

FINANCIAL FOCUS

||| OBJECTIVE
WEALTH

Interest Rate Reductions and Tax Rises

August not only welcomed us with some much-needed sunshine but also a significant headline from the Bank of England. The Bank of England base rate has dropped from 5.25% to 5%, the first drop since March 2020. The cut comes as we see the economy turn a corner following a record number of increases over the past 3 years. This awaited announcement is expected to reduce mortgage rates and give relief to movers and those seeking more manageable fixed rates with Rachel Reeves daring to state that 'consumer confidence could start to turn positive.'

The cut in interest rate should see a change in personal finances for some. The majority of homeowners have a mortgage rate that "tracks" the Bank of England base rate. A 0.25% cut could take their monthly repayments down by around £28 on average. A £15 benefit could be seen for homeowners with a standard variable rate mortgage. However, this benefit is limited as according to the trade body UK Finance, 6.9m residential mortgages were on a fixed rate as of December 2023 which constitutes more than 80% of all outstanding home loans. New loans with rates fixed for a set period could be persuaded to fall after this announcement. Earlier this week, in anticipation of a rate reduction, we already saw 5-year deals drop lower than 4% with Nationwide Building Society which could be the start of many.

THIS MONTH'S FEATURED ARTICLE

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