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Financial Experts React as Bank of England Cuts Base Rate to 4%

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The Bank of England's Monetary Policy Committee (MPC) voted narrowly, by 5–4, to reduce the base interest rate by 0.25 percentage points, lowering it to 4%. This marks the lowest borrowing cost in over two years and has been widely welcomed by financial experts as a positive development for borrowers, mortgage holders, and the Pound.

The decision underscores the delicate position the Bank faces in balancing efforts to stimulate the economy while keeping inflation in check. Alongside the rate cut, the MPC revised its inflation forecast, now expecting it to peak at 4%, an increase from the earlier estimate of 3.75%.

Shaun Sturgess, Director at Swansea-based Sturgess Mortgage Solutions, explained the immediate impact for homeowners and buyers. “The Bank of England’s reduction to 4% is encouraging news for mortgage holders, especially those on tracker deals who will feel the effect straight away. Fixed-rate borrowers may also see rates ease further over time. This decision helps to improve affordability and could restore some confidence to the housing market, which has faced considerable pressure in recent years.”

Ben Thompson, Deputy CEO at the Mortgage Advice Bureau, highlighted the broader implications for aspiring homeowners. “This rate cut provides a fresh incentive for those looking to get on the property ladder. Lending criteria are becoming more flexible, and many buyers may now qualify for larger mortgages than they could previously. However, a significant challenge remains: many potential borrowers are unaware of the full range of mortgage products available. With proper advice, today’s environment offers a real opportunity for homeownership that should not be overlooked.”

Despite the optimism, Jack Tutton, Director at Fareham-based SJ Mortgages, warned that the narrow margin of the vote reflects economic uncertainty. “The close 5–4 split shows how precarious the economic situation remains. The Bank is walking a tightrope, aiming to encourage growth without letting inflation escalate further. How lenders respond in terms of pricing fixed-rate mortgages will be crucial in determining the cut’s wider impact.”

Riz Malik, Director at Southend-based R3 Wealth, suggested that this move could open the door to further easing in the months ahead. “Bringing the base rate to a two-year low signals the Bank’s concern over slowing economic growth. We could see additional rate cuts, which would be particularly beneficial for homeowners remortgaging later this year, especially those coming off ultra-low fixed deals. That said, the fact that no member supported a cut below 4% indicates the MPC remains cautious about aggressive monetary easing.”

Meanwhile, Prem Raja, Head of Trading Floor at Currencies 4 You, observed the market’s reaction, particularly regarding Sterling. Following the announcement, the Pound has gained around 0.5% against major currencies. The Bank’s measured approach reassures investors that any future rate cuts will be gradual rather than sudden. For borrowers, this is welcome news, but those saving may see returns decline if rates fall further. Overall, this is a cautious shift in policy, reflecting an effort to support the economy without sparking renewed inflation."

This rate cut comes at a critical time for the UK economy. Inflation remains a challenge, yet growth appears to be slowing, placing the Bank of England under pressure to carefully navigate its next moves. Mortgage borrowers are likely to welcome some relief, but the outlook remains cautious as markets continue to digest the implications.