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Lloyds CEO Predicts Two More Bank of England Rate Cuts

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Lloyds Banking Group chief executive Charlie Nunn expects the Bank of England to lower interest rates twice more before the end of 2025, bringing the U.K.'s base rate down to around 3.75%.

In a recent interview with *Sky News*, Nunn said the first of the anticipated cuts could come as early as next month, aligning with investor expectations of a 0.25 percentage point

reduction. Market analysts have already priced in two such cuts this year, and forecasts suggest more monetary easing may follow into next year.

According to *Bloomberg Economics*, there are growing signals that policymakers are becoming more dovish, responding to slower momentum in the U.K. labour market. Despite this, Bank of England Governor Andrew Bailey has stressed that future rate decisions will be cautious and data-driven, pointing to persistent inflationary pressures as a reason to remain vigilant.

The central bank has already lowered rates twice this year, once in February and again in May, each time by 0.25 percentage points, setting the current base rate at 4.25%. The rate was held steady in June.

Adjustments to the base rate have a direct impact on tracker and standard variable rate (SVR) mortgages. Around 600,000 UK homeowners are currently on tracker deals. UK Finance estimates that a 0.25 percentage point shift affects these borrowers by roughly £29 a month, and those on SVR mortgages by about £14. A 0.50 percentage point change can mean around £58 extra or less each month for tracker customers.

Most borrowers in the U.K., however, are on fixed-rate deals, meaning they won't see an immediate change in their monthly repayments. Still, fixed-rate offers are influenced by expectations of future interest rates. As of mid-July, the average two-year fixed mortgage stood at 5.03%, and the five-year equivalent was at 5.01%, according to Moneyfacts. Tracker deals averaged 4.91%. These rates are still markedly higher than those seen over much of the past decade.

Looking ahead, about 800,000 fixed-rate mortgages with interest rates below 3% are set to expire annually until at least 2027. Those coming off older deals are expected to face significantly higher repayment costs.

Despite the headwinds, Nunn said demand for home loans remains solid. "We helped 34,000 first-time buyers in the first half of the year alone," he noted, adding that momentum slowed slightly after Q1 stamp duty changes but remained strong overall.

The comments accompanied Lloyd's latest financial results, which reported half-year profits of £3.5 billion above market expectations. The bank saw growth in lending and

deposits, and benefited from rising rates, which widened its net interest margin. Gross new mortgage lending increased 14% to £5.6 billion.

While Lloyds has gained share in both the mortgage and small business lending markets, Nunn also acknowledged pressure on the financial sector, particularly around regulatory costs and broader tax discussions.