# Nationwide’s surprising rate cuts challenge Bank of England’s steady stance



Mortgage rates in the UK are trending downwards following a significant move by Nationwide Building Society, the country’s largest building society, which announced reductions in mortgage rates across various deals by up to 0.18 percentage points. This adjustment comes despite the Bank of England's (BoE) recent decision to hold its base rate steady at 4%, signaling an unusual divergence between lender pricing strategies and central bank policy. Nationwide’s move is especially beneficial for first-time buyers and home movers, with notable cuts on fixed-rate deals attracting borrowers with different deposit sizes.

From tomorrow, first-time buyers with a 25% deposit can secure a two-year fixed-rate mortgage at 4.09% with a £999 fee, translating to monthly repayments of approximately £1,066 on a £200,000 loan over 25 years. Home movers with a 40% deposit can access even lower two-year fixed deals at 3.8%, though with a higher fee of £1,499, resulting in monthly payments around £1,034 for the same loan amount and term. Meanwhile, those moving home with a 20% deposit may benefit from three-year fixes at 4.24%, plus a £999 fee, underscoring Nationwide’s pricing flexibility across different customer segments.

Industry experts view Nationwide’s rate cuts as a significant development in a market environment where many lenders have recently increased their mortgage rates. Aaron Strutt from mortgage broker Trinity Financial described the reductions as a “welcome reversal” after a period of upward pressure on mortgage prices, highlighting Nationwide's known strategy to remain competitive by topping best-buy tables and stimulating market activity. Nicholas Mendes, mortgage technical manager at John Charcol, suggested that further small rate cuts could be targeted at buyers with smaller deposits, though he predicted these would be marginal adjustments primarily aimed at maintaining a competitive edge rather than a broader market shift. Mendes also anticipated that other lenders might mirror Nationwide’s moves temporarily but could later increase prices again to manage service levels effectively.

Nationwide's decision to reduce rates stands in contrast to the Bank of England’s cautious stance on monetary policy. The BoE kept its base rate at 4% following a series of reductions from a 16-year high of 5.25% in August 2024. The recent pause came amidst persistent inflation, which held at 3.8% in August—significantly above the BoE’s 2% target—alongside economic uncertainty and sluggish growth. The Monetary Policy Committee’s decision to hold rates reflected concerns that inflation, although easing, remained sticky partly due to sustained wage growth. Governor Andrew Bailey emphasised a cautious approach, noting risks remain that require careful management before further rate cuts can be considered.

Financial institutions, including major brokerages like J.P. Morgan, Goldman Sachs, and Morgan Stanley, largely agree that the BoE is unlikely to lower rates again in 2025, with expectations now shifted to early 2026, except in scenarios where economic data deteriorates significantly. Other banks such as Barclays and BNP Paribas suggest that late-year decisions might hinge on evolving economic indicators. Market pricing currently assigns only a modest probability—28%—to the chance of another rate cut within this year.

Historically, Nationwide has responded swiftly to BoE base rate changes, such as following the 0.25% cut in August 2025, when it reduced its standard and base mortgage rates effective from September. However, the current rate cuts occur despite the Bank of England maintaining rates, reflecting Nationwide’s strategic choice to stimulate lending competitiveness amid a market where many have recently increased mortgage prices. This strategy aligns with previous Nationwide moves that defied cautious central bank action by offering more competitive mortgage rates to support borrowers, including first-time buyers with lower deposits.

The backdrop to these mortgage market shifts includes broader economic challenges facing the UK. Inflation remains elevated compared to other advanced economies, economic growth is sluggish, and unemployment has risen, creating a complex environment for both monetary and fiscal policy. The government’s forthcoming budget and potential tax changes add further uncertainty, which could influence future interest rate trajectories and lender pricing strategies.

