Mortgage and Property

"My heart sank" reaction from financial services, mortgage experts and small business owners to today's 0.5% rate hike

by Sue Whitbread | Jun 22, 2023

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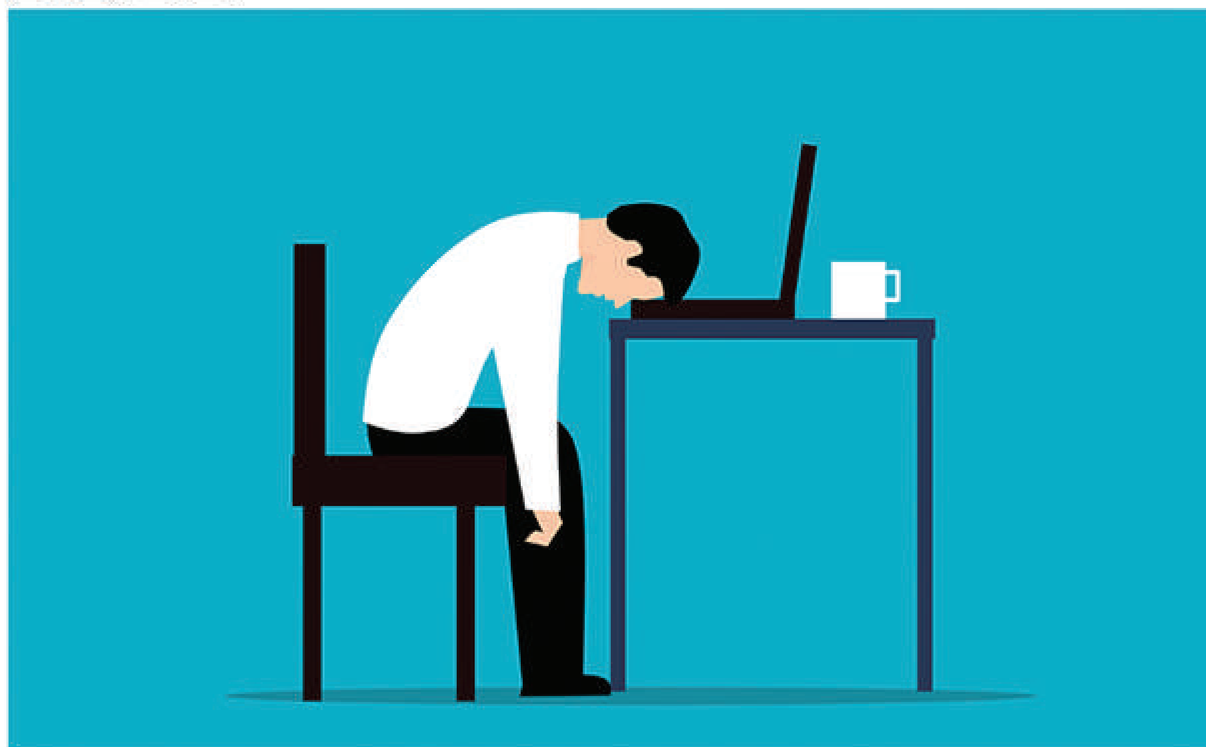

Following the Bank of England rate decision published today, Newspage has sought the reaction of mortgage brokers, money experts, estate agents and small business owners on what it means for them and their clients. Needless to say, it's not been welcomed as good news as their comments show below:

Will Rice, CEO of residential mortgage lender, Generation Home: "The immediate impact of this hike will be to lenders' standard variable rates, which react most often in proportion with the base rate increase. Lenders may boast that they're not passing the entire increase along to their SVR customers, but unless they are passing along the benefit of those high interest rates to their savings customers, it's all just lip service. Another SVR increase could put some households in serious financial difficulty. The other immediate impact will be changes to lenders' affordability calculations. Following a base rate hike, lenders might choose to offer less to mortgage applicants. Aspiring buyers who could afford their dream home on Wednesday may not be able to on Thursday. The right kind of mortgage support could lessen the burden of this extremely difficult landscape on homeowners. But any solutions need to support renters, too, who are also facing extremely high monthly payments and even less security than homeowners."

Hamish Anderson, CEO at the Cambridge-based global payments and forex provider, Money Mover: "My heart sank for the small businesses of the UK when I heard the announcement from the Monetary Policy Committee at midday today. While we expected another rise, it's becoming clear that the Bank of England can no more hold back inflation than King Canute could control the tides. To continue to increase base rates robotically seems like a futile act bordering on self-harm. The traditional economic rules are clear. You counter inflation by raising interest rates. This raises the cost of money, reduces consumer spending power and encourages suppliers to lower the cost of their products. However, it is a blunt instrument and the Bank is overlooking unique factors that mean the traditional rules do not apply. The drivers of inflation (the war in Ukraine, the impact of Brexit and Covid) are beyond the reach of the tools it has at its disposal. Raising interest rates in the UK will not cut the cost of fossil fuels or reduce the cost of trading with Europe."

