

FAO: Florence Eshalomi MP, Chair, HCLG Select Committee

1 December 2025

Dear Florence

Select Committee Inquiry into the Affordability of Homeownership – follow-up

Thank you for the opportunity to give evidence at the Committee's session of first-time buyers and affordable homeownership on 18th November. I appreciated the chance to contribute and would like to follow up on three key areas discussed.

1. Loan-to-Income (LTI) Rules and Market Impact

To provide a little more context, the LTI flow limit rule is a macro-prudential safeguard designed to prevent too much high-risk borrowing building up across the mortgage market. It limits lenders so that no more than 15% of their new mortgage lending can be at more than 4.5 times a customer's income. This sits alongside, rather than replaces, the usual affordability checks carried out for individual borrowers.

In practice, the way this limit is applied to each lender has meant that total lending above 4.5 times income has typically been lower, around 8–9% for two main reasons:

- Not all major lenders operate in the higher loan-to-income space; and
- Because the rule is based on the *flow* of new lending, firms leave a margin for error to avoid accidentally breaching the 15% cap when business levels fluctuate.

We therefore welcome the FPC's updated recommendation, and the PRA's swift action to enable individual lenders to exceed the 15% flow limit via a modification by consent. PRA and FCA are expected to consult on longer term changes to its policy in early 2026.

This flexibility is already helping first-time buyers:

- **Leeds Building Society** has reduced the minimum household income required for applicants to borrow more than 4.5 times their annual income. Joint or single applicants earning £30,000 per year (previously £40,000) can now apply for a mortgage at that level with the lender.

- **Yorkshire Building Society** has launched new "income lifter" options, allowing first-time buyers with a 5% deposit and a household income of at least £50,000 to borrow up to 5.5 times their income. They also lowered the general minimum household income needed to borrow up to five times income from £75,000 to £50,000.
- **Nationwide Building Society** has reduced the minimum thresholds required so first-time buyers can apply for the mortgage with a £30,000 salary, down from £35,000, and joint applicants with a £50,000 combined salary, down from £55,000. This is estimated to support an additional 10,000 first-time buyers annually.

2. Bank of Mum and Dad/Supporting First-Time Buyers through Family Assistance

Building societies continue to innovate with products that enable family support, including:

- Mortgages up to 100% in property value with parental collateral.
 - Low-deposit options starting at £5,000.
 - Solutions for newly self-employed buyers with one year of accounts.
- Awareness of these products among consumers remains low. Over the coming months, we will be running a first-time buyer campaign to highlight these innovative offerings to both prospective borrowers and to mortgage brokers, and we would welcome the committee's support to amplify this message.

3. Building Societies on the High Street

Building societies are strengthening the high street, increasing their branch presence up to 35% since 2012, even as many banks continue to close theirs. While branches remain highly valued, particularly in local communities where building societies have deep roots, consumer behaviour is changing. Members now expect choice, with convenient online and digital channels alongside face-to-face support. In response, branches are evolving into multi-purpose spaces that blend traditional services with operational functions and community use. Some societies are also piloting multi-bank kiosks, giving customers access to cash and services from multiple banks in one place.

Thank you again for your engagement on these issues. We look forward to working with you to ensure homeownership remains within reach for more people. Please let us know if further information would be helpful.

Yours sincerely



Robin Fieth
Outgoing CEO