In summary, while the Bank of England maintains a cautious stance on interest rates amid ongoing inflation risks and economic uncertainty, Nationwide Building Society's recent mortgage rate cuts mark a notable departure in lender behaviour. These reductions offer relief and opportunities for various homebuyers, particularly first-time purchasers and those with substantial deposits, at a time when competing lenders have mostly raised rates. The coming months will be pivotal in determining whether other lenders follow Nationwide’s lead or adjust prices upward again in response to market demand and service capacity.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/galleries/article-15115047/Nationwide-cuts-mortgage-rates-despite-Bank-Englands-decision.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[7]](https://www.mpamag.com/uk/news/general/nationwide-other-lenders-implement-rate-cuts/534767)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/galleries/article-15115047/Nationwide-cuts-mortgage-rates-despite-Bank-Englands-decision.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[7]](https://www.mpamag.com/uk/news/general/nationwide-other-lenders-implement-rate-cuts/534767)
* Paragraph 3 – [[1]](https://www.dailymail.co.uk/money/galleries/article-15115047/Nationwide-cuts-mortgage-rates-despite-Bank-Englands-decision.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[7]](https://www.mpamag.com/uk/news/general/nationwide-other-lenders-implement-rate-cuts/534767), [[5]](https://www.introducertoday.co.uk/breaking-news/2025/03/nationwide-defies-bank-of-england-caution-and-cuts-rates/)
* Paragraph 4 – [[2]](https://www.reuters.com/business/finance/major-brokerages-expect-no-more-boe-rate-cuts-2025-after-september-pause-2025-09-19/), [[3]](https://apnews.com/article/225d722f5ade89d1579afe2b675f2209)
* Paragraph 5 – [[2]](https://www.reuters.com/business/finance/major-brokerages-expect-no-more-boe-rate-cuts-2025-after-september-pause-2025-09-19/), [[3]](https://apnews.com/article/225d722f5ade89d1579afe2b675f2209)
* Paragraph 6 – [[4]](https://www.nationwide.co.uk/news-and-stories/bank-of-england-changes-base-rate), [[5]](https://www.introducertoday.co.uk/breaking-news/2025/03/nationwide-defies-bank-of-england-caution-and-cuts-rates/), [[1]](https://www.dailymail.co.uk/money/galleries/article-15115047/Nationwide-cuts-mortgage-rates-despite-Bank-Englands-decision.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[7]](https://www.mpamag.com/uk/news/general/nationwide-other-lenders-implement-rate-cuts/534767)
* Paragraph 7 – [[2]](https://www.reuters.com/business/finance/major-brokerages-expect-no-more-boe-rate-cuts-2025-after-september-pause-2025-09-19/), [[3]](https://apnews.com/article/225d722f5ade89d1579afe2b675f2209), [[6]](https://apnews.com/article/e2560865eefa985052dbdd483e53becc)
* Paragraph 8 – [[1]](https://www.dailymail.co.uk/money/galleries/article-15115047/Nationwide-cuts-mortgage-rates-despite-Bank-Englands-decision.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[7]](https://www.mpamag.com/uk/news/general/nationwide-other-lenders-implement-rate-cuts/534767), [[5]](https://www.introducertoday.co.uk/breaking-news/2025/03/nationwide-defies-bank-of-england-caution-and-cuts-rates/)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.dailymail.co.uk/money/galleries/article-15115047/Nationwide-cuts-mortgage-rates-despite-Bank-Englands-decision.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.reuters.com/business/finance/major-brokerages-expect-no-more-boe-rate-cuts-2025-after-september-pause-2025-09-19/> - Major financial institutions, including J.P. Morgan, Goldman Sachs, Morgan Stanley, and Bank of America, anticipate that the Bank of England (BoE) will not introduce further interest rate cuts in 2025. This expectation follows the BoE’s decision to hold rates steady in September after a 25-basis-point cut in August. The central bank is responding to persistent inflation—UK inflation held at 3.8% in August, the highest among major advanced economies—and ongoing uncertainty in growth and employment. Goldman Sachs, Morgan Stanley, and J.P. Morgan have postponed their predictions for the next rate cut to February 2026, with Goldman and Morgan Stanley adding that a cut could still occur in December if economic data weakens significantly. Barclays and BNP Paribas see a possible rate cut in November or December, respectively, hinging on incoming data. The BoE continues to project inflation peaking at 4% in September, declining to its 2% target by mid-2027, and Governor Andrew Bailey emphasized that any rate cuts will be gradual. Market pricing suggests only a 28% chance of another rate cut in 2025.
