

Rebuilding the Ladder: The Definitive Set of Reforms for First-Time Buyers

Enfield Council First-Time Buyer Report
Supported by Pocket Living



living



Endorsements

This report has been endorsed by a range of housebuilders, trade bodies, local authorities and other organisations that make up a significant part of the housing ecosystem in London and across the UK, including the likes of **Barratt Redrow, Vistry Group, L&O, Zoopla** and others.

The organisations listed as endorsers support the need for urgent action to address the challenges facing first-time buyers and welcome the contribution this report makes to the debate.

1.5m New Homes	L&O Group	Red Loft
Ackroyd Lowrie	Lanpro	Related Argent Limited
Antler Homes	Legendre UK	Shared Voice
Barratt Redrow	Lexi Finance	Sheppard Robson
Bell Phillips Architects	London Borough of Enfield	Sky House
Boyer	London Borough of Waltham Forest	Small Sites Alliance
Censeo Financial	Lumi-Plugin	The British Land Company
Churchill Living	Molior London	The CCP
Concilio	National Federation of Builders	The Conveyancing Association
Deeley Group	PJ Livesey Holdings Limited	The Housing Forum
Fairview New Homes Ltd	Place Base Ltd	Town Legal LLP
Federation of Master Builders	Places for People	TYI Strategy
Greencore Homes	Pocket Living	United Trust Bank
Hill Group	Propertymark	Vistry Group
Home Builders Federation	Public First	Weston Homes
HTA Design LLP	Quatro	Zoopla
Just Build Homes	Quod	
Knight Dragon	RCKa Architects	

"This report developed by Enfield Council is an important contribution to the debate as we work to help first time buyers in a challenging context. I was pleased to contribute alongside many of our partners.

"Enfield continues to demonstrate a real commitment to delivering good, affordable homes for local residents, many of which have been backed with City Hall investment."

Tom Copley

Deputy Mayor of London for Housing and Residential Development

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Chris Curtis MP
MP For Milton Keynes North and
Chair of the Enfield First-Time
Buyer Commission

Foreword

For much of the past century, home ownership was the route through which millions of people built financial security and shared in the country's economic success. The question facing the UK today is whether that pathway remains open to the next generation.

Homes are not only where people live; they are also the most valuable assets most households will ever own. In a country where such a large share of national wealth is tied up in housing, access to home ownership plays a central role in shaping economic opportunity. When younger generations are able to buy homes, they build security for themselves and their families. When that pathway becomes harder to reach, the consequences extend far beyond the housing market.

A healthy housing market is also an important engine of economic activity. Every home purchase triggers spending across a wide range of sectors, from construction and home improvements to legal services, removals and retail. Research suggests that every 100,000 housing transactions generate close to £1 billion in economic output, supporting jobs and investment in communities across the country¹.

There is no doubt that it has become harder for younger generations to buy a home, with the average age of a first-time buyer now sitting at 34, and many relying on support from the bank of Mum and Dad. And there is no doubt about why: Britain has catastrophically failed to build enough new homes. Supply has simply not kept up with demand, and prices have risen as a consequence.

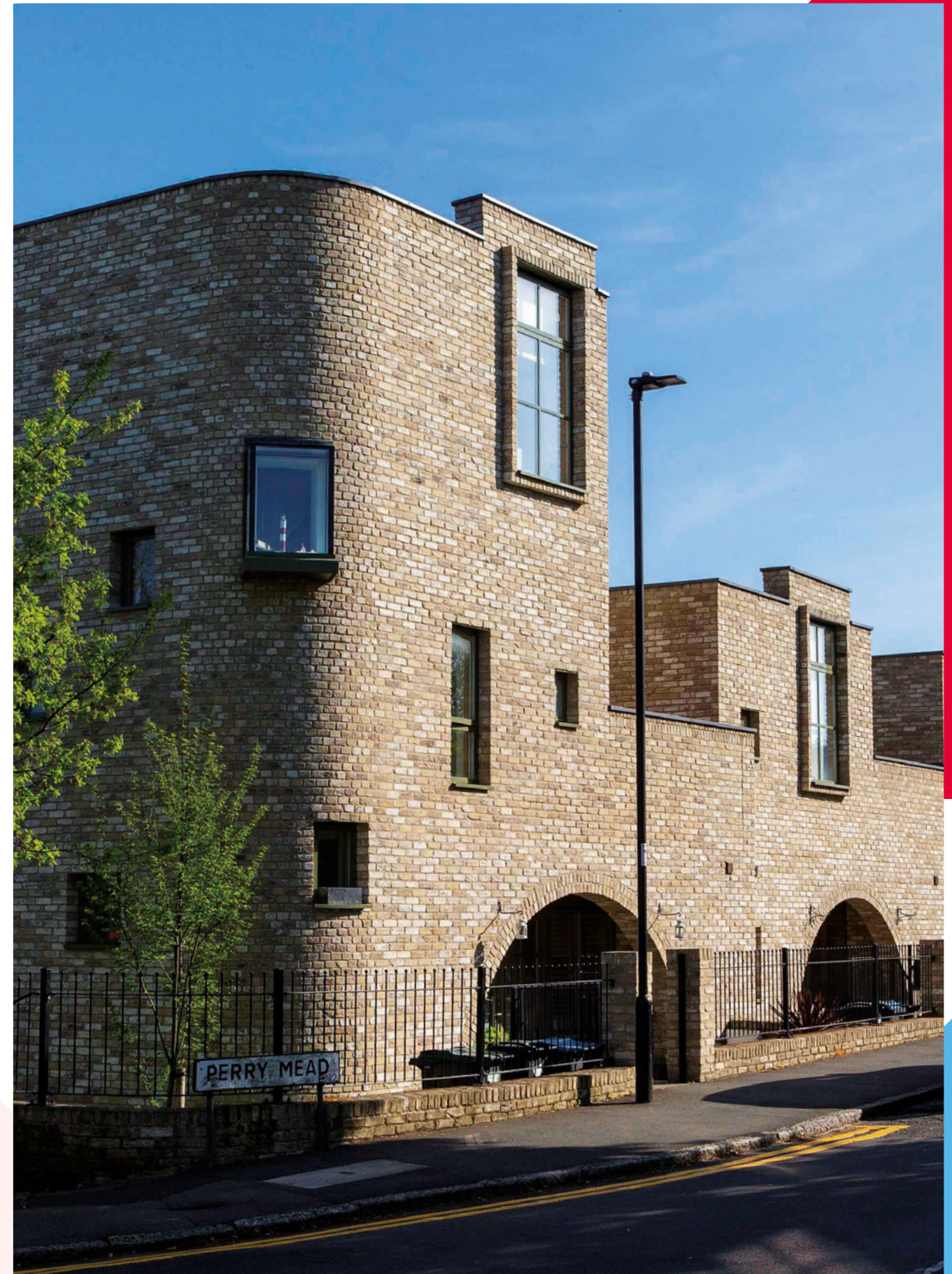
That is why it matters so much that this government is taking on the barriers to housebuilding, through changes to the NPPF, the Planning and Infrastructure Bill, brownfield passports, action to fix the Building Safety Regulator, and a more strategic approach to nature restoration.

