

BANK HOLDS RATES AT 3.75% AS INFLATION CONCERNS PERSIST

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 7-2, as policymakers weighed signs of easing inflation against persistent risks to the economic outlook. While the decision was widely expected, the fact that two MPC members voted for an immediate rate rise underlines the Bank's continued concern about underlying inflationary pressures and the risk that recent progress towards the 2% target could prove temporary.

The decision comes against a more encouraging inflationary backdrop compared with the Bank's previous meeting. UK inflation held steady at 2.8% in May, lower than many economists had anticipated, while the rate of food price inflation fell to its lowest level in 17 months. Despite this progress, inflation remains above the Bank's 2% target, and policymakers have warned that rising energy costs could push price pressures higher in the months ahead. Millions of households are set to face higher bills this summer, with Ofgem's energy price cap due to increase by 13% in July.

Energy prices remain a key factor shaping the outlook. Although oil prices have fallen from the peaks seen earlier in the spring following signs of easing global tensions, they remain elevated and continue to be volatile. The Bank has acknowledged that higher energy costs are already creating inflationary pressure within the economy, with the potential to influence household bills, business costs, and wage growth. As a result, the MPC is likely to remain firmly data-dependent, carefully assessing whether inflationary pressures become more deeply embedded before making any further policy moves.

For borrowers, much of the impact of the current rate environment has already been reflected in mortgage pricing. Mortgage rates have generally moved lower over the past month as lenders responded to falling swap rates, softer inflation data, and reduced expectations of an imminent rate hike. Today's decision is therefore unlikely to trigger significant immediate changes in mortgage pricing, although it does provide a degree of stability for borrowers following several months of heightened uncertainty. Variable rate borrowers are unlikely to see a notable change to their repayments for now, offering some welcome short-term certainty at a time when household finances remain under pressure.

Looking ahead, the outlook for interest rates remains uncertain. While expectations of an immediate rate rise have softened, the split vote highlights that inflation remains a significant concern for policymakers. The path of future rates will depend heavily on whether inflation continues to ease and how energy prices evolve over the summer.

For prospective homebuyers and those approaching the end of a fixed-rate deal, the current market remains one where preparation can make a significant difference. Although mortgage pricing has improved in recent weeks, the Bank's cautious stance serves as a reminder that conditions can change quickly. Borrowers who review their options early and seek professional guidance are likely to be best placed to navigate the months ahead. With lenders continuing to adapt their product ranges in response to changing market conditions, expert advice can help customers identify opportunities that may otherwise be overlooked and find solutions that meet their individual needs.



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.