

# IndustryVoice

Analysis, commentary and trends for the UK mortgage and protection industry | Edition 18 Autumn 2024

## Moving on Mortgages

### Articles from

Iress

Ash Borland

Leeds Building Society

Skipton Building Society

Pepper Money

Nottingham Building Society

Perenna

IMLA

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# Welcome

“Moving on Mortgages” is the theme for this edition of the Industry Voice and in this issue we’ve asked several experts and thought leaders from the lending community for their viewpoints on the current mortgage market and thoughts on the current state of the market, innovation and the future.

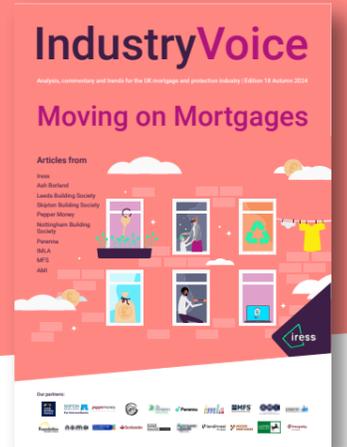
For this edition we take a deep dive into how lenders are responding to change in the mortgage market in terms of product innovation, technology and connectivity, the needs of different customer segments, the impact of Consumer Duty and socio-economic changes.

A special thank you to our lender partners and expert contributors for sharing their thoughts

about new plans, approaches and driving positive change in the Mortgage market.

If you would like to get in touch, please contact the Advertising & Sponsorship Manager, Neal Ray.

Visit: [iress.com/industry-voice](https://iress.com/industry-voice) for more perspectives from our provider & lender partners about the issues affecting our industry.



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# The mortgage market **forecast**



Kelly Bretherton  
Head of Product – Intermediary Mortgages, iress



What's in store as we head into Autumn? Kelly Bretherton is here with the mortgage market forecast.

'Calm after the storm' is how I would sum up the mortgage market at the moment. The storm being the rise in interest rates we have experienced. At the start of this year, rates were at their highest levels in over a decade! Thankfully, last month was the first Bank of England interest rate cut since 2020, and as a result, we are starting to see some sub-4% deals finally come into the market. We've also seen a recent reduction in rate swaps from lenders, which is providing more stability and calmness in the market and is positive to see.

## High pressure

Rising interest rates, inflation, and global uncertainties are putting pressure on affordability and reducing demand, particularly among first-time buyers and lower-income households. Now more than ever, there is a need for innovative products to address the changing consumer demands and demographic shifts in recent years to meet the needs of first-time buyers, self-employed individuals, older borrowers, and environmentally-conscious

consumers. After working closely with Lenders, we've recently introduced a few enhancements to Xplan Mortgage to support some of these aspects, including a Green Mortgage indicator and filter for new Rate Reducer products.

It will be interesting to see what happens following the Autumn budget on the 30 October. Will it redefine the UK housing landscape and provide a more accessible market? I'm certainly hoping so!



## Blue sky thinking

The area that excites me the most is the significant technological advancements we've seen in recent years, and I still believe there is much more to come. The changes we are seeing in the tech space are helping to reshape UK mortgages, driving greater efficiency, reducing application times, and improving the overall customer experience. Many of these innovations also address longstanding pain points such as delays in paperwork, cumbersome approval processes, and lack of transparency.

Connectivity tools that take the data from broker sourcing and

CRM systems to Lender portals or APIs as part of the Decision In Principle (DIP) and Full Mortgage Application (FMA) process are a great example of this. However, we are yet to see this functionality fully adopted across the market. It's difficult to understand why. If there is something that would save you time and improve accuracy, why not give it a go? Is it down to a lack of trust? Are brokers or admins unaware that the functionality exists? I'm still unable to pinpoint this, but as with most new technology there is always that tipping point and then all of a sudden, it just becomes the 'norm' and part of standard

practices so I'm very much hoping this will happen in the next 12 months as it's a fundamental part in the full end to end mortgage process.

## The outlook is bright

With all of this in mind and looking ahead it's an exciting time to be part of the industry. I look forward to continuing our collaboration with lenders, distributors and key partners to push forward with the step change the industry demands to provide a smoother and more transparent mortgage process that will weather any storms in the future!

# Navigating the Future: How we mortgage advisors thrive amidst economic and technological shifts



Ash Borland



The UK mortgage market is changing rapidly, and if you're in the same boat as many of the brokers and advisers I work with, you've probably felt the impact on your business. We're dealing with a mix of economic, political, and technological changes that are reshaping how we operate. So, I wanted to share my thoughts on what's happening and how we can all adapt to not just survive, but actually grow in this new landscape.

## **The Economic and Political Landscape: What's Happening in the Property Market?**

Now that the general election has taken place, we've started to see some shifts in the property market. One significant change has been the recent cut to the Bank of England base rate. This reduction has sparked some interest, particularly among first-time buyers and home movers—those who aren't moving out of necessity but because they want to.

However, the interest hasn't been as strong as expected because many clients are still waiting to see if further reductions will happen. It's understandable; people are hesitant to lock in a mortgage now if there's a chance that rates could be even lower in the near future.

This situation has created a bit of a holding pattern in the market, with potential buyers on the sidelines. However, I believe that as we move into Q4 of this year and into early 2025, we could see a surge in

property purchases. If mortgage rates drop further, this could bring some much-needed activity back into the market, which I know many brokers are hoping for.

## **Technology in the Mortgage Space: What's the Deal?**

Now, let's talk tech. There's no denying that this is an exciting time to be involved in mortgages, especially when it comes to fintech and technology.

We're seeing some fantastic innovations that are changing how we handle everything from lead generation to customer relationships. But let's be honest, if we compare our industry to others—especially outside of financial services—we're still lagging behind a bit.