But given the tough economic headwinds, we also need to think seriously about how to better support first-time buyers and manage the demand side more effectively. The challenge is to do that without repeating the mistakes of past Help to Buy schemes, which often proved inefficient and inflationary.

The Enfield First-Time Buyer Commission was set up to examine these questions and explore a range of possible answers. As commissioners, we are not endorsing any single proposal. We are setting out options to address a housing problem that is clear, urgent, and widely recognised.

Restoring a clear pathway into home ownership is not only a housing challenge. It is central to how we think about opportunity, growth and fairness in modern Britain.

1. knight-frank/bf-economic-benefits-of-housing-market-activity-2020-7616.pdf



Changing futures



Cllr Ayten Guzel
Labour Cabinet Member for
Housing at Enfield Council

Introduction

As a young person growing up in Enfield, I have seen first-hand just how hard it has become for first-time buyers (FTBs) to get a foot on the property ladder.

This is not about a lack of effort or aspiration. People are working hard, doing the right things, and still finding the door to home ownership firmly closed. In a borough like Enfield, where demand is high and wages have not kept pace with house prices, rising upfront costs have made buying a first home feel out of reach for too many local people.

It became clear to me that waiting for change was not enough. So, as Cabinet Member for Housing in Enfield, I felt the time was right to take a proactive role in driving that change. That is why we established the First-Time Buyer Commission.

The Commission was created in response to a growing sense that existing approaches are no longer working. The real barriers - borrowing constraints, high interest rates, and the challenge of saving for a deposit - remain firmly in place. We believed a different approach was needed: one focused on fresh thinking, practical solutions, and policies that can genuinely shift the dial.

While this work is rooted in Enfield, the challenge reaches far beyond our borough. Across London and the South East, young people and long-standing residents are being priced out of the communities they grew up in. Rising house prices, limited demand-side support and high upfront costs mean that too few homes are accessible to genuine first-time buyers. For many, home ownership no longer feels like a realistic ambition.

With a new and ambitious government committed to reform, there is an opportunity to reset the conversation and put forward evidence-based solutions that reflect the reality facing first-time buyers today.

The purpose of this Commission and report is to contribute meaningfully to that national debate, to influence future policy, and to show how a fairer and more accessible housing system can be achieved. Above all, it is about restoring hope - ensuring that first-time buyers have real choice and are not forced out of the places they know and love.

“With a new and ambitious government committed to reform, there is an opportunity to reset the conversation and put forward evidence-based solutions that reflect the reality facing first-time buyers today.”

Confidence to commit



Paul Rickard
CEO
Pocket Living

Introduction

If 2025 was the year of planning reform, then 2026 should be the year of the first-time buyer.

What is evident from our conversations with first-time buyers is the strength of their determination to get onto the housing ladder has never been greater, despite the challenges being greater still. Many are not far off achieving it, and in most cases are close enough that a small number of changes could make the difference between aspiration and ownership. This Commission and the findings set out in this report highlight the practical levers that government and relevant bodies could pull to help turn those near-misses into first-time buyers.

By doing this, it not only helps first-time buyers realise their dream of home ownership, but it also brings much-needed certainty back into the housing market. A healthy flow of first-time buyer transactions gives developers the confidence to commit capital, supports SME builders in planning and scaling their activity, and underpins investment decisions across the wider housing sector.

Shifting the dial on first-time buyer support will help tackle the human cost of the housing crisis, boost the economy, and once again provide new generations with the opportunity to turn those dreams into reality.

We would like to thank Enfield for leading this work, and all of the Commissioners involved, for shaping one of the most targeted and thorough collections of ideas to support the country's future first-time buyers. We look forward to working with government to help take these proposals forward and support their implementation.

“Shifting the dial on first-time buyer support will help tackle the human cost of the housing crisis, boost the economy, and once again provide new generations with the opportunity to turn those dreams into reality.”

Background and Purpose of Report

This initiative responds to a sector that has often struggled to put forward credible, deliverable policy ideas for first-time buyers. The impact has been particularly visible in high-value markets such as London, where ONS data now shows the capital is no longer the leading location for first-time buyer mortgages.

In early 2026, a cross-party Commission was convened by Enfield Council and Pocket Living. Its purpose was to draw on the expertise of cross-party politicians and industry leaders from across housing, finance, planning, local and national government to develop practical policy proposals capable of rejuvenating the first-time buyer market in London and across the UK.

The policies set out in this document draw on ideas contributed by individual Commissioners and discussed through the Commission's sessions.

How the Report is Structured





To understand whether first-time buyers can access the housing market and on what terms, we have framed the challenge across five core areas. Together, they shape both eligibility and affordability.

The Foundation

Education and Awareness: First-time buyers cannot benefit from tools they do not know exist. Education and awareness is the foundation, the precondition that makes every lever above it work.

The Levers

Education and Awareness

			
Lever 1: First-Time Buyer Tenures and Access	Lever 2: Affordability Rules	Lever 3: First-Time Buyer Support Schemes	Lever 4: Fiscal and Tax Measures
Affects what people are actually buying by changing the type of ownership and how the home's value is shared.	Affects how much people are allowed to borrow, based on how lenders assess income and risk.	Affects how much money buyers need upfront, by helping with deposits or giving lenders extra reassurance.	Affects the cost of buying a home by changing the taxes you pay, rather than the home itself.
Example: Shared Ownership or Discounted Market Sale homes.	Example: Loan-to-income limits, stress testing, affordability assessments.	Example: Equity loans or mortgage guarantee schemes.	Example: Stamp duty relief, inheritance tax.

