Interest rates are rising

What could it mean for your mortgage?

RECENT YEARS have seen an extraordinary period of competitive and low interest rate mortgage deals but, even before the Bank of England's (BoE) rate-setting Monetary Policy Committee began increasing interest rates last December, there were signs that the era of ultra-low mortgage rates was at an end.

For many people, rate rises will mean an increase in their outgoings at a time when incomes are already stretched.

It is therefore important to consider how a rise in interest rates might affect your ability to meet your mortgage payments.

CALCULATE IF YOU CAN AFFORD THE INCREASE

How you'll be affected by an interest rate rise depends on what mortgage you're on and when your deal comes to an end. But if your mortgage repayments are likely to go up, you need to calculate if you can afford the increase and consider your options.

Create a budget and see if there are any areas where you might be able to cut back. If the increases are likely to be in the future, then start building up a savings buffer so you'll be able to afford your mortgage when repayments start increasing.

HOW WILL INTEREST RATE RISES AFFECT ME?

If you have a loan or mortgage that charges you a variable interest rate, you might find that the cost of your repayments go up.

Say you have a £130,000 mortgage that you want to pay off over 25 years. If the interest rate on the mortgage is 2.5%, the monthly repayment will be £583.

But if the interest rate is 0.25% higher – the amount the Bank Rate was raised in March 2022 – the monthly repayment rises by £17 to £600.

If you're on a fixed rate you won't see any change until the end of your fixed period.

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IMMEDIATE IMPACT ON YOUR MORTGAGE REPAYMENTS

If you have a variable rate tracker mortgage linked to the BoE base rate you are likely to see an immediate impact on your mortgage repayments when there is an interest rate rise. But if you've got some time left on your current deal, it can also be worth considering your options to switch. You might have to pay some fees, but if the savings are worth it you may want to consider this.

Those on a standard variable rate mortgage will probably see an increase in their rate in line with any interest rate rise. How much is decided by your lender, so this isn't guaranteed. If you are unsure, check your mortgage terms and conditions in your original mortgage offer document.

People with fixed rate mortgages are likely to be affected once they reach the end of their current deal. If your current deal is coming to an end, if appropriate, consider switching to make sure you're on the best rate.

SEE IF YOU ARE ELIGIBLE FOR A DIFFERENT TYPE OF MORTGAGE PRODUCT

If you are worried about how higher mortgage repayments could impact on your finances, speak to us to see if you are eligible for a different type of mortgage product, such as a fixed rate, which would give you some protection against further interest rate rises.

We can also make sure that you are on the best mortgage deal for your circumstances. If you have not reviewed your mortgage in the last few years, then now is a good time to do so. There are many deals available and you may be able to get a better rate by switching lenders. ◆

Source data:
https://www.bankofengland.co.uk/knowledgebank/why-are-interest-rates-in-the-uk-going-up

>> CONCERNED ABOUT HOW HIGHER INTEREST RATES COULD AFFECT YOU? <<

If you are concerned about how higher interest rates could affect your ability to meet your mortgage payments, then please speak us. We can help you to find the right mortgage product for your needs and circumstances. To talk to us about your requirements, please contact **Capital Mortgage UK Ltd** – telephone **0131 241 1601** – email **info@capitalmortgageuk.co.uk**.