BUSINESS

Mortgage rate rises branded 'March madness' by brokers as banks hike home loan costs

HSBC among the lenders lifting the cost of home loans the day after it reported record annual profit

THE COST OF HOME LOANS IS GOING UP AGAIN, EVEN WITH THE BANK OF ENGLAND EXPECTED TO CUT BASE RATES THIS YEAR (YUI MOK/PA)

PA WIRE

MICHAEL HUNTER, MARKETS REPORTER
5 MINUTES AGO

House hunters and mortgage brokers have reacted angrily to news that a string of big-name lenders are hiking the cost of home loans, even with Bank of England base rates expected to fall later this year.

The moves from the likes of HSBC, Santander and TSB have been described as a "handbrake turn" and "March madness" for hard-hit consumers, already struggling with the cost-of-living crisis and an economy that has tipped into recession.

From tomorrow, HSBC will lift the interest rate on its mortgages but has not revealed an exact figure. It gives brokers 24 hours notice that rates are going to move before the final decision on the level kicks in. Tomorrow's rise is expected to apply across the high street lender's fixed-term and loan-to-value mortgages and will affect new and existing customers who are not on a fixed-rate package.

Similar moves have already been announced this week at a series of lenders, including building societies. They come as the swap rates in wholesale financial markets, which influence how much it costs lenders to offer deals, have been drifting higher amid concern that predictions of the timing and pace of base rate cuts from the Bank of England have been overblown.

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The mortgage rate hikes represent s reversal from earlier in the year when they were coming down on deepening expectations of BOE base rate cuts.

The latest moves have proved controversial, not least for HSBC, which only yesterday reported record annual profit of more than $30 billion (£24 billion) for 2023.

Mortgage broker Michelle Lawson, speaking to the Newspage agency, said "January saw joy, February fluctuations and, based on the current trajectory, madness will define the mortgage market in March."

Gary Bush, a financial advisor at MortgageShop.com described it as "a handbrake turn in montage rates", branding it as "very worrying". He added: "We are seeing a bit of a lag in the general public knowing that the tide has quickly turned. Enquiry levels are still good but ... buyers have yet to latch onto the rate bounce. This makes for an awkward expectation management discussion."

There are now now generally advertised mortgage rates under 4% on the market. HSBC was he last lender offering that, at 3.99%, but that rate will go up tomorrow.

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According to the financial analysis firm Moneyfacts, the average five-year fixed-rate mortgage is now priced at 5,3%, up from 5.2% last week.

The Bank of England took base rates to a 16-year peak at 5.25% by last August after 14 consecutive rises, designed to fight double-digit inflation. It has left them on hold ever since and City experts predict cuts to start later this year, to boost the economy which is now shrinking in a technical recession.

An HSBC UK spokesperson said today: "We're firmly focused on supporting customers to move onto or up the property ladder or renew their mortgage with us. There are a number of factors taken into account when setting mortgage rates, including swap rates which have increased, and like other providers we are having to reflect that in our mortgage rates."

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