



Base rate rise: How does it affect my mortgage?

In March 2023, the Bank of England announced an increase to its base rate by 0.25%, rising to 4.25% in the eleventh rise since December 2021. Inevitably, this will affect everyone throughout the UK. So what does it mean and how does it affect your mortgage?

What does this mean?

Approximately 2.2 million people in the UK are on variable rate mortgages, either on a base rate tracker, discounted-rate deal or a standard variable rate (SVR). For those on a tracker, directly following the base rate, payments will soon reflect the full rise. SVR's change at the lender's discretion, although most will go up.

Over 6 million mortgages are on fixed-rate loans. For those on a fixed-rate mortgage, the base rate increase won't

affect their deals until they come to the end of their product term.

For some that might be in a few years' time, for others this could be in the coming months or weeks.

How will it affect my mortgage?

We are well into 2023 and as the squeeze on cost-of-living continues, it may seem like your finances are restricted. If you are one of the 6 million UK homeowners on a fixed-rate mortgage, you won't have to consider a change

until the end of your deal so there is plenty of time to plan ahead. The base rate rise could lead to everyday items becoming cheaper, helping you save a few pennies.

What about new mortgages?

It's been a challenge for many searching for new fixed-rate mortgages, whether for their first property or replacing a deal. Despite lenders gradually reducing the cost of their fixed-rates, there are best-buy deals available that are cheaper. You may be tempted to wait for rates to fall, but trying to predict interest rates could cause problems.

For more information, contact your adviser who can support you and discuss the options available to you.



If you'd like to discuss the options available to you, contact your adviser today.

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