



Pension warning issued as millions to be hit by 'marathon mortgages'

Millions of homeowners face paying "marathon mortgages" stretching into their retirement because of high interest rates, pension experts have warned

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A sale sign displayed on London street (Image: Getty)

Former pensions minister Steve Webb warned people must avoid borrowing more than they can afford only to find their retirement finances are “stretched breaking point”.

Ultra-long, or extended, mortgages have become more popular with just over two in five of all new mortgages obtained between April to June having terms which run past pension age.

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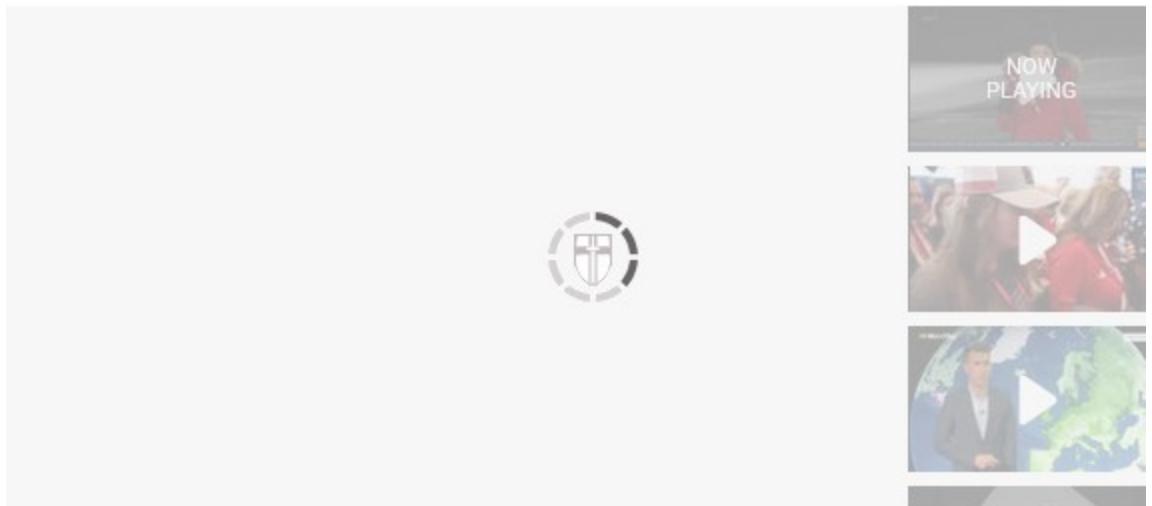
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This compares with barely three in 10 new mortgages in the last three months of 2021.

Mr Webb, a partner at pension consultants LCP, said: "Many people look forward to retirement as a time when the **mortgage** is paid off and they can relax and enjoy more free time with family and friends.



'But for a rapidly growing number of people, the prospect of a **mortgage**-free retirement is looking much less likely.



“With houses becoming increasingly unaffordable for the young in particular, it is understandable that more people are reducing their monthly payments by taking out a loan stretching decades into the future.

“But the worry is what this will mean for their standard of living in retirement.”

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He said there is increasing evidence that taking out a **mortgage** which runs past pension age is an “entrenched feature” of the **mortgage** market rather than a “temporary blip”.

Mr Webb estimated that over a million new mortgages have been issued since the end of 2021 with terms running past retirement age.

These longer-term mortgages would reduce monthly repayments at a time when people's finances are squeezed.

High housing prices, along with rising **cost of living** in recent years and high **mortgage** rates, has left many borrowers with little choice but to extend the term of their home loan to ensure they can meet lenders' affordability calculations.

After hitting a record high in August 2022, house prices plummeted in the wake of former Prime Minister Liz Truss's mini budget.

Potential buyers ditched the housing market when **interest rates** on mortgages rocketed, competition between lenders temporarily collapsed and the value of cash deposits was eroded by record inflation.

Mortgage rates soared again in mid-2023 and also crept up during the spring this year as markets questioned the UK's ability to bring inflation down.

The Bank of England announced an **interest rate** cut on August 1 this year for the first time since March 2020, reducing the base rate from 5.25% to 5% and cut rates further to 4.75% in November.

Alice Haine, personal finance analyst at wealth manager Bestinvest by Evelyr Partners, said: "The take-up of longer-term mortgages has been on the rise since the era of cheap money ended abruptly in December 2021 when the Bank of England began its rapid rate-hiking cycle in a bid to curb rampant inflation.