

Report reveal 1.6 million UK households facing mortgage cost surge

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About 1.3 million households will need to refix their mortgages between April and December

2023, according to the Bank of England

London, May 14 (RHC)-- A British think tank has warned that nearly 1.6 million British households are yet to encounter a 2,300 pound (\$2,903) payment surge following the mortgage rate increase amid the UK's persisting housing crisis.

According to the Resolution Foundation's report, which focuses on living standards, only about half of the 7.5 million households holding mortgage loans have so far witnessed a change in their mortgage rate and payments.

This development comes after the Bank of England (BoE) began increasing interest rates in December 2021, which according to the report, will mostly impact poorer and younger borrowers. The BoE raised the Bank rate from 4.25 to 4.5 percent last week in an effort to bring the highest rate of inflation in Western Europe from 10.1 percent back to its 2-percent target. Homeowners on fixed-rate mortgages feel the impact of the increase in costs once their mortgage terms expire and they need to renew their housing loans.

Simon Pittaway, senior economist at the Resolution Foundation, said while the BoE's rate rise run could be nearing an end, the majority of households still face mortgage pain. "Two thirds of the 12 billion pounds a year increase in mortgage costs that British households face as a result of rising rates is still to come," Pittaway said as quoted in a Reuters report.

"People moving on to new fixed-rate deals over the next year can expect to see their annual mortgage costs rise by an eye-watering £2,300 — with young families and low- and middle-income households with mortgages facing the biggest living standards hits."

The think tank noted that more homeowners were opting for five-year fixed-rate deals, compared to two-year loans between 2016 and 2022 as households faced the sharpest interest rates rises in more than 30 years. It calculated that fixed-term mortgages went from accounting for just four pounds of every 10 pounds lent before the global financial crisis, to over nine pounds of every 10 pounds lent in last year.

The Resolution Foundation expects mortgage costs to remain high for some time, as interest rates projected to peak at five percent and fall more slowly than they have climbed.

More than 70 percent of UK households fear they will be severely hit by the cost-of-living crisis in the first part of 2023, a leading business company has revealed. According to a recent Bloomberg report, many people will have to cut their spending or other expenses to cover the higher costs, due to BoE's decision. "Higher borrowing costs have hurt demand for new loans," the report underlined.

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