

NEWS

Mortgage rate cuts continue despite economic fears

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By Kevin Peachey
Cost of living correspondent

Mortgage rates are continuing to fall despite some concern that upheaval in the Red Sea could hit the UK economy.

The average rate on a two-year fixed deal has dropped to 5.62% compared with 5.93% at the start of the year, according to financial information service Moneyfacts.

HSBC and HatWest cut some rates on Tuesday, with Metro Bank and TSB also announcing reductions.

Analysts expect the benchmark interest rate to be cut during this year.

The interest rate on a fixed mortgage does not change until the deal expires, usually after two or five years, and a new one is chosen to replace it.

Doing nothing would leave people on a variable rate, which is very expensive - with an average rate of more than 8%.

About 1.6 million existing borrowers have relatively cheap fixed-rate deals expiring this year.

How much could my mortgage go up by?

How much are you borrowing?
 £

How long will you take to pay it back?
 years

What is your current...
 interest rate monthly payment
 %

Choose an interest rate to compare with...
 %

Calculate

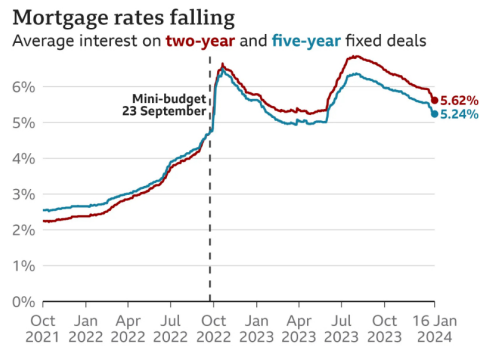
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 Interest rates fluctuate based on the Bank of England's base rate and market conditions.

Speaking on the BBC on Monday, Mohamed El-Erian said disruption to vessels using the Red Sea and wider unrest in the region could have an impact on the economy.

Dr El-Erian, president of Queens' College, Cambridge, and chief economic adviser at financial services giant Allianz, said: "Relative to what would have happened otherwise, we will see higher inflation, higher mortgage rates and lower growth."

"In absolute terms, however, it is nothing compared to what we had in 2021 and 2022. This shock is not going to be as big but it is unfortunate."

Despite the warning, many analysts expect that the falling rate of inflation will lead to the Bank of England cutting the benchmark interest rate on a number of occasions this year.



That has been held at 5.25% in recent months following 14 consecutive increases.

Those predictions have helped bring down lenders' funding costs, and to create more competition in the mortgage sector.

"To see Metro Bank reducing their rates by a fair chunk demonstrates the feelings of lenders at the moment. The mortgage rate price war rages on," Gary Bush, adviser at MortgageShop.com told the Newspace service.

The average rate on a five-year fixed deal, which stood at 5.55% at the start of the year, has now fallen to 5.24%.

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the year, was now at 3.24%, according to Moneyfacts.

Rates are well down on last summer, but remain much higher than many homeowners became accustomed to for a decade until late 2021.

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What happens if I miss a mortgage payment?

- If you miss two or more months' repayments you are officially in arrears
- Your lender must then treat you fairly by considering any requests about changing how you pay, such as lower repayments for a short time
- They might also allow you to extend the term of the mortgage or let you pay just the interest for a certain period
- However, any arrangement will be reflected on your credit file, which could affect your ability to borrow money in the future

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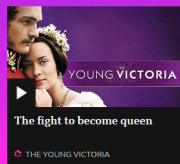
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