

Guide

# Should You Choose a 2-Year or 5-Year Fixed-Rate Mortgage?



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# Introduction.

If you're considering taking out a mortgage or nearing the end of your current fixed-rate deal, you'll no doubt have noticed plenty of conversation about mortgage rates.

Choosing between a 2-year or 5-year fixed rate mortgage is one of the key decisions.

Here, we'll explain the differences and help you decide what might work best for your situation

# What's a Fixed-Rate Mortgage?

A fixed-rate mortgage locks in your interest rate for a set period of time. This means your monthly payments stay the same no matter what happens with wider economic factors, like the Bank of England's Base Rate. A 2-year deal fixes the rate for 2 years, while a 5-year deal does so for 5 years.

Recently, more people are leaning towards 5-year fixed deals because they're cheaper than shorter-term options, which is a shift from how things used to be!

## **Why Are 5-Year Fixed Rates Cheaper Right Now?**

Starting in late 2022, 5-year fixed mortgages became cheaper than 2-year ones. The reason? Lenders expect interest rates to fall in the future, and they factor this into their pricing. This means monthly payments on 5-year deals are currently lower than those on 2-year mortgages.

# 2-Year Fixed-Rate Mortgages.

## Pros

Short-term commitment (just 2 years)

You can switch to a better deal sooner if rates drop

## Cons

Currently more expensive than 5-year deals (by about 0.5%)

Higher monthly payments



# 5-Year Fixed-Rate Mortgages.

## Pros

- Stability for 5 years—your payments won't change
- Lower interest rates right now, meaning cheaper monthly payments

## Cons

- Locked in for 5 years—if rates drop, you miss out unless you remortgage and pay penalties

For example, with a 5-year deal being 0.5% cheaper, you'd save around £27 per month for every £100,000 of your mortgage balance.

# What's Best for You?

The choice depends on your situation.

- Go for 2 years if you expect rates to drop soon and want flexibility.
- Choose 5 years if you want lower payments and more long-term stability.

Need more tailored advice? You can always chat with a mortgage broker to figure out what works best for you.

You can speak to our mortgage adviser below on a date and time to suit you.

[Book a Call](#)

# Another Option— Tracker Mortgages.

If you're open to something different, consider a tracker mortgage. These follow the Bank of England's Base Rate, so your monthly payments go up or down alongside it.

## **Pros**

If rates fall, your payments drop too

## **Cons**

If rates rise, your payments will increase

On average, a 1% change in the Base Rate impacts your payment by about £54 for every £100,000 of mortgage balance.

# Final message from the team.

When deciding between a 2-year or 5-year fixed-rate mortgage, the key difference is the duration your interest rate is locked in.

A 2-year deal provides short-term stability and flexibility, especially if rates drop soon, but comes with higher monthly repayments compared to current 5-year rates. Meanwhile, 5-year fixed mortgages offer longer-term stability and lower monthly repayments but lock you in for a longer period, meaning you'll miss out on rate drops unless you pay for early remortgaging. Consulting a mortgage broker can help you make the best decision.

[Book a Call](#)

**Please note:** SBK is not authorised to give financial advice; the information and opinions provided in these articles are not intended to be financial advice and should not be relied upon when making financial decisions. Please seek advice from a specialist mortgage provider.

Got any ideas how we can improve this guide? Please share them - [marketing@sheldonbosleyknight.co.uk](mailto:marketing@sheldonbosleyknight.co.uk)

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