mortgage & property investment magazine

Mortgage and Property

Mortgage and Property experts comment as Bank of England hikes base rate to 4.5%

by Sue Whitbread | May 11, 2023

Share this article

Today's announcement from the Bank of England that UK base rates are to increase by 0.25% from the previous rate of 4.25% to a new rate of 4.5%, must hardly come as a surprise. Today's move signals the twelfth consecutive time since December 2021 that the Bank's Monetary Policy Committee (MPC) has hiked bank rate to the highest level since 2008. It focuses on the Bank's aim of reducing inflation back towards it's 2% target, however the impact on house owners and mortgages is set to add to the pain that the cost of living crisis is already delivering for millions of Brits.

Mortgage, property and other finance experts have been sharing their views on what the latest hike means for property markets and borrowers with IFA Magazine as follows:

According to **Kevin Dunn, Mortgage and Protection Adviser at Furnley House**: *"This was expected, and I think the fact 5 of 7 voted for the increase suggests it might not be the last we see of these rises in the next few months.*

"Borrowers coming off fixed-rate deals or currently on variable-rate mortgages, will see increases pretty immediately. I would urge those clients and anyone with deals ending in the next 6 months to review their mortgage deals.

"I think this will have little impact on the markets as it has already been priced in, however, the fact things are happening as expected should give us a sense of stability.

"Lending rates are still historically seemingly good value, and with there being no shortage in terms of demand for properties, I can't see it having any real effect on property prices."

Riz Malik, Director at R3 Mortgages comments: *"Today's base rate increase will have left millions of households and businesses worried about the future. However, we urge everyone to view this development in light of the Bank's projections for the medium-term. The Bank's current forecasts suggest that the Consumer Price Index (CPI) inflation is likely to decline to just above 1% over the next two to three years, which is below the standard 2% target. While the present situation may seem challenging, these predictions indicate a potential deceleration in inflationary pressures, suggesting a more favourable economic landscape ahead. The task at hand is to persevere through the difficulties of the present moment to reach the promising prospects that lie ahead."*

Adam Oldfield, chief revenue officer at Phoebus Software, says *"Although it's not what anyone wanted to hear, today's increase in base rate is as predicted. The trouble is that the fight to bring down inflation using interest rates has so far not proved to be particularly effective or speedy. We are all dealing with rising prices at every turn, and that is unlikely to change in the foreseeable future.*

"The knock-on effect for the housing market is that with each rate rise affordability becomes more of an issue for many borrowers, especially those on SVRs. Whether lenders will pass on this increase immediately is the question. Or was this increase already priced in? The market has been particularly buoyant recently so it will be interesting to see if another rate rise make potential buyers pause."

Gary Bush, Financial Adviser at MortgageShop.com said: *"In our opinion, the Bank of England increase should have been a more harsh .50% to attempt to smash the inflation rate hold that is over the UK. We are also wondering if the Bank of England shouldn't look to alter their meeting calendar, as a special measure, to have them fall behind the latest inflationary data – they would then be able to take a more poignant response rather than acting in advance of this data. I don't think this will affect borrowers or property transactions as UK lenders have been factoring in this level of increase for the past 10 days or so. Obviously, this can fall as better news for savers as long as they are investing with an institution that passes down any bank base rate increases in a timely manner. I note that the sterling to Euro and Dollar have nudged in the right direction of late."*

Ross Boyd, CEO of Dashly said: *"Inflation is stubborn so it's no surprise that the MPC has been left with no other option than to increase the interest rate rise in a bid to get this to come down again. But knee-jerk reactors should not panic. Lenders have been building these increases into their rates for months now and it's unlikely that these will go up again.*

"What we're seeing instead is more innovation coming through. We've already seen Skipton bringing 100% LTV mortgage, Natwest and Virgin both announced deals which allow the borrower to switch to a better deal. With less buyers in the market, lenders need to find innovative ways to entice customers in and are looking at ways to differentiate themselves to win new customers.

