British homeowners scramble to remortgage as interest rate rise looms

Rush for dwindling supply of fixed-rate deals as Bank of England is expected to increase base rate this week

A quarter percentage point increase in the base rate would add more than £20 to a typical £175,000 mortgage. Photograph: Dominic Lipinski/PA

Householders have been scrambling to grab fixed-rate mortgages before Thursday's expected interest rate rise, which would lead to the first increase in monthly loan payments in a decade.

Staff at the big mortgage brokers have reported a "busy last few days", and say they are expecting more calls this week as householders with base-rate-linked loans try to insulate themselves from the anticipated increase.

The banks and other loan providers have been quietly dropping the best fixed-rate deals before Thursday's announcement by the Bank of England.

A 0.25 percentage point base rate increase to 0.5% would add £22 per month to a typical £175,000 mortgage. The small rise would be a milestone, marking an end to a decade in which payments have only fallen. One investment group has estimated that as many as 8 million Britons have not seen an interest rate rise in their adult lives.

Paul Welch, who runs largemortgageloans.com, which specialises in arranging loans above £500,000, said there had been a significant jump in remortgaging queries in the last 24 hours. One in 14 borrowers has a mortgage of more than £500,000.

“After a decade of low rates, remortgaging is becoming a hot topic again and clients are seeking our advice on whether to fix their mortgage rates now, before a prospective rate rise,” Welch said. “Although some mortgages have been pulled from the market, there are a number of options still available and money will be in the system at a lower interest rate for a few weeks to come. There’s still time to act but do it as soon as possible.”

Peter Gettins, product manager at Bath-based London & Country Mortgages, agreed things had picked up in recent months. “Remortgage applications this month are already more than 20% up on September’s total, and 60% up on last October. There’s certainly been a substantial increase in inquiry levels, on the back of rate speculation, combined with lenders withdrawing products. We’re probably seeing withdrawals of deals from three or four lenders a day at the moment,” he said.

Gettins said those looking for a five-year fixed-rate mortgages had been hit hardest. “A couple of weeks ago the Yorkshire building society, HSBC and Sainsbury’s were all offering five-year mortgages [at about] 1.50%. Now, there are a handful left under 1.75%. It feels like we’re starting to see a domino effect where each withdrawal pushes a new lender to the top. They quickly get oversubscribed and in turn withdraw their deal, and so it goes on,” he warned.

Ray Boulger, at rival broker John Charcol, played down talk of a last-minute rush, mostly because borrowers who actively manage their mortgage had spent the last few months locking into “rock bottom” rates.

Earlier this month, UK Finance, a trade association representing banks and other mortgage lenders, said gross mortgage lending in August was up £1.2bn on July’s figure. Home movers borrowed £8.4bn – 18% more than in July, while first-time buyers borrowed 16% more in August than the month before.

Speaking at the time, UK Finance’s head of mortgages policy, June Deasy, said that the last year had seen the highest number of people remortaging since 2009. “With mortgage rates close to historic lows and the likelihood of a rise in official rates moving closer, the popularity of remortgaging looks set to continue,” she said.

However, homeowners have been here before. Back in 2013, thousands of householders switched to more expensive fixed-rate mortgages before a similarly predicted rate rise, only for the Bank of England to stick with 0.5%. The next move was actually another cut, from 0.5% to 0.25%, in August 2016 in the wake of the Brexit vote.

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https://www.theguardian.com/money/2017/oct/28/uk-homeowners-scramble-remortgage-interest-rate-rise-looms