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Thomas Krych / Zuma Press / Avalon

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Mortgage rates climb and ‘realistically’ we could ‘see some fixed rates reach 7%’ before summer is over

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On Tuesday the average two year fixed mortgage deal is now 6.47% which is up from 6.42% on Monday amid the continued market volatility.

The typical rate on the market was up 6.01% on Tuesday compared to 5.97% the day before, according to Moneyfacts.

This comes as the Bank of England raised interest rated by half a percentage point to 5% last month for the 13th consecutive time.

There i warning that “realistically” we could see “some fixed rates reach 7%” within the next few months.

Paul Welch, CEO at London-based LargeMortgageLoans.com said,”As long as SWAP rates, the rates which banks pay to borrow money, remain high, then fixed rates for mortgages will continue to rise.

“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.

"It gives me no pleasure to say that we could realistically see some fixed rates reach 7% before the summer is out.

"Currently, 10 and 15 year SWAP rates are the best value for money, so if you like the stability of a fixed rate and you can afford to fix for the long term, then you could try a 10-year fixed rate mortgage, with a rate of less than 5% currently."

Samuel Mather-Holgate of Swindon-based advisory firm, Mather & Murray Financial: said, "Now isn't the time to fix for longer. Certainty of repayments and the ability to budget could cost you dearly in the long run.

"Interest rates are inverted over 2, 5 and 10 years with the cheapest of these being 5.89% (Halifax), 5.36% (Virgin) and 4.94% (HSBC) respectively.

"This is a sign that the market thinks rates will come down and The Plank of England, Andrew Bailey, will have to reverse his devastating rate hikes that have seen so much pain applied to homeowners.

"The next inflation print should show a significant fall, with fuel, food and energy bills all on the decline. This could be a significant moment for the mortgage market as lenders race to be top of the best buys table."

Lib Dem MP and Treasury spokeswoman Sarah Olney said the government needs to do more in response to climbing mortgage rates.

She said, "This is yet more mortgage misery for homeowners on the brink.

"Rishi Sunak asking homeowners to hold their nerve is sounding more tin-eared by the day.

"It shows this Conservative Government is just totally out of touch.

"Conservative ministers sent mortgages spiralling through all their chaos and incompetence, now they are refusing to lift a finger to help."

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