

Housing, Communities and Local Government Committee

Oral evidence: Affordability of home ownership, HC 1208

Tuesday 18 November 2025

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Members present: Florence Eshalomi (Chair); Lewis Cocking; Andrew Cooper; Chris Curtis; Mr Lee Dillon; Mr Will Forster; Andrew Lewin; Mr Gagan Mohindra; Sarah Smith; Sean Woodcock.

Questions 38 - 88

Witnesses

I: Sue Phillips, Founder, Shared Ownership Resources; Will Jeffwitz, Head of Policy, National Housing Federation; Ann Santry, Chair of Shared Ownership Code, New Homes Quality Board.

II: Henry Jordan, Director of Mortgages, Nationwide; Robin Fieth, Chief Executive, Building Societies Association; Stephanie Charman, Chief Executive, Association of Mortgage Intermediaries; Charles Roe, Director of Mortgages, UK Finance.

Examination of witnesses

Witnesses: Sue Phillips, Will Jeffwitz and Ann Santry.

Q38 Chair: Good morning everybody. Welcome to the Housing, Communities and Local Government Committee. I am the Chair of the Committee. Can I ask my colleagues on the Committee to introduce themselves please?

Gagan Mohindra: I am the Conservative Member of Parliament for South West Hertfordshire.

Lewis Cocking: I am the Conservative Member of Parliament for Broxbourne and I used to live in a shared ownership property.

Will Forster: I am Lib Dem Member of Parliament for Woking.

Sarah Smith: I am Member of Parliament for Hyndburn.



HOUSE OF COMMONS

Andrew Lewin: Good morning. I am MP for Welwyn Hatfield.

Sean Woodcock: I am Labour MP for Banbury.

Chris Curtis: I am Labour MP for Milton Keynes North.

Andrew Cooper: I am MP for Mid Cheshire.

Q39 **Chair:** Welcome to our session on home ownership affordability, a big issue that hits our inbox as MPs. It is a big issue in terms of trying to get people onto the housing ladder and in terms of the housing crisis. Can we get our guests to introduce themselves please?

Will Jeffwitz: I am head of policy at the National Housing Federation, which is the trade body for housing associations, non-profit charitable providers of about 2.7 million homes across England including 245,000 shared ownership homes.

Ann Santry: I was the chair of the Shared Ownership Council that produced the new Code for shared ownership, and I am now part of the New Homes Quality Board, which will be running the Code going forward.

Sue Phillips: I am here representing Shared Ownership Resources, which is a shared owner-led project set up in 2021 to champion the best interests of shared owners and to campaign against mis-selling and other poor practices in the sector.

Q40 **Chair:** Shared ownership has been viewed as one avenue for getting many people onto the housing ladder. Committee members have benefited from shared ownership, and they have spoken about their positive experiences. We also know that, for a number of people, shared ownership comes with issues and financial costs especially where people are staircasing or service charge costs increase. An open question to the panel: is shared ownership still affordable?

Will Jeffwitz: In short, yes. Shared ownership is a tried and tested model. It has been around for over 30 years. It has helped hundreds of thousands of households into the security and stability of home ownership over that time. It delivers mixed communities and speeds up house building as part of mixed tenure developments, and so on. It is a really important tenure. It is nuanced. We absolutely need to keep improving the experience for shared owners; it is not the case that it is perfect.

It is important to look at affordability in three ways. First, the accessibility of home ownership. It opens that up to people who otherwise, in our current housing market, would not be able to buy a home outright usually because they do not have the deposit. The average income of a shared owner is about half that of the average income of a first-time buyer and over half of shared owners are singles. It is important for accessibility. Secondly, looking at day-to-day affordability and the money going out of your pocket each month, the comparator has



to be private rent. By definition, households that access shared ownership are not able to buy outright and are unlikely to be eligible for social rent. The evidence we have suggests that shared ownership is more affordable than private rent in most places for most of the time in the short and long term. Obviously, it is complicated and depends on your assumption about the trajectory of rents and inflation, interest rates, service charges, and so on. There is more we can do to understand how these different tenures play out. Thirdly, equity appreciation is important. Obviously, in the PRS your rent is going out the door. In shared ownership, the portion that you pay off of your mortgage is increasing your ownership of the home and building up your wealth. You are also benefiting from the increase in house prices on your share of the home.

We understand that some shared owners face challenges that can be extremely challenging and very distressing for individuals. Often these are not unique to shared ownership; these are issues around building safety or service charges in high-rise blocks and other things that impact particularly heavily on shared owners because they are often on lower incomes than other leaseholders around them. We support what the Government are doing on many of these issues, such as leaseholds, safety, and other things, and are happy to talk more about that. We also know, as housing associations, that we have to do more to improve the experience, and the Shared Ownership Code, which Ann will talk a lot more about, is a good example of that which we very strongly support.

Q41 Chair: You mentioned it being comparable to rent but there are examples of potentially overall higher rent and mortgage costs when on shared ownership. Is that data you have been looking at?

Will Jeffwitz: With shared ownership, you are paying a market rate mortgage on the portion that you own, a subsidised rent on the portion that is rented, and obviously the service charge and repair costs. So how—

Q42 Chair: Can that combined sometimes be more expensive than in the private rented sector?

Will Jeffwitz: Overall, the evidence is that in most places it is cheaper but there are a lot of nuances, and it will play out differently in different places and over different time periods as well.

If you think about a private renter living next door to a shared owner in the same property, they will ultimately be paying the market rate whereas a shared owner is paying a discounted rate. What often happens in practice is that renters might be living somewhere different as the shared ownership will be in new build developments. Market rents will be based on the different types of development nearby which will have different types of costs. It is hard to pick it apart but overall shared ownership is a subsidised product and it is that rented bit that is being subsidised.



Q43 Chair: In terms of affordability, do you feel new potential buyers are given enough information to judge whether shared ownership will be affordable for them?

Ann Santry: Will mentioned the Code. One thing that we have done with the Code is try to improve the journey for a shared owner all the way through from initial purchase with staircasing and re-sale.

There is a lot of information in the system but it is in different places. What we have tried to do is come up with a document that is transparent and fair so that we can work towards a more consistent service. If you are a shared owner, as part of the Code we are now saying that you have to have more information up-front.

The issue around service charges came up hugely through our consultation with shared owners. It is the element that is most difficult to predict and we all know why that is, particularly in very complex high-rise blocks in cities. We might want to explore that a bit further. The reality is that now, under the Code, people who have signed up will be required to produce a service charge information document which gives a lot more detail about service charges. It also has to predict what might happen with service charges.

When we did our research, we found that a number of housing associations and other organisations had discounted service charges to make the original purchase more attractive. The shared owner, after the first year when that protection had gone, suddenly faced a great leap in service charges.

Going back to your original question, my personal view is that shared ownership is a very affordable product for a vast number of people around the country, but there are particular hotspots. The hotspots are high-density blocks with lifts, extra common parts, circulation space, and shared sports facilities where we have not got that quite right. That is something which is not controlled by any sort of mechanism at the moment. It is just what it costs.

Sue Phillips: I am going to pick up on the questions you asked Will and the second question because they interrelate.

It is a very complicated question to answer because there are so many different aspects to it. I will just pick out a few things that make it complicated, and I will try not to go into too much detail because we may pick up some of these issues in later questions.

First, there are three different sets of shared owners that we need to look at in terms of affordability. We have current shared owners, who absolutely did not get enough information at the point of entry, for example, on short leases and their implications. They did not get projections which look as far into the future as those being put forward under the new Shared Ownership Code. A lot of current shared owners



HOUSE OF COMMONS

face risks that are crystallising. Secondly, we have new shared owners who will benefit from the new model for shared ownership and increased focus on transparency. Thirdly, and often overlooked, are beneficiaries, people who have inherited shared ownership homes, often older people shared ownership homes, from their parents. To give you an example, I am speaking to shared owners who are finding it impossible to sell homes and are incurring arrears of £30,000 to £40,000 with no sale in sight. I would like to flag up three different groups of shared owners to look at.

