

18 February 2009

## Borrowers only seeing a third of base rate cuts

The latest 0.50 percentage point cut in the Bank of England is having little impact on the mortgage rates being offered.

Many lenders seem reluctant to pass the latest cuts on, resulting in the average rates hardly moving.

	1 January 2009	1 February 2009	Now	Change since Jan 09
Average SVR	5.14%	4.99%	4.83%	<b>0.31%</b>
Average 2 year fixed	5.43%	5.05%	4.94%	<b>0.49%</b>
Average 2 year tracker	4.51%	4.04%	3.93%	<b>0.58%</b>

**Source: Moneyfacts.co.uk 18.2.09**

**Michelle Slade**, analyst at **Moneyfacts.co.uk** commented:

“Those already on or about to move on to their lender’s standard variable rate (SVR) have been hardest hit of late, seeing just a third of the latest two cuts passed on.

“Many lenders seem to be actively trying to discourage borrowers using SVR as a product option, maintaining their SVR in line with average mortgage rates. Just one in four lenders have announced a cut in SVR this month and many of these passed on no cut last month.

“New tracker mortgage rates may have seen the biggest cuts passed on over the last two months, but the margin taken by the lenders continues to widen, today standing at three times base rate.

“Fixed rate mortgages are not faring much better with pricing more than double the cost of funding on the swap rate market.

“Lenders will only pass on cuts to a level they are happy to lend at, and for most this seems to have been reached.

“Anyone coming to the end of an existing mortgage deal in the coming months without substantial equity in their property will find it very hard to find a competitive new deal. Rates are still falling, but at a much slower level than borrowers would have hoped.

“Rates for new borrowers need to fall much further to motivate borrowers on a SVR to remortgage onto a new deal or even to trade up the property ladder.

“As time passes each base rate cut seems to have less of an impact for borrowers and continuing impact on savers. It begs the question; will the Monetary Policy Committee now say, enough is enough?”

## Note to Editors:

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Press Office	<b>Darren Cook</b> Head of Press & PR	01603 476207 <a href="mailto:dcook@moneyfacts.co.uk">dcook@moneyfacts.co.uk</a>
	<b>Michelle Slade</b> Press Officer	01603 476454 <a href="mailto:msslade@moneyfacts.co.uk">msslade@moneyfacts.co.uk</a>
Out of hours	<b>Darren Cook</b> Head of Press & PR	07803 899935
An ISDN line is available for broadcast: 01603 230551		