1.75m Homeowners at Risk of Interest Rate Shock, Charity Warns

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The UK's leading financial capability charity today warns that more than 1.75m mortgaged households have never experienced a rise in the Bank of England base rate, putting them at risk of a financial shock when rates increase.

According to The Money Charity's analysis, there have been 1,762,400 first-time buyers since July 2007, the last time the Bank of England increased the base rate – more than four times the number of households in Birmingham.

These mortgagors will never have seen their repayments rise, as interest rates plummeted following the credit crunch. And more than 1.1m of these bought their first property since interest rates hit rock bottom in March 2009, meaning they've only ever experienced the very lowest rates.

Mortgagors on a variable rate have benefited from record low interest rates over the last five years. But as inflation has outstripped wage growth, for many this has been welcome respite rather than a chance to pay off more of their loan.

A rise could catch households by surprise, warns the charity – particularly as new mortgages are cheaper than ever. Figures from the Bank of England show that in January new mortgages attracted an average interest rate of just 2.81%, meaning a £150k mortgage would have monthly payments of £697. In September 2008 this was as high as 6.09%, meaning a repayment of £975.

Michelle Highman, Chief Executive of The Money Charity, said:

"Recent low interest rates have been great for homeowners with variable rate mortgages and new buyers, but they won't last forever.

"No-one knows when interest rates will rise, but when they do mortgage rates won't be far behind. The 1.75m households who've never experienced an interest rate rise could find themselves in for a nasty shock. And even those who've had mortgages for longer might have got used to their payments staying the same.

"Before rates rise is the perfect time to get ahead of the game and work out what you can afford, and where you could change your spending habits. We have tools like our free Budget Builder than can help you get started,

"And if keeping up your mortgage payments is already a strain, contact a free, impartial provider of debt advice like StepChange debt charity."

Latest figures include:

1. £8.2m: daily write-off to individuals by banks and building societies

2. £1.469 trillion:total personal debt in the UK

3. 76 a day:decrease in mortgages with arrears of 2.5% or more

4. 1,765: average number of consumer County Court Judgements every day

5. £282m: daily fall in Public Sector Net Borrowing

6. £962 a day:fall in working-age people claiming benefits in the year to August 2014

7. £23,829:average UK salary excluding bonuses

8. £71m: daily net lending by banks to individuals

9. Every 5 minutes 55 seconds: someone becomes insolvent in England and Wales

You can get the full picture at http://themoneycharity.org.uk/money-statistics/

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