Looking at it from another angle, timescale is important. A lot of focus is on whether it is affordable at the point of entry, and people talk about access and demand. What we are looking at here is the cost of a mortgage deposit and whether the initial monthly costs compare favourably to the cost of the private rental sector. That is a fairly common comparator. What is not looked at in the same detail is affordability over the longer term. The answer to that is extremely complicated and you will get quoted different evidence. I heard the Minister of State say that he knew people it had worked for. Everyone knows someone it has worked for, but we do not know how many people it has worked for nationally or how many people are having very adverse outcomes.

We have heard research being quoted but not which research. I just want to quote a couple of specific bits of research to give a sense of how complicated this is as this is the other side of the coin from research that suggests it is affordable. The Joseph Rowntree Foundation looked at this in its cost of living survey from May 2024 to November 2025. It found that different sets of shared owners, from affluent shared owners at £80,000 to £90,000 upper eligibility thresholds to shared owners on low incomes, and shared owners in-between, are experiencing very different things. Low-income shared owners are particularly financially precarious, per the JRF findings. It found that 36% of low-income shared owners said they fell behind on other bills to prioritise their rent or mortgage costs and this was way higher than for other groups. It found that it compared with 14% of low-income mortgage holders who were not shared owners, 12% of private renters, and 13% of social renters. It appears that low-income shared owners are not doing that well compared to other groups and tenures.

Because this is often presented as a London problem, the Sheffield Hallam University researchers found that shared ownership tenants were statistically more likely to have unaffordable rent compared to social and market rent tenants. This research took place a while ago but has been borne out in more recent research. Andrew Baum recently published a piece on the valuation of shared ownership and, in a footnote of that report, he mentioned that a lot of shared ownership rents had outstripped private rents. When you look at the comparison with private rents, it is important to recognise that that comparative varies over time and by region. Private rents move at different levels in different parts of the country. I could say so much more but I will stop there. Presumably, we



will touch on other aspects of affordability as we go forward with other questions.

Q44 Chair: On the aspects you have touched on, we have seen some changes made across shared ownership including banning the ground rent element, rent rise reforms, and new lease models. The reality is that this only applies to new shared owners. Some people are effectively saying that you have a two-tier system for shared owner properties across the sector. Do you think this is something the Government should look at in terms of the challenges that existing shared owners face, especially when you look at things like lease extension, staircasing, and re-sale? Is this something that you would want the Government to explore a bit more, and how can we support existing shared owners?

Sue Phillips: I mentioned the difference in position that existing shared owners face, many of whom feel they were mis-sold their homes. Some challenges come out of the lease extension issue which has been fixed in the new model.

It is very difficult for many current shared owners because the constraints imposed by the model means that they have fewer options available to them than leaseholders more generally. For example, they are rarely allowed to sublet and, if they are, it is not at market rent which can create risks. Even landlords in the private sector are facing difficulties. If you are a shared owner and you cannot charge a market rent then it is very difficult.

For shared owners for whom the risks of shared ownership have crystallised, who were not told about the risks and were arguably mis-sold, buyback is an option that should be looked at with a great deal more focus. In theory, it is available but in practice it is very strongly resisted by housing providers. I am aware of only a handful of people who have achieved buyback. For them it was stressful, complicated, difficult, and their circumstances were truly exceptional. We need to be looking at buyback for current shared owners who are finding their homes increasingly unaffordable and/or unsuitable and for whom there is currently no viable exit route.

Ann Santry: In terms of your question, it is important that we look at shared ownership whenever you joined. The product is over 40 years old and there have been tweaks along those 40 years. Leases are very different, the rents charged are different, and the rules around the lease are different. Ideally, it would be great to look at all those leases going back over many years so that everybody is on a level playing field. That is hugely complicated and the cost would be very significant.

In order to potentially make it fairer for the shared owner, there will be a cost that then falls on the housing association. That would potentially mean less capacity for new development or remedial works on high-rise. Whatever the charges are, they would have knock-on impacts in other areas. I actually think it is worth exploring those trade-offs. What would



HOUSE OF COMMONS

it look like if you did some things differently? It seems inherently unfair to me that, if you got into shared ownership since the new lease has been in place, then you are on quite a different set of rules and conditions than others who were there 20 years before you.

Q45 Chair: Several shared owners wrote to the Committee highlighting difficulties they were having with some housing associations in terms of responses around the issues of bills and transparency around service charges. Looking at the issue of affordability, do you feel that shared owners are getting support from housing associations across the board?

Will Jeffwitz: I completely understand that shared owners feel they are not getting the answers they want when facing big rises in service charges or bills, particularly when it is not expected or clear why they have risen. That is incredibly frustrating and often very distressing. The Code will hopefully make a big difference and make the experience more consistent for all shared owners across the country.

The leasehold reforms that the Government consulted on recently about service charge transparency and information are very much in the same vein, and we need to make sure that the Code lines up with those changes. We absolutely support them. Housing associations know there is more we need to do around this, which is why we have been so supportive of the Code and other initiatives.

Can I pick up on your point about the new model because there is a similar story here? For example, I know they are again exploring the option of making lease extensions mandatory; housing associations will voluntarily put them forward. There are things you can look at there.

Other elements in the new lease are worth looking at to see what difference they could make. For example, the 10-year repair cost elements. In the new lease your first 10 years of repairs are covered up to £500 a year. For a lot of shared owners who have been in their properties longer, that 10-year period is probably almost up. You cannot replicate that. You could look to subsidise repair costs in other ways but what Ann said is absolutely right. If the shared owner is not paying those costs then someone else has to. Fundamentally, we do not think that it can be the housing association because the housing association is a charity and its main income is rent from social tenants. It is not right to end up with a system where social tenants are subsidising shared owners' repair costs. Ultimately, that subsidy has to come from the Government in the form of grants. That is an option but it obviously comes with trade-offs, which could mean fewer new shared ownership homes being built or fewer social rent homes being built in favour of more shared ownership. You have to weigh up all the trade-offs in the round.

I could talk about nomination periods, sales, and staircasing if it is useful but I am conscious that I have gone on a long time.

Q46 Mr Dillon: I will just declare an interest; Ann was my chief executive



when I worked at Sovereign. My first question is to Ann and Will. What reception has the Shared Ownership Code got and how many housing providers have signed up to use it?

Ann Santry: The Code was developed and designed by a group of organisations. It was a properly cost-across-industry effort. We had lenders, mortgage brokers, and shared owners involved through the consultations we did as well as housing associations. We believe the Shared Ownership Code really does change the position for shared owners. They can hold their housing association to account. If they have signed up to the Code, they can say, "You are not doing A, B, and C. Why not? Let us talk about it."

As it currently stands, it transferred over to the New Homes Quality Board in October. The website went live on 3 November. We have 67 registered providers who have indicated that they will sign up to it, and that overall represents 187,000 shared ownership homes. They have not gone through the process yet. The process is quite challenging. We ran a pilot and eight housing associations tested the Code to see how compliant their systems were to the requirements of the Code, and on average they had 73% compliance.

There are things that they need to do internally to get to the point where they can be accredited, but we are expecting that the first housing associations to be accredited will be in February next year. They have to pay a fee to be accredited but what it does mean is that they will effectively have a Kitemark badge which, for a shared owner, will indicate that this housing association is taking customer service seriously and is the organisation to buy through because they are committing to being more transparent, sharing more information, and responding to queries. A lot of the areas that we have seen have been a problem for shared owners, and I know Sue will be able to provide more information on that.

We would really like to see the Government formally endorse the Code in some shape or form. As it stands at the moment, a lot of people are referring to the Code—my colleagues here—but we have not had anything from the Government to say that it is a good thing. We know that the Housing Ombudsman is supportive of it. We believe that the regulator will use it when they are undertaking inspections to see what people are doing, but it would provide even greater traction and more reassurance for shared owners if the Government actually came out and said this is something that we support.

