Mortgage and Property

Bank of England: record withdrawals from banks and building societies – "consumer confidence being hit for six" – reaction

by Brandon Russell | Jun 29, 2023

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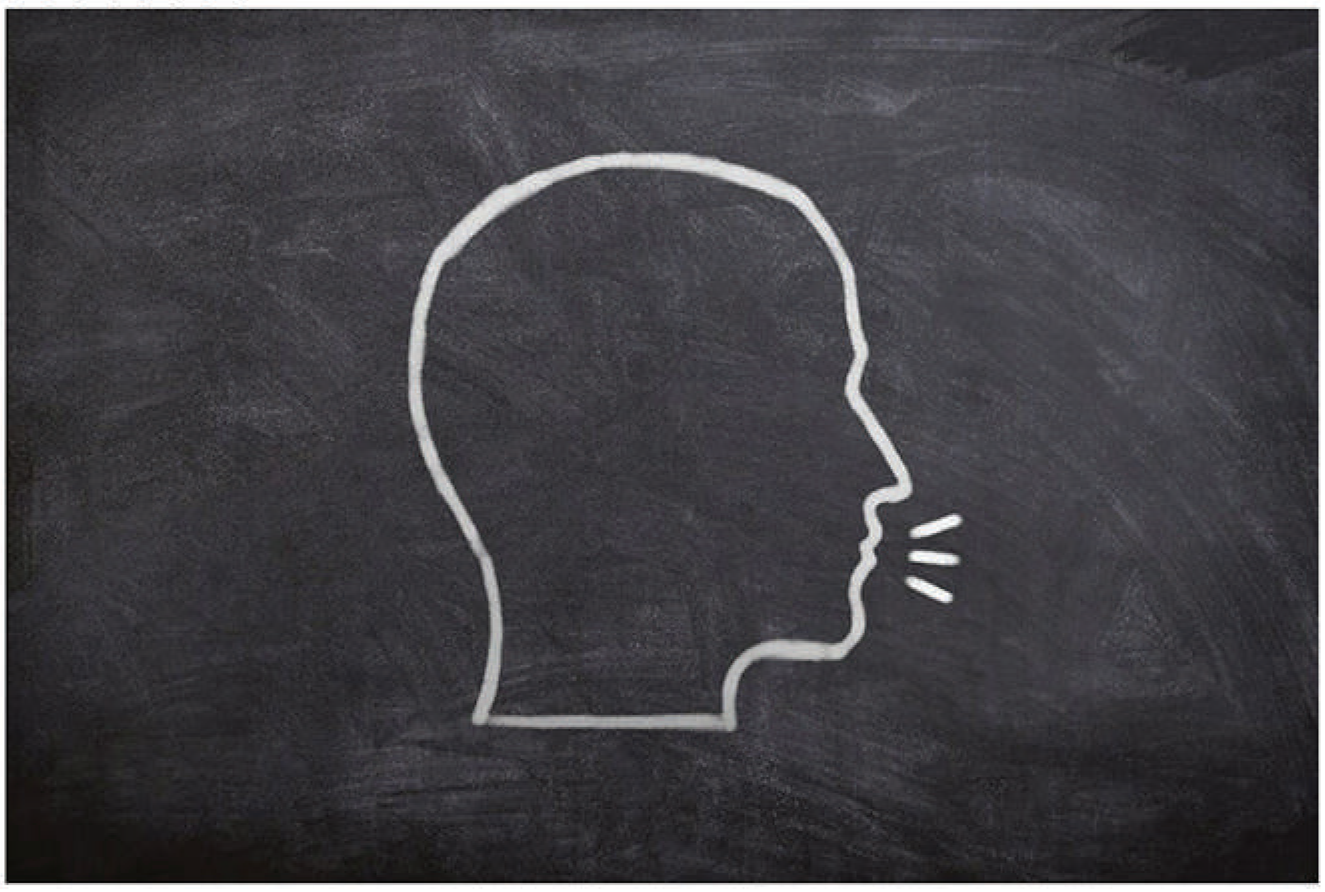

Following the Bank of England's Money & Credit report published this morning, showing a slight uptick in mortgage approvals and a record level of bank and building society withdrawals, mortgage brokers and advisers have commented.

