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Guide to Long-term Mortgage Lending



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Introduction: Shape of the mortgage market in 2026

Michael Griffiths, News Editor, MoneyAge



The UK's mortgage market continues to be dominated by fixed rate products of two and five-year terms.

At the outset of 2026, there were more than 7,150 products available across the entire mortgage market, according to Moneyfacts data. Despite this wide choice, most borrowers are continuing to favour short and medium-term fixed deals, reinforcing a cycle in which households are regularly refinancing their homes every two or five years.

UK Finance has also estimated that 1.8 million fixed rate mortgages are due to expire in 2026, as the market prepares for a significant surge in remortgaging activity, and a wave of borrowers who must either secure a new deal or revert to their lender's standard variable rate.

Amid the two-and five-year term dominance of the market, very different experiences could be in stall for those who last agreed terms in 2021 and 2024.

Refinancing in 2026

In 2021, the Bank of England's historically low base rate allowed many homeowners to lock in mortgage rates below 2%. Those who chose five-year fixes at that point have enjoyed prolonged insulation from the rate rises that followed, but in 2026 that protection will expire. Moving from a record-low five-year deal agreed in 2021 onto today's pricing could result in a sharp increase in monthly repayments.

At the other end of the scale, a large group of borrowers coming up for renewal in 2026 are those who opted for two-year fixes in 2024, when rates were already significantly higher than the pandemic-era lows. For them, rates have stabilised or even eased slightly, meaning they are more likely to be refinancing onto deals marginally cheaper than the one they are leaving.

The disparity in the experiences for these two cohorts of borrowers in 2026 highlights a consistent feature of the UK mortgage system – the repeated exposure to refinancing risk.

Every two or five years, most homeowners are confronting prevailing market conditions and passing affordability checks time and again. When rates are steady or falling, this structure can work smoothly. When volatility strikes, however, the consequences are uneven and sometimes damaging.

And what is to say this won't be the same in 2028, or in 2031? The 1.8 million fixed rate mortgages due to expire this year are part of an ongoing cycle, and the polarised experiences for those up for renewal this year certainly raise the question of whether there is room for more alternatives to the traditional two and five-year fixed rate structure.

Time to fix for longer?

Fixed mortgage rates on longer-terms, upwards of 10 years and in cases as much as 40 years, are more commonplace in the US and parts of Europe than they are in the UK, where they can perhaps still be considered a niche product.

For borrowers, fixing rates for longer reduces exposure to market swings and the need to refinance every few years, providing more stability. The trade-off, however, might mean higher initial rates, and stricter early repayment charges. Lenders themselves must also manage the risk of committing to long-term pricing in a rate environment that is ever shifting.

This guide aims to explain the benefits of fixing a mortgage over the long-term, explore the stability these products can provide homeowners in the UK, and ask whether a long-term model could ever shift the current dominance of the two and five-year fix environment.

Modern Mortgages: How innovation is making it easier to get on the ladder.

By: John Davison, Head of Product, Proposition, and Distribution at Perenna



In December, UK Finance released their annual Mortgage Market Forecasts, detailing their expectations for the UK mortgage market for the next two years. Disappointingly for many, it sees the number of property transactions declining over this period, with 16,000 fewer residential property transactions forecast in 2027 compared to 2025. Perhaps this decline can be explained, at least in part, by the forecast increase in mortgage lending volumes – up £7bn for purchases over the same period. Are increasing property prices, resulting in bigger mortgages, putting people off buying?

Data released by Rightmove in January this year tells a different story. Potential buyers contacting estate agents to view a home listed on Rightmove increased by 67% year-on-year for the five days after Christmas. Combine this with a year-on-year increase of 143% in the number of properties being listed for sale in the same period, and you can see the tell-tale signs of a market wanting to buy, wanting to sell and wanting to move.

To me, it seems there is a clear desire for people to buy their first home or move up ladder; but for a combination of reasons, they are either unable to afford to buy, can't save for the required deposit, or

aren't able to access a suitable mortgage product for their circumstances and needs.

