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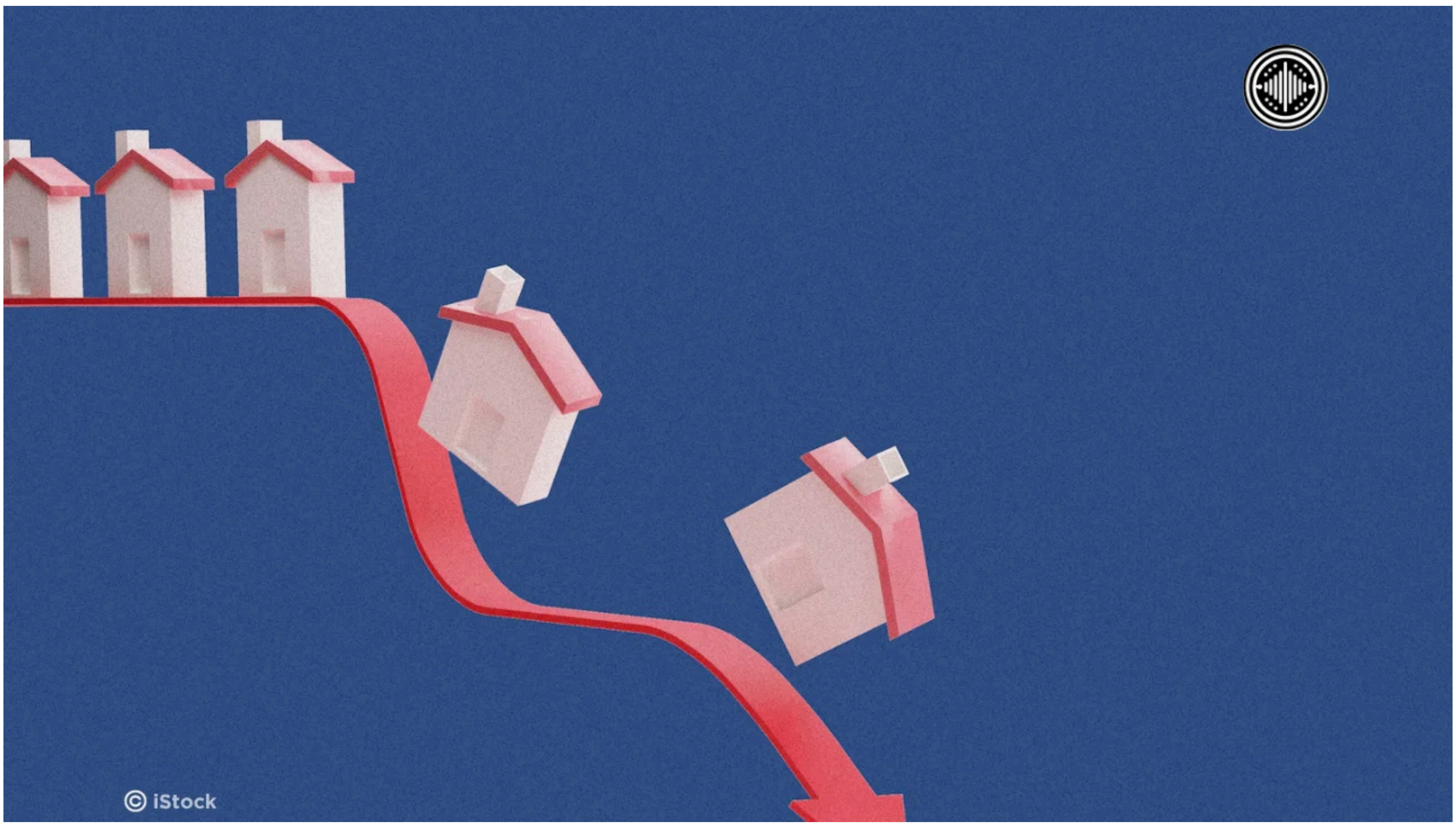
Mortgage Rates Fall Again: Borrowers See Welcome Relief Amid Economic Uncertainty

July 20, 2025
— Categories: Economics



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Mortgage rates in the United Kingdom have dropped once more, with several high-street lenders reducing their fixed-rate offerings in a move that will be welcome news for homeowners and buyers. As Barclays, Lloyds Bank, Santander, and Halifax make further cuts to their products, some two-year fixed deals are now available from as low as 3.69 per cent. Following recent cuts by Lloyds, Santander, Nationwide, and Halifax in July, some two-year fixed deals are now available from around 3.69 % for high-equity borrowers. This marks a notable shift in the mortgage market, driven by competition among banks and a delicate balancing act with the broader economic picture.

Lloyds Bank currently leads the way, offering a 3.69 per cent two-year fixed-rate mortgage for customers holding a *Club Lloyds* account, subject to a £999 arrangement fee. Lloyds Bank is offering a 3.69% two-year fixed mortgage for Club Lloyds customers, with a £999 arrangement fee. Based on a typical £200,000 mortgage over 25 years, that equates to monthly repayments of around £1,021. Borrowers without a Club Lloyds account can still access rates as low as 3.79 per cent, with five-year fixes slightly higher at 3.94 per cent.

Other lenders are responding in kind. Santander and Halifax are now offering two-year fixed rates at 3.79 per cent for home movers with a deposit of at least 40 per cent. Barclays will join the fray with a two-year deal at 3.79 per cent and a five-year option at 3.91 per cent, both carrying an £899 fee. Its premier banking customers can access a slightly better deal at 3.75 per cent on a two-year fix.

Even for those with smaller deposits or less equity, rates remain competitive. TSB offers a 3.94 per cent two-year fix to homeowners with 25 per cent equity, while Santander's five-year fix for the same group stands at 3.96 per cent. Buyers with a 15 per cent deposit can secure a 4.04 per cent rate from Santander with a modest £749 fee, translating to monthly repayments of £1,061 on a £200,000 loan over 25 years.

These movements come at a time of mixed signals in the wider UK economy. According to *UK Finance*, the trade body for the banking and finance sector, around 900,000 fixed-rate mortgages are due to expire in the second half of this year. Many of those borrowers secured deals between 1 and 2 per cent before interest rates began climbing sharply in 2022 and 2023. While rates today remain higher, the latest reductions will soften the impact for households transitioning onto new deals.

The broader economic landscape continues to influence rate expectations. Inflation, defined as the annual rise in consumer prices, increased to 3.6 per cent in the 12 months to June, up from 3.4 per cent in May, remaining above the *Bank of England's* 2 per cent target. Despite this, the central bank must weigh this against weaker economic signals. The UK economy contracted by 0.1 per cent in May, while unemployment rose to 4.7 per cent. Private sector payrolls also shrank for the thirteenth consecutive month.

Mortgage broker Aaron Strutt from *Trinity Financial* sees scope for further drops. “Mortgage lenders are still cutting their rates despite the higher inflation figures,” he said. “Even with everything that’s going on with the economy and global affairs, it still seems like rates are heading down. I wouldn’t bet against rates being closer to 3.5 per cent over the coming months, but as we’ve seen many times before, almost anything can happen.”

Borrowers currently exploring remortgaging options are seeing some of the most attractive five-year fixed rates from Barclays and HSBC, both offering deals at 3.86 per cent. For two-year fixes, HSBC edges ahead with a competitive 3.83 per cent rate.

As the battle for mortgage customers intensifies among banks, the coming months could bring even more movement, a potentially welcome trend for homeowners facing higher borrowing costs. The message from the market is clear: while inflation remains a concern, lenders are willing to compete, offering borrowers some much-needed relief during a time of economic caution.