Commissioners

Chris Curtis MP	MP for Milton Keynes North (Chair)
Cllr Ayten Guzel	Cabinet Member for Housing, London Borough of Enfield
Paul Rickard	Chief Executive, Pocket Living
Jack Airey	Director for Housing and Infrastructure, Public First
Suzanne Aplin	Group Sales and Marketing Director Weston Homes
Lord Bailey	Member of the House of Lords
Lord Banner KC	Member of the House of Lords
Anna Clarke	Director of Policy and Public Affairs, The Housing Forum
Tom Copley	Deputy Mayor of London for Housing and Residential Development
Craig Carson	Regional Managing Director, Barratt London
Andy Dean	Informal sector contributor
Timothy Douglas	Head of Policy and Campaigns, Propertymark
Dan King	Executive Chair, London Division, Vistry Group
David O'Leary	Executive Director, Home Builders Federation
Beth Rudolf	Director of Delivery, The Conveyancing Association
Danny Sutcliffe	Partner, Red Loft Partnership
Cllr Grace Williams	Leader, London Borough of Waltham Forest and Deputy Chair and Executive Member for Housing and Regeneration at London Council
Bob Weston	Chairman, Weston Homes

Note: The First-Time Buyer Commission was set up as an advisory forum to explore and test ideas. It was not intended to reach consensus or agree a shared position. Commissioners were not asked to sign off the report or to promote the proposals it contains. Decisions about which ideas were taken forward sit with the London Borough of Enfield and Pocket Living. Where individual Commissioners have chosen to be named alongside specific ideas, these reflect personal views and do not imply wider agreement.

The Current Environment for First-Time Buyers in London



Renters giving up hope on homeownership:

85% of renters still aspire to home ownership but, over half (56%) of renters believe they never will.

56%



Inability to get on the housing ladder contributing to Londoners leaving the capital:

Some 42% of younger Londoners say they do not want to leave London but feel they may have to (up from 22% in 2023).

42%



Housing Tenure Contributing to Mental Health Epidemic:

Housing-related mental health challenges are reported by nearly three quarters of renters (71%), compared with just over half of first-time buyers (53%).

71%



Renters stuck on the ladder less likely to have children:

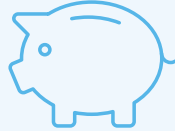
Some 42% see not owning their home as one of the biggest barriers to having children.

42%



High house prices the biggest barrier to entry for potential first-time buyers:

Prices too high	49%
Current cost of living crisis	31%
Can't afford the mortgage	29%
Can't raise a deposit	25%
Mortgage interest rates are too high	25%
Poor credit score	14%
Fees to purchase (Stamp duty, estate agent, legal)	14%



Bank of Family the only option to potential first-time buyers, however for renters that's now being redirected to cover rent:

Some 42% of FTBs required help from their parents for purchase. While 38% of renters are receiving help on rent.

42%



Confusion on options for potential first-time buyers a massive barrier:

Over four-fifths (86%) of respondents believe the costs of buying a home should be better communicated. Half (49%) feel that they do not fully understand how mortgage rates work.

86%

What Renters in London Are Telling Us

In September 2025, Pocket Living surveyed 1,000 Greater Londoners aged between 25 and 45 to gauge the challenges people were facing in the capital when it came to housing and getting onto the ladder.

The Reforms: A Summary

The options below reflect a broad church of possible approaches and are intended to inform future policy debates/discussions. They are not mutually dependent and should be considered individually.

The Foundation

Educating Citizens as to Their Ability to Afford Property:

Run a government media and schools campaign correcting the myth that first-time buyers cannot afford to buy.

Lever 1: First-Time Buyer Tenures and Access

1. Second Generation Social Housing:

Require Registered Providers and councils to undertake a joint review of uneconomic social housing stock, with a view to repurposing or disposing of homes in ways that better meet local needs, including prioritising access for first-time buyers.

2. Student Loan-Linked Intermediate Tenure:

Create a new intermediate tenure that converts student loan debts into equity for a new first home.

3. Helping Upsizers to Help First-Time Buyers:

Allow developers greater flexibility over market housing mix, particularly to build more upsizer homes, in order to unlock housing chains and improve affordability for first-time buyers.

4. Unlocking Discount Market Sale:

Unlock discount market housing through simple reforms including increasing the income cap to £115,000; extending CIL exemptions and encouraging simple and clearer rules for policy makers and first-time buyers.

5. Supporting First-Time Buyers - Flexible Shared Ownership:

Allow first-time buyers to purchase any new-build home through a more flexible Shared Ownership scheme, helping more people onto the ladder while boosting new housing supply.

6. Rent to Buy - Rentplus:

A deposit free pathway to full home ownership, enabling working households to rent at below market levels before purchasing outright, with a gifted equity boost to reduce mortgage requirements.

Lever 2: Affordability Rules

7. Innovation in Mortgage Lending:

Firstly, exempt first-time buyer mortgages from the 4.5 times loan-to-income cap so banks have the confidence to support more first-time buyers. In addition, introduce more extended 12-month mortgage offers on new-build homes; and develop more green mortgage products with preferential rates for EPC A-C homes reflecting their lower running costs.

Lever 3: First-Time Buyer Support Schemes

8. A New Equity Loan Scheme:

Either through introducing a 15% government equity loan for qualifying first-time buyers of new build homes, interest free for five years and part funded by a scaling developer completion fee. **Or via a Developer-Funded Loan-to-Own (LTO) Scheme:** a government-backed equity loan of up to 20% of the purchase price, interest free for five years, funded by a 5% annual developer fee to the Treasury and repaid on sale, with interest applying after year five.

9. Make Freedom to Buy Work:

Fix Freedom to Buy by requiring the Prudential Regulation Authority (PRA) to allow lenders to hold less capital against insured loans, shifting the scheme fees to developers, and mandating that participating lenders support new-build flats.

10. Rent to Own:

Establish a public Rent to Own Fund, funded by Capital Gains Tax (CGT) receipts from existing landlords, to underwrite low-deposit mortgages that convert long-term renters into homeowners.

Lever 4: Fiscal and Tax Measures

11. Supporting First-Time Buyers - Inheritance Tax (IHT) and Stamp Duty:

Switch stamp duty holidays on and off as a market stimulus tool during slow periods; and reform inheritance tax so it is charged on beneficiaries as personal income, redistributing wealth to younger generations.

12. Extending funding to and for Community Land Trusts (CLT) Housing:

Extend IHT Acceptance in Lieu to CLT land, allow CLT-bound legacies as charitable donations, and create government-backed CLT mortgage standards.