AI and automation are starting to make their mark, but I think we're still in the early stages of how these technologies will be accepted by brokers. I've worked with some clients in fintech who are trialling some really interesting stuff, but there's definitely a fear out there that this tech could replace brokers. And that's understandable. Yes, this tech might speed up some parts of the job, but there's also a real worry that it could make brokers redundant.

I keep a close eye on what's happening in the AI space, not just in mortgages but across the board. The technology is definitely there to revolutionise our industry, but it's going to be interesting to see who ends up leading the charge. I reckon it's going to be a bit of an arms race, and while some brokers might be reluctant to adopt these tools, those who do will probably have a big advantage.

## **The Impact of Consumer Duty: What Does It Mean for Us?**

Consumer duty is another hot topic right now. From my perspective, if you've been doing your job properly—following the right processes and putting your clients first—then this new regulation shouldn't have caused too much of a stir for you. But I get that it's still a bit of a mystery for some, especially when it comes to how the FCA is going to enforce it.

What I find really interesting is this push towards offering more holistic advice. It seems like there's a trend towards mortgage brokers needing to expand their services—not just focusing on mortgages and insurance, but maybe even getting into areas like cash flow modelling. This could be a way to stay relevant, especially as AI starts to automate more straightforward cases.

If you're sticking to "vanilla cases", you could find yourself in a tough spot because a lot of that might end up being easily automated. And let's be honest, younger clients, especially first-time buyers, are probably going to be more comfortable with tech and less afraid of it. So, offering more comprehensive, personalised

services could be key to standing out in this competitive market.

## **Looking to the Future: Adapting to Change**

So, where does this leave us? The market feels like it's in a bit of a bottleneck right now, like a champagne bottle just waiting to pop. We're all waiting for the right products from lenders and the right messages from the media to really get things moving again. But from what I can see, the technology on the horizon is really exciting, and it's clear that brokers are going to need to adapt to stay relevant.

In a few years, I think we'll look back and see that the role of the mortgage adviser has changed quite a bit. It's an exciting time to be in this industry, whether you're just starting out or have been around for a while. There's a great quote from Eric Hoffer that I love: "In times of change, learners inherit the earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists." That pretty much sums up where we are right now. The key is to see what's coming, adapt, and be ready to change so we can thrive in the future of this industry.

# The rise of limited company buy-to-let investing



Martese Carton  
Director of Mortgage Distribution, Leeds Building Society



Investing in buy to let properties through limited companies is an increasingly attractive option for landlords. But it's crucial that brokers work with lenders who know the market well, says Martese Carton, Director of Mortgage Distribution at Leeds Building Society.

Across the industry it is apparent that the buy-to-let market is undergoing a period of change, and this can feel like an exciting opportunity as well as a daunting prospect for mortgage brokers.

It may be a decade since rules around offsetting mortgage interest costs against income tax were announced but setting up a limited company to manage buy-to-let portfolios is proving an increasingly popular choice. In fact, in 2023, a record-breaking 50,000 landlords launched limited companies.

That, coupled with higher interest rates that we have seen over recent months have impacted profits for

many landlords, and as such we are continuing to see an increasing trend towards limited company buy-to-let structures.

However, the buy-to-let sector has been under pressure for some time and industry data suggest that by the end of 2023, there were 13,570 buy-to-let mortgages in arrears, and just over half of landlords feel confident in the property market.

As responsible landlords, many buy-to-let investors are mindful that continuing to increase rental charges for their tenants isn't a sustainable solution to maintain profit margins, and there are different options available to achieve success.

We know that the impact of inflation continues to bite, and many renters are unable to keep up with ongoing cost rises. Landlords are tuned into this and trading under a limited company structure can reduce the need to increase charges for tenants given the beneficial tax implications it can provide.

As the trend continues towards investing under a limited company structure, many brokers don't feel equipped to deal with these more complex applications and can feel confused about the steps they need to take to support clients.



“In 2023, a record-breaking 50,000 landlords launched limited companies.”

At Leeds Building Society, we began lending in the limited company buy-to-let space last summer and in response to the needs of our broker partners we have since launched additional support.

We conducted research with a panel of brokers in June that highlighted that an easy application process was the most important factor (16%) when considering lenders for limited company buy-to-let applications. Clear criteria requirements came in a close second (14%). As such we have made some changes to improve service and offer more support.

Our team of specially trained experts has been further enhanced and has received a warm response from brokers across the industry who have been able to direct application queries their way.

Limited company buy-to-let lending applications are made through our bespoke system, Mortgage Extra, which gives brokers full visibility of how each case is progressing. To further simplify the process, we've compiled a full packaging checklist to complement the online affordability calculator to help brokers progress cases even faster.

As increasing numbers of limited company buy-to let-cases are

landing on lenders' desks, in the changing mortgage landscape we want to do everything within our gift to empower brokers and build more confidence in limited company buy-to-let lending.

Find out more about Leeds Building Society's [Limited Company Buy to Let offering](#).



# Real solutions for real problems let's keep innovating to help First Time Buyers have a home



**Jennifer Lloyd**  
Head of Mortgage Products and Proposition,  
Skipton Building Society



For many, putting their own key, into their very own front door, of the home they own is a dream. In fact, research we've carried out at Skipton Building Society confirms that 91% of us believe it's important to own a home one day.

Unfortunately, getting on the property ladder is a lot easier said than done – for a whole host of reasons.

- The average cost to purchase a home has increased a whopping 60% in the last decade, according to official figures from the Office for National Statistics (ONS).
- With the price of rent being so high, many are struggling to put money away for a deposit – Zoopla reports the average rent for new lets in the UK is £1,223 per month.

- According to Skipton's research, 57% of people say their outgoings have increased over the last 12 months, with around nine out of ten recognising it's become harder to save for a home.