Q47 **Mr Dillon:** Will, is there anything you want to add to that?

Will Jeffwitz: The Code is obviously independent, as it should be, but we are very supportive of it. We are encouraging all our members to consider signing up. That process is rightly robust. People will be going through it over the next few months and we hope to see really high levels of sign-up.



HOUSE OF COMMONS

Q48 Mr Dillon: Given that housing associations have to re-gear some processes or sharpen their systems to be able to pull out the information that the Code requires, have you looked at the cost implications on the housing providers to implement and run the Code?

Ann Santry: As the Shared Ownership Council knows, our pilot organisations looked at it as part of testing the processes and what they would need to do. For some there will be a cost involved, but the feedback we had was that it was a cost that could be absorbed because there was a general feeling that if you were following the Code then your complaints should go down. So you should find savings in other operational areas which would balance out.

Sue Phillips: I would just like to make reference to the fact that the tenant satisfaction measures are so dire for shared owners that, to me, it is a little jarring to hear a question about the cost to providers for improving the service they are offering.

Q49 Mr Dillon: We discussed earlier that shared owners should not subsidise social tenants. The reason for the question, as they are housing providers, is what is the cost and will it get pushed on to shared owners?

Sue Phillips: I understand that housing associations are under pressure financially. The other thing that is jarring to my mind is the Peter pays Paul model for social housing that we are continually talking about. Should shared owners subsidise social rent tenants or should social rent tenants subsidise shared owners? We are looking at marginal homebuyers subsidising people who need access to social rent housing and vice versa. I would like to see some bigger thinking on how we provide affordable homes, particularly for people who are in the most vulnerable financial situations.

Q50 Mr Dillon: This is a fact-finding session as well, so I was trying to find out what the impact would be on housing associations and whether there would be a cost for the adoption of the Code passed on to shared owners as well.

Sue Phillips: I was just putting a shared owner perspective on those questions and that discussion.

Q51 Mr Dillon: The Code is directed at housing providers, but would similar guidance be useful for any other organisations in the shared ownership sector, for example lenders?

Ann Santry: Part of our group to pull the Code together involved lenders. Obviously, we liaised with UK Finance and others as we were going through the journey. A number of the lenders involved have indicated that they would like to make their decisions on lending based on whether people have signed up to the Code or not. That is something that we would like to explore further now we are part of NHQB.



We would also like to extend the Code to others who are part of the shared ownership industry, so mortgage advisers, estate agents, and solicitors so that everybody is working on the same basis and the expectations are the same. If we can streamline, that is a very good thing.

One of the key things for us, coming through this process, is the lack of reliable data around shared ownership. There is a lot of anecdotal evidence around shared ownership but we have struggled, as a Shared Ownership Council, to get decent data. What we have seen, and we saw this through our consultation with shared owners, is the difference in satisfaction levels between high-rise houses outside and inside London. We would like to take that further. We need to understand the journey for a shared owner from start to exit. When we wound up the Shared Ownership Council, which sadly does not exist anymore, we started off a project working with colleagues at MHCLG to see whether we could agree a baseline of data collection so that we understand more about how shared ownership works for the individual rather than just the number of shared ownership units and whether they have staircased or not. All members of the Council, lenders included, agreed to sign up to that. We have a project on that which we are about to kick off next month.

Q52 Mr Dillon: Ann, you said that you would like the Government to adopt it. Which aspects of the Code, if any, would benefit from being enshrined in statutory regulations?

Ann Santry: Ideally, we would like to see it enshrined as part of the Affordable Homes Programme in some shape or form. What is really good is that the latest AHP guidance includes some of our recommendations. That is really great. We do not want to do anything that would put people off bidding, or anything like that, just an endorsement that it is a good thing. An encouragement for housing associations to sign up to it would be hugely beneficial for consumers particularly, but also in terms of getting the buy-in from all the housing associations in the shared ownership space and other organisations that are not regulated but are looking to do shared ownership. There are many products, which you will be aware of, but the Code applies equally to housing associations as registered providers and to other entrants in the shared ownership market.

Sue Phillips: I would want to sit down with the Code to pick out which particular bits might but I would like to emphasise something that Ann has said. We need to be looking at the providers who fall outside current regulators or codes. It is an increasingly complex environment to navigate. When you are looking at marginal home buyers it is a very high ask, when looking at transparency, whether people understand what they are getting into.

Some feedback I have heard from shared owners concerns the Code not having teeth. The question asking whether parts of it should be enshrined in legislation ties in with this fear that it will be a tick-box exercise. It will



HOUSE OF COMMONS

not have the impact that it should have if it does not have endorsement or the most important aspects are not enshrined in legislation.

The only point I would add is, when legislation has been written, sometimes there have been unintended consequences. For example, we are encountering issues with lease extensions where the law does not take account of complex ownership structures and landlords having short interests in the lease. It is really important, when you start looking at legislation, to look very carefully at what you are putting in to make sure that it is beneficial in the long term and not just in the immediate moment.

Will Jeffwitz: I agree with that. The Code covers elements which are broader than just shared ownership; service charges being an obvious one, transparency around service charges and the service charges information document. Where the Government are also consulting on legislating more broadly across leasehold, which is absolutely right, it will be important that the Code lines up with the direction the Government take so there is no duplication or inconsistency between them.

Q53 Andrew Cooper: We have heard about the issues that can happen when someone dies in a shared ownership property; that arrears continue to build up and that service charges continue to be levied. When you were developing the Code, did you consider including anything around that, for example, buyback if the beneficiaries cannot sell the property after a period of time? Did you look at that issue? If so, why did you not include anything in the Code?

Ann Santry: I have to say that we did not look at that issue specifically. It has come up, and it is on our list of things to start looking at because we will need to keep updating the Code. We will need to take feedback from individuals, housing associations, and shared owners about what other areas they would like us to look at capturing.

One of the areas that we did look at, and I talked to the Minister about, is cladding and we have a section within the Code to cover it. That was one of the things colleagues at MHCLG said they would like some clarity on. It basically says that housing associations have to provide more information about subletting on their website so that a shared owner, who finds themselves unfortunately in that situation, can apply to their housing association and be clear on what can and cannot be allowed. It is a process of updating.

Chair: I am mindful of the time.

Q54 Andrew Lewin: First, I realise that I have an additional declaration of interest to make. Probably two years ago, I was at a meeting representing Clarion when we kicked this all off. It was not the Code at that point but I should put it on the record and well done on getting to this stage. This feels like a significant moment. Last week we had the Secretary of State before us. We asked him a series of questions about



shared ownership and his answer was, "There will always be a role for shared ownership." It feels timely to be having this conversation.

I just want to push a little more on the extent to which the Code is voluntary or could become mandatory. My question is about the receipt of grants because the principles behind this Code are really important. At the moment, housing associations receive government money in order to be able to afford to provide shared ownership homes. If a housing association refuses to sign up to the Code, would your position be that they should not be in receipt of any government subsidy? If not now, is that something you might want to get to in the future?

Ann Santry: It is a voluntary code. It was important, as we kicked something new off, that it was voluntary. People could see what was involved, what they would have to do, and get an understanding of what it might mean for them organisationally before making it mandatory. I do not think it will ever need to be mandatory. Personally, and I speak having been the chief executive of a housing association for many years, it is perfectly reasonable that if I want a grant for shared ownership I would sign up to the Code. That is for Government to decide and individual organisations will take a view. If this Code is there to improve service delivery and fairness to shared owners, why would you not sign up to it?

