

Do short term mortgages leave us more at risk of recession?

Does the UK's preference for short-term home loans (and short-term everything else) put us at greater risk of [recession](#) than other major economies?

Yes.

[Interest rates](#) are now at the highest since 2009 and going only higher.

Mike Harris of Cribstone Strategic Macro is one analyst who thinks the UK is heading for trouble faster than the rest.

In Europe and America home loans are long-term, at least 10 years, sometimes 20 and in the US, not untypically 30 years.

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Over the term of a mortgage, borrowers might pay more overall, or not, but they have the certainty of knowing that if they can afford the first mortgage payment, then barring disaster they will be able to pay the last one.

Here we prefer, 2, 3 and 5-year fixed term rates.

The rationale – one offered by the bankers and mortgage brokers selling the products and taking the commission – is that it is impossible to know what rates will be in the future, so why tie yourself in?

Isn't the nimble ability to re-negotiate every few years much better? (For the brokers, it sure is.)

What the short-term deals mean is that there are many more people in the UK than anywhere else who are going to soon have to get new loan deals that are more, perhaps much more, expensive than they are presently paying.

Some simply will not be able to cope.

Former Bank of England chief economist Andy Haldane said on Monday: "We have a whole generation of mortgage holders who have scarcely seen a rise in interest rates. It will be a massive shock to the system."

Britain has always favoured the short-term bump, valuing the pound won today over two saved tomorrow. A nation of, not so much shop-keepers, as gamblers.

We are about to lose the latest bet.