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Homeowners Face Rising Mortgage Costs as Fixed-Rate Deals Expire

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Millions of British homeowners are bracing for higher mortgage payments as their fixed-rate deals come to an end, according to the Bank of England's latest Financial Stability Report. With 3.6 million mortgages, 41% of all outstanding home loans, due for renegotiation over the next three years, the average household could see monthly repayments rise by £107 as they transition to costlier rates.

Although major lenders such as Halifax, HSBC, and Barclays have trimmed mortgage rates in recent weeks, those locked into longer-term fixed-rate deals will still face a sting when remortgaging. The report notes that the situation is less dire than previously feared, with the number of expiring mortgages and the expected payment hikes down from a projected £146 per month, lower than earlier estimates. Four interest rate cuts since August 2024 have also provided some relief, gradually feeding into lower mortgage costs. However, for many who have already remortgaged at higher rates, the benefits are yet to be felt.

On a brighter note, around 2.5 million households, 28% of mortgage holders, are expected to see their bills decrease over the next three years as falling rates take effect. The Bank of England has also signalled a loosening of lending rules, allowing banks and building societies to issue more mortgages at loan-to-income ratios above 4.5. Currently, just under 10% of new mortgages exceed this threshold, but the Bank is comfortable with this proportion rising, provided industry-wide lending above 4.5 times income remains below 15%.

Dame Debbie Crosbie, chief executive of Nationwide, one of Britain's largest lenders, welcomed the change. In a recent interview, she said, "It will help people who struggle to get on the property ladder because high rents and living costs have made saving for a deposit and meeting mortgage affordability tests extremely challenging." The move could enable up to 36,000 additional high-LTI mortgages annually, offering a lifeline to first-time buyers at a time when family financial support is dwindling

The so-called "Bank of Mum and Dad" is under strain as older generations enter retirement. A recent Hargreaves Lansdown survey

revealed that 49% of people aspire to support family members financially in retirement, but only 28% believe it's feasible. Among those aged 55 and over, just 44% want to help, and only 22% think it's realistic. Sarah Coles, head of personal finance at Hargreaves Lansdown, commented, "The Bank of Mum and Dad could be forced to close in retirement. When we're on a lower income after finishing work, it becomes much harder to help out financially."

The Bank of England's recommendations come amid pressure to stimulate economic growth, but the Labour government's broader economic strategy has so far failed to reassure homeowners grappling with these rising costs. As the housing market navigates these challenges, prospective buyers and existing mortgage holders alike will need to plan carefully to weather the financial pressures ahead.

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