Q55 **Mr Forster:** I just want to talk about service charges. This is an issue that comes up a lot in my postbag in Woking and I know other MPs here have it as well. It seems that some of the main issues with shared ownership properties are with leasehold flats, not necessarily leasehold houses. Does that mean we should encourage the Government, developers, and housing associations to build more leasehold houses than flats? Are you hopeful that the forthcoming Leasehold and Freehold Reform Act 2024 will change some problems that we are hearing with leaseholders and service charges?

Sue Phillips: It is important to be aware that estate service charges are an emerging issue. I would question the assumption that houses will remain immune from service charge problems. Of course, service charges are very different from estate service charges and we have been absolutely clear about the difference. The short answer is to not take your eye off estate service charges and assume that houses will stay cheaper than flats under complex ownership arrangements for shared ownership.

Will Jeffwitz: The majority of shared ownership homes outside London are houses. As we have discussed, the data is not great, but from what we can discern satisfaction and experience is better overall in houses than in flats. In saying that, it is possible to do shared ownership really well in flats but it is probably harder. Certainly, when you think about new build, a key is designing it in a way that minimises those charges up front. For example, how many communal areas there are and how easy



they are to clean. Housing associations increasingly try very hard to do that up front. That is an important way of keeping the costs down.

It has gone wrong in the past where homes were designed by private developers and then bought by housing associations as part of Section 106 agreements. You have much less control over the design upfront and the ongoing charges are often set by a managing agent over which you have very little control. A housing association can find itself stuck between a justifiably frustrated shared owner and a managing agent and does not have much control over either.

- Q56 **Mr Forster:** Two brief follow-ups because I am mindful of time. Do you think service charge increases should be regulated whether for shared ownership or other types of properties? How many shared ownership housing associations follow the standards and guidance on service charges prepared by the RICS?

Will Jeffwitz: I will cover both quickly. On the second question, the RICS guidance currently is explicit in that it is not mandatory for housing associations, although many will follow it. It is recognised as good practice but I do not have data on how many. It has also been long expected that the update to the RICS guide will become mandatory for housing associations and will be written in a way that is more easily applicable to them.

- Q57 **Chair:** When is that next update proposed?

Will Jeffwitz: I do not know, if I am honest. It has been talked about for quite a while and it is not something we are writing. RICS do it with the Government. It is obviously important that that is happening. We have the Government's consultation on leasehold transparency and service charges and the Code. We need to make sure that they all align and do not take us in different directions.

Should service charges be regulated? They are regulated in that service charges have to cover the cost of the services being provided. You are not allowed to make a profit or a surplus from them. Overall, across all service charges, housing associations make a loss so they end up charging less than they spend on those services.

- Q58 **Chair:** When we have a cost of living crisis and many shared ownership owners see their service charges continue to go up, they would argue that they do not feel that it is regulated and do not get that transparency.

Will Jeffwitz: Absolutely. I was coming on to say that the big rises in service charges have largely been driven by rises in the cost of those services, whether that is building insurance, utilities, repairs and maintenance, and so on. It is absolutely vital that shared owners understand what those charges are and that they are calculated and applied correctly, which is not always the case. Where we get them wrong, we must correct them quickly. Where we can, we design out those charges to keep them as low as possible. If all those things are



HOUSE OF COMMONS

happening, and charges are still high, that reflects the cost of providing those services. Ultimately, if those rises are capped so that the shared owner is not paying for them then someone else will be if those services are being provided.

- Q59 Sean Woodcock:** At the start of the session, it was suggested that the majority of issues with service charges were linked to high-rise blocks in cities. As somebody who represents a town where the number of high-rise blocks is in single figures, I get quite a lot of complaints about service charges. They are linked to what has been touched on already, estate service charges and management companies, which in many ways are seen as fairly unaccountable bodies. Do you think there is a problem with management companies and the impact that they have on service charges, particularly on unadopted estates?

Ann Santry: There are some tensions around managing agents on complex estates where you have different tenures and landlords. What we have tried to do with the Code is describe elements of service charges in a language that people understand. Information is presented differently; you do not know whether that relates to this or that relates to that. We are trying to make it more transparent and make sure that housing associations show incoming shared owners what might happen with their service charges. As we all know, there are elements of service charges, particularly around insurance, that are just going through the roof. You are right, there are service charge issues for houses as well, based on estate charges, and a lot of that is because local authorities do not adopt estate roads any longer and so charges that would never have fallen to a shared owner now do.

There are a myriad of elements to this but you will find, on most housing estates, that those costs are minimal in comparison with high-rise.

- Q60 Andrew Cooper:** I am going to be asking you about valuation staircasing and re-sale. The BBC reported in June that many shared owners feel trapped in their properties and unable to sell. I would like to come to you first, Sue. Why do you think that is and what do you think we can do about it?

Sue Phillips: I do not like to speak to my personal experience because I am not here for that, but I will to answer your question. For me, lease extension came out of the blue. When I bought my first share in 1999, I did not know I had a short lease. I did not know the implications. I did not find out until it was under 80 years and, although this is not what I ended up paying, at the time I made decisions based on the fact that I was told it would cost £27,000. That number is dwarfed by the figures that other shared owners are facing who have had their shared ownership homes for longer or who have higher value homes.

The market value approach to staircasing means that a number of shared owners are facing costs. This is why I come back to the buyback proposal. Transparency does not create affordability. You can now say to



HOUSE OF COMMONS

people that we will explain lease extension to you, but if they already have a lease that has gone down to 70 years or 60 years, transparency does not create an exit route in terms of lease extension. There is a very compelling case that these homes were mis-sold because it is such a fundamental aspect for people not to be made aware of.

That links to a broader point I would like to make. We talk a lot about affordability but it is important to look at value for money. There are so many transactions involved in buying a shared ownership home—the initial share, the subsequent staircasing, lease extension for existing shared owners, all the transaction fees that go with each transaction, the admin fees, and the rent on the share that the landlord holds—that the value for money, which is a different question from affordability, can look very unattractive if you look at the full life cycle cost of shared ownership. I would ask the Committee to think about value for money, full life cycle costs, and the opportunity costs of the scheme versus other tenures again in the context of who it does and does not work for.

I want to make one last point. Some issues flag up a question of: is the scheme targeted at some people who cannot sustain home ownership? Is it not that we should be regulating service charges because there are issues with that? If insurance costs go up, who bears the cost of that? Should we be making sure that people who will struggle in this scheme over the long term are offered more financially sustainable housing options?

Ann Santry: The Code covers lease extensions. It also suggests that, if you have signed up to the Code, as your lease length reduces then the housing association has a duty to tell the shared owner and bring it to their attention that the lease is approaching 90 years and the value will fall. There is some proactive stuff in there which will be very valuable. Sue is absolutely right; there are lots of additional costs related to re-sales and staircasing. Housing associations have to publish the fees they charge for those extra bits of work. The huge variation of charges that we discovered through our work was very interesting. The fact that you have to publish those is a good step forward.

Q61 **Andrew Cooper:** Will, I would like to come to you about the issue of why RICS valuations are needed for any shared ownership transaction above a 1% staircase. It has been criticised because there is no negotiation element. You have to take the valuation and that is the price you pay for your staircasing, whereas if a property was put on for an open market sale then that is not how it would work. I wonder whether you would like to comment on that, and whether you think RICS valuations are an appropriate mechanism for staircasing in all cases?

Will Jeffwitz: You are right to say that the new lease includes an option to staircase at 1% a year with a much simpler process, essentially like overpaying your mortgage. It will be interesting to see how that is used. It is early days but it will be important to study how well it works as it becomes more embedded. For larger value staircasing, where we are



talking about tens of thousands of pounds and probably a new mortgage, it is important that it is done with a robust process to partly protect the shared owner but also the provider and government subsidy which has gone into that home to make sure that it is done accurately.

In the absence of a market, because when you are staircasing you are not going on the open market, you have to have some other way of arriving at a price. Our position at the moment is that, for substantial staircasing, it should be a RICS valuation. The 1% route is really interesting. It will be important to see how that plays out and, going back to the point about data and research, try to understand better how it is being used and whether it does make a difference.

