

WHAT NEXT FOR INTEREST RATES?

Economic experts predict that interest rates could double by the end of 2015

The Bank of England Bank Rate has remained at 0.5% for nearly six years (March 2009). We can't predict the future or second guess the Bank of England; however, minutes from a recent Bank of England rate setting meeting show that two committee members have started voting for a rate rise and there are also an increasing number of economic experts predicting that interest rates could double by the end of 2015.

MORTGAGES AND DEBT REPAYMENTS

This will obviously not be welcome news for home owners, but a Treasury survey of Britain's leading economists found that, on average, they expect rates to potentially double to 1% by the end of this year. A rate rise increase to this level may leave many families paying significantly more on mortgages and debt repayments.

A significant number of economists believe interest rates will start to rise in the second half of 2015. The Bank of England policymakers have been increasingly divided over the best time to start raising interest rates without putting the recovery at risk.

ECONOMIC FORECAST PREDICTIONS

A Treasury report contained economic forecasts by City experts from banks such as Santander and Citigroup, which showed on average, they predicted that rates would rise to 1% by the end of 2015.

However, some city institutions including UBS, Credit Suisse and Barclays Capital predict they could reach 1.5% by the end of the year.

RISE IN INTEREST RATES

Mark Carney, the Governor of the Bank of England, previously refused to rule out a rise in interest rates before the May general election. Either way, Mark Carney keeps reiterating that when rates do rise they will be gradual and, in the medium term, materially below the 5% level set on average by the Bank of England historically. It is expected that the first interest rate rise will occur in the autumn of 2015, at the earliest, to 0.75% followed by further 0.25% increases at regular intervals

The Bank has kept rates at 0.5% to maintain an emergency stimulus to the weak economy. The Office for

Budget Responsibility (OBR) has said in its latest forecasts that workers would finally enjoy a "meaningful" pay rise in 2015 but real wages would still be lower in five years than they were in 2007. The Government's spending watchdog predicted that wage growth will finally start to outstrip inflation after five years of falls.

YOUR INDIVIDUAL CIRCUMSTANCES

These are uncertain times for mortgage borrowers, and understandably some people are confused with mixed messages being put out by the mortgage industry. What approach you may need to take now with your own mortgage really depends on your individual circumstances and your household budget. But, the crucial thing is to obtain advice and guidance from a mortgage expert who can compare the whole market and go through all your options to help you find the best product for your needs.

This factsheet relates to England and Wales. Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of and reliefs from taxation are subject to change. Tax treatment is based on individual circumstances and may be subject to change in the future. Although endeavours have been made to provide accurate and timely information, we cannot guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough review of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions.

**YOUR HOME MAY BE AT RISK IF YOU DO NOT KEEP UP
REPAYMENTS ON YOUR MORTGAGE OR ANY OTHER
DEBT SECURED ON IT.**