Kevin Dunn, mortgage and protection adviser at Leicester-based financial planner and mortgage broker, Furnley House: "The mortgage fixed rate markets seem to have already priced this in, so I would not expect any further great changes beyond what we have seen over the last month. Although clearly not welcome for mortgage holders, I believe this was the correct call, as the previous rate changes have had little effect on curbing inflation. The definition of insanity is do the same thing and expect a different outcome. Hopefully this means those in charge may be sane after all."

Mark Grant of Gloucester-based business finance broker, The Business Finance Branch: "This further increase of 0.5% in the Bank of England base rate to 5% is another serious body blow to UK businesses. It will get passed on in full and immediately to commercial borrowers. Non-bank lenders will see their own funding costs increase, so the end business borrower will see their cost of borrowing increase more than 0.5%. We see many clients using business finance to afford the upfront costs of taking on new work and opportunities. This rate increase will stifle productivity, growth and business confidence, in turn affecting GDP in the wider economy."

John Lamerton, bestselling business author and lifestyle business owner at Big Idea Ventures: "The Bank of England seems determined to push us into recession. Small business owners have already had to survive Covid lockdowns, inflation-busting outgoings in the form of suppliers and staff, and a cost-of-living crisis causing customers to drastically reduce spending. This latest rate rise could well be the final nail in the coffin for many small business owners."

Kundan Bhaduri, director of London-based property developer and portfolio landlord, The Kushman Group: "This latest hike, without a doubt, could slow down the property market as potential buyers scuttle away. As for savers, they get to do a victory dance. Higher interest rates could mean a little extra cha-ching in their savings accounts. It's like finding a forgotten twenty-pound note in the back pocket of your jeans. Sadly, the value of those extra returns will be overshadowed by inflation. It's like winning a dance competition, only to realize you spent more on sequined costumes than the prize money itself. Investors and the markets are left doing a jittery jive. The rate hike introduces a dose of uncertainty, leaving property investors to ponder whether to tango or tiptoe out of the market."

Michelle Lawson, director at Fareham-based broker, Lawson Financial: "This rise to 5% is not a surprise given the speculation following the inflation announcement yesterday. Not great for borrowers with tracker rates, and businesses with tracker-linked commercial finance who will all see rises to their outgoings and costs when things are already increasing. Hopefully this rise will be passed on for those with savings too. The next decision is due 3rd August. If inflation and CPI remains unchanged between now and then we could see this rising further. Clearly what is being done isn't working so at what point does this stop and do the Bank of England and Government think of a change of tack?"

Ashley Thomas, director of London-based mortgage broker, Magni Finance: "Not surprisingly, the Monetary Policy Committee have significantly increased the base rate. You would hope this would get inflation under control quicker. This will have an impact on people who are on tracker rates and those looking to remortgage in the next six months."

Joe Garner of residential and commercial property consultants, Joe Garner Consulting: "It seems the Bank's attempt to bring inflation down has taken a hilariously futile turn. It's as if they're playing a game of whack-a-mole, but instead of moles, it's prices that keep popping up everywhere. They swing their mallets with all their might, but each strike only seems to send prices soaring higher. It's like they're using a feather duster to fight a hurricane. Maybe they should try a different approach, like hiring a team of clowns armed with water guns to cool down the overheated economy. It's a comedy of errors that leaves us wondering if the government and Bank of England are secretly moonlighting as a stand-up comedy troupe, because their attempts at tackling inflation are nothing short of a hilarious pun."

Gary Bush, financial adviser at the Potters Bar-based MortgageShop.com: "The inflation figure is to blame for the 0.5% increase in the Bank of England base rate today, well that and the Bank being too cautious back in December 2021 when the increases should have been whole numbers like 1%-2% to truly hit the early signs of inflation. The London and South East property markets will slow to a grinding halt now I think. Any growth will be in the areas of the UK that still have cost-effective properties of small portions to incomes (North East/North West). Savers will "eventually" benefit from this 0.5% hike."

Samuel Mather-Holgate of Swindon-based advisory firm, Mather & Murray Financial: "The Bank of England governor has lost his mind. This rate rise will tip the UK into a severe, protracted recession. 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. Sunak should have Bailey's P45 in the post tonight."

Paul Welch, CEO at London-based LargeMortgageLoans.com: "The saddest thing is that many people are trapped in a situation that isn't of their own making and are fearful of rising mortgage payments. With base rate now at the highest level since 2008, the markets are predicting a peak at 6% in February next year. However, the stories of expected house price crashes are way off the mark, I feel. I think there will be a house price correction after many years of cheap borrowing, but don't panic, stay calm and plan for the long term. Your home is your home so take the long view. If it becomes unaffordable in the short term, then speak to an adviser about your options and work out a plan to keep hold of your home. I think the pain will be relatively short-lived, 6 to 9 months perhaps, so it's a case of just trying to get through this phase. Most lenders and advisers want to step up and support you by offering help such as mortgage payment holidays or extending your mortgage term. Don't suffer quietly, ask for help."

