Dame Meg Hillier MP
Chair, Treasury Committee
By email: meghilliermp@parliament.uk

5 June 2025

Dear Dame Meg,

Supporting more first time buyers by increasing the 15% flow limit on high loan to income lending

As a follow up to the building societies session with the Treasury Committee we wanted to collectively reinforce the need for an increase to the Bank of England Financial Policy Committee's 15% loan to income (LTI) flow limit.

As raised in the committee session we believe the flow limit, which caps the amount of mortgage lending than can be provided at more than 4.5 times a borrower's income, should be increased from 15% to 20%.

This modest increase would have a meaningful, near-term societal benefit by increasing support for first time buyers. In turn, this could boost economic growth and support the delivery of the Government's target of 1.5 million new homes.

An increase in the cap would also support the Government's ambition of doubling the size of the mutual and cooperative sector as building focus more on this type of lending.

Building societies are responsible for 35% of first time buyer lending so any increase would specifically help the sector support more people into home ownership. Nationwide, Skipton and Yorkshire all offer a range of mortgages for first time buyers. Nationwide's Helping Hand Mortgage, Skipton's Track Record Mortgage and Yorkshire's £5K Deposit Mortgage have all been designed to specifically help first time buyers with issues around deposits and affordability and provide responsible lending to good credit quality applicants whose needs are not served by traditional products.

We believe that an increase in the cap would enable our three organisations to support an additional 14,500 first time buyers per year.

In terms of mitigating some of the concerns around high LTI lending, overall mortgage arrears levels remain low. High LTI lending is also subject to the same robust affordability assessment and stress testing as standard lending. Experience from Nationwide's Helping Hand mortgage and Skipton's Track Record mortgage is that arrears levels are below those of our standard mortgage lending.

Most mortgage lenders are also running well below their 15% limit suggesting that increase in the flow limit may still mean that on aggregate high LTI lending remains below 15% of lending across the whole market. We would also expect house builders to respond to increased demand by building more homes, reducing the potential house price inflation from additional mortgage lending.

In addition to the LTI flow limit we wanted to reinforce the points made during the session about the specific impacts on building societies from the amount of capital we are required to hold to support mortgage lending and any reduction in the cash ISA annual limit.

We hope this supports the Committee's deliberations around banks and building societies and helps inform any future discussions with government and regulators.

Yours Sincerely,

Debbie Crosbie, CEO, Nationwide

Susan Allen, CEO, Yorkshire Building Society

Stuart Haire, CEO, Skipton Group