



## 0.5% cut in base rate helps homeowners with tracker mortgages 9 October 2008



The decision by the Bank of England's Monetary Policy Committee to announce a cut in the UK's base rate a day ahead of the scheduled date is an indication of the seriousness of the conditions in the wider economy.

The cut of 0.5% will ease the position of the millions of homeowners who are on tracker mortgages. It is estimated that the 50 basis point reduction in the interest rate will save £800 a year on the mortgage repayments of an average priced UK property.

However, Neil Young, the CEO of Young Group, a company specialising in the provision of Property Portfolio Management services to private investors, comments that only time will tell if the dramatic half of one percent reduction will be reflected in lenders' standard variable rates.

He has said that, historically, the Monetary Policy Committee has made small, 25 basis point rate adjustments. The 50 basis point reduction announced on 8 October, coupled with the £50bn bank rescue package is an effort to jolt the economy.

Neil Young considers that conditions in the wider economy have changed markedly since April when the 5% rate was set. He thinks the economy is now at a stage whereby such a rate cut can be made without jeopardising the Government's inflation target.

The current general economic slowdown will cool inflation, demonstrated by the price of oil this week falling to an eight month low to below \$90 a barrel.

In the meantime, the good news is for homeowners on tracker mortgages, who will see immediate benefits.