

# SOLOMON'S

INDEPENDENT FINANCIAL ADVICE

## Mortgage News - July 2008

People in the UK are becoming abruptly aware of how much they are paying on food, utility bills, and in particular down at the petrol station when filling up the car with diesel or unleaded petrol.

In reality, these rising costs are not a sudden impact but have been increasing for some time. The current annual inflation statistics confirm this at **3.3%** the highest factor for 10 years, and predictions suggest **4%** by 2009.



Inflationary pressures mean potential interest rate rises, and currently we believe interest rates could rise again by a half of one percent back to **5.5%** where they were set a year ago, which would confirm our suspicions that recent cuts in the Bank of England rates were surprising and perhaps cut far too soon.

In the mortgage market this has led to a 'rush' to purchase fixed rates over a longer term but this has simply resulted in good products being closed and the fixed rates now all approaching **6%** upwards. Tracker and traditional discounted products will also come under pressure as their rates will move upwards with bank base rate increases.

This will simply add (dare we say it) fuel to the flames of those aforementioned irritable bills and expenses. It will prove to be a turbulent ride in the next year and we recommend you budget wisely, taking time to check monthly bills and costs in all areas and match that spending against income.

Every home owner with a mortgage of course still has to meet the rising monthly costs and now more than ever home owners should consult with Solomon's to check their mortgage product, review the interest rate being paid, and ensure the mortgage is really affordable for you.

Mark Hall – Partner at SOLOMON'S