Mortgage lenders in the UK have developed an almost unique market, centred on the concept of a two or five-year fixed rate. Borrowers believe this gives them flexibility, allows them to move at the end of the fix, and helps them budget by having a secure rate. All of that is correct, of course, but wouldn't it be better if the borrower didn't have to wait to sell? How about a fixed rate without an exit fee if you do want to move house? Now that's flexibility. Perenna is one of only a few lenders actively looking to change the 'traditional' five-year mortgage, offering both the security of rate, and the flexibility to make overpayments or even exit the deal early without penalty.

Let's talk about that rate security as well; is five years genuinely good security when talking about a 30 or even 40-year mortgage? It's great knowing what your payments are going to be, and knowing they are going to stay the same for two, three or five years. But as many of us have now found out, it can be quite a steep cliff edge if the market has moved significantly while we rested on our shorter fixed rate. Millions of homeowners came off fixed rates



starting with a 1% or 2% figure – they have now found themselves facing 4% or even 5% rates – it’s the same house, they’ve been paying back their loan every month – why should they suddenly have to pay hundreds more per month?

Long-term fixes offer at least one solution. By fixing your rate for longer – seven, 10 or even 15 years – the borrower can protect themselves from rate shocks for far longer. A lot can change in your life during 15 years – but that’s why the flexibility is important too. Getting a fixed rate for more than a decade, while knowing you can exit anytime and move house without penalty is the best of both worlds. Portable? Absolutely – why should a borrower be penalised if they want to move home and keep their current mortgage rate? In a volatile market, many customers do not even consider this as an option – but it could save them thousands of pounds in interest over the life of their mortgage.

Product innovation isn’t limited to fees and fixed periods. Over recent years, we have seen mortgage lenders both fail and succeed at bringing new types of mortgages to the market. The return of 100% lending has been cautioned against by some, but if a customer has a clear history of making regular monthly rental payments, it seems logical that they can afford the same mortgage payment; why should they be required to save up a large deposit when their monthly income is already expended on rent and an ever-increasing cost of living? Giving borrowers alternative options for deposits, from having no deposit, to accepting loans from family, to allowing gifts from relatives – these innovations have all been designed to help reduce the burden on buyers to find large deposits.

As house prices have increased, the amount needed to even get a 5% deposit for a home has increased proportionally. In May 2025, Rightmove reported that the average asking price for a first-time home was now almost £230,000 . For a young

person or couple looking to get on the market, that means they need to save at least £11,500 for just a 5% deposit, plus more for legal fees and purchasing costs. Ask yourself how quickly you could save that much, while paying rent.

Increasing house prices have inevitably led to larger mortgage requirements for buyers, with the traditional ‘4x your income’ model just simply not cutting it anymore. Lenders have adapted, with many now advertising six, or even seven times your income available. This increase in the amount that a person can borrow is good news; but in practice, is a borrower willing to pay that much every month? The dream of owning a home may just be too much of a stretch when the loan they need to buy it costs them every penny of money they can spare.

Another innovation is helping to solve that particular issue too: lending later into life. I expect most people don’t know that you can now get a mortgage into your 90s and even beyond. True? Yes, absolutely. A good idea? Well, that’s where the experts disagree.

To help make a 5x or 6x income mortgage affordable, one option is to extend the term; taking the mortgage over far longer than the traditional 25 years. Thirty-five or even 40-year mortgages are now common, but looking at the total amount repayable over that time can be quite scary.

As the age of first-time buyers has increased, terms have gotten longer, the challenge has been at the other end of the mortgage. How old will they be at the end of that 40-year product if they aren’t buying until their mid or late 30s?

This is why mortgage advice remains critical in the UK market and longer terms can help create more manageable budgets. A savvy borrower may extend their term to buy a bigger home now, saving money in the long run by not having to move. They can reduce the total amount payable by using overpayments or reducing the term in the future as their income (hopefully) increases. They can secure a better rate now, fixed in for longer, knowing they can move if they need to without penalty.

