

Interest Rates 'Could Fall By A Point'

Rates could be on the way down over the next few months....

February 5, 2008 (FPRC) -- People considering loans may be pleased to know that one expert anticipates a major fall in interest rates by the end of the year.

Howard Archer, chief European and UK economist for Global Insight, said his organisation predicts that rates will fall to 4.5 per cent by the end of the year and to four per cent in the first half of 2009. He did warn that this prediction is based on the assumption that the UK will avoid recession but added: "With the downside risks to the UK economy mounting, there is clearly a very real possibility that interest rates will fall further and faster than this."

This could be even better news for people considering taking out personal loans or secured loans as following the credit crunch, many loan providers put up the cost of their lending. Earlier this month, financial advice website Fool warned that one in eight credit card holders have had their spending limit cut as banks respond to the credit crunch. However, if Mr Archer is correct then it is possible the cost of such borrowing could come down.

Britons may consider a loan for a number of reasons, including debt consolidation. Some existing borrowers could even find that a new loan could cut the cost of their borrowing. Earlier this year, financial advice website Moneyfacts suggested that consolidation could cut the interest bill of a debtor's total borrowing as well as cutting monthly payments.

A spokesperson for the organisation said: "Consolidating your debts on to one loan can prove an ideal solution." Moneyfacts explained that although a zero per cent interest credit card is a good way to reduce the interest costs of borrowing, it can be dangerous for customers who are not strong-willed enough to make their monthly repayments.

Furthermore, such a solution only works for smaller sums, it added. However, over the last few months it may not have been as easy to find a personal loan as it could be if the rate reduction occurs. Moneyfacts spokesperson suggested at the beginning of the month: "The credit crunch has caused the personal loan market to tighten, lenders have withdrawn from the market and rates have seen a continuous increase throughout 2007."

So, if rates do fall, it could make the next few months an ideal time for those considering loans to approach their lender. It is not just Global Insight's Mr Archer predicting a fall in rates, Jonathan Loynes; UK economist at Capital Economics, predicts the monetary policy committee (MPC) will announce a quarter-point cut when it makes its decision next week.

Last month, the MPC chose not to change interest rates from the 5.5 per cent rate it adopted in December. It warned that it could be several months before the money market conditions return to normal, outlining that the global uncertainty continues.

It can only be good news for consumers when the Bank begins to cut the base rate. Whether a person is a new borrower wanting a loan for home improvements or someone with existing debt who wants to consolidate for ease and low cost, a reduced base rate cuts the cost of credit.

Consolidation loans may also be suited to people who, perhaps because of the credit crunch, find themselves in an unsustainable financial position. A recent study by Chiltern revealed men are the most likely to struggle with their money management.

UK Loan Arrangers providing you with breaking UK debt consolidation loans news.

Contact Information

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