MPC UPDATE

Kensington

BANK EXTENDS RATE PAUSE AS INFLATION OUTLOOK REMAINS UNCERTAIN

ANDY BICKERS | COMMERCIAL DIRECTOR

The Bank of England's (BoE) Monetary Policy Committee (MPC) voted today to hold interest rates at 3.75% by a majority of 6-3, marking the fifth consecutive meeting at which the Bank Rate has been left unchanged. While there are encouraging signs that inflation is easing, the fact that three MPC members voted for an immediate rate rise highlights the Bank's continued concern that price pressures could prove more persistent than recent data suggests.

The Bank's latest decision comes as the UK's inflation outlook has improved modestly. Consumer Price Index (CPI) inflation fell to 2.6% in June, driven by a drop in the cost of petrol, food, and clothing and marking a larger-than-expected move towards the Bank's 2% target. However, policymakers remain cautious. Although domestic price pressures have eased, the Bank continues to expect inflation to rise later this year as higher energy prices work their way through the economy. The MPC is likely to look for further evidence that price pressures are easing sustainably before becoming more confident that inflation is on track to return to target.

Energy markets continue to represent one of the biggest uncertainties facing the UK economy. Persistent global instability has contributed to elevated and volatile oil prices, with oil reaching $100 a barrel for the first time since May in recent days. This raises the prospect of renewed inflationary pressure as higher energy costs feed through into household bills, transport costs, and wider business expenses. Against this backdrop, the Bank is expected to continue taking a cautious approach, with future decisions guided by incoming economic data and the extent to which inflationary pressures prove persistent.

Today's decision is unlikely to trigger any immediate changes to mortgage pricing, with many lenders having already increased fixed-rate products in recent weeks as market expectations shifted. Although another hold provides greater certainty over the immediate interest rate outlook, lenders are likely to continue reviewing pricing as market conditions evolve. For borrowers approaching the end of a fixed-rate deal, this reinforces the value of reviewing their options sooner rather than later. Meanwhile, borrowers on tracker mortgages will see no immediate change to their monthly repayments following today's decision, providing some welcome short-term stability.

While this latest announcement from the Bank extends the recent run of rate holds, it does little to remove the uncertainty surrounding the longer-term outlook. The split within the MPC illustrates that there is no clear consensus over the next direction of travel, and future decisions will continue to be shaped by inflation, economic growth, and developments in global energy markets. Although markets continue to expect interest rates to fall over time, the pace and timing of any reductions remain far from certain.

Against this backdrop, taking a proactive approach remains as important as ever. Whether purchasing a home or approaching the end of a fixed-rate deal, reviewing options early can help avoid unnecessary pressure as products and pricing continue to evolve. Working with a broker remains one of the best ways to understand the full range of available options and secure a mortgage that reflects individual needs rather than short-term market speculation.

Andy Bickers
Commercial Director

Andy has nearly 30 years of experience across a range of business functions and industries. He joined Kensington in February 2025 as Commercial Director with responsibility for proposition development, product management, marketing, customer experience and sales.

Prior to joining Kensington, Andy spent 13 years at Lloyds Banking Group in senior Product, Commercial and Transformation Director roles across UK Mortgages and Savings. In his earlier career, he worked in a variety of strategy, sales, marketing, pricing, proposition and finance roles across the Energy, Telecoms and FMCG sectors.

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