What does the base-rate increase mean for you?

In a bid to tackle rising inflation, the Bank of England has increased the base rate for the seventh time since December 2021. The 0.5% hike takes the interest rate to 2.25% - the highest since November 2008, when the banking system faced collapse. So, what does this mean for you?

Mortgages
If you're on a fixed-rate mortgage, you'll be protected from the latest rise until your current deal runs out. If that happens any time soon, you may well find the cost of a new fixed-rate mortgage has shot up - with even the most competitive two-year deals currently priced at between 4 and 4.5% compared to less than 1% a year ago.
For those on tracker mortgages, you'll almost certainly see your payments go up in the next few weeks to reflect the full increase in the base rate. In general, you can expect to pay an extra £23 a month on a £100,000 mortgage.

Homeowners on their lender's standard variable rate (SVR) will also probably see their monthly payments go up. They may not be hit with the full increase though, as these rates go up at a lender's discretion. Banks and building societies may take longer to decide on SVR changes, as they come under pressure to shield customers from the full impact of the latest base-rate hike.

Other debt
The base-rate increase will also more than likely see the cost of borrowing rise in other areas. Although often not explicitly linked to the base rate, credit card rates are generally expected to go up in response to the latest rise. This means they'll almost certainly reach the dizzying heights of 30%.
It's also widely anticipated that many lenders will pass on the increase to people taking out new personal loans and car finance.

Savings
The base-rate rise should be good news for savers, although it can take time for increases to be passed on to customers. Getting professional advice can help you make the most of your money.

Investments
Changes to interest rates can affect different types of investment in different ways. Your financial adviser can build a diverse portfolio which may minimise the effects of any rate fluctuations.

Budgeting
In light of the latest base-rate increase and changes announced by Kwasi Kwarteng in the government's mini-budget, it makes sense to review your own budget. A financial

adviser can help you weather these uncertain times and ensure you're making more of your money.

Key takeaways:

- Homeowners with tracker mortgages are likely to see their monthly payments go up in the next few weeks. People on their lender's SVR will probably see an increase to the amount they have to pay too, although they may be shielded from the full impact. The cost of new fixed-rate deals is also set to rise.
- The cost of credit card debt, along with new car finance and personal loans, will almost certainly increase in response to the change in the base rate.
- The rise should be good news for savers, although it may be worth waiting before switching to see if rates increase further.
- Making sure you have a diverse portfolio can protect investments from rate fluctuations.
- A financial adviser can help ensure you're making the most of your money in these uncertain times.