3. <https://apnews.com/article/225d722f5ade89d1579afe2b675f2209> - On September 18, 2025, the Bank of England maintained its main interest rate at 4%, reflecting continued concern over persistent inflation, which remained at 3.8% in August—almost double the bank's 2% target. The decision saw a split among the Monetary Policy Committee, with seven members favoring the hold and two advocating a 0.25% rate cut. Governor Andrew Bailey emphasized that while inflation is expected to decline to target levels, the risks remain, necessitating a cautious approach to further rate cuts. Since August 2024, the bank has been slowly reducing rates as inflation pressures from events like Russia's invasion of Ukraine have eased. However, sticky inflation—partly due to high wage growth—has made policymakers hesitant. With economic growth sluggish, some economists argue for continued rate cuts, but uncertainty surrounding the Labour government’s upcoming budget and possible tax increases could delay further reductions until at least December. The government hopes for interest rate cuts to support economic recovery and reduce living costs, but upcoming fiscal decisions may impact future monetary policy decisions.
4. <https://www.nationwide.co.uk/news-and-stories/bank-of-england-changes-base-rate> - On 7 August 2025, the Bank of England announced a 0.25% decrease in its base rate from 4.25% to 4%. In response, Nationwide Building Society adjusted its Standard Mortgage Rate (SMR) and Base Mortgage Rate (BMR), effective from 1 September 2025. The SMR decreased from 6.99% to 6.74%, and the BMR decreased from 6.25% to 6%. Tracker mortgage rates were also adjusted to reflect the base rate change. Customers were informed of these changes, and new monthly payments were set to commence from September 2025 on their usual payment date. Nationwide provided resources, including a mortgage payment change calculator, to help customers understand the impact of the rate change on their payments.
5. <https://www.introducertoday.co.uk/breaking-news/2025/03/nationwide-defies-bank-of-england-caution-and-cuts-rates/> - Nationwide Building Society announced mortgage rate cuts of up to 0.26% on selected two, three, and five-year fixed-rate deals, despite the Bank of England's decision to keep the base rate at 4.5%. The reductions applied to products with loan-to-value (LTV) ratios between 80% and 95%. Notably, the new rates included sub-5% deals for new buyers with just a 5% deposit. Some products were available at 90% and 95% LTV but came with a £1,499 fee. The cuts aimed to benefit first-time buyers and home movers, with specific examples provided for various LTV scenarios.
6. <https://apnews.com/article/e2560865eefa985052dbdd483e53becc> - The Bank of England reduced its main interest rate by 0.25 percentage points to 4%—the lowest rate since March 2023—in a move to stimulate the slowing UK economy. This marked the fifth rate cut since August 2024, when the rate stood at a 16-year high of 5.25%. The decision, passed by a narrow 5-4 vote by the Monetary Policy Committee, came amid efforts to counteract the dual challenges of persistent inflation and weakened economic growth, exacerbated by global trade tensions and domestic fiscal uncertainty. Despite inflation running at 3.6%—well above the bank’s 2% goal—the rise was attributed to temporary spikes in food and energy costs, with inflation forecast to return to target levels by mid-2027. Economic growth slowed to just 0.1% in Q2 2025, and unemployment climbed to 4.7%, the highest in four years. Amid concerns about tax hikes and budget pressures, officials emphasized ongoing efforts to boost long-term growth through infrastructure investment, trade deals, and AI development. The government aimed to avoid unpopular revenue measures while supporting consumer and business confidence.
7. <https://www.mpamag.com/uk/news/general/nationwide-other-lenders-implement-rate-cuts/534767> - Several mortgage lenders, including Nationwide Building Society, announced rate reductions across a range of products, signalling increased competition in the home loan market ahead of the Bank of England’s upcoming base rate decision. Nationwide cut rates by up to 30 basis points on selected two-, three-, five-, and ten-year fixed, and two-year tracker mortgages. The lender's lowest mortgage rate now stood at 3.84%, available to both new and existing customers moving home on two- and five-year fixed deals at 60% loan-to-value (LTV). For the first time since September 2024, Nationwide offered sub-4% deals to first-time buyers, including a two-year fixed rate at 3.94% with a £1,499 fee at 60% LTV, and a 3.99% version with a £999 fee. Cuts of up to 0.30% also applied to higher LTV options, including 95% LTV products. The lender expressed its commitment to remaining competitive in the market.