Q62 Andrew Cooper: Given the 1% applies to the original purchase price rather than the last valuation, why is it appropriate to use the original purchase price—which might have been some time ago—for a 1% staircase but it is not appropriate to use later on?

Will Jeffwitz: It is uprated each year, is it not, from the original purchase price? The rationale is essentially as you said: to try to make it simpler. There is a bit of a trade-off. You are saying that, because it is a 1% share which is quite a small amount and you are not going to be getting a new mortgage to go alongside it and so on, you can try to make a simpler process. The simplest way to do that is tie it to the original price but uprate it each year. It is exactly a trade-off between the simplicity of the process and getting an accurate valuation, which reflects the actual cost of the additional share at that moment.

Q63 Andrew Cooper: Ann, do you think there is scope to broaden out the use of the house price index, for example, as an alternative valuation method? What are your thoughts?

Ann Santry: I do not think I am competent to answer that question.

Sue Phillips: I would just reiterate that staircasing is out of reach for a lot of people. Research has recently been published showing that only 1% of shared owners in the most recently assessed year are staircasing. Interestingly, people are staircasing in larger chunks. That raises two questions. It raises a question as to whether shared ownership is working best for the most affluent households; the ones who can afford to staircase whether it is a single person becoming a couple, a windfall, or professionals in a rapidly progressing career. The research found that people are staircasing in larger chunks and this connects with re-sales. It may partly be explained by the fact that people are realising that the larger your share the harder it is to sell because the pool of eligible buyers shrinks if the share has gone up in value. I hope everyone is following; shared ownership is complicated. Some people hold off staircasing because it will make it harder to sell but, of course, they are then going to make a lower gain on equity because their share is smaller. This is part of the complex picture that is shared ownership, how it works, and for whom.



Chair: Thank you very much to our panel. We have had a number of insightful comments in areas. One thing that has definitely come through from the evidence and is something that the Shared Owners Network has said, is that there is no evidence or data to support the view that shared ownership remains affordable over time. This is something that we will be putting to the Government. Equally we know that, for a number of people, shared ownership has been a key way for them to get onto the housing market.

Examination of witnesses

Witnesses: Henry Jordan, Robin Fieth, Stephanie Charman and Charles Roe.

Q64 **Chair:** Welcome to the second part of our meeting this morning on home affordability. Can I ask our guests to introduce themselves, please?

Robin Fieth: Good morning. I am the chief executive of the Building Societies Association. We are the trade body that represents all 42 UK building societies, as well as some of the largest credit unions.

Henry Jordan: I am the group director of mortgages at Nationwide. We are the second-largest lender in the UK, and last year we helped more first-time buyers than any other lender.

Stephanie Charman: I am the chief executive of the Association of Mortgage Intermediaries, a trade body which represents the interests of around 80% of the mortgage advice community, championing the role and value of advice.

Charles Roe: I am director of mortgages at UK Finance. We are the bank of the Finance Trade Association, and we represent 120 first-charge mortgage lenders covering the mortgage market.

Chair: Thank you very much. I will hand over to my colleague, Lewis.

Q65 **Lewis Cocking:** Face-to-face banking on our high streets is obviously important in accessing both cash and financial services. I want to come to you first, Henry. Nationwide had a notorious advert which said that you were not closing branches but you did close branches in Cheshunt, which is part of my constituency. What effect have those branch closures had on your ability as a bank to provide face-to-face mortgage offerings and services?

Henry Jordan: We have just announced our branch promise, which is to keep all our existing branches open until the start of 2030. We see branches as a really important part of our overall offering, whether for day-to-day banking—as you outlined—helping with new products, or providing support for customers with financial difficulties, including going through bereavement. The branch promise we have just announced is a really important component in that offering.

Q66 **Lewis Cocking:** How does that help people to access face-to-face



mortgage services in areas where you do not have branches?

Henry Jordan: With mortgage services specifically, we have a range of options. If customers need advice, we have both video and telephony options. It is important to remember that in terms of new mortgages, the vast majority of lending—85% to 90% of the market—goes via the broker community.

Q67 **Lewis Cocking:** That does not fill me with much confidence. It is difficult if you are an older person and you want to downsize. I have a question for the whole panel; has face-to-face banking had an effect on people's ability to access mortgages across the whole spectrum?

Charles Roe: I will start. It is clear that mortgage advice and the advice process play a very important part in mortgage selling; over 90% of mortgages in the UK are advised. There are several thousand mortgage advisers across the UK—Steph will have the detail—that can provide specialist mortgage advice for people who may need it, perhaps because they have a credit impairment, they are first-time buyers, or they are looking to downsize. The FCA is aware of this; its most recent discussion paper, launched in the summer, looked at whether the advice market is working as it should, which lenders believe it is at the moment, or whether there are any parts of the mortgage market which are underserved through the mortgage advice piece.

Stephanie Charman: As Charles said, circa 90% of mortgages written at this moment in time are through mortgage intermediaries. That figure has significantly grown, which shows that consumers are choosing that route to gain access to their home ownership dreams. There are approximately 25,000 mortgage advisers in the UK market, which represents significant coverage. Looking at underserved segments—as Charles said—we believe that mortgage advisers are best served to help those customers because some solutions are not available via high street lenders such as Nationwide. They need specialist lenders who are intermediary-only based; they can only access those via mortgage intermediaries.

Robin Fieth: Let me come back to the subject of the high street. This is much broader than just mortgage lending because the building society sector as a whole has increased its share of the high street from 14% to 35% since 2012. That recognises the role a strong financial service presence plays in so many communities up and down the UK. How that plays out in the future will depend on the continued inventiveness of the sector in terms of making those branches viable; we are seeing quite a lot of work with other community services across the country, for instance sharing space with a library, community centre or other enterprise.

The other question that is worth looking at is how the outcome of the FCA's advice guidance boundary review will affect the range of services that can safely and appropriately be provided through a high street



HOUSE OF COMMONS

presence. That is something we will be working on over the next few years.

Q68 **Chair:** Just on bank closures, I wanted to ask if you are able to send the Committee a list of Nationwide branches that have closed. When was the mortgage guarantee outlined?

Henry Jordan: It was the branch promise. We have outlined it in the past few days, so we are happy to follow up with more details.

Q69 **Chair:** That will be helpful, thank you. Are you working with the Government in terms of the banking hubs that the Government are hoping to announce in areas where some branches have closed?

Henry Jordan: We are engaged in those conversations, but our primary support for communities and high streets is through our own branches.

Chair: Okay, thank you. Andrew Lewin has a question on Government regulation.

Q70 **Andrew Lewin:** It is really important that every Government has a policy to help people who cannot rely on the wealth of the bank of mum and dad to get on the housing ladder. Governments of many different colours have tried lots of different approaches. I am going to come to a question about mortgage guarantees because that was in the Labour manifesto and it is something that this Government are advancing, but I want to start with a simple question for the panel about Help to Buy, a policy of the last Government.

Would you characterise that as a success or a failure, and do you think we should be looking at a successor in this Parliament?

Robin Fieth: We would probably say that it was a qualified success, and there are various reasons for that. There is evidence that the Help to Buy scheme increased the supply of new homes, but it also had an impact on price and affordability, so there is both push and pull. There is also a question about whether it was sufficiently focused on first-time buyers, or whether it was too broad.

With any of these demand-side led measures, there is always a question about the impact on house prices; ultimately the question is not how we subsidise the lack of supply, but how we improve it.

Charles Roe: Picking up on Robin's point, the Help to Buy scheme was a very one-sided approach in terms of incentivising buyers on to the housing ladder. No supply-side incentives were built into it; demand increased, but so did prices. That is a fact. But we do know that 85% of the users of that scheme were first-time buyers, which speaks volumes. If you want to get individuals on to the housing ladder, any scheme needs to be targeted at first-time buyers because they are the lifeblood of the housing sector. That will enable the housing sector to provide the shelter and the homes that people need.



