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Nationwide finally cuts mortgage rates – while another ups its prices

Global uncertainties have prompted some experts to suggest that higher interest rates may be around for a while yet



Nationwide has followed its rivals by cutting mortgage rates (Photo: Jonathan Nicholson/NurPhoto)

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Santander has become the first major lender to announce an increase in mortgage rates after a surprise rise in inflation last week.

A selection of the bank's standard residential fixed rates will increase by up to 0.20 percentage points for purchase and remortgage clients from Wednesday.

The changes were announced as the UK's biggest building society, Nationwide, said it was cutting its prices, bringing it closer in line with competitors.

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The other five "big six" lenders, including Santander, reduced their prices in the first weeks of 2024, following data in December which showed that inflation was falling faster than expected.

But global uncertainties have prompted some experts to suggest that higher interest rates may be around for a while yet.

Last week, the consumer prices index (CPI) measure increased for the first time since February 2023 – from 3.9 to 4 per cent.

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Santander is withdrawing all residential first-time buyer exclusive fixed-rate deals that come with £500 cashback.

Its 90 per cent LTV three-year fixed rate at 5.18 per cent with no product fee for purchase clients is also being pulled.

Rohit Kohli, director at The Mortgage Stop, told the news agency Newpage: "We are going to see some ups and downs over the coming months from lenders so these kinds of minor setbacks are inevitable."

"Inflation rose unexpectedly, if only marginally last week, giving lenders pause for thought but a day or two later the retail sales data for December was published and was dreadful, which will highlight the fragility of the economy to the Bank of England.

"The one positive to take out of it all is that lenders are fighting to lend money after a poor 2023 but how long it lasts is anyone's guess."

Lewis Shaw, founder of Mansfield-based Shaw Financial Services, linked the rise to the conflict in the Red Sea, where shipping vessels have been repeatedly attacked by Houthi rebels.

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The Institute of Export and International Trade has warned that the disruption to trade routes will fuel inflation, increasing the cost of supermarket items in the UK.

Mr Shaw said: "Some rate increases were always on the cards, and we've been trying to warn of this over the past two weeks after swaps and gilt yields rose in response to the double whammy of higher-than-expected inflation numbers and the developing conflict in the Red Sea.

"Until we have more positive economic data showing inflation cooling and the conflict in the Middle East finds a solution, the rate war is, by and large, finished.

"This year's mantra for prospective buyers or those needing to renew is 'don't count your chickens'. We are not yet out of the woods, and black swans are seemingly becoming more frequent."



Standard residential fixed rates will increase by up to 0.20 percentage points for purchase and remortgage clients (Photo: Vincent West/Reuters)

Meanwhile, Nationwide announced cuts of up to 0.81 percentage points on selected rates and the introduction of a new range of fixed and tracker rate products with a £1,499 fee from Wednesday.

The changes will make Nationwide's five-year remortgage fix at 3.84 per cent the cheapest on the market.

For first-time buyers, the new range includes a two-year fixed-rate mortgage at 4.56 per cent for people with a 15 per cent deposit, with a £1,499 fee.

Henry Jordan, Director of Home at Nationwide Building Society, said: "As one of the largest lenders in the country, we remain as committed as ever to supporting borrowers.

"These latest changes mean we are now offering sub-4 per cent rates for the first time in eight months.

"These reductions will ensure that we have some of the lowest rates on the market for all types of borrowers whether it be first-time buyers, home movers or those looking to remortgage or switch deal."

Welcoming the news, Gary Bush, financial advisor at the Mortgage Shop, said: "Great to see Nationwide catching up with the competition and lowering their rates by up to 0.81 percentage points.

"That's eye-watering and leading the High Street at a time when other lenders are marginally increasing their fixed rates.

"The timing for competitor lenders, who have been seen dropping twice a week in some cases, is bad - which makes Nationwide Building Society win the strategy award for January." ■

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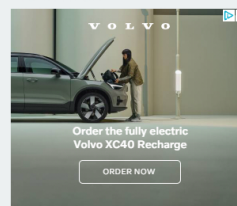


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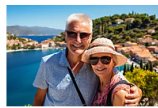
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