Innovation is a change for good in the market. Not all products will land with consumers, and some may sound a little off the shelf. But new features, flexible products, and adaptable lending can help the market not only grow, but flourish and help an entire generation get onto the ladder.

i UK Finance Mortgage Market Forecasts 2026/7, 15 Dec 2025. <https://ukfinance.powerappsportals.com/secure/industry-table-publication-list/?category=438570002#>

ii Busiest ever Boxing Day on Rightmove as home-hunters prepare for 2026 move - Rightmove Press Centre

iii What can you buy for the average first-time buyer house price? | Property news



FUTURE PROOF MORTGAGE SOLUTIONS

At Perenna, we believe homeowners should not have to worry about rising interest rates. That's why our **'flexible fixed rate product'** offers both stability and flexibility. Our flexible fixed-rates are available on 5, 7, 10, and 15-year terms. Giving freedom to choose the perfect option.

Age is but a number

No maximum age caps, ever.

Interest-only and RIO options

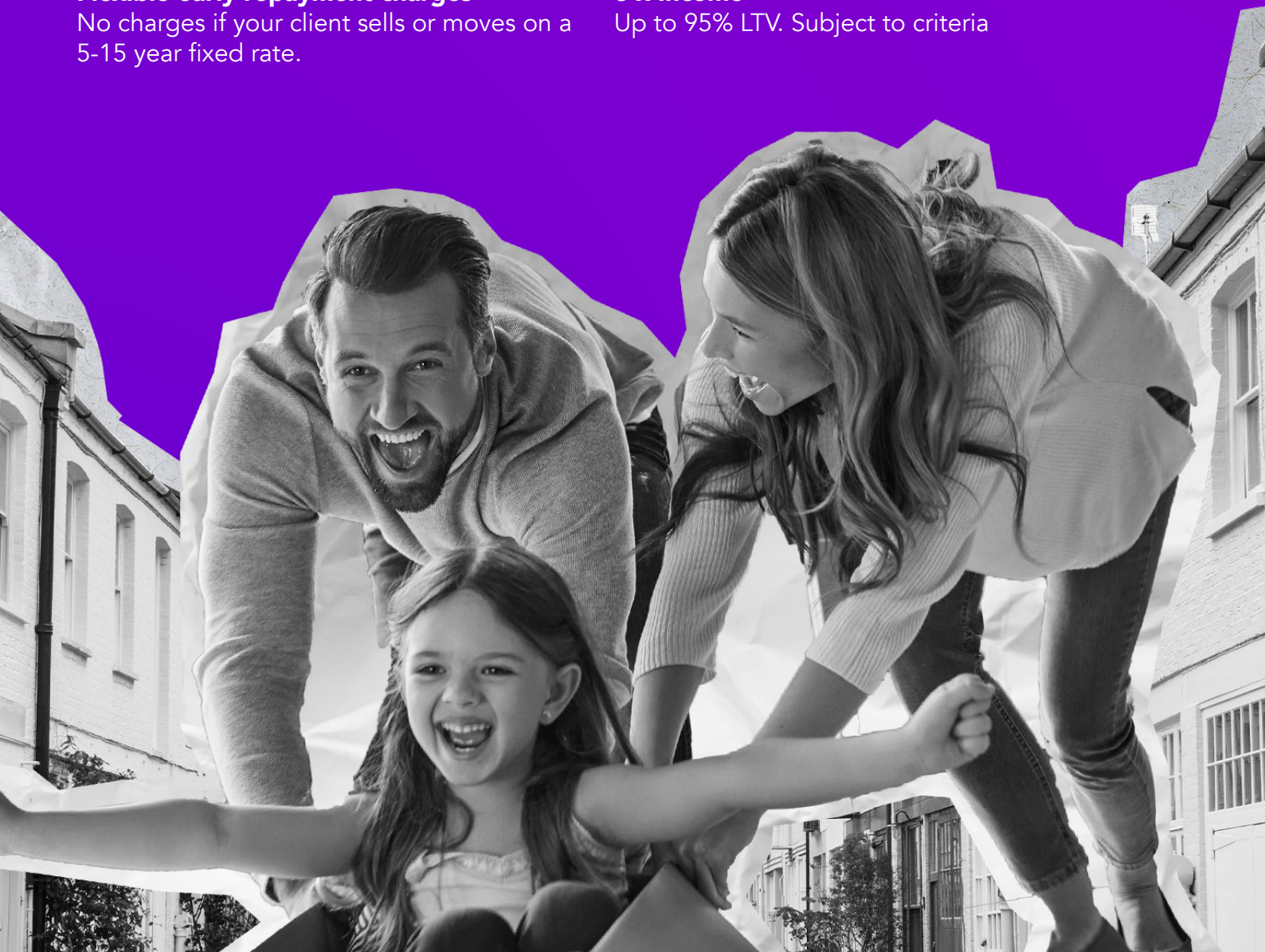
IO available up to 75% LTV and RIO up to 60% LTV