**Our new Skipton Group Home Affordability Index highlights an urgency to the situation facing first-time buyers in Great Britain.**

As seen in constant media coverage, to be able to afford to rent or own a home of your own is challenging for millions of people across all corners of Great Britain.

But despite the concerns, to date there has been no single unified and forward-looking inquiry into the data behind changing affordability levels that considers both getting the keys to a property and the costs of living in it too.

The Skipton Group Home Affordability Index combines the affordability of buying a home ('buying affordability') and living in a home over time ('living affordability') into a single metric, providing a crucial new perspective on the housing market. To do this, it draws on a unique dataset that brings together data from Skipton

“Almost 80% of potential first-time buyers have insufficient savings for the deposit needed to get onto the property ladder in their area.”

Group businesses, the Office for National Statistics, the Bank of England and third-party external sources. It also uses forecasts from Oxford Economics' Global Economics Model to offer not only a picture of home affordability today, but insights into likely trends in the future.

One clear message which emerges from the data is that the first step onto the property ladder is by far and away the hardest.

- Only **one in eight** potential first-time buyers can purchase the average first home in their area, based on their own financial situation.
- The picture is particularly bleak for first-time buyer households in the bottom quarter of earners in Great Britain, earning less than £22,850. For these households, **fewer than one in 100** can afford to take the first step on the property ladder in their local area.
- Even among households earning over £71,250 (the top quarter of all earners across

Great Britain), only 44% can afford to buy their first home in their local area.

- **Almost 80% of potential first-time buyers have insufficient savings** for the deposit needed to get onto the property ladder in their area.
- Nearly **four in 10** renters spend **45% or more of their income on essential housing costs**, compounding their inability to save for a deposit.
- First-time buyers' affordability levels are worst in the West Midlands (driven by a combination of low deposit levels and moderate house prices), London (due predominantly to high house prices), and Wales (where lower income levels reduce households' buying potential).
- In contrast, first-time buyers face the best prospects in Scotland (driven by lower house prices) and the East of England (due to above-average income to house price ratios).

#### There's still hope for first-time buyers

Despite the stark reality of the stats, it's certainly not all doom and gloom. Helping people to take their first step onto the ladder is a key focus for many lenders across the mortgage market and I'm encouraged by the innovation I'm seeing in this space, but I know there's lots more to do.

At Skipton, we believe everyone should have somewhere to call home, but achieving that today is an unsurmountable struggle for far too many. We're here to make home ownership a reality for more.

Next steps - Find out more and download the full report at [Skipton Group Home Affordability Index - Skipton Group](#)





Suffolk  
Building Society Intermediaries

Decades ago, it was customers who needed to fit the requirements of a lender. Now, the opposite is true, with banks and building societies continually adapting to ongoing societal changes.

The 'average' customer has shifted: first-time buyers are now in their early thirties, and one-child families outnumber two-child families. Gifted deposits and joint borrower/sole proprietor mortgages are now more mainstream, whereas these and guarantor mortgages were once the exception.

The world of work has also transformed. We're seeing more cases where the customer works outside the UK. A strong overseas job market means a cohort of younger, upwardly mobile expats working for global employers. Many are wanting to retain a foothold on the UK property ladder, so demand for expat mortgages shows no sign of abating.

It pays to keep your focus on societal changes. The landscape will continue to evolve and as lenders, we must keep adapting.

Andrew Sadler, Key Account Manager, Suffolk Building Society Intermediaries

Efficiency, accuracy, consistency and time on your hands...What's not to love? Clearly something, with the market appearing slow to fully embrace connectivity. It's like your weekly shop – you do it on auto pilot; heaven forbid the aisles change, and it becomes a daunting concept! Whilst the option remains to keep the aisles the same, (apply direct!) we lack motivation.

For brokers, there's an understanding of the benefits and improved work-life balance we all so desperately crave. However, switching from an eyes-shut, direct DIP to a new process, requires overcoming operational and psychological hurdles on top of an already challenging role.

It takes time to embrace and build up trust of new processes but embrace it we should, as low take-up presents less obvious benefits and a harder to justify investment.

We all play a part in preventing stalemate and aiding progress. Working together and truly understanding how the game (and aisle) changing technology can positively impact all our working lives.

AimieJo Shutt, National Key Account Manager, Santander



Santander

Labour's landslide victory has highlighted their plans to tackle the UK's housing market issues, particularly for first-time buyers and renters. Keir Starmer aims to build 1.5 million homes in five years, with a focus on developing brownfield and 'grey belt' land.

Lenders can support these goals by adapting to the changing needs of borrowers, especially those with mixed incomes, self-employed individuals, or those with adverse credit. Adjusting affordability calculations and offering flexible mortgage criteria could help more people enter.

Paula Mercer, Head of Sales, LendInvest



lendinvest  
Mortgages



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The key focus has to be on educating brokers and consumers on the benefits of technology. Mortgage connectivity is a hot topic but one that is seldom used. Significant investment from us and our lender partners needs to be realised for the benefit of the end client

Warren O'Connell, Head of Business Development - Sourcing, Iress



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Digitalisation of the mortgage journey is inevitable. We are seeing Lenders look at digital landscapes and APIs more so than ever. APIs for DIP and FMA have been in the market for a few years now but the same challenge exists in relation to adoption.

Since these APIs were launched, the industry has had to deal with a pandemic, consumer duty, a new mortgage charter and now a new government. We can all appreciate this is a lot of change for Brokers and Lenders, and it has probably contributed to the challenge with connectivity adoption when they are already having to deal with process changes. We as a technology partner understand these challenges which is why we continue to promote the benefits of connectivity. Reducing manual keying and having improved quality of data allows for more time with your Clients due to the improved speed and efficiencies implemented.

We need to continue the collaboration between Lenders, Distributors and Technology Partners to help everyone embrace this change and give it a go!