First-Time Buyer Foundation and Levers

The Foundation: Education and Awareness

Too many first-time buyers are attempting to navigate the home buying process without the knowledge to use it effectively. With 86% of young people believing the costs of buying should be better communicated, and half unsure how mortgage rates work, the gap between available support and those who actually benefit from it remains wide. The ideas set out here focus on how government, lenders, and delivery partners can close that gap.

Relevant stakeholders

The Ministry of Housing, Communities and Local Government (MHCLG)

Local authorities

Mortgage lenders

Department for Education

Schools and colleges

Homes England

Conveyancers and estate agents

Educating Citizens on Their Ability to Afford Property



Beth Rudolf
Director of Delivery
The Conveyancing
Association

Summary: Run a government media and schools campaign correcting the myth that first-time buyers cannot afford to buy.

First-time buyer confidence is undermined by media messaging suggesting they cannot afford to buy a property, based on an average price of £290,000, which includes high-value markets such as London. In reality, the majority of UK cities have homes that may be affordable for first-time buyers.

Similarly, the “average” first-time buyer is now over 35 and often has children, or plans to have children. As a result, many are looking for properties with two or more bedrooms.

By contrast, the children of the baby boomers in the 80s were quite happy getting on the ladder in their 20s and there were studio apartments and one bed houses built for this market.

“First-time buyer confidence is undermined by media messaging suggesting they cannot afford to buy a property, based on an average price of £290,000, which includes high-value markets such as London. In reality, the majority of UK cities have homes that may be affordable for first-time buyers.”

Many first-time buyers do not get on the ladder early now because they hear that they cannot afford the average property and, even if they can, the transactions take so long (125 days and 25% fall through) they would not feel mobile for work or other life events. Many live in rented house shares often with access only to a bedroom and shared use of a kitchen and bathroom. In other countries, such as Canada, people often feel comfortable to buy and sell property every few years to achieve the space they need because it is so straight forward.

The Solution:

1. Education through personal, social, health and economic (PSHE) curriculum and at college.
2. A media campaign explaining that there are affordable properties for 20-year-olds.
3. Delivery of the home buying and selling reforms proposed by MHCLG to provide for upfront information (title, searches, seller information and condition triage) when the property is listed for sale, which reduces the transaction to 5 weeks with only 5% fall through, as proven in pilot.

Who:

1. Create gov.uk communication on social media appropriate to the younger audience highlighting their ability to afford to get onto the property ladder on minimum wage, highlighting case studies where people have achieved this with 5% deposits.
2. MHCLG to mandate the upfront information to be reviewed to identify the material information required under existing law to appear on the property advert at listing.

3. Department for Science, Innovation and Technology to deliver smart property data to the Open Property Data Association's Property Data Trust Framework to ensure that material information is interoperable and can be shared across the transaction stakeholders for the life cycle of the property.
4. Lenders to identify affordability support through a combination of interest only and repayment mortgage products as the borrower's salary increases and the loan to value decreases during their ownership.
5. Lenders to extend affordability based on evidence of ability to pay rent or, where they live at their parents' home, their ability to save an amount each month which equals or exceeds the mortgage payment.
6. Insurers or government to provide mortgage guarantee policy options.
7. Department for Education to include in the PSHE curriculum the affordability of housing and the security it provides for the individual throughout their life.



Lever 1: First-Time Buyer Tenures and Access



Lever 1: First-Time Buyer Tenures and Access

First-time buyer targeted housing tenures, such as discount market sale and Shared Ownership, often operate within a challenging policy environment and are frequently misunderstood by political stakeholders. The ideas set out here draw on the experience of some of the most established and active delivery partners operating these tenures across England today.

Relevant stakeholders

MHCLG

Local authorities

Greater London Authority

Mortgage lenders

Treasury

Registered Providers

Policy 1: Second Generation Social Housing



Cllr Ayten Guzel
Cabinet Member for
Housing, Enfield Council



Danny Sutcliffe
Partner
Red Loft Partnership

Summary: Require Registered Providers and councils to undertake a joint review of uneconomic social housing stock, with a view to repurposing or disposing of homes in ways that better meet local needs, including prioritising access for first-time buyers.

A New Collaboration Between Registered Providers (RPs) and Councils

Social housing landlords must keep under review their stock portfolios. They must ensure homes are of the right quality and they must also consider how new development programmes affect the balance of housing stock - for example, new build schemes may include a number of smaller homes against a priority for family homes. They must also consider how they are meeting the needs of tenants and local residents both in terms of size and costs of living in these homes.

All of these factors need to be weighed against decisions to invest in existing homes against the use of these resources for new house building.

Weighing up these factors may lead to landlords determining a need to decommission affordable rented housing as it is uneconomic to retain. These homes are then typically sold at auction or through disposal routes that first-time buyers simply cannot access. As a result, properties are frequently purchased by investors rather than potential owner-occupiers, accelerating the loss of lower cost local housing and reducing opportunities for first-time buyers, who are often young residents wanting to stay in their communities.

The absence of owner-occupier restrictions further undermines long-term affordability by allowing these homes

to permanently exit the owner-occupier market—an issue made more acute by the growing number of former Right to Buy properties now being rented back to councils as temporary accommodation.

We want to create a new approach to considering the future options for such homes where the automatic route of auction or disposal to investor landlords is tempered by an options review that looks at how FTBs could access these homes to build more stable neighbourhoods.

Best practice convention is that social landlords when considering stock disposals should advise the relevant local authority and give them the first option to acquire these homes to keep them for use as social housing. This practice needs to continue but with restricted Housing Revenue Account (HRA) programmes this may be a workable solution for many local authorities.

Strategic Review of All Potential Disposals

We need to start a dialogue around disposals and shift to a more strategic way of working, with all RPs in local areas joining forces with their local council to consider the future use of stock. Together options for social rent, Shared Ownership and suitable homes for FTBs can be delivered. The idea would be that no home would be sent to auction before being reviewed by the council and disposing organisation who would seek options for FTBs.

Shared List to Target FTBs

A shared list could be maintained of interested residents who could be owner occupiers and were willing to take on properties that needed refurbishing which would include first-time buyers. The disposing organisations could then market the homes to these potential purchasers.

FTB Priority Period

On disposals a mandatory first-time buyer priority period could be introduced. Former social homes could be marketed through local mainstream estate agents, with an exclusivity period of 8-12 weeks during which only first-time buyers can make offers. This would materially improve access for local residents and prevent investors from dominating early bidding.

