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Who do brokers blame for mortgage crisis? – analysis

by John Fitzsimons

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The media, the government and th come under fire by mortgage brok the ongoing difficulties in the mor

Recent weeks have seen stark jumps in the lenders regularly pulling their ranges and repricing as a result of rising swap rates.

And while the media came in for criticism from advisers, there was far harsher judgements of the decisions made by both the government and the BoE.

Many problems would disappear if the press stopped covering mortgages

The role of the press in the situation was highlighted by brokers. Gary Bush, financial adviser at MortgageShop.com, pointed out that the mainstream press was not to blame for the BoE being too slow in increasing base rate or the lack of faith of the markets in the government, but "too much doom and gloom from the press does create public unease".

This was echoed by Rhys Schofield, director of Peak Mortgages and Protection, who noted that "bad news sells", and argued that sections of the press should "get less frothy about rates" and instead do more to hold the government to account.

"Where is the pressure for them to actually act and help, or analysis of the real reasons we have a stubborn inflation problem?" he added.

The vast majority of problems faced by brokers would disappear if newspapers stopped writing about mortgages for a month, suggested Mike Staton, director of Staton Mortgages.

He continued: "The media in the UK is notorious for finding the worst in things; we as a nation need to buckle up and ride through the storm. We will see better times in the future, we just won't hear about them as much in the media." A host of brokers suggested it would be welcome if the press reported on falling interest rates with the same fervour as increasing rates.

Sabrina Hall, mortgage adviser at Kind Financial Services, explained: "There was a period of time recently where rates were reducing – albeit slowly – but the general feeling from my clients was that they were still increasing. The media had reported the increases and when they stopped increasing they just didn't report at all so everyone just assumed that they were still increasing."

What is the government doing?

However, while the press came in for criticism, brokers were far more likely to point the finger of blame at the authorities, and specifically the government and the BoE.

Staton suggested the mortgage market was being "mismanaged", and that it was the fault of the government.

"Inflation is not going to drop whilst the population is still being ripped off by energy companies and fuel companies. But whilst these profits are lining ministers' pockets then why should they do anything to reduce them?" he added.

Lewis Shaw, founder of Shaw Financial Services, said the blame for the current situation lies squarely with the government.

He noted that inflation had been made worse by the war in Ukraine and Brexit, but the biggest issue was the way the government had printed and distributed money during Covid, with no mechanism for getting it back after the pandemic.

He continued: "You can't put that much money into the system without generating an inflationary crisis. The problem is fiscal policy, and the only people responsible for that are the current government. The BoE is being scapegoated, and now we are facing one hell of a recession if they continue to hike rates up to six per cent as markets are predicting."

Bank of England is following 'proven failed policy'

Samuel Mather-Holgate, independent financial adviser at Mather and Murray Financial, said the finger of blame was pointed at the BoE, as the governor "has lost his mind" with the latest base rate rise likely to tip the UK into a "severe, protracted recession".

He continued: "These rate rises have battered homeowners and renters, as mortgage rates push up rents. It makes no logical sense as it's a proven failed policy of trying to handle inflation caused by supply shocks."

The BoE was also "pure and simple" to blame in the view of Luke Thompson, director of PAB Wealth Management, who suggested that some of the current issues would have been avoided if the Bank had "moved faster and harder" with base rate increases from autumn 2021.

He explained: "Everybody at the time could see that we had an overheating housing market yet the BoE appeared to be asleep at the wheel. In the long term I do feel that Andrew Bailey will need to pay for this negligence with his job to get the financial markets trusting the Bank again."

Are Bank of England and government equally culpable?

However, some brokers made the case that both had played an equal role in leaving the market in its current difficulties.

Graham Cox, founder of SelfEmployedMortgageHub.com, noted that the country is facing a housing and cost of living crisis "and neither the BoE nor the government seems to have any clue how to get inflation back in its box".

He argued that both were "equally culpable," and because of how "slowly and timidly" rates have been increased, they will now need to go higher than would have otherwise been necessary.

This was echoed by Jamie Elvin, director of Strive Mortgages, who suggested the handling of the situation by both the government and BoE had been "nothing less than negligent".

He continued: "The decision to raise the base rate from 0.1 per cent to five per cent in a short period was always likely to cause irreparable damage and has thus far had little to no impact on inflation."

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John Fitzsimons

John Fitzsimons is a freelance journalist and has been writing about money since 2007. A former editor of Mortgage Solutions and loveMONEY, he has written for titles including the Mirror, the Sunday Times, the Sun and Moneyweek, covering everything from bank accounts and mortgages to football season tickets and rare coins.

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J John Azopardi 7 months ago

The more the media report on this - the better! The quiet emergency that has been growing in the mortgage market for the last year is now devastating for many borrowers. What is the Government doing? Surely its not beyond their wit to devise a system, administered by the lenders, where specific borrowers get assistance with emergency tax relief on payments for a specified, reviewable, period of time. They did it on energy - why not mortgages?

A Arron190 7 months ago

Sadly, because they need people to have less money in their pockets to combat inflation. If the Government gives them money (our money) then it will simply perpetuate the problem. We had the good times during lockdown and now comes the hangover. It is a shame everyone was not complaining 3 years ago.

A Arron190 7 months ago

Bank of England is the culprit for most of it. 1) Failed to deal with LDs despite repeated warnings for 14 years they would be an issue if base rose. Had to spend £50bn to fix the problem but managed to blame Truss, even though the bail out was before the budget. 2) Did not realise basic economics that printing money causes inflation and so printed £500bn for Covid. 3) And instead reduced interest rates to 0.5% instead of raising. 4) Then took until Dec 21 to start increasing rates despite inflation rocketing in the preceding months, but managed to blame the Ukraine War that started Feb 22. 5) 13 rate rises and inflation still not falling is akin to the definition of madness, but it still does it anyway. 6) Does not realise base rate rises have a modest effect on inflation, over over half of homes are owned outright; and only 7% of mortgages due to renew this year.

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