Louise Sarsby, Head of Account Management - Provider Lender, Iress

The outlook for first time buyers in the UK is promising. Proposals aimed at addressing the housing crisis and ambitions to build 1.5 million homes over five years, including the use of 'grey belt' land with a focus on affordable housing, represent a significant step forward. Coupled with the introduction of the Freedom to Buy Scheme, a permanent mortgage guarantee scheme, these measures could perhaps provide greater stability and confidence for first time buyers, making homeownership more accessible.

As these initiatives are rolled out, brokers may see a surge in demand from new buyers entering the market. To stay ahead, it's important to embrace digital tools like MSO, which can simplify the process of creating, tracking, and submitting cases, saving valuable time on administration. By utilising these tools, brokers can efficiently manage any rise in business, ensuring they're well-positioned to help more people achieve their homeownership goals.

Jonathan Stinton, Head of Intermediary Relationships, Coventry Building Society



COVENTRY  
for intermediaries

# What's in store for the end of 24, and beyond?



peppermoney



Paul Adams  
Sales Director, Pepper Money

We're fast approaching the final quarter of 2024, with 2025 looming on the horizon – so what can brokers expect from the mortgage market in the coming months? The year so far has felt very much like one of transition. Inflation finally seems to be coming under control, heralding the first Bank of England Base Rate cut for four years in August, bringing optimism to the market.

The lead up to the general election in the spring also created uncertainty and limited activity during a traditionally busy time for home movers – and there have been industry reports that 60% of business for the year will be transacted in the second half of 2024.

Savills shared an optimistic view in its May house price predictions update. Savills said the UK housing market had performed more strongly than many anticipated so far this year, with average values

increasing by 1.1% up to that point. The estate agent added that it expects house prices to rise by 2.5% this year and then by 3.5% in 2025. Over the next five years, Savills anticipates a total price increase of 21.6%, which indicates strong, but sustainable growth.

This is good news for homeowners, but perhaps less promising for those looking to take their first step onto the property ladder. According to last year's Specialist Lending Study by Pepper Money, the significant barrier for

hopeful homeowners is saving for a deposit. This may partly due to the abolition of the Help to Buy scheme, but many potential first-time buyers remain unaware of alternative schemes available to help them secure their first home. Shared Ownership, for example, is growing in demand and other schemes such as First Homes could provide an opportunity for brokers to help more customers onto the property ladder in the coming months ahead of the anticipated increase in prices.

Awareness of these schemes may currently be limited, but those brokers who promote the benefits could be rewarded with an uplift in business.

Whilst inflation is returning to more normal levels, prices are still high and continue to put a squeeze on household finances, particularly given increased levels of unsecured borrowing. This will create an affordability challenge for many customers, even those who earn higher than average incomes. Many lenders impose a fixed debt to income ratio for applications, but not all and some lenders, like Pepper Money, take a more individual approach to assessing a customer's circumstances.

The benefits of this were highlighted recently by Pam Brown, owner of Pam Brown Mortgages, who wrote in the trade press about a case that had been offered by Pepper Money for a wealthy individual, earning a significant salary and bonus income. The customer had accrued £170k worth of credit card debt but didn't see it as a problem as he has the income to service the debt and, with plenty of equity in his main residence and a portfolio of 13 buy to let properties, planned

to consolidate this debt with a remortgage.

In total, he wanted to borrow £500k, which included £250k to refinance his current mortgage and capital raising of £250k to consolidate debts. Even with the capital raising, this only took the mortgage to 75% LTV. High street lenders didn't like the case because of the high levels of outstanding debt, but he was able to secure a competitive, quick and easy solution with Pepper.

Remortgaging isn't the only way to restructure finances of course and debt consolidation is one of the most popular uses for a second charge mortgage, even for those who have large balances they need to consolidate. This was highlighted in another recent trade press article by Phil Bailey, Partnerships Director at Loans.co.uk, who secured a second charge mortgage for a self-employed customer who needed to borrow £530,000 to pay off existing loans and debts. The renovation of their buy-to-let portfolio had significantly increased their current loan repayments, nearly tripling their financial obligations. However, their main residential property had appreciated in value, and they were benefiting from a

low long-term fixed rate mortgage, which included high early repayment charges (ERCs), so a second charge mortgage was the perfect option.

Finding alternative routes to tackle the affordability challenge, as well as discussing the various options for debt consolidation and restructuring finances are both likely to offer a wide range for opportunities for brokers in the coming months.

It's not going to be plain sailing of course. Keir Starmer has already set expectations that the next Budget is likely to be painful, which could further exacerbate the affordability challenge and may put greater burden on landlords, which would likely be passed on to renters in the form of higher rents, and this in turn will make it even harder for hopeful homeowners to become first time buyers.

Throughout this, however, brokers can be confident that professional advice will remain a key consideration for customers and, with a range of options available for a diverse array of circumstances, they will have the tools they need to make a positive difference.



# Embracing technology to streamline the homeowner journey



Praven Subramoney  
Chief Lending Officer, Nottingham Building Society



The mortgage application process can be challenging and complex for brokers and borrowers alike. With countless forms, documents and criteria to meet, we know it can often be a daunting one too.

That's why, as a forward-looking mutual, a central pillar of our mission is to embrace technology. We know how important it is to streamline the mortgage application process from start to finish wherever possible, minimising headaches for borrowers in their home buying journey and empowering brokers to deliver a seamless, efficient service.

So far this year, there has been significant progress on several fronts to make homeownership a reality in the UK.

And recent initiatives in the mortgage sector highlight the importance of evolving to meet the needs of foreign nationals in particular, who face more challenges than other borrowers. Among the various criteria they must meet, brokers consistently told us that the inability to prove their UK credit history was a major barrier.

This is where technology can play a pivotal role in helping lenders to support borrowers, with innovative fintech Nova Credit giving intermediaries access to historic

credit files from countries around the world. Be it India, Australia or Kenya, Nova's platform directly tackles the significant challenge faced by brokers looking to support foreign nationals settling in the UK.