Owner Occupier Covenants

In addition, there could be the introduction of a covenant, or similar legal requirement, ensuring that properties remain in owner-occupier hands. This would include a restriction on letting the property without the express permission of the freeholder, mirroring the approach already used in Shared Ownership schemes.

Such a measure would significantly reduce investor interest, prevent back-door conversion into rental stock and directly address the increasing proportion of former social housing units being leased back to councils as temporary accommodation. Ensuring long-term owner-occupation is essential to safeguarding affordability and maintaining stable, mixed communities.

There could also be an agreement to covenant the homes from use as businesses or Airbnb which would deter some investor landlords too.

This will impact the market value of the homes and this differential could be assessed and set against existing grant on the property.

Voids to Shared Ownership

An alternative to outright disposal is to change the tenure of the home to Shared Ownership. There are some homes which are particularly costly to repair or achieve EPC C+ certification. They could be Georgian or Victorian properties which are more expensive to modernise but have a high private sale value. The voids to Shared Ownership programme saves the cost of refurbishing the property and cash is raised to return to the RP or the HRA.

The level of cash generated is clearly not as great as an outright sale as typically you will only be looking at first tranche sales of 25-35%. But the loss of cash is offset by the benefits of retaining the home within the organisation, being retained as affordable, and helps FTBs who would be priced out of the borough otherwise.

It provides an opportunity for local residents to get on the property ladder and importantly provides a secure, stable home. It also provides a more secure home than market renting and gets a void property back into circulation.

The RP or local authority then benefits not only from the income from the first tranche sale but also from the rental stream which would typically be 2.75% of the unsold equity and an empty home is put back into use.

Area	Average Home Price	1st Tranche Revenue (25%)
Edmonton	£390,000	£97,500
Borough-wide average (Enfield)	£505,000	£126,250
Southgate	£675,000	£168,750

Looking at the average home price table we can see the levels of income generated which could be recycled into Section 106 (S.106) purchases to replace the lost social rent.

The process is very straight forward:

- quantify the level of refurbishment
- procure a refurbishment contractor or agree the refurbishment
- set out pricing and affordability of the home
- produce a marketing plan
- produce a sales pack and flier for each property
- refurbish the home
- deliver photography, floorplans and EPCs
- list the homes on Share to buy, Rightmove, other websites
- provide a responsive and efficient lead management service
- carry out viewings, negotiate offers, take reservation fees
- work with brokers and solicitors to ensure joined up and efficient process
- deliver a full sales progression service through to home demo / key handover

Require landlords to support buyer affordability: To reduce financial barriers, RPs and Councils should contribute towards essential buyer fees such as legal, valuation and conveyancing costs. Contributions could be means tested. This mirrors existing efforts to reduce upfront costs and would make homeownership more attainable for young people who are otherwise mortgage ready.

These measures collectively would support the strategic aims of protecting affordable housing supply, improving homeownership access for local residents at a more realistic price for them, strengthening community stability and ensuring transparent, equitable disposal practices. By reforming how former social housing is released to the market, we can create a more balanced and fair housing system that reflects the needs and aspirations of the next generation.

Policy 2: Student Loan-Linked Intermediate Tenure



Hugo Owen
Policy Manager
Pocket Living



Paul Rickard
CEO
Pocket Living

Summary: Create a new intermediate tenure that converts student loan debts into equity for a new first home.

Student loans were never designed to shape housing outcomes, but that is now exactly what they do. Monthly repayments reduce take-home pay and are treated by mortgage lenders as fixed outgoings. For many graduates, this quietly but materially reduces borrowing capacity during the years when deposits are hardest to build.

The pressure has intensified in recent years. For borrowers on Plan 2 loans, covering those who entered university in England from 2012 onwards, interest is charged at RPI plus up to 3%, with higher earners facing even higher interest rates. During periods of high inflation, that structure has pushed effective interest rates to levels where many borrowers cannot even cover the interest accruing on their loans, despite making regular repayments.

It is now common for graduates to be committing close to 10% of their income above the repayment threshold to student loan deductions, only to see balances stagnate or rise. This is particularly visible among professions such as doctors or key workers.

Why the Current Setup Makes Little Economic Sense

From the state's perspective, a large share of the student loan book is already expected never to be repaid in full. Repayments are back-loaded, uncertain, and highly sensitive to individual earnings paths. In balance sheet terms, this is a long-dated, unsecured and partially impaired asset.

At the same time, the housing market struggles to absorb exactly the cohort most likely to form stable households, relocate for work and generate long-term tax receipts.

Student Loan-Linked Affordable Home Ownership Tenure

One solution is to create a student loan-linked affordable home ownership tenure delivered through S.106 agreements. The model converts part of a buyer's student loan balance into a shared equity stake held by government, funded via a market discount on the home. For the treasury an uncertain income-based claim is exchanged for a tangible, inflation-linked interest in housing, realised when the property changes hands.

"It is now common for graduates to be committing close to 10% of their income above the repayment threshold to student loan deductions, only to see balances stagnate or rise. This is particularly visible among professions such as doctors or key workers."

How the transition works: Step by Step

1 Developer

Sells the home at a 20% discount

As part of their planning permission, the developer delivers affordable housing. Instead of transferring a home to a housing association, they sell to Sarah at a discount. The discount is capped at the lower of 20% or Sarah's total student debt. If the buyer's debt is less than 20%, the balance goes to the local council as a payment in lieu.



2 Buyer: Sarah

Buys the home and has her student loan written off

At completion, **£56,000** of Sarah's student loan is written off, equal to the **20% discount**. Her remaining debt falls. Her mortgage affordability improves.



3 Government

Writes off the debt and takes an equity stake in return

The government cancels **£56,000** of debt, money the National Audit Office says had only a 55 to 60% chance of ever being repaid. In return, it holds a 20% equity stake in Sarah's home. No interest. No monthly charges.



4 At Point Of Sale

Government is repaid from the proceeds

When Sarah eventually sells, the government receives its **20% share** of the sale price. The original uncertain debt has become a property-backed return for the Treasury.



Policy 3: Helping Upsizers to Help First-Time Buyers

Summary: Allow developers greater flexibility over market housing mix, particularly to build more upsizer homes, in order to unlock housing chains and improve affordability for first-time buyers.