Amit Patel, adviser at Welling-based mortgage broker, Trinity Finance: "The ticking time bomb has finally exploded with devastating consequences for borrowers, renters and business owners. By hiking the base rate to the highest level for 15 years, the Bank of England will now effectively force the UK into a recession. The journey ahead looks bleak and it will get much worse before it gets better. Real pay for the majority of people in the country has been flat and, due to the rising cost of living, their disposable incomes has significantly reduced so I cannot see them as being responsible for pushing prices up. Fundamentally there are 3 reasons why inflation is stubbornly high: Brexit, profiteering by banks, energy companies and in the food supply chain, and the Bank of England. What we need is the Bank of England to cut interest rates. Clearly the interest rate hikes so far have failed to curb inflation, and are causing real hardship for the citizens of the UK. Rishi Sunak said he wanted to halve inflation by the end of 2023. He only has six months left."

Riz Malik, director of Southend-on-Sea-based independent mortgage broker, R3 Mortgages: "The Bank of England demonstrated today its unwavering commitment to reaching the 2% target, regardless of the potential fallout. Even with the knowledge that their previous hikes haven't effectively penetrated the market, they persist in initiating actions that could potentially steer the country into a recession. This situation mirrors one of the gravest financial crises since 2008, a challenge that seems to perplex both Downing Street and Threadneedle Street."

John Choong, an equity analyst at InvestingReviews.co.uk: "Considering the hot inflation print yesterday and core inflation hitting its highest level since 1992, it's no surprise to see the Bank of England raise interest rates by 50bps to 5%. Considering that two members voted to keep rates unchanged, there's certainly a glimmer of hope that the BoE won't hike rates to the 6% the market had initially been expecting. This is because some members of the committee are acknowledging the lagged impact of rate hikes on the economy and mortgages. Nonetheless, this will be heavily dependent on wage growth and how quickly lower food and energy costs flow through to retail prices to cool inflation in the coming months."

Elliott Culley, director at Hayling Island-based Switch Mortgage Finance: "This rate rise was expected and a 0.5% increase was nailed on after inflation figures stayed the same. Wages are also increasing so inflation is proving difficult to manage. If we remain an outlier to other developed countries then new methods for bringing down inflation should be looked at."

Craig Fish, Managing Director at London-based mortgage broker Lodestone: "As expected, a 0.5% increase is a clear signal that the Bank will continue along this rather worrying path. With the MPC votes split at 7/2, it seems that more increases may well be on the cards. I suspect that we may well see a raft of lenders quickly increasing their rates now, which is going to have a significant impact on borrowers' ability to pay their mortgages, and as such it looks like property prices may well start to decrease more quickly."

Justin Moy, founder at Chelmsford-based mortgage broker, EHF Mortgages: "The increase announced this lunchtime of 0.5% will do little to dampen the inflation figures for the UK. In fact, it only increases costs for businesses, who pass on those extra overheads to consumers through higher prices. More mortgage rate increases will eventually slide us into recession, which may be the plan if there is one in place. Time for the government to take clear action on its own issues and prices, as this is not a global problem anymore. The base rate has become the stick to beat the economy with, not to improve it."

Luke Thompson of King's Lynn-based PAB Wealth Management: "I think the 0.5% increase will catch some people out as the consensus seemed to be that they would only raise the rate by 0.25%. This increase is going to continue the squeeze on borrowers whose previous low fixed-interest mortgages are coming to an end. Savers should benefit from this increase in the interest rate but as we know banks and building societies are much slower to pass on the increase in interest rates to savers. It seems to me that if we continue with these rate rises, we will end up being pushed into a recession as there will be a tipping point and as there is a lag between increasing interest rates and them taking effect. We don't really know what effect the previous interest rate rises have had on the economy. I don't think it was the right decision. The Bank should have been more hawkish when they originally started raising interest rates and I feel the horse has already bolted in relation to taming inflation with the use of interest rates."

Ross McMillan, owner at Glasgow-based Blue Fish Mortgage Solutions: "After the disappointing data around inflation yesterday, it was inevitable that the perpetual attack on borrowers in pursuit of the mythical Golden Fleece of 2% inflation would continue, regardless of the lack of any real evidence that the effect of the previous rate rises has been allowed time to filter through and be measured and assessed yet. Given its predictability, lenders and markets have largely already priced in the relentless hammering of the same nail that the Bank of England continues to pursue, so the effect on fixed rate mortgages now that it has actually happened will likely be negligible. With approximately six weeks until the next MPC meeting, it must be hoped that inflationary data begins to finally show a positive movement and jaded borrowers can obtain some respite, but with optimism for a swift recovery to happier times waning, sadly it seems like the second half or 2023 will be a challenging one for individuals and the UK housing market as whole."

Lewis Shaw, founder of Mansfield-based Shaw Financial Services: "This is the one thing we didn't want to happen, but we knew it would. We're in here for the long haul, and the property market was already teetering before this decision. We're into the end game now. Good luck."

Marcus Wright, managing director of Bolton Business Finance: "The Bank of England has made it clear they will send us into a recession if needed to fight inflation and this latest rise will do exactly that. They are raising rates too fast without allowing time for previous rate rises to feed through to the economy. Small businesses are facing increased borrowing costs and insolvency is on the rise. This is not going to end well."