



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Dame Meg Hillier  
Public Accounts Committee  
House of Commons  
London  
SW1A 0AA

22 November 2023

Dear Dame Meg,

I am writing to inform you that, today, the Chancellor announced that the successful Mortgage Guarantee Scheme will be extended by an additional eighteen months to continue to support home buyers and movers with smaller deposits across the UK. The scheme will now close to new accounts on 30 June 2025.

HM Treasury launched the Mortgage Guarantee Scheme in April 2021 to help to restore the 95% loan-to-value mortgage market, which suffered a substantial decline in product availability following the impacts of Covid-19 on the market. The scheme provides a guarantee to participating lenders across the UK for their 91-95% loan-to-value mortgage products for first-time buyers and existing home owners, under which the government compensates the lender for a portion of net losses in the event of repossession.

The Government knows that access to a deposit can be the largest barrier facing first-time buyers. The scheme has been instrumental in increasing the availability of mortgages on new or existing properties for those with small deposits and has thus far supported over 37,000 home purchases – 86% of which have been by first-time buyers. While the scheme has been extended to close to new mortgage applications on 31 December 2023, HM Treasury has decided to further extend the scheme by an additional eighteen months to continue to provide lenders with the confidence to offer low deposit mortgages to consumers.

Guarantees issued under the scheme are valid for up to seven years after the mortgage is originated. Participating lenders pay HM Treasury a fee for each mortgage entered into the scheme. This is set so that expected claims against the guarantee should be covered by revenues from the fee. HM Treasury judges the risk of incurring significant liability to be low, and would only materialise if the sum of commercial fees paid by lenders would not be sufficient to cover calls on the guarantee. The scheme extension does not alter the maximum contingent liability under the scheme, which is capped at £3.2bn.

Authority for any expenditure required under this liability will be sought through the normal procedure. HM Treasury has approved this proposal. A Written Ministerial Statement has been published in both Houses detailing the scheme extension. As per *Managing Public Money*, we will provide a period of 14 Parliamentary sitting days for members to object.

I am copying this letter to the Treasury Select Committee, the Comptroller and Auditor General of the National Audit Office, and the Permanent Secretary to the Treasury.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Bim Afolami', with a long horizontal flourish extending to the right.

BIM AFOLAMI MP