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MONTHLY NEWSLETTER · ISSUE 02 · NOVEMBER 2026

Nothing here is a personal recommendation.

This is general information and is not tailored to individual circumstances. We hope you find it useful.

This issue is about last week's rise in interest rates and what forecasters expect for 2027. We don't forecast rates ourselves, so every forecast here is someone else's, set against what it would mean for your mortgage or savings. Every item in section B is tagged: scan the tags, stop where one is relevant to you, skip the rest.

EVERYONE | MORTGAGED | SAVERS | LANDLORD / BTL

A State of play

The Bank of England raised the Bank Rate, the base rate most other UK interest rates follow, from 3.75% to 4% on 5 November, its first rise since August 2023. For anyone with a mortgage or savings, though, the bigger news is that forecasters disagree by about half of one per cent on where it goes by the end of 2027.

The vote was 8–1, and the one dissenter, Catherine Mann, wanted to go further, to 4.25%. Energy is the reason, with the Middle East conflict pushing oil about 70% above its pre-war level, and the Bank expects inflation to climb from 3.5% in September to about 5% by mid-2027 before it falls back. Its bigger fear is that firms and workers pass the cost on and turn a one-off price shock into inflation that lasts.

The Governor, Andrew Bailey, said the rise shouldn't be read as the first of an inevitable long series, but that unless the conflict is resolved it probably won't be the last either, which is about as close to a straight answer as central banks get. The minutes show a committee split on what comes next, with three members expecting another rise soon and one saying the next move could be up, down or sideways.

KEY

Almost everyone expected last week's rise, so fixed rates on mortgages and savings had moved weeks before it happened, and through 2027 they'll keep moving with what markets expect the Bank to do, often well before the Bank does it.

B

What changed, and what 2027 looks like from here

1 · Three views of 2027

EVERYONE

Economists, including Oxford Economics and Deutsche Bank, expect one more rise, to 4.25%, while financial markets are pricing about three, and the Bank's own survey of market professionals sides with the economists.

WORKED EXAMPLE · WHERE THE BANK RATE ENDS UP, DEPENDING ON WHO YOU ASK

The Bank Rate today	4%
Where markets expect it at the end of 2027	about 4.75%
Where Deutsche Bank's economists expect it at the end of 2027	4.25%
Where City professionals surveyed by the Bank expect it in February 2027	4.25%
Where City professionals surveyed by the Bank expect it by 2028–29	**3.5%**

This time the markets' figure is higher, and part of the reason is a safety margin. When the bigger risk is the Bank Rate ending up higher than expected, markets can often build a little extra into fixed rates to cover it, and with energy prices remaining hard to predict for some time, Deutsche Bank's economists think that "extra" is… extra right now. It's already baked into the fixed rates on offer today, so if you fix a mortgage you pay for it whether or not rates rise, and if you fix your savings you benefit from it.

2 · Why your fixed rate moved before the Bank did

MORTGAGED SAVERS

Fixed mortgage rates are priced on where the market expects the Bank Rate to go rather than where it is, so on Moneyfacts' figures they climbed for most of this year while the Bank Rate sat still at 3.75%.

WORKED EXAMPLE · AISHA FIXES A £200,000, 25-YEAR MORTGAGE FOR TWO YEARS IN NOVEMBER 2026

The Bank Rate, January 2026 and 2 November 2026	3.75% both times
Average two-year fixed rate across all lenders, January 2026	4.83%
Average two-year fixed rate across all lenders, 2 November 2026	5.97%
Monthly payment on £200,000 over 25 years at 4.83%	£1,149
Monthly payment on £200,000 over 25 years at 5.97%	£1,285
Aisha's extra cost for fixing in November, not January	**£136 a month, £1,632 a year**

If inflation comes in lower than feared, fixed rates can fall with the Bank Rate still at 4%, and if the conflict worsens they can rise before the Bank has done anything at all. Anyone whose fix ends in 2027 will be offered a rate set by what the market expects on the day they secure it, not by the Bank's next meeting.

3 · Trackers and standard variable rates move straight away

MORTGAGED | LANDLORD / BTL

A tracker follows the Bank Rate directly and most lenders' standard variable rates follow too, Nationwide's rising to 6.74% from 1 December, so for these borrowers each view of 2027 is a different monthly payment.

