



**Ministry of Housing,
Communities &
Local Government**

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Dear Chair,

PUBLIC ACCOUNTS COMMITTEE – HELP TO BUY: EQUITY LOAN: FOLLOW-UP TO WRITTEN MHCLG RESPONSE

The Public Accounts Committee (PAC) published its report on Help to Buy: Equity Loan on 17 September 2019 and the Department's written response was published on 30 January 2020 (Treasury Minute CP210):

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/862353/CCS001_CCS0120887484-001_Committee_of_Public_Accounts-First_and_Second_reports_2019_Web_Accessible.pdf.

We agreed to complete three further actions in the Written Response by end February 2020:

(1) On Recommendation 4, we committed to publishing analysis of Help to Buy: Equity Loan redemptions. I attach a table setting out the data analysis from 1 April 2013 to 31 March 2019, which you are welcome to publish on the Parliamentary website. Homes England will publish this in their section of the GOV.UK website and intend to publish overall repayment statistics each year from now on. The statistics to 31 March 2020 are due to be published in summer 2020.

(2) On Recommendation 5a, there was a commitment to write to the PAC with more details on consumer protection. Nick Walkley, Chief Executive of Homes England, did so on 3 February 2020.

(3) On Recommendation 7, on housing policy, we set out broad principles of the Government's housing strategy and committed to write with more detail by end February 2020. Since the upcoming Spring budget will be the first opportunity for the new Government to set out how it will meet its manifesto commitments, we now

believe it would be best to write in March. This will allow us to provide a more detailed and long-term assessment of the Government's housing strategy.

Best wishes,

Jeremy Pocklington

JEREMY POCKLINGTON

HELP TO BUY: EQUITY LOAN REPAYMENT STATISTICS: 1 APRIL 2013 TO 31 MARCH 2019 ANNEX A

Table 1: Equity loans repaid in each financial year					
Financial year equity loans were issued	Number of equity loans repaid to date	Cost of equity loans (£m)	Receipt from repaid equity loans (£m)	Percent of equity loans repaid	Number of loans issued
2013-14	10,246	421.3	494.0	51.9%	19,754
2014-15	10,006	440.4	499.1	35.9%	27,874
2015-16	6,543	311.6	339.5	19.3%	33,873
2016-17	3,460	181.5	188.1	8.7%	39,807
2017-18	358	17.9	18.1	0.8%	47,587
2018-19	32	1.6	1.6	0.1%	52,467
Table 2: Equity loan original value and total repaid					
Financial year equity loans were repaid	Number of equity loans repaid in this financial year	Cost of repaid equity loans (£m)	Receipt from repaid equity loans (£m)	Percent of equity loans repaid of total (221,362*) issued	
2013-14	8	0.3	0.3	0.0%	
2014-15	220	8.8	9.3	0.1%	
2015-16	2,037	89.4	99.9	0.9%	
2016-17	5,180	233.4	265.4	2.3%	
2017-18	9,479	426.2	481.5	4.3%	
2018-19	13,721	616.2	683.9	6.2%	

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Notes

The Ministry of Housing, Communities and Local Government (MHCLG) publish official statistics quarterly. Statistics for Help to Buy: Equity Loan are based on legal completion dates for transactions under the scheme as operated in England.

* The equity loan official statistics for April 2013 to March 2019 published in July 2019 report the number of loans issued as 221,405. The revised figure in this report is 221,362 equity loans issued.

<https://www.gov.uk/government/statistics/help-to-buy-equity-loan-scheme-statistics-april-2013-to-31-march-2019-england>

Tables 1 and 2 above set out Help to Buy: Equity Loan repayment statistics from April 2013 to March 2019. These show:

- 221,362 households bought homes with an equity loan between April 2013 and March 2019, and so far, 30,645 (13.8%) of them have paid off their loan.
- 20,399 (9.8%) households who took out an equity loan in 2014-19 repaid their loan within the five-year interest free period.
- A total of 19,754 customers took out the loan to buy a home in 2013/14, with no interest to pay for five years. The first interest payments started in April 2018 and by 31 March 2019, 51% (10,246) of customers had repaid their loan.

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Background

The Help to Buy: Equity Loan scheme began on 1 April 2013 with the aim of improving access and affordability for potential home owners and encouraging developers to build more homes. The current equity loan scheme, which is open to first time buyers and people moving up the property ladder ends on 31 March 2020. It will be replaced with a new scheme on 1 April 2021 for first time buyers only.

The Help to Buy: Equity Loan is a five-year interest free loan that homebuyers put towards buying a new build home. Homes England lends eligible homebuyers up to 20% or 40% in London of the cost of the home. This allows them to buy a home worth up to £600,000 with just a 5% deposit and they take out a repayment mortgage to pay the rest.

The amount a borrower repays to Homes England depends on the market value of their property at the time of repayment. For example, if they bought a home for £200,000 and had a 20% equity loan, they borrowed £40,000. They can pay back in 10% chunks or the full amount. So, if their home is now worth £210,000 and they repay 20%, they pay back £42,000.