Flexible early repayment charges

No charges if your client sells or moves on a 5-15 year fixed rate.

6 x Income

Up to 95% LTV. Subject to criteria



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How does the UK's market compare to its peers?

Michael Griffiths, News Editor, MoneyAge

The UK's mortgage market shapes up rather differently to several of its European peers. While short-term fixed deals dominate the UK market, others have developed markets where longer-term fixes are more established, and where borrowers can routinely lock in their mortgage rate for a decade or more.

The graph on this page is based on data from the European Mortgage Federation and shows the UK's mortgage market alongside a selection of other European countries, comparing the lengths of typical fixed terms at the time of their issuance.

In Q3 2025, the most recent available data, both Belgium (90.6%) and Spain (74.9%) had a considerable proportion of new mortgages agreed with terms fixed for more than 10 years. Germany (48.8%), Hungary (29.2%) and Denmark (28.7%) also had sizable amounts of their mortgages fixed for 10 years or longer, while in the Netherlands (58.2%), as well as again in Hungary (43.6%) and Germany (30%), significant numbers of mortgages were agreed fixed for terms between five and 10 years.

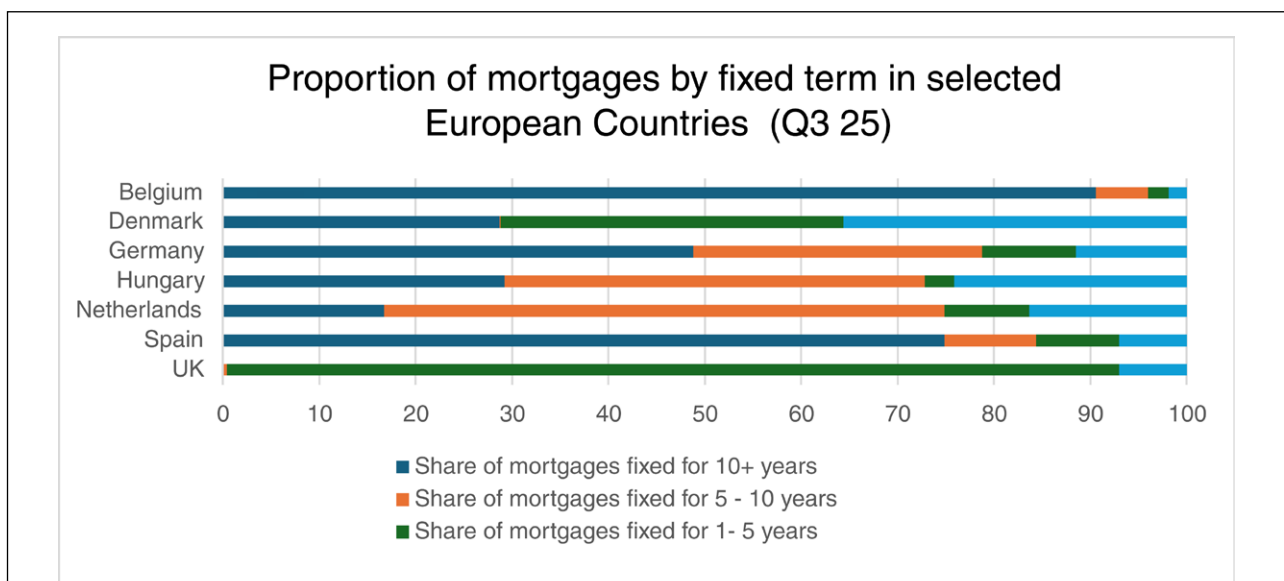
In the UK, it was a very different story. Unexpectedly, 92.6% of new mortgages were agreed on terms fixed for between one and five years, aligning with the market's two and five-year fixed product dominance. What the European Mortgage Federation's data also exposed is that the UK had just 0.4% of mortgages fixed for longer than five years, and a negligible number of mortgages fixed



for more than 10 years.