Taking it one step further, Mortgage Broker Tools can simplify the entire decision-making process for brokers and ultimately allow them to provide better service to borrowers by collating data on affordability, criteria, products, and service levels at once.



## Tech must be paired with empathy and humanity

Maria Harris, the Open Property Data Association chair, recently argued that the entire home buying and selling process should be digitised within the next three years. While we agree with the need to adopt technology where possible, we also recognise that adopting new technology takes time, shouldn't be rushed and still requires that all important human element.

Take artificial intelligence (AI). We'd be naive to avoid the influence and impact that AI is having on the world of mortgages and borrowing, but it's important to remember how highly borrowers value speaking to someone for advice when starting the process of finding a home.

Whether you're purchasing your first property or looking for the all-important forever home, mortgage platforms like MQube can speed up the underwriting process and help brokers provide a better service. Using AI and machine learning to assess thousands of data points in real-time empowers lenders to process mortgage applications faster and more efficiently, delivering a smoother experience for all involved.

Crucially, it frees up brokers to focus on the emotional side of the conversation. And if the past two years are a reminder of anything it's that economic uncertainty and rising interest rates have made the task of getting a mortgage more difficult. Equipping brokers with the right technology to save time and focus on supporting

their customers can make all the difference.

## What next?

Borrowers and brokers face a whirlwind of challenges. That's why we're evolving our mortgage proposition to ensure we can make a real impact on growing homeownership and supporting a wider range of borrowers.

To achieve this, we need to continue being innovative, embracing modern technologies while also supporting brokers in using these tools effectively and successfully. By doing so, we're confident that we can help more people achieve their dream of homeownership, even despite the most challenging of times.

# Help borrowers plan for the future



Colin Bell  
Co-Founder and Chief Operating Officer, Perenna



The future is uncertain. Helping borrowers choose a mortgage that gives them the level of certainty they need is crucial.

We can't predict the future. But, it's important we protect ourselves from it. It's where we'll spend the rest of our lives! That's why it's imperative to consider all options for your clients.

In the current UK mortgage market, short-term products prevail. This means borrowers are constantly navigating interest rate risk. Of course, for some, a short-term solution may be perfect for their needs. But, for others, this short-term gamble can cause a lot of pain.

And the pain doesn't stop with homeowners. In fact, [research carried out on behalf of Perenna](#) indicates around half of those looking to get onto the property ladder are making major sacrifices and lifestyle changes. They're

putting off key milestones like getting married or starting a family, as they try to save up for a deposit. Do we really think this is the best outcome for the borrower? Is it right that a mortgage dictates your life?

## Consumer Duty

The landscape of mortgages is evolving, and with it, the approach to mortgage advice has undergone a transformative shift. During 2023 we saw the introduction of Consumer Duty to justify our actions and prioritise fairness and positive outcomes to mitigate foreseeable harm. At Perenna, we embrace this evolution, recognising Consumer Duty as both a guide and an ally in shaping our product concepts.

Consider a scenario where a client asks for a 'cheap' mortgage to provide a home for their family. Do they really mean 'cheap', or do they mean they want to be able to manage their finances predictably? Advisers might recommend a short-term fixed rate mortgage for its perceived stability and affordability during those first 2-3 years. However, unexpected events such as divorce, pandemics, rates rising, or products being withdrawn can dramatically alter one's ability to manage mortgage changes. And, as a result, may force borrowers onto less favourable standard variable rates. Is this avoidable?

## Presenting the options

Every client is different. They all have their individual

“People don’t know what they want until you show it to them.”

circumstances. And varying wants and needs. But the importance of presenting choice remains. It’s our duty to understand exactly what is important to our customers right now, and in the future. Recommending a product that’s based on these facts, can help mitigate against foreseeable harm. That’s why it’s important to present all options. The market has favoured short-term lending for such a long time. Borrowers may not have considered a flexible, long-term fixed-rate mortgage before. But does that mean it’s not right for them? The benefit of these products is they can allow clients to control when they remortgage. Whether that’s based on improved circumstances or better rates. The borrower decides if or when is right for them.

#### The future

For advisers, networks, and compliance functions, the ask is clear. You must discuss all options and allow informed choices. Undoubtedly borrowers will request the ‘cheapest’ mortgage. But the stakes of predicting the future incorrectly are high. This demands a deep understanding of the borrower’s true needs. That means balancing initial costs against stability, long-term expenses, flexibility, and overall satisfaction.

Predicting interest rates is an uncertain endeavour. Countries shield themselves from interest rate risk. And individuals should also have protections in place. Advisers have a duty to present a range of options. To enable a

genuine discussion about risk appetite.

As Steve Jobs said, “People don’t know what they want until you show it to them.” And borrowers may not know about 10–40-year fixed rate mortgages with 5-year ERCs unless you mention them. However, they may wonder why they weren’t presented as an option. Especially if in 5 years’ time they face a rate shock that they could have been protected from.

The best way to predict the future is to create it. So next time you’re sat down with a client, ask yourself whether you’ve considered all options. Have you helped create a future that best suits their needs?





The Loughborough Building Society

In recent months, we've observed significant technological advancements aimed at easing the burden on mortgage lenders and advisers. From our perspective, one key innovation is our new affordability calculator, which enhances efficiency by generating a PDF summary of brokers' inputs for easy record-keeping. This feature not only simplifies the process for brokers but also allows us, as a manual lender, to seamlessly integrate this information into our workflow.

We're also noticing notable demographic and socioeconomic shifts in the market, such as a significant rise in 40-year mortgage terms and more first-time buyers extending their mortgages up to and beyond the age of 80. Trends which indicate a growing preference for longer terms to reduce monthly payments.

