Average five-year fixed rate surpasses 6% - Moneyfacts

Lenders and brokers react

By Rommel Lontayao
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The average rate for a five-year fixed mortgage has breached the 6% mark – the highest it has been since November last year, according to financial information company Moneyfacts.

With the average five-year deal reaching 6.01%, both the two-year and five-year fixes are now above 6% for the first time since the effects of the market turmoil caused by the mini budget last September were felt.

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The average two and five year fixed mortgage rates are above 6% for the first time since November.

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Two-year fixes, which breached the 6% average weeks ago, are now at the 6.47% average rate.

Since May, a number of lenders have withdrawn products as a result of increased swap rates. Many of them have already returned to the market, usually with higher product rates.

The Bank of England has also raised – for the 13th consecutive time – the base rate, which also forced other lenders to increase interest rates as well.

"This is a very unusual time," remarked Peter Dockar, chief commercial officer at fintech residential mortgage lender Gen H. "This volatility is difficult for us to manage as a lender, because it is completely outside our control, and we see the negative impact this is having on homeowners and aspiring buyers alike.

"As fixed rates go up, so too do variable rates and SVRs – and things may still get worse before they get better. We're doing everything we can to support our mortgage customers – as all lenders should – but homeowners and homebuyers also need and deserve better support from the government."

Paul Welch, chief executive at London-based LargeMortgageLoans.com, said that as long as swap rates – the rates which banks pay to borrow money – remained high, fixed rates for mortgages will continue to rise.

He also mentioned the problem of persistently high inflation figures, remaining at 8.7% in May – far from the government's target of 2%.

"If core inflation doesn't come down significantly this month, or God forbid rises, then interest rates and swap rates will continue to go up and up," Welch stressed. "It gives me no pleasure to say that we could realistically see some fixed rates reach 7% before the summer is out."

Lewis Shaw, founder of Mansfield-based Shaw Financial Services, however, pointed out that while the Moneyfacts figure is great for showing trends, it can be "a little misleading."

"No one has an average mortgage rate, they have a specific one," he said. "The current range of five-year fixed rates, excluding direct-to-consumer products and most specialist lenders, is between 5.19% to 7.47%, spanning the entire loan-to-value spectrum.

"So, while Moneyfacts are right about the averages, it's vital that consumers understand there is a large range of options, many of which are below 6% if they have a good deposit or chunk of equity in their property."

Imran Hussain, director at Nottingham-based Harmony Financial Services, agreed with Shaw.

"This kind of data can be very misleading as there are plenty of deals under 6% for five-year fixes," he stated. "That being said, anyone with six months left on their current deal should start reviewing their options now and look to secure a deal. The mortgage market is moving fast."

Justin Moy, founder at Chelmsford-based mortgage broker EHF Mortgages, added that while it is true that there are still plenty of five-year deals below 6%, the trend, as shown by Moneyfacts, is worrying.

"Quick action to secure a new deal is essential," he said.