Paul Welch, CEO at London-based LargeMortgageLoans.com: "The record level of withdrawals from banks and building societies shows the amount of strain being placed on people as the cost of living crisis continues and the base rate rises ever higher. With mortgage rates continuing to rise and affordability being squeezed, mortgage approvals will almost certainly start to fall as fewer people can afford to buy. Even the rich and famous are worried about interest rates and mortgage costs so it's unimaginable for everyday people. For example, if you're an employee of a company you can't go out and earn an extra £10,000 or £20,000 a year. If you run the maths on a £500,000 mortgage and the rate goes from 2% to 6%, an increase of 4% per annum, you would need to earn an extra £20,000 a year. How is that possible without getting second and even third jobs? It's horrendous."

Ranald Mitchell director of Norwich-based independent mortgage broker, Charwin Private Clients: "Mortgage approvals for house purchases may have increased slightly in May but we have definitely seen signs of a slowdown in June. There may be seasonality in this but the more likely cause is consumer confidence being hit for six by all the base rate increases. First-time buyers will be worst affected as their confidence is shaken but there are plenty of experienced landlords and cash investors out there ready to snap up the right opportunities. I expect a slowdown in new mortgage applications over the coming months, with first-timers and upsizers sitting tight and waiting to see what happens. Our view is that rates will peak at around 6.5% in April 2024, pushing high street mortgage rates into the high sixes or low sevens. Mortgages in 2024 will be unrecognisable from those in 2022. People who have time remaining on their ultra-low rates need to make lifestyle adjustments, as they know what is coming. Many will be looking at their RS Audi and thinking an Audi will now do. Unpleasant decisions lie ahead. The fact that withdrawals were so high highlights the pressure households are under."

Ross McMillan, owner at Glasgow-based Blue Fish Mortgage Solutions: "The slight uptick in approvals in May could be undone by the June figures next month. Things have deteriorated further since then. Signs are emerging that the sluggish housing market experienced in other parts of the UK is now beginning to impact Scotland as well. Increased media coverage of rising interest rates and overall volatility in the mortgage market have naturally instilled hesitation and heightened concerns among prospective buyers. However, first-time buyers – apart from grappling with renewed affordability challenges – continue to be active and largely unfazed by negative sentiment or the challenges faced by existing homeowners remortgaging who are now facing significant jumps in their monthly payments. Landlords are battling with stress testing, elevated rates and burdensome regulations and this has resulted in a virtual obliteration of buy-to-let purchases. Hope for a relatively calm rate environment during the summer exists but the fate of the market for the remainder of 2023 largely depends on inflation exhibiting the positive movement that is substantial enough to inspire confidence."

Austyn Johnson, founder at Colchester-based Mortgages for Actors: "I appreciate we cover a niche type of borrower, but for now we're still pretty active. I've made considerably more residential mortgage applications than buy-to-let this year, though, as investors are extremely wary at the moment. Personally, I've just remortgaged, from 1.56% to 5.89%. Not fun, but due to the previous stress testing, I can still afford it. I may, however, need to cut down on 'small pleasures', which is what I am advising my clients to think about, too."

Justin Moy, founder at Chelmsford-based mortgage broker, EHF Mortgages: "Application numbers have been more all less steady all year, but the mix of those we have helped has changed in June. Emphasis has been on refinancing or just reserving a new deal in advance of their current rate expiry. Around 75% of our applications have been for product transfers, with several anxious clients having to jump from rates below 1% to over 5%. There are plenty of buyers out there still, and for those moving within the local area we have seen prices reduced, but that reduction has been quite uniform so the trade-up gap between sale and purchase prices has remained similar to other years. Porting has been popular whilst clients look to utilise their longer-term deals on new purchases. There seems to be quite a sweet spot of low-rate expiries around the end of 2023 and into early 2024, so the current mix of product transfer and remortgage business looks set to continue for a while yet. Buyers are waiting, not disappearing."

Graham Cox, founder of the Bristol-based broker, SelfEmployedMortgageHub.com: "As a business, May and June have seen steady levels of mortgage transactions. However, we've seen a marked slowing down in new buyer interest over the past couple of weeks, no doubt due to the worsening inflation and base rate forecasts. Remortgage enquiries remain strong, as people look to secure a new deal before rates rise even further. For those who delay, or allow themselves to be moved onto the lender's SVR, the pain could be acute, potentially paying 3-4 times the interest rate they were on previously. The next six months are likely to remain challenging, as prospective buyers wait for both house prices and interest rates to fall. The former is almost certain, the latter not so much."