As a lending community, we must ensure we're equipped with specialist solutions to meet these shifting market dynamics and effectively support a diverse range of borrowing needs throughout their mortgage journey.

Ashley Pearson, Head of Intermediaries, Loughborough Building Society



The latest Q2 2024 Landlord Trends report by Pegasus Insight for Foundation Home Loans showed that the average achieved yield continues to trend upwards and is now at a 10-year high of 6.3%.

Regionally, landlords in the North East currently generate the highest average yields, at 6.8%, whilst landlords operating in Central London achieve the lowest, at 4.7%. HMO owners and those letting to students also generate above average yields, at 7.2% and 7.0% respectively.

The report also highlighted the strength of tenant demand, with 40% of landlords rating current demand in their areas as being 'very strong'.

Rental arrears are trending downward, currently at 28%, which is about 30% lower than five years ago.

In summary, these trends indicate that the current buy-to-let market continues to offer significant opportunities for mortgage intermediaries to grow their business and assist landlords in navigating this ever-evolving landscape.

Tom Jacob, Director of Product & Marketing, Foundation Home Loans



Foundation Home Loans



We are witnessing first hand, a technology revolution which is changing how the world works. The accelerated pace of development and subsequent diffusion of generative AI is evident in the growth of the 'Magnificent Seven'; their combined market capitalisation totalling \$15.4 trillion, approximately 4 times larger than the UK's entire GDP.

Driven by a combination of three main factors (cloud computing, open-source code and big data), we can analyse vast amounts of unstructured data, which allows us to reap benefits much faster than ever before, making technology more accessible to a broader audience. This in turn is empowering the mortgage industry to serve our customers more swiftly as AI powered tools taking the place of laborious repetitive tasks, freeing advisors up to spend more time on meaningful conversations with customers.

Laura Myers, Intermediary Distribution Development Manager, Lloyds Banking Group



HALIFAX



Principality Intermediaries



With the recent change of Government and reduction in base rate, affordability challenges for buyers and a small uptick in house prices expected to continue during 2024, it's more important than ever that Lenders' technology, policy and propositions innovate. And, whilst making thoughtful and rationale mortgage decisions, lenders must also meet market demands to increase speed to offer.

Intermediaries also have their own challenge. Keeping up with different providers' evolving products and criteria, whilst staying within regulatory guide rails. With all these considerations, it's clear there are complexities (at times paradoxical) in the future landscape.

**What are we doing to help?**

More people in a home they desire is a key ambition for Principality Building Society.

As well as technology transformation, we commissioned independent research to understand how we can better support intermediaries.

There were clear themes of importance:

*Certainty, Flexible Thinking and Experts on Hand.*

With this in mind, we are leveraging our technology to uplift policy and propositional areas such as:

Family Boosted Income and Deposits, Tailored Affordability Models, Alternate Product Options (rather than flat Decline), Increased LTI, Secondary Income Sources and Occupational Linked Propositions.

Complemented by technological advancements such as Automated Population from sourcing systems and Quicker Valuations.

Brett Phillips, Product Owner (Property Value Stream), Principality Building Society



# The risks of borrowing later for longer



**Kate Davies**  
Executive Director,  
Intermediary Mortgage Lenders Association



In the last 20 years, mortgage borrower needs have broadened considerably, and there has been corresponding huge growth in the number and types of specialist mortgages developed to cater for borrowers' increasingly varied requirements. At the same time, mainstream products have become more flexible in allowing borrowers to over- and under-pay when circumstances dictate, and most lenders have extended or removed the traditional maximum age limit of 65 which people could borrow up to.

These innovations are both welcome and necessary, but there are a number of more recent trends in the market which we as an industry need keep an eye on.

## 30-year mortgage terms

With a cost-of-living crisis, continually rising house prices and a higher interest rate environment, it is hardly surprising that we have seen an increase in the number

of first-time buyers taking out a mortgage over a 30-year term (or longer) in order to spread out their repayments and make them more affordable. Bank of England data shows that in the fourth quarter of 2021, 31% of new mortgages had an end date running past state pension age. By Q4 2023, that figure had risen to 42%. That in itself is not necessarily an issue, as long as the borrowers concerned are using the longer end dates to

control costs in the short-term, and take action to reduce their mortgage terms in future, as their earnings grow and/or mortgage rates fall, when they move house or refinance. But if these homeowners fail to take action, not only will they end up repaying far more interest over a longer term, many may run the risk of an impoverished retirement as they struggle to make mortgage payments on a pension.



## Rise in 45+ first-time buyers

Older first-time buyers may face similar challenges. While the age of the average first-time buyer has hovered around the 33/34 mark for the last 15 years, there has been a recent surge in the number of over-45s buying for the first time. According to the English Housing Survey, in 2019/20, 5% of first-time buyers were 45 or older. By 2022/23, that figure had risen to 13%. Again, as a trend this is understandable. The cost of living, the time taken to save up the typical deposit and the fact that more people are settling down a lot later in life all point to buying later. The fact that a growing number of first-time buyers rely on the bank of mum and dad or inheritance to purchase their first home (36% in 2022/23, up from 27% a year earlier) also plays into this trend. But as a result, this older cohort also faces a potential financial squeeze in retirement, and as brokers and lenders we need to be mindful to guide borrowers to take the appropriate action at the

most apposite junctures to avoid this scenario.

## Generation rent

As a society, we also need to consider the future of Generation Rent. Almost 20% of UK households are Private Rental Sector tenants. Around 60% of them say they intend to buy their own home at some point. But what will happen to those who are still priced out of homeownership in 20 or 30 years' time? 10% of private renters are already over 65. Many thousands of people are likely to be faced with the conundrum of rising private rents and extremely modest pensions. If we want to avoid condemning some of our citizens to the equivalent of the Victorian poorhouse, we need to start building social housing and affordable private homes suitable for first-time buyers of any age - on a grand scale, and quickly.

