

Bank Of England Maintains Base Rate

Bank of England decides to leave base rate unchanged today...

November 8, 2007 (FPRC) -- The Bank of England's monetary policy committee (MPC) has voted to keep interest rates consistent for this month, it has emerged.

As a result of the move, the base rate of interest attached to secured loans and other types of credit will remain at 5.75 per cent, a rate which has remained unchanged since July. Consequently such a move could be welcomed by homeowners and other Britons, as no increase to the figure means that their level of repayments on borrowing will not rise any further. Meanwhile, figures released by Nationwide ahead of today's decision indicated that there was a 65 per cent chance that the MPC would keep interest rates consistent, while it was stated that there was no possibility of a 0.25 per cent increase. A decrease in the base rate taking place was given a probability of 35 per cent

However, James Caldwell, director for the Fair Investment Company, claimed that the decision by the MPC to keep interest rates as they are will not actually help the many Britons who are currently struggling to meet demands for payment on mortgages, secured loans, utility bills and other expenses in the midst of an unstable financial climate.

Commenting on the decision, he said: "The Bank of England's decision will be a blow for homeowners who are facing higher mortgage repayments as they come off fixed-rate deals which they secured when the market was more stable. While one can see the logic in maintaining the status quo in such uncertain times, a rate cut would have been of great benefit to borrowers struggling to meet repayments and find affordable credit in the current climate of financial turmoil."

Ray Boulger, senior technical manager for John Charcol, also expressed disappointment that the committee did not take the decision to decrease the base rate. He asserted that sub-prime borrowers have been coming under increasing financial pressure over recent months due to lenders increasing the interest rates attached to their loans and tightening their lending criteria. However, he pointed out that despite a number of financial providers withdrawing their products most consumers should be able to find a loan for them which offers "attractive terms".

Meanwhile, Trevor Williams, chief economist for Lloyds TSB, reported that despite the fact that economic growth has been slowing over the past few months, a cut in interest rates would have been unnecessary as a result of Britain's strong labour market and rising money supply. In addition, he pointed out that as inflation is "comfortably below target" any increase was always unlikely to happen. Mr Williams added that any change actioned to the rate "will almost certainly be down", however he reported that it is "safe to say" that any modifications by the MPC will not take place until February next year at the very earliest.

With the MPC once again keeping interest rates steady, now could well be a good time for people considering applying for a loan to actually do so, with possible uses of such borrowing ranging from purchasing a car or family holiday to carrying out home improvements and debt consolidation. Earlier this month, research conducted by Abbey Loans revealed that an estimated 918,000 Britons are looking to use secured loans and other types of borrowing to pay for plastic surgery.

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