

Mortgage clients want to fix for longer as interest rates rise again

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A second interest rate increase in three months has led to a rise in those looking for longer-term fixed mortgages, according to a local lender.

The Bank of England increased the base rate to 0.5% on Thursday 3 February in a bid to combat surging inflation across the UK. The rise marks the first back-to-back increase since 2004, following the jump from 0.1% to 0.25% in December 2021. There are further expected increases in line with inflation, with the next Monetary Policy Committee (MPC) meeting as soon as 17th March 2022.

Ed Jones, Head of Lending for the Channel Islands at Butterfield, said that the rising figure combined with inflation is leading islanders to re-evaluate their finances, including their mortgage provision.

“As the financial landscape changes so does the range of mortgage products on offer,” said Ed. “Lenders will now be adjusting their rates in response to the Bank of England’s move, and this will have ramifications for borrowers.

“So far in 2022 we’ve already seen a greater demand for longer-term fixed mortgage products, such as 5 or 10-year fixed offers. These increased timescales offer long-term fixed affordability for what will be many clients’ most important asset.

“Knowing what your rate will be in the long-term aids financial planning, and allows people to budget using a fixed cost. This can be especially important when the news is full of headlines about the more variable costs that effect the cost of living – such as energy bills.”

The Bank of England is forecasting that inflation will rise to 7.25% in April, signalling an anticipated increase in the cost of household bills, food, services and goods.

Adjusting the interest rate is one of the ways the Bank of England controls the UK economy and the recent increases are designed to encourage saving and help meet the Bank’s target of having an inflation rate of 2% within two years.

Ed said: “In the grand scheme of things, interest rates are still relatively low, so now is a good time to look at your current mortgage and move from a tracker to a fixed-rate, or fix to a new rate if your previous fixed term has expired.

“At Butterfield over two-thirds of our clients are favouring fixed over base rate trackers as they anticipate further increases in the base rate over the course of 2022. We aim to respond to all enquiries within two days, as we realise how quickly the mortgage situation is evolving and want to provide borrowers with the information they need as quickly as possible.”

Butterfield offers a range of products with flexible lending criteria, efficient on-island decision making and quick turnaround of facilities.