Discussions about how to help first-time buyers (FTBs) often focus on boosting borrowing power or lowering upfront costs. Both matter, but FTBs do not exist in isolation. Their ability to buy depends on how well the wider housing market functions, particularly whether enough suitable homes are available. For most FTBs, this means a smaller, entry-level home in the cheaper half of the market.

Research by Public First and Barratt Redrow, drawing on over 20 years of Land Registry data, found the most effective way to improve the affordability of entry-level homes suitable for FTBs is to build more “upsizer” homes.² This may sound counter-intuitive. But providing these homes triggers chains of moves: existing owners move up into a larger new build, freeing properties further down the ladder, with a first-time buyer typically at the end whether they purchase a newly built home or an existing one. Entry-level homes become more available and therefore more affordable through these standard processes of supply and demand.

Despite the importance of building upsizer homes for FTB affordability, councils frequently cap the number that can be built on sites for new homes. Prescriptive housing mix requirements are imposed on the basis that a particular combination of homes is ‘needed’ locally. These rules are often based on outdated, authority-wide evidence, even though housing needs vary between neighbourhoods and over time.

2. Public First 2025 - Why Building More Homes of All Types Helps First-time buyers



Jack Airey
Director for Housing
and Infrastructure
Public First

“Those who want to see more young people onto the housing ladder should support greater flexibility over what developers build. Developers understand local markets better than anyone.”

Housing mix requirements are made with good intentions but are ultimately counterproductive if the aim is to improve affordability. Local plans end up micro-managing what is built on each site, rather than focusing on whether the market as a whole is delivering enough homes. What matters for first-time buyers is the overall mix of homes available across the market, not the exact composition of any individual development.

Improving affordability requires a change of approach. National planning policy must be clearer: **developers should be free to respond to demand and decide the size mix of market homes. Local planning authorities should not dictate the precise mix on each site.**

The Government has already signalled a shift in this direction in the draft NPPF, proposing to allow developers greater freedom over size mix where Affordable Housing requirements are met.³ But making flexibility conditional in this way will recreate rigidity through the back door. If viability pressures emerge late in the process, revisiting

3. MHCLG 2025 National Planning Policy Framework: draft text for consultation

both Affordable Housing contributions and market housing mix would be complex and delay delivery. More fundamentally, the proposal leaves significant room for interpretation – it is unclear how much departure from local plan policies will be tolerated – while other parts of the draft NPPF strengthen expectations around planning for the needs of different groups. The risk is a widening gap between ministerial intent and local implementation, with more restrictive policies on market mix and very limited scope for deviation.

A clearer and more consistent approach is needed. Developers should have discretion over market size mix as a rule, not as a conditional exception. This flexibility would work both ways. In areas where demand is strongest for larger

homes, developers could build more of them. Where smaller homes are needed, they could build those instead. This does not mean scarce urban sites would be underdeveloped. In city centres and around transport hubs, land values make higher-density development the most viable option. Developers maximise the value of land; they do not leave it under used.

Those who want to see more young people onto the housing ladder should support greater flexibility over what developers build. Developers understand local markets better than anyone. Allowing them to build the homes most likely to sell would accelerate build-out, increase supply and do more to improve affordability than rigidly requiring each site to meet a fixed housing mix set by the council.



Policy 4: Unlocking Discount Market Sale



Craig Carson
Regional Managing Director
Barratt London



Paul Rickard
CEO
Pocket Living

Summary: Unlock discount market housing through simple reforms including increasing the income cap to £115,000; extending Community Infrastructure Levy (CIL) exemptions and encouraging simple and clearer rules for policy makers and first-time buyers.

Discount Market Sale (DMS) homes could help unlock homeownership for hundreds of thousands of families.

A recognised affordable housing tenure, DMS homes are sold at least 20% below market value, reducing the deposit and borrowing requirements for the buyer.

Barratt Redrow research revealed that 43% of families currently living in the private rented sector, estimated to be 700,000 households, could buy a DMS home.

Within Enfield alone, an estimated 250 (2%) of renting families could access DMS with the current income caps

“Barratt Redrow research revealed that 43% of families currently living in the private rented sector, estimated to be 700,000 households, could buy a DMS home.”

(£90,000). If the income caps were removed, an additional 1,000 renting families (8%) could access DMS.

It bridges the gap for the ‘squeezed middle’: people living in private rent who want to buy but are unable to access high loan-to-value mortgages and unlikely to qualify for social rented homes.

Unlike Shared Ownership, DMS homes allow customers to own the ‘whole’ of the home with no separate rent owed to a third party. While it still allows the owner to build equity over time, it is affordable in perpetuity.

Local conditions can be applied, and it is a popular choice with customers, particularly key workers.

There is an opportunity to scale the product, with only around 1,700 DMS homes built each year. This is in contrast to the 130,000 Shared Ownership homes over the last decade.

Government can encourage the use of DMS through planning policy, and local authorities can encourage or offer greater flexibility for this tenure in S.106 agreements.

A barrier to uptake can be the inconsistency of the product across the country. First Homes, the most recent name for this tenure, attempted to resolve this, but its application and uptake remains inconsistent.

We suggest government and industry work together to create a new, consistent DMS product that works for today’s market:

- Revised income and value caps to widen the pool of purchasers. For example, The London income cap of £90,000 has remained unchanged for nine years, despite average first-time buyer prices increasing by around 25% over the same period. Using house price growth

as a benchmark would support a justified uplift in the cap to c.£115,000, widening access without undermining affordability.

- Shared, clear and simple rules, e.g. around eligibility.
- Consistent S.106 wording to drive support and uptake.
- Discount market-for-sale housing, while defined as affordable housing within the NPPF, remains the only affordable tenure that does not benefit from a Community Infrastructure Levy exemption. Government should extend CIL exemptions to DMS housing through amendments to the Community Infrastructure Levy Regulations 2010.
- Actively encourage policymakers to champion intermediate housing for sale within national policy, spatial strategies and local plans, helping councils attract and retain young talent while giving people a genuine springboard into home ownership.

Given the financial constraints facing some affordable housing providers, DMS homes as standard can also support and accelerate delivery where demand for S.106 tenures is low.

We therefore also support a clear, consistent approach to affordable housing cascades, which includes DMS homes as a positive tenure that meets local housing need and increases homeownership.