## Single households

Another recent development is a surge in the number of single people

buying homes alone. The English Housing survey revealed that first-time buyer households consisting of one person increased from 19% of all first-time buyers in 2019/20 the pandemic from 19% to 32% in 2022-23. The survey does not explain the reasons for the increase. It could be down to factors such as the breakdown of relationships, possibly exacerbated by the Covid lockdowns - annual divorce rates certainly rose by around 10% post-pandemic. So the surge may turn out to be more of a blip. But if it is a result of more structural social change, with working from home becoming the norm, and more people wanting a quiet space from which to do so, that has ramifications for the type of property we need to be building. Government, builders and lenders should be keeping a close watch on these figures.

# To succeed in the property market, **we need to embrace the unique differences between generations**



Mike Cook  
Chief Mortgage Advisor, MFS



Among homeowners and/or homebuyers of all generations, there is a clear desire for action and progression in the property market. What's holding people back isn't a lack of motivation, it's the feeling that there's a lack of support from lenders and other facilitators.

At MFS, we produce independent research reports exploring the latest developments in the property market. For Q3 2024, we continued our Homebuyer Wishlist series, which surveys homeowners and homebuyers on their preferences. We surveyed a nationally representative sample of 2,000 UK adults, 412 of whom had either bought a property in the prior year, or were in the process of doing so.

We split the results by age range and it was here where clear demographic preferences and

differences could be found. The young and old alike have ideals in mind for their purchases. Ideals that may vary the type of funding they utilise, or where they look for their new home.

For instance, having good broadband and mobile connectivity was either very important, or somewhat important for 82% of 18–34-year-olds. Transport links (78%), proximity of public spaces and parks (77%), and garage or off-street parking (77%) were also crucial for this younger cohort.

However, those approaching their retirement years have quite different priorities. The quality and finish of the property took the top spot for those aged 55+ (83%). This was followed by garden and/or outdoor space (82%).

It appears that younger people may be particularly concerned with their local area and commuter routes, rather than the actual home itself. Whereas older buyers want a beautiful home, with an equally beautiful garden.



Where commonality emerges among the young and old is in the challenges in progressing with their investments in their respective dream homes. The majority of both generations feel the UK's property market is too competitive, and that there is a shortage of the type of property they would ideally like to own.

Moreover, two-thirds or so of young and old buyers find obtaining finance (i.e. a mortgage) to purchase a property stressful. Similar percentages feel the process of buying a property in the UK is too slow and complicated.

So, what does this all mean? How should lenders react? Perhaps, given the obvious differences between the generations, we could all embrace a bit more tailoring in

our output. Rather than having a small handful of mortgages with few differences between them, a broad range of more niche products could do wonders for lenders and their customers.

Brokers themselves may need to expand their nets here too. They may be surprised not only by how much business they get from unexpected age groups over the coming months, but also how they make their purchases.

For instance, we could be on the verge of a "great British downsize" courtesy of elderly couples spread across the UK. According to TwentyCi, the number of homes being sold by those aged over 66 is up 13% on 2023 as retirees seek smaller houses, or long to be closer to family.

And Generation Z, who notoriously can't get on the ladder for themselves, are instead becoming BTL landlords. Over 3,000 landlords in the UK are now under the age of 21 according to UHY Hacker Young, and are now earning collectively **£61mn** in rental income.

The property market is complex, with disparate – often conflicting priorities among buyers. Lenders, brokers, and other players who recognise this and adapt accordingly will be best placed for success over the coming months and years.



# What's next for Housing and Mortgages?



Robert Sinclair  
Chief Executive, AMI



As we move towards 2025, the UK mortgage landscape is likely to be characterised by shifts influenced by political, economic, regulatory, and technological changes. The UK housing market remains a cornerstone of the economy, with mortgages a critical component enabling property ownership of a variety of different tenures. It remains surprising that such a crucial bedrock is left to a series of unconnected influencers to manage.

## Political

The arrival of a Labour government has seen a new legislative agenda bristling with promise of changes in planning, clear housing targets and funding support. In the coming months we will see an Autumn statement that will fill in some of the gaps together with the Ministry of Housing, Communities and Local Government sure to jump to the centre stage as they colour in the plans they have for the future.

There is speculation that we could see a return of a form of Help to Buy; the establishment of a New Town on the HS2 railway line;

significant revisions to planning laws and the green belt with the slaughter of NIMBY's; pressure on developers to build more social housing and affordable homes; and local authorities being encouraged to get back into the building game. We will also see more rent reform that is bound to influence investment decisions in the private rented sector. Whilst a ban on no fault evictions seems inevitable, a rent growth cap of say 3% might be better than a total freeze on rents.

## Economy

The UK economy has returned to relative stability following the disruptions caused by Brexit, the

COVID-19 pandemic, the Ukraine crisis and the now not to be criticised mini-Budget. Economic stagnation has somehow delivered stable employment rates, rising wages and reasonable degrees of consumer confidence. On average, UK house prices have continued to rise over these stress periods despite there being some regional variations. However, inflation has been a significant challenge, influencing the Bank of England's interest and monetary policy and consequently mortgage interest rates.

With Bank of England Base Rate now falling it is unlikely to fall

“With higher interest rates and no fall in house prices, borrowers have needed to look at longer terms for their loans, with some looking at 40 year mortgages to clear the affordability hurdle.”

below 3% at any point in the foreseeable future, so interest rates are going to remain relatively higher than the historic lows experienced through the 2010s and the early 2020s. We will all have to get used to this. More expensive mortgages have impacted the affordability of home loans. In keeping with this, recommendations have been mixed between tracker rates for those who want to have flexibility and defer decisions and those who prefer the stability of fixed rate mortgages that are determined by the Sonia and SWAPS markets. These already have two more base rate reduction this year priced in and therefore the downward drift in fixed rates will be slower than many commentators might expect.

