

## An interest rate rise will push the UK over the edge

Published: January 12, 2026, 8:40 pm

---

As the [FT notes this morning](#):

*The Bank of England is moving closer to a rate rise after some members of the interest-rate setting Monetary Policy Committee indicated they stand ready to vote for an earlier-than-expected increase.*

I believe the reports. There are, I am sure, members of the MPC who fear the spectre of inflation running rampant across the economy again when it is currently at the far too low rate of 1.8%, when real wages are still well below their peak, when there is still mass unemployment and even more unemployment, and when the first hints of recovery clearly need to be snubbed out immediately. Such depravity of economic thinking does, I am sure, exist on the MPC.

But at the same time I think it only appropriate to say two things. The first is that any Chancellor worth their salt would change their inflation target in the current environment. With the debt mountain we still face a target of between 3% and 4% would be just fine, and maybe even too low. Such a change has to be part of the structural change in practice that the economy needs.

There is also a profound practical need for that change in approach, which is that any interest rate rise in the UK will be catastrophic for any households. The average current UK mortgage rate at present [is, apparently, about 3.4%](#) whilst the average balance is about £96,000. No doubt many of the households have bigger loans balances than that. But even for those on such balances a rate rise of 1% (which is entirely plausible) increases their annual cost £80 a month. When you can't already make ends meet, as many households in the UK cannot, that will tip you over the edge. Finding another £1,000 a year in that situation, and when real wages are still falling, is impossible.

The biggest question that many politicians will have to face in the next year is what they will do for those who will find themselves in this situation and how they will handle the consequences. I suspect few have answers but the Bank of England may make

them face the issue, whether they like it or not.

Broken Britain may look to be in deep trouble as 2014 progresses.