

Date: 2 November 2017

R3

Comments on the Bank of England’s interest rate decision – R3



Commenting on the Bank of England's Monetary Policy Committee’s interest rate decision, Eleanor Temple, chair of R3 in Yorkshire and barrister at Kings Chambers in Leeds, says:

"As widely predicted, the Bank of England's Monetary Policy Committee has today decided to raise the base rate to 0.5%.

"Even a small rise to the historically low level of interest rates could cause problems for many borrowers. Vulnerability to a financial shock like an interest rate rise is widespread; many people just don't have much financial headroom left, following a long period of stagnating wages and growing levels of household debt. On the business side, our research has picked up thousands of businesses who would be unable to adjust to even a small interest rate rise.

"The latest statistics showed an increase in the number of people becoming insolvent in the third quarter of this year, continuing an overall upward trend since mid-2015. With interest rates having hovered near rock bottom for nearly a decade, many borrowers are deeply unprepared for any rise in the cost of personal credit – many will never even have experienced a rate rise. This is especially acute as use of credit can often be the only way people can afford to pay for a place to live, a car to get to work in, or even the basics, like food or energy bills.

"Our concern is that many people now take soft credit terms and low interest rates for granted, to an extent, whether or not they realise it, and should the current conditions change, they will find themselves exposed."