WORKED EXAMPLE · DEV'S MONTHLY PAYMENT ON £200,000 OVER 20 YEARS, ON A TRACKER SET AT THE BANK RATE PLUS 1%

At 4.75%, before the 5 November rise	£1,292
At 5%, after the rise	£1,320
At 5.25%, if economists are right and the Bank Rate reaches 4.25%	£1,348
At 5.75%, if markets are right and the Bank Rate reaches 4.75%	£1,404
Gap between the economists' and the markets' outcome	**£56 a month, £672 a year**

Dev is already paying £28 a month more, and the gap between the two camps is worth £672 a year to him, though he won't know which camp was right until he's paid for it.

On an interest-only buy-to-let mortgage the sum is simpler, because every quarter of one per cent on £200,000 is £500 a year of extra interest.

4 · Savers: rates up, but not as far as prices

SAVERS

Savings rates follow the Bank Rate up more slowly than mortgage rates do, and the average easy access account paid 2.53% in September when the Bank Rate was 3.75%.

WORKED EXAMPLE · HELEN, A HIGHER-RATE TAXPAYER, SAVES £75,000 AT 4% OUTSIDE AN ISA IN 2027/28

Her savings at the start of the year	£75,000
Interest at 4%	plus £3,000
Tax at 44%, the new higher rate on savings interest, on all but the first £500	minus £1,100
Her savings at the end of the year	£76,900
What £75,000 of spending costs a year later, if prices rise 5%	£78,750
How far her savings fall behind prices	**£1,850**

Whether that matters depends on what the money is for and when Helen needs it, but if inflation reaches the Bank's projected peak, her savings will fall about £1,850 behind prices over the year, rate rise or no rate rise.

From April 2027 the Budget raises the tax on savings interest above your personal savings allowance to 24%, 44% and 49%, further than the 22%, 42% and 47% we reported in Issue 01. It also cancelled the cash ISA cut that Issue 01 listed as high probability, which we'll take on the chin, so the full £20,000 can still go into a cash ISA just as the tax on interest outside one goes up.

C

The diary

18 Nov	October inflation. September was 3.5%.
25 Nov	Ofgem sets the energy price cap for January to March 2027. The Bank assumes about £2,150, up from £1,723.
17 Dec	Bank of England decision. Straight after the November rise, markets put the chance of another at about even.
4 Feb 2027	Bank of England decision and full forecast, the meeting at which most economists expect 4.25%.
6 Apr 2027	Tax on savings interest rises to 24%, 44% and 49%.

D

The ninety-second explainer

What "priced in" means

When banks agree a fixed rate between themselves for two years, rather than paying whatever the Bank Rate turns out to be, they settle on roughly the average they expect it to be over those two years, plus a little for the risk of being wrong. That's the two-year swap rate, and lenders price their two-year fixes from it. If the market expects 4% next year and 4.5% the year after, the swap sits near 4.25%, and a nasty inflation figure that lifts the second year to 5% takes it to 4.5% the same day, without anyone at the Bank getting out of their chair.

"Priced in" means an expected move is already in today's rates, so when it arrives little changes, as happened on 5 November, and only a surprise moves the price, such as an inflation figure on 18 November that lands well away from what's expected.

E

The summary

General considerations for the month, not instructions. Check each against your own position, or ignore it.

KEY

Three questions this issue raises. None of them has a general answer.

When does your fixed rate end, and what rate has your budget assumed for the deal after it?

If you're on a tracker or a standard variable rate, could your budget absorb the gap between the two 2027 views?

How much of your savings interest falls outside an ISA and your allowance from April 2027, and what does your plan assume cash earns after inflation?

Each of those is a question to consider, not an answer.

VITAL

If a fix ends and nothing new is arranged, the mortgage rolls onto the lender's standard variable rate, which averaged 7.13% in July according to Moneyfacts. On £200,000 over 25 years that's £1,430 a month against £1,285 at the average two-year fix, so letting the date slip costs £1,740 a year. Most lenders let you secure your next deal three to six months before the current one ends, and if that window passes unnoticed, the standard variable rate applies from the day the fix runs out.

The tax guide is yours for an email address

Keeping More Of What You Earn, Budget 2026 edition, covers how savings interest is taxed and every rate and threshold in one dated appendix. No charge, no card, no catch.

Get the tax guide → [Sign-up link]

Next issue: what the inflation figures, the energy cap and December's decision did to the 2027 picture. Until then.

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