than just talking about halving inflation by the end of the year."

Benjamin Woodhouse, co-owner at Leighton Buzzard-based Balguard Engineering: "Inflation results are becoming irrelevant to construction businesses. Their rise over such a long time has meant we have already reacted. Any viable business that was able to do so will have given their staff pay rises already so the effects are now 'baked in' now. Meanwhile, the interest rates impact on mortgage availability is killing the housing construction sector and any hope of the government meeting its target on new houses being built. Large main contracting firms are going into administration every month, projects are being mothballed causing toxic shocks to the cashflows of entire supply chains throughout the country. RPI prices coming down is all well and good, but if businesses are failing and unemployment starts to rise, the effect will have a far wider effect on the economy."

Graham Cox, founder of the Bristol-based broker, SelfEmployedMortgageHub.com: "An unchanged headline inflation rate of 8.7% for May puts further pressure on the Bank of England. Worse still, core inflation has risen to 7.1%. These are disastrous figures, with a price/wage spiral helping to embed inflation into the UK economy. The Bank will have to raise the base rate yet again tomorrow, possibly by 0.5%. Andrew Bailey's position looks increasingly precarious. Frankly, he should go. He's been asleep at the wheel ever since inflation reared its ugly head, and now we're faced with interest and mortgage rates much higher than they needed to be."

Bob Singh of Uxbridge-based mortgage broker, Chess Mortgages: "This was probably the least favourable outcome. The only worse thing would have been an increase. Static inflation despite recent rate rises paves the way for further increases in the base rate tomorrow. An increase of 0.5% now looks on the cards and this will add to the recent volatility we have been seeing lately in the mortgage market."

Andrew Montlake, managing director of the UK-wide mortgage broker, Coreco: "The latest inflation data is set to upset an awful lot of people, leading to a new set of rates rises that will compound the pain of a cost of living crisis on the public. A further rise in Bank of England base rate is a nailed-on certainty, and there is now a real possibility they could panic and increase by a further 0.5% straight to 5%. The Bank has one job to do and it is painfully clear that the tool they are currently using is a blunted instrument against inflation that is now endemic. Rather than keep doing the same thing, they should pause for thought and look at a different approach before they inflict real harm on the economy and on people's livelihoods."

Amit Patel, adviser at Welling-based mortgage broker, Trinity Finance: "I expect the Bank of England will be split when they vote tomorrow but they will increase the base rate to try to curb inflation? The mortgage market is in freefall and what we need now is stability and order to be restored before we reach the point of no return and hurt millions of borrowers, renters and businesses up and down the country. Would this debacle have happened under Mark Carney's watch?"

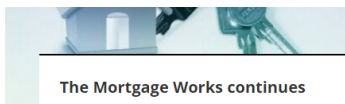
Matthew Jackson, director of Salisbury-based mortgage broker, Mint FS: "The simple truth is that the only tool the Bank of England has to combat inflation at the current time does not work. It is easy for the government to point at the war in Ukraine and spiralling energy prices and blame these for the pain being inflicted on the average UK household. However with the core inflation rate at its highest level in 30 years, this is pointing to a huge mismanagement of the overall economy. With 13 rate rises in a row, we now face the very real prospect akin to Covid that the cure is perhaps worse than the disease. How long can we look at a chaotic mortgage market before we take action?"

Share this article



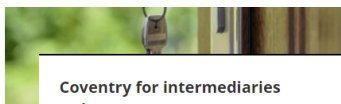
Related articles





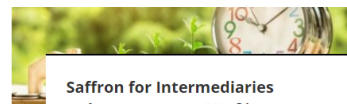
The Mortgage Works continues to cut rates

MORTGAGE AND PROPERTY



Coventry for intermediaries reduces rates

MORTGAGE AND PROPERTY



Saffron for Intermediaries reduces rates on 12 of its core products, including a 0.5% reduction in its 5-year fixed-rate self-employed mortgage

MORTGAGE AND PROPERTY

Sign up to the Mortgage and Property Newsletter

First Name *

Last Name *

Email *

SUBSCRIBE

If you are a human seeing this field, please leave it empty.

Trending articles



Leasehold and Freehold Reform Bill: Landlords and tenants unsure of how to tackle ground rent

MORTGAGE AND PROPERTY

The rental market is constantly shifting, and there are several property bills currently being discussed in Parliament that landlords (and t...



Sales of 30-year plus mortgages increase 13% in past year

MORTGAGE AND PROPERTY

...but borrowers risk paying far more interest over the long term The number of mortgages that last more than 30-years that have been sold to...



Four Trends That Will Shape the Wealth Management Sector in 2024

BUSINESS AND DEVELOPMENT

Written by Niles Vaidya, Global Industry Head of Retail Banking and Wealth Management, Capgemini The wealth management sector continues to...



Inheritance business boom: One in five business owners use inheritance to kickstart their business, Charles Stanley

DIGEST

The bank of mum and dad has a huge part to play in funding many UK startups, with 20% of businesses funded by inheritance and a further 19%...



Employers urged to turn Blue Monday into an opportunity for wellbeing support

INVESTMENTS

With this Monday, 15 January 2024, being Blue Monday, Towergate Health & Protection is urging employers to turn this negative into an op...



UK house prices decrease by 2.1% in the 12 months to November 2023 - Industry experts react

MORTGAGE AND PROPERTY

Following the latest ONS House Price index update that showed that average UK house prices decreased by 2.1% in the 12 months to November 20...



Five years of leveraging the entire UK equity market's potential

INVESTMENTS

Written by Chris McVey, Senior Fund Manager on the Quoted team at Octopus



Investments Five years ago, I became a father, and launched a new...



Lifetime mortgages helped homeowners to improve rather than move last year; what does 2024 have in store for the equity release industry?

MORTGAGE AND PROPERTY

New data from Legal & General Home Finance shows that home improvements continued to be the primary reason that new equity release custo...



Blue Monday: Unhappy employees experience two weeks a year of presenteeism

DIGEST

Unhappy employees, on average, spend 9 days working a year even though they are unwell and unable to perform effectively. Research from WPL...



MPowered Mortgages launches 0.30% cashback on all mortgages up to £1.4m

MORTGAGE AND PROPERTY

17th January - MPowered Mortgages, the prime residential mortgage lender using technology to speed up the mortgage process, has today launch...



IFA Talk Mortgage & Property Podcast

IFA Mortgage and Property is the new addition to the IFA Talk podcast family, where we discuss the latest topics relevant to Mortgage and Property professionals.



DISCOVER MORE PODCASTS

News

- Latest News
- Business and Development
- Economy
- Insurance and Protection
- Mortgage and Property
- Podcasts
- Regulation and Compliance
- Digest

Investments

- Investments
- GBI - Great British Investments
- Tax Efficiency
- Retirement
- Open Offers

Publications

- Publications hub
- IFA Magazine
- Mortgage & Property Magazine
- Special Supplements
- Annual Reports

About

- About Us
- Newsletter sign up
- Advertise
- Family Office Bulletin
- Terms and Conditions



© IFA MAGAZINE 2023. ALL RIGHTS RESERVED.

