Bank votes to hold base rate by 7-2

The Bank of England has voted to hold the base rate at 0.5% by seven votes to two.

Monetary Policy Committee members Ian McCafferty and Michael Saunders both voted for a rise, arguing that pay growth was rising, presenting risks to inflation.

However the rest, including Governor Mark Carney, felt the committee was better waiting for May economic forecasts before acting.

Danny Belton, head of lender relationships, Legal & General Mortgage Club, said: “Today’s news means rates remain near historic lows, but there is still the potential for another rise in the coming months, and some borrowers may be worrying about how this will impact their finances or mortgage repayments.

“For those in this position, speaking with a mortgage broker is a sensible first move.

“Not only will they be able to provide reassurance and explain how this increase may impact finances, but will also help determine what steps, if any, to take.”

Paul Welch, founder and chief executive of largemortgageloans.com, felt a rate rise in May is on the cards.

He said: “Borrowing rates have been unrealistically low for a decade and – unless we see a drastic change in the economy – the industry and our business is fully prepared for an interest rate rise later this year, most likely in May.

“The slow increase in rate rises echoes the strategy employed by the US Federal Reserve and we believe is needed to correct the market, which is currently overvalued.

“As interest rates normalise, asset bubbles created by the artificially low interest rates will correct themselves.”

Craig Inches, head of rates & cash at Royal London Asset Management thought not increasing the base rate was a missed opportunity and that there’s a 75% probability of rates rising in May.

He said: “Today’s decision not to raise rates was a missed opportunity in our opinion. With real wage growth moving into positive territory for the first time in over two years, strong retail sales (despite the adverse weather conditions) and some welcome progress on the Brexit negotiations, the uncertainty that has concerned the Bank in recent months is beginning to be demystified.

“The markets were warned in February that rates would rise ‘faster and sooner’, the question we’d ask is why the Bank thought it necessary to wait until May.

“The probability of a rate rise now stands at over 75% following the vote today, sterling has risen in recent weeks from £1.37 to £1.42 and gilt short gilt yields have risen to the highs of the year.

Inches added: “Given these moves and in light of the recent slew of positive data, the economy is clearly ready for a rate hike in May, but it would have been just as ready today!

“In the meantime the Bank continues to buy gilts via the APF facility and is massively distorting the shape of the yield curve, which is detrimental for pension funds and an accident waiting to happen further down the line.”