

When is a good time to fix?

How long will the base rate stay low?



Cathy Lane and Paul Chase

The question that we are constantly being asked at present is when would it be a good time to take a fixed rate mortgage? This is a very difficult question to answer because the economy and the recovery from recession is so very unpredictable.

If you look at the problems that have arisen in Greece and the rest of Europe over the past month or even something that affects us more directly like the new UK coalition government or the volcanic ash cloud, events are occurring which are having a massive impact on our economy and therefore the Bank of England's financial strategy.

Traditionally when inflation is high the Bank of England would increase interest rates to discourage spending and therefore bring inflation back within their set target. The more things cost, the more people borrow, but make that borrowing more expensive and they stop spending as much.

If you saw the news last month you would have seen that inflation is currently well above the Bank of England's target of 2.0%. Therefore you would have thought that the base rate should naturally be increased from the historically low 0.5% that it currently stands at. However when you read the notes from the Bank of England's last meeting you see that they unanimously voted to keep it at the same level and Mr King has on various occasions suggested the base rate will remain low for the foreseeable future.

So where does that leave us mortgagees? Well the advice has to be tailored to your own circumstances and as the situation is so unpredictable, it has to be taken with a measure of caution. If you are currently enjoying a low tracker rate or are even currently resting on your lenders Standard Variable Rate it is a tough decision to make a switch up to a new fixed deal which will likely cost you a booking fee and a much larger monthly payment. For those coming to the end of a fixed rate or about to take out a new mortgage the tracker deals of the past are just not available but the fixed deals are not quite good enough to tempt you in. So my suggestion is to seek out advice to match your own circumstances but make sure you are getting the very best rate available to you. To take advantage of our free advice please call Paul or Cathy on **612611** or e-mail: mortgages@financialoptions.co.im and we will get the best deal to suit you.



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