

MORTGAGE INTRODUCER

[BoE: Negative interest rates not ruled out](#)



Bank of England Governor Andrew Bailey has refused to rule out the prospect of negative interest rates

The base rate is already at a 300-year low of 0.1%. However, speaking to MPs on the Treasury select committee the Governor refused to rule out a further cut. When asked Felicity Buchan MP if the Bank was looking at negative rates or buying riskier assets Bailey said: “We’re not ruling it in, and we’re not ruling it out”.

Earlier today the BoE auctioned £3.75bn of gilts maturing in July 2023 with an average yield of -0.003% – this marks the first time the UK has borrowed at a negative rate.

Andrew Boyle, CEO at LGB & Co, said: “The result of the auction was striking. It suggested that investors perceive the deflationary threat of the current business disruption to be greater than the inflationary potential of government measures to support the economy – at least for the three years period of the gilts that were sold.”

The prospect of negative interest could prove challenging for deposit-taking banks and building societies which could face a struggle applying them to customers' savings accounts.

In theory negative interest rates would make it less appealing to keep cash in the bank and make it more appealing to borrow money with rates being pushed loan rates to rock-bottom lows.

Japan, Sweden, Switzerland, and Denmark have all had negative interest rates in the past.