

MPC Holds Interest Rates

The Bank of England's monetary policy committee (MPC) has chosen to maintain the base rate of interest, it has emerged.

January 10, 2008 (FPRC) -- In its January meeting, the committee opted to keep the interest rate at 5.5 per cent. This follows on from the quarter percentage reduction which took place in December. And although a cut has not taken place, today's announcement may still be welcomed by those consumers who are struggling to cope with the five rises implemented by the Bank since August 2006.

Following on from the hold, homeowners may well discover that pressure on their finances does not increase over the first few weeks of this year as their monthly mortgage repayments will stay the same. In addition, consumers could find that costs attached to loans, credit cards and other demands on their spending will not rise.

David Kuo, head of personal finance for the Motley Fool, reported that despite Alistair Darling, the chancellor of the exchequer, calling for loan lenders to pass on last month's interest rate cut to homeowners - this is yet to happen. However, he did point that lenders are not obliged to reduce rates on their mortgage products, loans and credit cards as the MPC's decision acts solely as a guide to "the cost of borrowing".

He said: "It is quite sweet of Mr Darling to be concerned about mortgage payers. But it is also quite wrong of him to fill homeowners with empty hopes that rate cuts by the Bank of England will trickle into their pockets. High street lenders are currently more concerned with rebuilding their battered businesses than repairing consumers' finances. Therefore, many homeowners are unlikely to reap the benefits, even though there are indications that the Bank of England may continue to cut interest rates to stimulate the flagging British economy."

"When times get tough, the tough get going and homeowners need to get moving too. They need to use their guile to help themselves rather than rely on the empty gestures of politicians," Mr Kuo added.

Meanwhile, Ray Boulger, spokesperson for mortgage adviser John Charcol, claimed that the MPC's decision to keep the base rate of interest the same could place major financial pressure on a select group of homeowners. In not opting to lower rates, Mr Boulger suggests that the committee has cost those who are on a variable rate mortgage some 105 million pounds per month in mortgage interest payments. He also stated that there is "further bad news on the inflation front" for many consumers, which includes utility firm npower's recent announcement that its price are to rise by up to 17 per cent.

Following today's announcement, those people who are concerned about their capacity to manage their money over the coming months may find that now is a good time to get a cheap loan. Meanwhile, the MPC keeping interest rates consistent may also be welcomed by those who are looking to make payments on loans and credit cards. A recent Savings Brake study by Unbiased indicated that during July and September an estimated 11.7 billion pounds was borrowed through loans, credit cards and overdrafts. It was suggested that the climate of high interest rates during the

summer months had lead many people to take out a loan to meet various demands on their finances.

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