Q71 **Andrew Lewin:** Robin said it was a qualified success. Can I push you on whether it was a success or a failure? What would you say?

Charles Roe: As Robin said, it was a qualified success. There are some nuances that I have outlined, which we called out in our "Homes We Need" report published two years ago; we believe it is necessary to focus on the supply side and in getting first-time buyers on to the housing ladder.

Stephanie Charman: I would echo Charles's point in focusing on that first-time buyer, but also on the right sizing of the homes that are being built. The data we have shows that in the first part of the Help to Buy scheme—before restrictions were introduced—32% of properties purchased were detached and 28% were properties with four or more beds. Now there is a link there between the age and the requirements of a first-time buyer; their average age is mid-30s, they maybe have families and so on, as some conversations in the previous panel touched on. However, we could help more first-time buyers get on to the property ladder with targeted schemes, along with more starter homes of the right size to help that affordability.

Q72 **Andrew Lewin:** Would you use the same language, that it was a qualified success?

Stephanie Charman: Yes, I would use the same language.

Q73 **Andrew Lewin:** Are we going to have a full house?

Henry Jordan: Help to Buy solved an important issue at the time. When it was introduced, most lenders were not lending at high LTVs on new-build properties; the maximum LTV was between 75% and 85%. It solved that problem by lending up to 95%. It also allowed high loan-to-income ratios, outside the FPC flow limit. Lenders could lend up to four and a half times the income, and the equity loan would be on top of that, which enabled quite high income ratio lending. For first-time buyers, that solved the problems of both deposit and affordability; in that sense, it was a good scheme.

The challenges we have talked about are that it was only available on new builds and therefore, it produced a bit of a skew in the market. That flowed through to house prices and the new-build premium. It was right at the time but, for the various reasons outlined, had probably run its course.

Q74 **Andrew Lewin:** Thank you. I appreciate that. I am sorry I pushed you all, but it was important because it is a contentious and much-debated topic.

Moving on to mortgage guarantees and increasing the LTV rate for first-time buyers—which has been the focus of this Government—I read that the target was to benefit around 35,000 to 36,000 first-time buyers in its first iteration. I am keen to understand whether you are seeing mortgage



HOUSE OF COMMONS

guarantees change the market. Are you seeing significant take-up? What is your view on the effectiveness of this as something that will help more people get on the ladder, particularly those who cannot access a deposit from family wealth but who have incomes that could get them on the ladder?

Charles Roe: Can I just check; when you are talking about the mortgage guarantee scheme, are you talking about the recently launched Freedom to Buy scheme from HMT for higher loan-to-value lending?

Andrew Lewin: Yes.

Charles Roe: Okay. The Freedom to Buy scheme has the benefit of being a permanent scheme, which provides reassurance to mortgage lenders in terms of the ability to lend at higher loan-to-value. There are no publicly available figures in terms of take-up under the scheme; it is voluntary for lenders.

A number of our members have shown interest in it, but our view is that it would be helpful and beneficial if the Prudential Regulation Authority and/or the Bank of England could recognise it in terms of capital weightings for those firms that are using it. And provide a dispensation from the higher capital values that need to be put together when you are lending at higher loan-to-values.

There are also some nuances: mortgages backed by the scheme cannot be securitised, and we would like to see some work with the Treasury and the Bank of England, which we would happily help to co-ordinate, in relation to being able to securitise those loans. But in terms of the scheme itself, being a permanent scheme is incredibly helpful, and that has reassured the market. Just to give you some insight, as of last week, there were nearly 8,000 mortgages on the market for owner-occupiers and first-time buyers. Out of those, there were nearly 800 first-time buyer mortgages at above 90% loan-to-value. So we believe the market is operating at the moment; there is plenty of choice for first-time buyers and really anybody looking to get into the mortgage market.

Robin Fieth: Could I just add to that? I agree with everything Charles has said. For the building society sectors, this and previous mortgage guarantee schemes have provided a very useful signpost. None of the building societies signed up to the previous Government's guarantee scheme, and they may not sign up to this one because the same mortgage insurance is available commercially. With the previous iteration our members found that it was in fact commercially beneficial to use the private supply rather than add to the Government's balance sheet or the Government's contingent liabilities.

But the fact that there is a well-publicised guarantee scheme is really important. It relates back to one of the messages you heard from the previous session, that quite often the Government can do a huge amount by either endorsing or promoting without necessarily having to do it



themselves or introduce legislation. The new permanent guarantee scheme will certainly help the first-time buyer market, and individual lenders can then take a decision whether to sign up to that scheme, to seek private insurance or indeed to self-insure.

But I absolutely agree with Charles that it is important for the prudential regulators in particular to recognise the benefit of those guarantees or insurances in capital weightings and so on because historically that has been a bit of an uphill battle.

Stephanie Charman: As Charles said, whether it is through the permanent Freedom to Buy scheme or self-insured or private schemes, anything that encourages is good. The Freedom to Buy perhaps encourages other lenders to offer 95% or higher LTV loans through other routes, and the more we get on to the market, the more options there are available for consumers.

Henry Jordan: As Robin outlined, we did not use the previous mortgage guarantee scheme and we are not planning to use the revised scheme. I have some simple maths around that: the mortgage guarantee scheme cost 90 basis points for roughly 15% loss cover. If you work that through, you need a 6% possession rate to break even and cover that cost. If I look at our performance data back to 2007, we have never seen possession rates at anything like that level; they were probably about half that level. It was a very expensive scheme and we were uncomfortable lending to 95% without that guarantee.

With the new scheme, the cost has come down to 55 basis points so it is an improved position, but we would still say it is unlikely that we would see possession rates get to the level that would break even. That is the context, from our perspective.

Q75 **Sarah Smith:** Building on what Andrew has just been asking about, lenders are now offering a much wider range of mortgage products than in previous years and many have targeted designs at first-time buyers. Do you think this is benefiting borrowers, and is there any risk in this direction of travel that we see a repeat of what happened back in 2008 with the global financial crash?

Charles Roe: We are seeing lenders being innovative and lending in the market, particularly to help first-time buyers get on to the housing ladder. I will leave my colleague Henry to talk about the Nationwide Helping Hand mortgage, but we have seen three very big developments. Skipton has its Track Record mortgage and Leeds has its Income Plus and Mortgage Vision labels for people who have an income as low as £30,000 to get on to the housing market and borrow five and a half times their income. Barclays has its Family Springboard product, which enables a parent or guarantor to put 10% down towards the cost of the property.

So we are seeing innovation in the market; when changes were made over the summer, the Financial Policy Committee changed its high LTI



HOUSE OF COMMONS

lending rule to allow firms to apply for a dispensation. Within 24 hours of that being announced we were aware that a number of firms had applied for that dispensation; there are now nine in all, which represents over 35% of the mortgage lending market in the UK. So that is a significant move in a relatively short space of time.

Linked to that, earlier on in the year the FCA announced some clarification around its affordability modelling. Again, we have seen lenders react to that very quickly so that they can change their affordability modelling to enable more people to get on to the housing ladder.

In terms of what we saw before the global financial crisis, at the moment we are not seeing that at all. The FCA mortgage market review was introduced in 2012. We have seen a number of changes in terms of making sure borrowers can afford mortgages when interest rates go up.

The analysis we have undertaken at UK Finance shows that, at the height of the market turmoil back in 2022 when interest rates were extremely high, most borrowers still had one percentage headroom above the stress rate to where interest rates actually were based on the affordability of their mortgage. A very small handful had to remortgage. We have seen that, while some borrowers did get into arrears and difficulty, those arrears numbers are coming down.

We announced the most recent figures last week, which show that we have now had six quarters where arrears numbers across all arrears bands have reduced quarter on quarter. That is testament not only to the lending that some firms have been undertaking, but also how the rules are working at the moment.