"Has the base rate now peaked? Our data shows that anything higher than 4.5% could really cripple the mortgage market and grind the property industry to a halt. Last year we saw first-hand what a quick rate rise does to the market. But the MPC needs to seriously consider what impact a further rise is going to have on a market that is already buckling under pressure."

Mark Tosetti, Partnerships Director of ONP Group commented: *"There is a feeling across the market that interest rates will go down in the second half of the year, and we all hope this is the last of twelve consecutive rises.*

"If this is the case, it will provide certainty regarding the cost of borrowing in the market, including swap rates. We hope this will in turn drive an increased availability of products to further meet the needs of consumers.

"We are already starting to see increased demand in the remortgage market in the second half of the year. If competitively priced products become available, consumers might be less inclined to stick with standard variable rates."

Graham Cox, Founder at Self-Employed Mortgage Hub comments: *"This was not an unexpected rise, but is certainly an unwelcome one for many homeowners as well as first-time buyers. The Bank of England is also signalling inflation will fall more slowly than expected, so it's possible we could see one or two more base rate increases in the coming months. The base rate could hit 5%. Would-be buyers should be wary of overpaying as I think house prices will fall 15% over the next year or two. They're simply too expensive right now."*

Mike Stimpson, Partner at Saltus said:*"The interest rate increase to 4.5% announced by Bank of England is going to have a continued impact on millions of mortgages holders across the UK. For those who are on a variable rate (around 1 in 5) the impact will be immediate albeit only a 25bps increase on their current rate. For the 1.4 million households who have a fixed term coming to an end in 2023, they will see a significant increase in their monthly payments going forward, as around 60% of these were fixed below 2%.*

"Interest rate increases driving mortgage rates have already been affecting the population. Saltus' latest Wealth Index report revealed 78% of the 2000 people surveyed envisaged monthly mortgage repayments rising to a level that would place strain on their cashflow. High-Net-Worth Individuals (those with over £250,000 of investable assets) are also not immune to the impacts of these changes, as more than eight in ten (84%) of those with a mortgage said rising interest rates will place (39%) or had already placed (45%) a strain on their cashflow – with the biggest group impacted those aged between 35 – 44 years old.

"In terms of financing these changes, respondents cited reducing personal spending, cutting down on travel, reducing pension contributions and swapping from a repayment to interest only mortgage. One in four HNWI respondents (25%) said they would sell other assets to finance rising mortgage costs in the event of significant rate rises and 20% of wider respondents said they would sell other valuable assets, such as cars, to help fund their mortgage – which sends the message loud and clear as to the scale of impact these increases are having."

Managing Director of Barrows and Forrester, James Forrester, commented:

"*It's clear that the Bank of England's aggressive approach to managing the economy via a string of interest rates simply isn't working and it's the time the government stepped in to make Britain grow again.*

A twelfth consecutive increase will do little to stimulate the property market, with buyers left with little choice but to offer less due to the squeeze on affordability. If sellers wish to sell, they also have little choice but to accept the current reality of what their home will fetch in the market.

However, the real worry is for those coming off a fixed term having previously secured a very favourable rate. The sharp rise they will experience in the monthly cost of their mortgage will be a real source of anxiety and many will be wondering just how they are going to manage."

Adrian Anderson, Director of property finance specialists, Anderson Harris said:

" The never-ending story of interest rate rises continues today with the Bank of England's decision to set rates at 4.5%, resulting in yet another blow to borrowers."

"Stubbornly high inflation has seen interest rates continue to soar for well over a year and the landscape has changed once again since the last MPC meeting in March, offering a bleaker outlook for inflation as banks raise mortgage rates and tighten their lending criteria meaning many cannot borrow as much as they could this time last year.