A more striking contrast can be found in the US mortgage market, where long-term fixed rates are the norm rather than the exception, and where the 30-year fixed-rate mortgage is widely regarded as the standard product for homebuyers. The key difference means many US borrowers can secure predictable repayments for decades, insulating households from interest-rate fluctuations in a way that the vast majority of the UK does not – at least currently.

The comparisons highlight how established the UK's short-term fixation culture presently is. Whether that structure might evolve in the future will depend on regulatory, funding and consumer demand changes but for now, the UK remains an outlier in its reliance on shorter fixed mortgage terms compared to several peers.





with
John Davison,
Head of Product,
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Distribution

Time to fix for longer?

Breaking down the benefits, risks and what to consider before locking in long-term

products with flexible ERCs give them security of a fixed rate while knowing they aren't tied in if they want to sell the property or move house.

Q: Over such a long period of time, what happens if a borrower's circumstances change significantly while they're locked into a long-term rate?

A: Perenna offers five to 15-year fixed rates with a flexible ERC option – this means you get longer term rate security but also don't pay any ERCs if your circumstances change and you need to sell the property or move house. The ERC on those products is only payable if you remortgage to another lender during the fixed period. Flexibility is everything, and we want to make sure borrowers don't feel like they are locked in with us at all.

Q: Are there any consumer protections or regulatory concerns that these products might raise?

A: We underwrite every loan carefully, ensuring that we meet our regulatory and legal responsibilities as a lender. It is our duty to ensure that we avoid foreseeable customer harm, and as a regulated bank we take that very seriously. We believe our products, with their flexible features and longer term protection against interest rate changes, provides consumers with the best in class mortgage options.

Q: How do long-term mortgage lenders manage the risk of offering fixed rates over so many decades?

A: All mortgage lenders hedge their loans, effectively swapping out the risk with another bank or lender in return for guaranteed payments.

This is important for lenders as it allows us to offer competitive rates while ensuring the bank is protected from shocks. The costs for swapping the risk on a longer term fixed rate is higher than that of a two or three-year product, and this cost is then built into the rate, which is why very long term products are more expensive than short term ones. As you expect, you do have to pay a premium for longer term guarantees.

Q: What would need to happen for long-term fixes to shift the dominance away from two and five-year fixes in the UK mortgage landscape and become a more mainstream product?

A: Long-term fixed rates are the main mortgage product in many countries outside the UK, and to many outsiders, we're the odd ones out in gambling our homes on such short term products. But our mortgage market is very old and well established; our financial culture is built around the idea of remortgaging to take a better deal if one is available. Many borrowers in this country have never experienced rates higher than 5%, so the idea of locking in for 15 or 20 years at those prices just doesn't cross their mind. After the financial crisis, mortgage rates in the UK dropped to the lowest ever historic levels – with some products being available under 1% - how many buyers would have been happy to lock in at 2 or 3% for 30 years back then if we had been around? There will be a tipping point in the future where long-term rates are perceived as a safe bet against longer term trends – we'll see more lenders bring products out to match and the market may see that elusive shift away from two year fixes...finally.

Q: Which types of borrowers are most suited to a longer-term fixed rate mortgage?

A: Longer term fixed rate mortgages can help a range of borrowers, from first-time buyers right the way through to later life lending. By removing the risk of the mortgage payment increasing during the fixed term of the mortgage, Perenna can offer larger loans, and longer terms. When the rate is guaranteed, we don't need to stress test, and we can also lend into retirement; even offering mortgages to borrowers in their eighties or nineties. First-time buyers can often be worried about rapidly changing circumstances in their lives, so our long term fixed rate

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