



RYAN POWLER LEAD STORY NEWS RESIDENTIAL MORTGAGES 30/09/2023

Brokers react to "curveball" week for mortgage market

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The mortgage market saw a sudden shift in outlook last week as [higher than predicted inflation](#) figures left the door open to further interest rate rises.

Following the recent mini-Budget, many believed the mortgage landscape was improving steadily.

However, the Chancellor's indication that he is comfortable with the possibility of higher rates, despite the risk of recession, has caused significant worry amongst professionals.

Free PR platform [Newspage](#) asked brokers their views on last week's changes. Here's what they had to say...

Jamie Lennox, director at Dimora Mortgages:

"For many mortgage holders, it may have felt like the outlook was improving week on week following the mini-Budget, only to have that rug ripped out from below their feet. Last week, the mortgage outlook went from benign to bleak very quickly.

"With the Chancellor openly stating he is comfortable with the idea of higher rates despite the risk of recession, this will be hugely worrying and uncomfortable for the everyday people of this country who already have their backs up against the wall.

Adam Smith, founder at Alfa Mortgages:

"Last week was undeniably a whirlwind on the mortgage front. Sudden and unexpected notices from lenders regarding their product ranges to the influx of anxious queries pouring in from buyers, our team was navigating through a range of emotions and this looks set to continue this week. Nevertheless, this kind of volatility is to be expected given the current state of the economy."

Edward Checkley, managing director at Advias:

"Last week was without doubt a curveball. Homeowners will be unaware of what is to come. Swap rates have risen significantly over the course of the past month, meaning fixed-rate mortgages will be increasing very shortly.

"The Bank of England base rate is also now expected to reach 5.5%. There is more pain ahead for borrowers until inflation has come down significantly. Just when you thought it was safe to come out."

Gary Bush, financial adviser at MortgageShop.com:

"The UK has sadly become one of the most negative outlook countries in the world. We dodged a recession and it's clear Germany is in real trouble with theirs. Things are by no means perfect but the UK needs to wake up and be optimistic as it could be a lot worse than it is at the moment."

Scott Taylor-Barr, financial adviser at Carl Summers Financial Services:

"The mortgage market has, and always will, ebb and flow depending on the wider economic climate. With the news that inflation is remaining stubbornly high and that the Bank of England will likely need to increase rates further, lenders have seen the cost of money increase and have had to respond by increasing rates, sometimes at very short notice.

"Financial markets don't mind change, they do however react badly to surprises, which is what we saw with last year's "fiscal statement" and now again with the latest inflation data.

"So, as a rule of thumb, if ever the news leads with "in surprising economic news..." expect interest rates to swing quickly and by a reasonable amount, be that for better or worse."

Riz Malik, director at R3 Mortgages:

"Despite falling inflation which we have all been desperate to see, the recent spike in mortgage rates is cause for concern. Those renewing mortgages in the remainder of 2023 should brace for a potentially bumpy ride in a challenging economic climate."

Justin Moy, managing director at EHF Mortgages:

"Last week was certainly a difficult one to be positive about. Just when you see headline inflation fall, and utility bills improving, you would have thought that would be better news for everyone. Sadly, the underlying price of cucumbers and olive oil seems to have wreaked nearly as much damage on mortgage rates as the mini-Budget.

"Are we really going to see the base rate at 5.5%, or is this just a minor wobble with a return to normality in the next few weeks? Who knows, everyone is nervous and it's uncomfortable. It shouldn't take a Mediterranean salad to kill our economy, but it does need some dressing to make it more palatable."

Lewis Shaw, founder & mortgage expert at Shaw Financial Services:

"If you thought last week was bad, this week could be even worse. I, for one, can't cope with another round of the mortgage conga. Some of my colleagues say I'm professionally pessimistic, and there may be an element of truth to that.

"However, looking at the financial data is like staring up at a mountain, knowing there's going to be an avalanche imminently, and being unable to do anything about it. I just hope I'm wrong."

Katy Eatenton, mortgage & protection specialist at Lifetime Wealth Management

"Last week wasn't a great week, that much is certain. However, for now at least, things aren't as bad as they were at the end of 2022 and, with the correct support and advice, homeowners and future homeowners will still be able to find a manageable solution for their mortgages. Strangely, inflation is down to single digits, which was supposed to stabilise the base rate and it seems to have had the opposite effect."

Rhys Schofield, managing director at Peak Mortgages and Protection:

"In the grand scheme of things, it's not that bad off the back of rates gradually creeping down since the winter. Rates go up and down depending on the market and we're just in one of those weeks where lenders are seeing each other repricing and reacting to address what's going on in the market.

"You also have to factor in that no lender wants to end up being too cheap so as to hoover up all the mortgage enquiries in the land and drown in an administrative pit of despair."

Graham Cox, founder at SelfEmployedMortgageHub.com:

"Last week's higher than expected inflation rate figure put the cat among the pigeons. UK Gilt yields are now higher than Italy's, swap rates are rising and lenders are increasing mortgage rates again.

"With the Land Registry recently announcing the largest fall in house prices in March for over 20 years, it doesn't paint a pretty picture. Market analysts are now predicting the Bank of England base rate could rise to 5.5%. However, it was only a year ago the same analysts predicted base rates would end up at 3%, so take that with a healthy pinch of salt."

Amit Patel, adviser at Trinity Finance:

"Last week was up there with the debacle of the Truss/Kwartang mini-Budget and was fuelled by economic uncertainty not only in the UK but in the USA.

"Congress will have no choice but to reluctantly reach an agreement to increase the Government borrowing limit to prevent an economic disaster not only on US soil but globally.

"Lenders will be watching very closely to see how the events unfold across the Atlantic. Reflecting this, Aldermore has decided to withdraw all products across its entire buy-to-let and residential owner-occupied range."

Ross McMillan, owner/mortgage advisor at Blue Fish Mortgage Solutions:

"While the headlines may at first seem a little scary for homeowners or prospective buyers, knee-jerk reactions to such unexpected blips in data or fiscal events will almost always result in poor outcomes. What happened in the second half of last week was undoubtedly a tremor under the already slightly wobbly foundations of the UK mortgage market.

"However, the lessons from the mini-Budget debacle of 2022 should be that this volatility will almost certainly be a short-lived and temporary storm that will pass.

"Fueled by pessimism, speculation and fear, a rash by some to secure deals months in advance after the mini-Budget fallout has proven a costly mistake for many and so it's vitally important that similar rash decisions are avoided this time."

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