"After 14 years of historically low mortgage rates, today's announcement is more bad news for many existing homeowners. The cost-of-living crisis coupled with the prospect of higher mortgage payments has prompted an increase from clients looking to move to interest-only mortgages in an attempt to soften the blow.

"What next? Who knows, and that is part of the problem. Uncertainty could stall the housing market. High interest rates, and in turn, high mortgage rates, seem to be hanging around for longer than maybe many expected and with 1.4 million households on fixed-rate deals ending this year, concerns over an increase in payment defaults in the future is very real."

Simon Webb, managing director of capital markets and finance at LiveMore, the lender for people aged 50 to 90+ said: *"The 0.25% increase in the Bank of England base rate to 4.5% was not unexpected and the money markets have priced this in. The last time the rate was this high was in October 2008 when governments were bailing out banks due to the global financial crisis.*

"This rise is the 12th consecutive increase reflecting the persistence of high inflation. Although food costs remain high, the fall in wholesale gas prices and petrol could ease inflation a little, and although we have not gone into recession the economy is still volatile.

"The jury is out over whether there will be another hike upwards in base rate when the MPC meets next month. The MPC's report today states an expectation of the base rate peaking at 4.75% in Q4 2023 before falling back down to 3.5%."

Head of Corporate Partnerships at Sirius Property Finance, Kimberley Gates, commented:

"A twelfth consecutive interest rate hike will come as a blow to the nation's homebuyers who will now see the cost of securing a mortgage climb that little bit higher at a time when they are already struggling with the wider cost of living.

We expect that interest rates will continue to rise before they fall, with the general consensus being that they will peak at five percent and so it looks set to get that little bit bleaker, before it gets any better."

Amit Patel, Adviser at Trinity Finance said: *"This is a recipe for disaster. Was this the right decision? Absolutely not. The latest hike will inflict more pain and misery on borrowers up and down the country. Inflation is expected to dip in the coming months and wholesale energy prices have fallen. This will push more people into debt and poverty. Borrowers who are on a tracker or variable rate will see their repayments increase immediately."*

John Phillips, national operations director at Just Mortgages said: "*We were all hoping that inflation would fall and negate the need for this rise but it remains stubbornly resistant to a variety of financial instruments although economists are still predicting it will fall significantly by the end of the year.*

"However, on a positive note, reports from our brokers across the country are of strong interest in new mortgage applications and many lenders are lowering rates and tweaking criteria to make products more accessible to borrowers. House price growth has slowed but there is no sign of any significant drop which was on most commentators lips this time last year. As a result, confidence in the housing market remains strong and professional advice from brokers is helping borrowers get the mortgages they need for the houses they want."

Stuart Collar-Brown, director and co-founder of My Auction, believes there could be further rises on the horizon commenting: *"There is nothing surprising about today's interest rate announcement and it doesn't look like we've seen the last of this yet. Inflation remains stagnant and with interest rate rises the only tool in the Bank of England's armoury, they will be left with little choice other than to keep increasing the base rate until inflation starts to nudge down again.*

"The agents in our network are telling us that its cash buyers that are getting the best deals for properties right now. Sellers are favouring them, even taking a lower price, just to get the security of getting the deal done rather than choosing a buyer who could pay a little bit more, but would need a mortgage which would take longer to get approved."

James Thompson, Director at Becketts FS Ltd commented:*"Managing inflation is important for borrowers with variable rates. Lockdowns decreased shorter-term debts, but high servicing costs can harm small businesses and real estate ventures. The housing market has stabilised and existing debts should be manageable, but capital markets are watching for signs of a potential pause in rate hikes."*

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 *

First Name

Last Name *

Last Name

Email *

Email Address

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

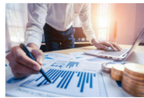
MORTGAGE AND PROPERTY

...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 Nilesh 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

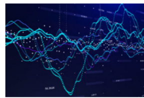
INVESTMENTS

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 WPI...

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

IFA Talk Mortgage & Property Podcast

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.