Policy 5: Supporting First-Time Buyers – Flexible Shared Ownership



Anna Clarke
Director of Policy
and Public Affairs
The Housing Forum



Dan King
Executive Chair,
London Division
Vistry Group

Summary: Allow first-time buyers to purchase any new-build home through a more flexible Shared Ownership scheme, helping more people onto the ladder while boosting new housing supply.

Support for first-time buyers risks inflating house prices, unless it also stimulates new supply. This proposal seeks to improve choice for those who need Shared Ownership product in order to buy, and is focused on new supply to help contribute to long-term housing affordability for all.

The Problem

Many households simply cannot afford to buy a home which meets their needs. High house prices, deposits that are beyond their saving capacity and mortgage regulations that (rightly) protect them from borrowing unaffordable amounts mean that full ownership is not an option for them – or at least not now, in the area where they need to live.

A Flexible Shared Ownership Scheme

Shared Ownership has proved a successful and popular product for more than 30 years now. However, choice of new homes is limited to specific schemes. A government-backed scheme could allow eligible first-time buyers to buy any new home of their choice on a Shared Ownership basis.

Benefits of This Proposal

This would unlock a large tranche of buyers who are currently shut out of the market.

As these buyers reserve and buy new homes it would stimulate homebuilders – large and small – to start and complete their new homes pipeline faster and provide confidence to progress more strategic sites at greater pace. Supporting first-time buyers at this time is necessary

“This proposal seeks to improve choice for those who need Shared Ownership product in order to buy, and is focused on new supply to help contribute to long-term housing affordability for all.”

to stimulate completions of market sale homes by homebuilders and get supply up to meet government ambitions.

A Shared Ownership offer, available on all new homes, could provide this stimulus without risking being inflationary or creating excess demand. The rent level on the unsold equity would need to be set at a level which was fair to the consumer but not so low as to overly stimulate demand. Limits on the size of home that first-time buyers could purchase (to meet their current circumstances) and income caps would ensure it was well-targeted.

A housing association or council would become the freeholder of the property that the buyer chooses to buy. Social landlords are sometimes uneasy about taking on dispersed individual properties as they may be costlier to manage than larger numbers of similar homes in one area. However, landlords do not have the same responsibilities for Shared Ownership homes so we understand that they would be willing to take these on. Institutional investors are similarly wary about investing in individual flats within blocks, but we understand that pepper-potting of houses is not likely to be a problem.

Shared Ownership enables lower deposits with most retail lenders supporting mortgages of 90% LTV against the share purchased. Shared Ownership also improves affordability through lower shares and provides protection against rising interest rates – which is what the lender stress testing is protecting against – as the rents rise at a rate fixed to one per cent above the Consumer Price Index. Shared owners are eligible for the housing element of Universal Credit on their rent, meaning they are better protected against sudden falls in income than full owners.

Funding and Investors

Early research suggests that investors are generally looking for 4.5% returns, which would mean that this model could not quite be self-funding via private finance alone. There is a strong desire not to divert money away from the Social Housing Affordable Programme (SHAP). A mixed funding model is therefore being investigated, which could involve the National Housing Bank or similar arrangements using debt, equity and/or guarantees, deployed alongside institutional investment. A discount on the market value from the developer will also help to plug the gap.



Policy 6: Rent to Buy – Rentplus



Shaun Bailey
Baron Bailey of Paddington

Summary: A deposit free pathway to full home ownership, enabling working households to rent at below market levels before purchasing outright, with a gifted equity boost to reduce mortgage requirements.

Rent to Buy offers a practical route into ownership for working households who are shut out not by a lack of aspiration, but by the upfront deposit barrier. Rising rents make saving difficult, and many families who could sustain a mortgage cannot accumulate the capital needed to buy. A well designed Rent to Buy model addresses this directly by removing the initial hurdle while preserving a clear pathway to full ownership.

Under the Rentplus model, households move into a new build home with no deposit required and pay an affordable rent set at around 80% of market levels. This creates the financial headroom needed to build savings and strengthen credit profiles. At the point of purchase, residents receive a gifted 10% contribution, reducing the mortgage required and improving affordability. Crucially, the model is structured around 100% ownership, not partial shares. After a defined rental period of between 5 and 20 years, households buy the whole property outright, with a clear and time bound transition from renter to owner.

At scale, this approach supports workforce retention, reduces pressure on waiting lists and helps create stable communities rooted in long term commitment.

To ensure our housing strategy genuinely expands opportunity for those seeking a first step onto the ladder, we should recommend two things:

1. Any development scheme delivering more than 100 homes should be required to include a defined proportion of Rent to Buy properties.
2. The New Towns programme should commit to delivering a % of Rent to Buy across overall output.

“Rising rents make saving difficult, and many families who could sustain a mortgage cannot accumulate the capital needed to buy. A well designed Rent to Buy model addresses this directly by removing the initial hurdle while preserving a clear pathway to full ownership.”



Lever 2: Affordability Rules



Lever 2: Affordability Rules

Lending rules that crystallised post-2008 have restricted many would be first-time buyers over the last two decades, who in many cases are now paying more in rent than they would a mortgage. Work is already underway by the FCA and others to address these issues and these ideas offer a useful guide.

Relevant stakeholders

Bank of England

Prudential Regulation Authority (PRA)

Mortgage lenders

HM Treasury

Financial Conduct Authority (FCA)

Policy 7: Innovation in Mortgage Lending

Summary: Firstly, exempt first-time buyer mortgages from the 4.5 times loan-to-income cap so banks have the confidence to support more first-time buyers. In addition, introduce more extended 12-month mortgage offers on new-build homes; and develop more green mortgage products with preferential rates for EPC A-C homes reflecting their lower running costs.

Part 1) Rethink 4.5x Loan-to-Income Caps

The rigid lending framework introduced after 2008 has become a straitjacket for today's housing market. Rules designed for a very different economic context now unnecessarily restrict access to mortgage credit, particularly for first-time buyers.

In cities such as London, many younger households routinely pay £1,500 or more each month in rent. Yet the same individuals are prevented by post-2008 lending rules from accessing a mortgage with a comparable monthly cost, despite clear evidence of their ability to sustain those payments.

Would-be first-time buyers face two binding constraints: 1) the 4.5x income cap and 2) stress testing, which from 2030 will apply a minimum variable rate of at least 1.99% above base rate.

For example, a hypothetical key worker seeking to buy a one-bedroom flat priced at £300,000, with a 10% deposit (£30,000) and an annual salary of around £50,000, could afford to borrow £270,000 at 3.8%, stress tested at around 5.8%, resulting in monthly repayments of roughly £1,510 (equivalent to around 36% of gross monthly income).



