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Bank of England Cuts Interest Rate to 4% Amid Inflation Concerns

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Millions of UK homeowners received some relief after the Bank of England cut its base interest rate from 4.5% to 4%. This marks the third consecutive rate cut in 2025 and lowers borrowing costs to their lowest level since early 2023.

The Bank's Monetary Policy Committee (MPC) reduced rates by 0.5 percentage points to ease financial pressure on households and businesses. Homeowners with tracker mortgages could see monthly repayments fall by approximately £40 to £50 on an average £350,000 loan, depending on exact terms.

Despite the rate cut, the Bank warned inflation could remain elevated, with forecasts suggesting it may hover around 4% in the coming months, partly due to rising food prices. This inflation increase could put further strain on the cost-of-living crisis affecting millions of families across the country.

Those currently on fixed-rate mortgage deals are unlikely to see an immediate impact on their monthly payments. However, the rate cut may open the door for more affordable borrowing when these homeowners come to remortgage in the future.

The cost-of-living crisis continues to be a significant concern for many in the UK, with inflation eroding household incomes and increasing the price of everyday goods. Food prices, in particular, have been rising steadily, adding to the financial difficulties faced by families.

The Bank of England's decision to cut interest rates is seen as a balancing act. On the one hand, it aims to support borrowing and spending by lowering the cost of loans. On the other hand, the MPC must remain cautious in managing inflation, which has remained above the Bank's target of 2% for some time.

The rate cut could provide some breathing space for homeowners with variable-rate debt, allowing them to manage monthly expenses more easily. However, the ongoing inflation pressures mean that many households will continue to feel the pinch in other areas of their budgets.

Economists have noted that while lower interest rates can help stimulate economic activity by encouraging borrowing and spending, there is also a risk that they could further fuel inflation if demand rises too quickly.

The Bank of England has repeatedly emphasised the need for careful monitoring of inflation trends. The MPC's warning about inflation rising to 4% in September highlights the challenges policymakers face in balancing economic growth with price stability.

For now, the decision to reduce rates will be welcomed by millions of homeowners struggling with high mortgage costs. But the broader economic outlook remains uncertain, with inflation and the cost-of-living crisis continuing to pose challenges for families across the UK.

As the Bank of England navigates these complex issues, homeowners and borrowers will be closely watching future announcements to understand what the next steps might be for interest rates and inflation.