

# BANK HOLDS RATES AT 3.75% AS INFLATION PRESSURES RESURFACE

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The Bank of England's (BoE) Monetary Policy Committee (MPC) voted yesterday to hold interest rates at 3.75% by a majority of 8-1 as policymakers contend with an uncertain outlook for inflation and heightened global instability. Notably, the Bank also described higher inflation as "unavoidable" in the months ahead, warning that the UK may need to prepare for the possibility of further rate hikes later this year rather than the cuts many had previously expected.

While inflation has eased significantly over the longer term, the increase to 3.3% reported in March has complicated the outlook and underlined the fragility of recent progress. The MPC's decision to hold reflects its priority of ensuring inflation returns sustainably to its 2% target, even if that requires a more cautious and prolonged period of tighter monetary policy. It also represents a clear response to the renewed disruption seen across global markets in recent weeks, which has added another layer of uncertainty to the economic backdrop.

Energy prices remain a key risk, particularly given the potential for further global instability and supply constraints. Brent crude oil prices climbed to \$126 ahead of the Bank's decision, marking their highest level since 2022 and raising concerns about the knock-on impact for both businesses and households. Rising energy costs have the potential to feed through into transport, production, and household bills, which could in turn place upward pressure on inflation in the months ahead. Against this backdrop, the Bank is likely to remain firmly data-dependent, balancing signs of progress against the risk that inflation proves more persistent than anticipated.

For borrowers, much of the impact of the current rate environment has already been reflected in mortgage pricing. Rates have been falling in recent weeks after rising at the beginning of March, as lenders responded to shifting market conditions and movements in swap rates. Today's decision to hold may therefore not lead to immediate or significant changes in mortgage rates, but it does offer a degree of stability following a period of volatility. Variable-rate borrowers are also unlikely to see any change for now, providing some short-term certainty in monthly repayments at a time when household budgets remain under pressure.

Looking ahead, it appears increasingly likely that rate hikes are back on the table. Renewed inflationary pressures are set to delay the gradual easing process that had been anticipated in 2024. Markets are now reassessing the outlook, with expectations shifting towards rates remaining higher for longer, and the possibility that the next move could be upwards rather than down if inflation fails to moderate.

For prospective homebuyers and those nearing the end of fixed-rate deals, this environment highlights the importance of careful planning and informed decision-making. With mortgage rates still elevated compared to recent years and the potential for further increases, seeking professional advice is crucial. Brokers continue to play a vital role in helping customers navigate a complex and evolving market, ensuring they understand the options available and can secure products suited to their individual circumstances.



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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.