

## Easing the burden of borrowers after a Base Rate reduction

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After almost a year since its last rise, the Bank of England Base Rate finally decreased from its recent high of 5.25% to 5.00% in August 2024. According to forecasters, another base rate cut could be on the horizon by the end of the year. While inflation has not yet reached the 2% target, it seems to be stabilising just above that level.

However, there is still a long way to go, and there's no denying that it has been a tough few years for the UK economy, the effects of which have hit borrowers hard. Affordability has been a key challenge for many, with higher interest rates restricting the purchasing power of would-be homeowners and limiting the options available to those looking to remortgage.

According to figures from the recent Building Societies Association Property Tracker report, 68% of respondents cited the cost of monthly mortgage payments as the main barrier to buying a home. Similarly, rising living costs continue to stretch household finances, leaving many households hoping for some relief in their mortgage payments.

### Responding swiftly to support borrowers

As a lender committed to supporting homebuyers and property investors with unique circumstances, affordability challenges can be particularly acute when product availability is limited. While competition in the market can place a healthy focus on the initial rate and monthly repayments, it can also distract from the overall cost of borrowing.

Shortly after the Bank of England Base Rate reduction, Mansfield followed suit and reduced both our Standard Variable Rate (SVR) and follow-on rate, the latter being used to stress test affordability on prime residential, Versatility, and Shared Ownership mortgages.

Our recent SVR reduction, along with linked follow-on and discounted rates, was accompanied by a reduction in our fixed-rate products. Together, these measures help provide prospective borrowers with the affordability boost needed to more comfortably meet our borrowing criteria and reduce the pressure of monthly repayments, whether choosing a fixed or variable product.

## Improving access to flexible lending

Improving affordability is especially important in the current economic climate, where some borrowers may have previously failed affordability stress tests due to rising interest rates.

In some cases, these borrowers may have struggled to secure the funding needed to purchase a property. Others may have found it difficult to remortgage onto a more suitable deal, particularly if they were seeking to raise funds or consolidate debts.

Individual underwriting enables lenders to better understand the varied circumstances of borrowers, including those who may have experienced a credit blip, allowing them to secure the financing needed to get back on track.

As the Base Rate begins to stabilise, and hopefully reduce further, lenders must maintain a strong focus on whether they can help ease the burden on borrowers.

After a prolonged period of instability and rising rates, lending accessibility is about more than just reducing the initial rate. It requires reviewing the overall cost of the mortgage and, critically, focusing on the type of lending being offered.

## A common sense approach

If you've got a case on your desk that requires a common sense approach to lending then please pick up the phone to our Broker Support team on 01623 676360 or visit <https://www.mansfieldbs.co.uk/intermediaries/>.