Q76 Sarah Smith: I will let others come in but to just slightly push back, that set of data was based on the prior rules and changes have been made since. Would we still maintain that confidence if, goodness forbid—it certainly would not happen under this Government—there was a similar disaster as when Liz Truss wrecked our economy? In such a scenario the changes being made now would not, I guess, lead to a different outcome.

Henry Jordan: Charles mentioned the Helping Hand proposition; we launched that in May 2021, so it has been out there for a number of years. It is designed to solve both the deposit and affordability issue for first-time buyers, lending up to six times income and up to 95% LTV. Since its launch we have helped 65,000 first-time buyers, so it is a proven and well-established scheme.

As I said it has been very popular and at times we have had to manage access to the proposition to stay inside the FPC flow limit that Charles also mentioned. But in terms of performance, the buyer is required to take either a five or 10-year fixed rate so they have payment stability. We wrap a whole level of additional controls around the lending; not every applicant gets six times income or 95%, the assessment is very



HOUSE OF COMMONS

much based on the individual. Performance of the lending has been the same or better than our new lending performance on average, and to put that into context, Nationwide has one of the lowest arrears rates in the market. Our arrears rates are half the UK finance average, so we are very comfortable with the quality of the lending.

As Charles outlined, since the FPC limit was reviewed we have expanded our support for first-time buyers, unwinding the income restrictions we had to put in place to stay inside the limit.

Q77 Chair: Just on the longer fixed rate period, do you think this is something that more banks will move towards in time? Evidence we had from a previous guest was that the UK is in a sense exposed to fluctuations in interest rates because we offer two, three and five years, whereas across both Europe and internationally, it is generally five, 10 and in some cases 15 years. Do you think this is something that other banks and building societies may look at?

Henry Jordan: The products we offer are not that out of line with the rest of the market, at two, three, five and 10-year fixed rates. Helping Hand is restricted to five and 10-year fixed rates only, but the vast majority—95%, maybe even 98% plus—are taking the five-year product. It gives a good balance between stability of payment and flexibility going forward. More broadly, two and five-year options dominate the market. I know there have been discussions about whether we should move to longer fixed rates; in my view that is unnecessary. We have a very healthy and balanced market and, as Charles outlined, the market and borrowers have handled those shocks in payments that we have seen over the past few years with minimal take up of support through the Mortgage Charter and very modest increases in arrears rates.

Q78 Sarah Smith: I can see that Robin would like to come in but briefly, what you are saying is what we would expect mortgage brokers and providers to say they make more money when they take on a new mortgage. But the certainty a buyer has in France and the USA and the way the market operates there, surely gives both renters and buyers a long-term sense of security around what their payments will cost.

Is there is scope for a change in the UK market, and what impact would that have? Could it reduce the risk for borrowers, and potentially encourage more people into home ownership?

Stephanie Charman: That is a valid question. There are lots of options on the market today; yes, the market is dominated by the two, three and five-year fixed, but 10-year and 15-year options are available. It is very much driven by consumer demand. The sentiment we hear from advisers is that, given the cost of living, monthly cost is a key focus when they are looking at their mortgage payment over that longer term stability piece. There is a conversation to be had around longer-term fixed rates; these come with a higher cost, but also with confidence and stability versus a shorter fixed rate.



HOUSE OF COMMONS

With the economic turmoil at this moment in time, we are actually seeing a reduction in rates. Consumers are saying, "Well, if I go for a shorter rate period, I could potentially get a lower rate in the future."

Q79 Sarah Smith: But it does not have to be like that; other markets operate quite differently, where people have certainty over a much longer period of time.

Stephanie Charman: I will defer to my colleagues around the issue of funding models. Funding models in other countries are very different to the funding models that we see in the UK. If you look at America as an example, longer term fixed rates are standard, but they do not have early redemption penalties within their fixed rate periods so customers can use those products more flexibly and move more regularly. Our long-term fixed rates come with redemption penalties, so there would have to be significant changes from the perspective of funding, consumer demand and consumer behaviour, to move to a longer-term fixed model.

Robin Fieth: I was going to come back to your original question, Sarah, but let me pick up on that first. There are always pros and cons. Some is about the cost of funding; typically, a longer-term fixed rate will cost more than a shorter-term fixed rate. There are also life events, whether that is straightforward moving or divorce or whatever it happens to be, and how those longer-term loans manage such events. If you go back to when I started, variable rate mortgages were traditional in this country, but that has now evolved into a market that at the moment is typically five-year fixed, sometimes going out to 10 or 15 years, as Steph said.

Coming back to your original question, there are some really important matters to consider. It is always about trade-offs; do we encourage people to buy their homes, do we encourage them to continue renting, or something in the middle? I was drawn to some Standard Life research earlier in the year, which perhaps has more relevance to me than some others in the room, on the cost of still being a renter when you retire. It said that you would need nearly £400,000 more in your pension fund to fund the cost of renting in retirement as compared with being a homeowner at that stage. If you think about that as a life goal, then you come back to the question of whether we are stretching the mortgage market at the moment, whether we are stretching affordability for first-time buyers, and so on.

Henry was talking about the arrears rates for Nationwide; if you look across the whole of the building society sector, despite everything we have been through since 2008, arrears rates in the sector are still below 1%. When the Government are talking about the need for economic growth and the need to take on risk, there is a question of what the right balance is. If you think about people going into arrears, very few actually face repossession because most of them trade back out of arrears again.

So what is the right balance here? If you face repossession of your home, that is an absolute disaster on an individual basis; on a macro basis



however, there is a question about the appropriate level of repossessions. Is it 1%, is it 2%? We are certainly not talking about the 6% that Henry was referring to earlier. There is that whole question around the calibration of high LTV lending, which says that for the vast majority of people who get on to the housing ladder that way, it is really beneficial in the long term. But we have to be very good at dealing with those for whom stuff happens that puts them off track.

Q80 Sarah Smith: Bringing this back to the topic of shared ownership, I am interested in your views on how the issues around lease duration and ground rents for existing shared owners can be addressed to encourage lenders to provide mortgages.

Charles Roe: In terms of ground rents and service charges, the issues are not just limited to shared ownership. This is a wider piece that is very live at the moment; as lenders and the trade association representing the lenders, we are having discussions with our members and with the Ministry of Housing, Communities and Local Government in relation to the proposed changes to ground rents and service charges. There is an acknowledgement that service charges need to reflect the cost of providing the service; however, as the panellists in the previous session outlined, the issue for shared owners and leaseholders is how charges can be challenged if they are unfair, and what accountability management companies have to tenants and leaseholders. What we need to do in terms of the wider piece is to make sure that there is a fair challenge system and perhaps an independent ombudsman who can have a look at situations where costs are deemed to be outrageously large or out of kilter.

We saw this happen after the Grenfell fire disaster: the FCA intervened with the insurance sector to look at the commissions being charged by brokers and their intermediaries. They wanted to check whether increased premiums were fair and proportionate in relation to the risk of those properties being impacted by fire safety issues and, as a result of that, loss of life.

Q81 Chair: Robin, you mentioned encouraging people to either continue to rent or purchase. One of the issues as a long-term renter is that if you apply for a mortgage, your rental history is not taken into account. Experian is now using an updated credit score to take in data on rental payments. Do you think that will affect lenders' decisions in terms of which mortgages they will offer to people?

Robin Fieth: It will affect some lenders' decisions; each lender will rightly make its own judgments and set its own criteria. Lenders look at two or three things: there is the whole question of objective affordability. There is also the question of propensity to pay; how likely is your borrower—even if they can afford it—to carry on paying their mortgage? Are they more likely not to pay it? One of the things we know is that people who have a very good track record on paying rent will have a very



good track record on propensity to pay. Assuming there is an ability to pay, they will carry on doing it.