With higher interest rates and no fall in house prices, borrowers have needed to look at longer terms for their loans, with some looking at 40 year mortgages to clear the affordability hurdle. These borrowers will need advice throughout the term of their loan to ensure it is repaid before they reach the end of their working lives.

#### Regulatory Environment

The regulatory framework continues to evolve to address the challenges and risks in the housing market. The more rigorous affordability assessments brought in during 2014 ensured borrowers managed repayments even in these higher interest rate environments. The stress testing against higher rates, has provided a great buffer.

The introduction by the FCA of new principles encapsulated within “Consumer Duty” raises the bar. This increases the emphasis in products delivering fair value, that they should meet the customers wider financial objectives and they need to understand what they have bought and why the product is relevant to them. Linked to this we are seeing increased emphasis on discussions to ensure that the mortgage is still repayable even if life events get in the way. Life cover, critical illness protection and income protection policies are all at the forefront of discussions to ensure that in the event of bad events people still have a home to live in.

The private rented sector remains a key source of flexible housing for many who struggle to save a deposit or meet the tight affordability tests on mortgages. However, local authority licensing, new building and fire safety controls combined with major changes to tax treatment have combined to challenge this sector. The PRS is a vital component of the tenures available and government need to ensure it is protected to keep a flexible workforce able to move to where they are required.

#### Related Issues

The push for sustainable housing is both a challenge and an opportunity. Lenders offering green mortgages can capitalise on this trend, while borrowers benefit from energy-efficient homes and potential cost savings. But, we currently only have two types of product. One which rewards those

buying an energy efficient property – EPC A or B, where they get a lower interest rate or can borrow more due to the perceived lower running costs of the property. The second is the funding of retrofit activity to help enhance the overall UK housing portfolio. We will see significant development in the funding of green initiatives in the next two years. This will be driven as the new government provides clearer pathways on the green journey and works to create a consumer demand for action.

There is also likely to be action to address the issues facing certain coastal communities where there has been an explosion in holiday homes, Airbnb and HMOs. This can price locals out of the property market and damage the local economy as they cannot find people to work in local businesses.

#### Conclusion

The UK mortgage market remains a dynamic and evolving sector subject to multiple influences. House prices are likely to remain stable as the growth in supply will still not match the increases in demand for at least two years. The 1.5 million houses target is back-end loaded with 400,000 units likely to be needed in 2028.

Technology will work to improve the end to end buying and selling process, but the human touch in the advice process will remain a core offering. The new government will ask more of the industry and it will be up to lenders and advisers to help deliver a better tomorrow.





ACCORD MORTGAGES

Research by our 'parent business' Yorkshire Building Society shows two-thirds (58%) of non-homeowners aged 35-54 and a fifth (21%) of UK 18-to-34-year-olds are falling out of love with homeownership. Those forced to rent instead face a lifetime wealth gap of £2.6m

Barriers include affordability and the high cost of living and half (50%) feel so overwhelmed by current market complexity, they've given up even looking for a property to buy.

Brokers should consider what this means for their businesses, and how to reach out to these people who desperately need their advice.

Innovating with new offerings like our £5k Deposit Mortgage, we're also calling for collective industry solutions to ensure that such perceptions don't become reality.

We're urging first-time buyers to seek advice because the wealth gap also shows owning your own home is a prize worth winning.

Nicola Alvarez, Senior Manager – Proposition Development, Accord Mortgages



Lenders found 2023 a challenging year, the squeeze of affordability due to the uncertainty in the market and rate rises has had a strain on business levels. The recent rate cut has driven positive news with lenders being able to reduce rates and re-assess their proposition and lending policies in a bid to encourage FTB's and the refinance market. Lenders have become more aware than ever that product innovation is key, and the market they are serving is quite different at present.

Lots of lenders are implementing policy changes that give more flexibility, such as increasing FTV's and term of mortgage to attract and assist more FTB's, entering new markets which will assist a broader net of clients and offering Green mortgages as they are seeing the need of sustainable lending.

There is also a shift in the way lenders have started to adapt their overall mortgage journeys, using more tech and AI technologies to improve on areas such as credit assessments, so that they become more customer eccentric and drive efficiencies.

More and more banks are developing websites, apps or platforms specifically for brokers and intermediaries, which enable them to be a part of the customer journey. This can help make the experience of purchasing a property a lot smoother, for both the customer and the broker. Being part of a platform like IRESS also means that brokers can more easily source the best options for their clients.

Zeenat Shaffi, Senior Business Development Manager, Nomo



nomo

The economic and political landscape is continuing to shape the future of the mortgage and housing market. Changes in interest rates and the pending stamp duty change for example are all factors that influence buyer behaviour, lending decisions and affordability outcomes. At Iress we are following these movements closely and are heavily investing in our software so that we can continue to best support our clients and the evolving market.

Jacqueline Durbin, Global Head of Product - Sourcing, Iress



iress



MORTGAGE LENDER

The recent (08/08) interest rate cut was a welcome movement, and the ensuing improved mortgage rates have already resulted in a meaningful pick up in sales activity. While it was a tentative decision, there is another rate cut predicted this year, which would further spur market activity into late 2024 and 2025. Prospective homeowners, movers and current borrowers will be seeking to capitalise on this boost which will spell good news for the mortgage market, especially with the predicted US Fed cut to rates which could further improve the situation here in the UK. This might not be the same for the BTL sector as Labour's policies put pressure on landlords to improve their properties, but overall, the market is in a significantly better position than it was this time last year.

Sara Palmer, Distribution Director, The Mortgage Lender



# Get in touch

Industry Voice is shared with an audience of over 15,000 people in the UK mortgage and protection industry. We produce four editions a year and target an online audience of mortgage and insurance brokers, product providers, financial advisers and individuals with a vested interest in Industry Insight.

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