

BANK HOLDS RATES AMID GLOBAL INFLATION UNCERTAINTY

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The Bank of England's (BoE) Monetary Policy Committee (MPC) voted unanimously today to hold interest rates at 3.75% as the central bank continues to monitor inflationary pressures and evolving global conditions. The latest decision marks a shift from market expectations prior to the recent increase in geopolitical tensions, when many commentators had anticipated the Bank to cut rates this month amid falling inflation and rising unemployment.

The heightened global uncertainty seen over the last few weeks has contributed to a sharp rise in energy prices, with oil nearing \$120 a barrel. This has complicated the inflation outlook and prompted the MPC to pause what many had expected to be the start of a gradual easing cycle. The decision reflects the Bank's continued focus on ensuring inflation returns sustainably to its 2% target, even as broader economic conditions show signs of softening.

While inflation had been trending downwards earlier this year, recent developments have cast uncertainty over how quickly price pressures will subside. Higher oil and gas costs risk feeding through into household energy bills and the cost of goods and services more widely. There are also concerns that persistent price pressures could influence wage growth, making it more difficult to bring inflation fully under control over the medium term. The MPC now expects inflation to be around 3% in the second quarter of the year, an increase from the 2.1% forecast in February.

For many borrowers, the impact of recent market movements has already been felt. Nearly all lenders have increased mortgage rates in recent weeks, with the lowest fixed rates now back above 4%. As a result, today's decision is unlikely to have a significant immediate impact on mortgage pricing, with many changes to fixed rates already reflected and variable rates remaining unchanged. While higher rates may present challenges, the pause in further increases should offer a degree of reassurance for borrowers.

The longer-term outlook for mortgage rates is now more uncertain and will depend heavily on how the current conflict evolves. While expectations had been building for a series of rate cuts through 2026, markets are now reassessing the pace and scale of any reductions. In some scenarios, rates could remain higher for longer if inflation proves more persistent, particularly if energy prices continue to rise or supply-side pressures intensify.

For prospective homebuyers and those approaching the end of fixed-rate deals, this environment underlines the importance of planning ahead and seeking professional advice. In an environment where rates can move at short notice, brokers have been playing a vital role in helping customers make informed decisions and secure suitable options. Flexibility and a clear understanding of available options will remain key as households navigate an increasingly complex and evolving mortgage landscape.



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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.