Skipton has been very clear in putting out a mortgage product that specifically takes rental payment records into account, and I am sure others will do so also, but that does not necessarily mean everyone will. That is the beauty of having a very broad market; if you look at our members across the spectrum, they deal with all sorts of situations and specialities that actually provide a diversity of lending in the market.

Chair: Moving on to the bank of mum and dad.

Q82 **Chris Curtis:** We know that there are people who rely on their parents' support to get on the housing ladder, particularly with regard to a deposit payment. Do we know how much that is happening within the market now, and do we have any particular worries about how that could be locking out young people and young families who do not have that option available to them?

Robin Fieth: We did some research a little while back that said that the bank of mum and dad was actually the fifth-biggest mortgage lender in the UK. That was two or three years ago, but I very much doubt it has changed that much. I do not think it is a new issue. When I bought my first flat in 1989, the bank of dad was instrumental in helping me afford it and that has always been the issue; particularly if you are in parts of the country where property prices are high. My flat was in London, and if parents, grandparents or others can help, they have always been willing to do so, but it does have an impact on the market. As a recent bank of mum and dad lender, or donor, we helped my teacher daughter afford a house in the south of England. That is inevitable, and it is what parents would always want to do if they can.

It raises all sorts of other questions that I know you want to explore about those who do not have that support; that comes back full circle to the range of products that are available in the market, from shared ownership to high LTV lending. But it also comes back to what is an appropriate supply of real first-time buyer properties that can be affordable in the more expensive parts of the country.

Stephanie Charman: A report from Savills showed that 173,500 first-time buyers in the last 12 months got on to the property ladder through the bank of mum and dad or wider family support—it could be nan or grandad, it could be friends. To Robin's point, there is a piece around whether that needs to be actual physical cash deposits; you may not have that availability, but Charles touched on some alternative schemes. We need wider awareness of the solutions that are available, which could mean that as mum and dad you provide support via your income, you provide backing as a guarantor, or you use savings within a savings account that you cannot actually liquidise to hand over as a deposit but you can use as an offset.



HOUSE OF COMMONS

There are a huge number of solutions available, but the point I would make is that we need the right size and the right type of properties being built, as I touched on earlier.

Q83 Chris Curtis: Your view is that the schemes exist, but people probably do not know about them?

Stephanie Charman: Yes, they do not know about them. One of the banks highlighted stats that show that one in eight first-time buyers do not know where to go and one in five are unaware of the broad spectrum of schemes that are available. There are 120 plus lenders and 25,000 plus products; how do we start to raise awareness? Advisers do a fantastic job getting to the customers that they can get to, but we need wider awareness. There could be first-time buyers out there who think they are disenfranchised from getting on to the property ladder; that is not the case because solutions are available for them.

Q84 Lewis Cocking: Do you think that not having banks on the high street creates that effect? Obviously, you are saying that lots of lenders do not do it and mortgage lenders do it themselves, but if I were a first-time buyer and I could see banks on the high street, I could walk in, ask some questions and get pointed in the right direction.

Stephanie Charman: Potentially, but I would go back to the point we made earlier that around 90% of the market is through mortgage advisers.

Q85 Lewis Cocking: But if you do not know where to find them, to be able to walk into a high street bank and ask some questions about the products that bank offers will surely affect people's knowledge and understanding of the mortgage products on offer, even if it is just in that bank.

Stephanie Charman: I agree with the point you are making. There is a huge amount of resource online; first-time buyers are also using online services that will steer them to advice. There needs to be a wider campaign around mortgage solutions for first-time buyers more generally.

Q86 Chris Curtis: Charles, do you have anything to add about this fairness question? I take the point that it is probably better than nothing but again, is there not a fear that basically your ability to get a mortgage is increasingly down to the ability of your parents to be able to support you in doing so?

Charles Roe: Undoubtedly there are some borrowers, particularly first-time borrowers, who are able to borrow from their parents. You were asking if we have any figures; UK Finance has a significant amount of data on first-time buyers. We know a third of first-time buyers had help from their parents. First-time buyers who have help from the bank of mum and dad are typically two years younger getting on the housing ladder than those who do not. Those who have a deposit from their



parents have an average deposit across the UK of about £118,000; those who do not have an average deposit of £60,000.

In terms of presence on the high street, I was involved in market research a few years ago in relation to how first-time buyers discovered the products they were taking out and what they understood about the mortgage market. Over 80% of those first-time buyers said they had talked to their friends or used social media to get that information; if they were recommended a mortgage broker, which most of them were, that recommendation came from their friends.

I am aware of a number of innovations that are taking place in the intermediary mortgage market at the moment—Steph will be aware of them as well—to educate people on how to get on to the housing ladder. One of Steph's members on LinkedIn is running a programme on YouTube over the course of the next few weeks that educates people on how to get on to the housing ladder as first-time buyers. I am also aware of a large mortgage network that is looking at using AI: if somebody applies for a mortgage and they are turned down because they do not meet the affordability criteria or they have a credit impairment, their credit score and ability will be monitored. They will then be proactively contacted six, nine, or 12 months later to be told, "We've noticed that your credit score has improved, come and talk to us, you could be eligible for a mortgage now."

So lenders and mortgage brokers in particular are taking the initiative to educate people and help them get in to the housing market.

Q87 Sean Woodcock: My question is about the buying and selling process. The Government acknowledge that one in three transactions fall through, which costs about £400 million a year, and the time between instructing the conveyancer to completion of purchase has increased by 60% since 2007 to around four months. Is there anything that lenders are responsible for in terms of the delays in house buying?

Henry Jordan: There are definitely improvements that can be made to the home buying journey, but from a lender perspective we are working really hard to enable offers very quickly. Nationwide has one of the fastest times to offer in the market: around 10 days on average. We are investing in technology to make that more efficient; 90% of applicants do not need to provide ID to Nationwide and we auto verify income for 30% of applicants so we do not need proof of income. We are also using automated valuation models in about 30% of cases. Some cases go straight through to offer within 20 minutes of starting keying the case. We have done a lot to improve the speed from the mortgage perspective.

Improvements in the home buying journey would include more upfront information about the property, particularly if that were available digitally so that it could be viewed by lenders and all parties in the chain. A greater sharing of data across brokers, conveyancers, lenders and estate agents would be useful so that instead of providing ID three or four



times, you would only have to do that once and then share it. A big driver of breakdowns in the chain are variations in the offer and the purchase price post bid; binding offers, which I know have been looked at, would be a positive step as well.

Charles Roe: Our members are certainly engaged in the consultation that MHCLG have issued. As Henry said, we welcome those changes, and we welcome anything that speeds up the home buying and selling process or provides certainty earlier in the transaction to both buyer and seller that the property will be sold, or is likely to be sold, given the information that has been provided up front.

Q88 **Sean Woodcock:** Are there any changes you feel lenders in particular should be leading on in order to speed that up?

Charles Roe: One of the things that lenders are keen to look at—Henry touched on this— is the number of times that the homeowner or potential purchaser has to show their ID during that home buying and selling journey. Our data and the work we are doing with the Home Buying and Selling Group shows that a borrower may have to provide their ID up to nine times during that journey. If we can have it identified once by a reputable source, and that source is acceptable to all parties of the chain, then that would be a significant small improvement for that homeowner and potential purchaser.

Stephanie Charman: I would agree with that. The other part of the journey on which I agree with Henry is making sure the mortgage application and the mortgage advice part is actually quite streamlined outside the pieces we talked about here around sharing of information. Actually ensuring that a customer receives advice that gets them to the right solution the first time can speed up the transaction and provide certainty; as much as you need certainty around the property and the decision, actually making sure you are mortgage ready when you step into that journey is also really important.

Robin Fieth: I would not add anything to that; I think we have covered it.

Chair: Thank you very much for coming before the Committee this morning. There were some really useful points there that we will definitely be taking back and using in our deliberations and reports.