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Craig Carson
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However, under the standard 4.5x loan to income cap, borrowing is limited to £225,000, giving a total budget of £255,000 and leaving the buyer around £45,000 short of the purchase price, despite being able to pass the stress test.

The Government, working with the Financial Conduct Authority and lenders, should now require the Prudential Regulation Authority to consider safe and proportionate reforms to improve mortgage access for first-time buyers. Options include:

- **Rethink lending rules for first-time buyers:** Most first-time buyers are at an early stage in their careers and earnings trajectories. While their current incomes may be modest, earnings typically rise materially over the life of a mortgage, meaning these borrowers often present a lower long-term risk than headline affordability metrics suggest. Policy should better reflect this reality by exempting first-time buyer mortgages from the 4.5x cap up to a defined property value, allowing regulated UK lenders to apply their own affordability and credit assessments, including evidence of sustained rent payment history.
- **Raising the 15% quota:** While we welcome the Prudential Regulation Authority's (PRA) review into this issue, the Treasury must go further by allowing lenders greater flexibility to support first-time buyers. Specifically, if the 4.5x isn't removed entirely for first-time buyers, the overall proportion of mortgages permitted above the 4.5x income cap should be increased for each lender (not just an industry aggregate). Banks often hold back from using the full quota out of caution, they don't want to get too close to the limit and risk breaching it. Raising the cap



(as earmarked by the review) would not only offer more headroom, but also give lenders greater confidence to lend closer to the current limit. We recognise that more flexibility is being considered and welcome that, but the proposed changes still aim to ensure that overall lending remains within the 15% limit and we would urge government to consider lifting this further.

Part 2) Encouraging Mortgage Innovation

We would also welcome further innovation in the mortgage market, including offering extended mortgage offers for new homes.

For a newbuild developer that sells some homes off-plan, more lenders offering extended 12-month mortgage offers could allow the customer to lock in a rate and give them certainty to proceed to exchange.

Lenders should also continue to develop their 'green mortgage' offers, lending at higher loan-to-values and/or lower rates on highly energy-efficient new or existing homes.

This would reflect the lower running costs - and therefore higher affordability - of energy-efficient homes, and reward a sustainable choice. New homes also benefit from green spaces, sustainable travel opportunities, climate and flood resilience.

To be truly successful, green mortgages must not only offer genuinely attractive rates, but also be presented at the point of consideration. Mortgage advisers should highlight the benefits of buying an EPC A-C home in the earliest conversations with customers.

Lever 3: First-Time Buyer Support Schemes



Lever 3: First-Time Buyer Support Schemes

Government schemes have played an important supporting role in helping first-time buyers onto the housing ladder over a number of decades. This section sets out a small number of policies designed both to strengthen existing programmes, such as Freedom to Buy, and to introduce new approaches where gaps remain.

Relevant stakeholders

HM Treasury

MHCLG

Homes England

Mortgage lenders

Policy 8: A New Equity Scheme Option 1



David O'Leary
Executive Director
Home Builders Federation



Craig Carson
Regional Managing Director
Barratt London

Boosting Deposits and Enhancing Affordability: A New Equity Loan Scheme Supported by Developer Contributions

Summary: Introduce a 15% government equity loan for qualifying first-time buyers of new build homes, interest free for five years and part funded by a scaling developer completion fee.

The scale of the challenge facing today's generation of would-be homeowners necessitates bold action, at least in keeping with the commitment to home ownership and inter-generational fairness expressed by governments of the 21st Century.

Since 1999, successive governments have sought to maintain or boost home ownership levels through support for first-time buyers to purchase new build homes. This recognised the importance of effective demand in bolstering supply while minimising any inflationary impact. Interventions have included (a) shared equity schemes (Homebuy Direct, FirstBuy) which were largely the preserve of bigger developers and are more challenging to provide today due to mortgage credit rules, and (b) equity loan products (First-Time Buyers Initiative, Help to Buy).

Achieving a meaningful impact on first-time buyer numbers will require an intervention that addresses the difficulties involved with (a) raising a deposit, and (b) meeting ongoing monthly affordability commitments.

Although the concept of developer contributions is attractive, this should be done not via a long-term equity stake which is costly and uncertain for small builders, but instead through a cleaner, fee payment at the time of completion.

“The scale of the challenge facing today's generation of would-be homeowners necessitates bold action, at least in keeping with the commitment to home ownership...”

Our proposed new scheme would see:

- Government provides a 15% or 20% equity loan to qualifying first-time buyers.
- Homebuyers benefiting from a government equity loan, interest-free for five years.
- Developers pay a fee in return for their customers accessing the equity loan.

This would:

- Boost first-time buyers' deposits, giving them access to new build mortgages which are more affordably priced.
- See developers paying a fee similar to the 'commercial fee' payable by mortgage lenders for access to the Mortgage Guarantee Scheme.
- Involve developers covering a portion of the upfront investment in the form of a fee which would see His Majesty's Government retain the full equity share.

A 15% equity loan scheme for first-time buyer purchasers of new build homes would be part-funded by a developer contribution. Developers would effectively pay a fee in return

How it Might Work

		Buyer	Government loan	Developer	Buyer's deposit boost
		5%	13.5%	1.5%	15%
Outside London	£300,000	£15,000	£40,500	£4,500	£45,000
London	£500,000	£25,000	£67,500	£7,500	£75,000

for their buyers having access to the initiative. This fee, set initially at 1% would be equivalent to the commercial fee paid by lenders for the protection offered by HMT's Mortgage Guarantee Scheme. The equity loan would be interest-free for five years.

The fee would start at 1% of the property's value. This rate would apply to the first 250 transactions for each participating builder that are supported by the scheme. A rate of 2% could apply to transactions after this point up to, say, 1,000 completions (for administrative purposes, this could be triggered at the end of a quarter or other equivalent period). Thereafter, a 3% fee could apply, meaning that (a) larger developers whose purchasers use the scheme more will ultimately pay a blended rate much closer to 3% than 1%, and (b) the government's average equity loan would be between 12% and 14% while holding a 15% equity stake in each qualifying property.

The table above shows how this would work on an individual basis with a buyer's deposit requirement for a £300,000 new build home halving to £15,000 thanks to a Deposit Boost of £45,000, giving the buyer an effective 20% deposit. The 15% Deposit Boost would be funded by a combination of government equity loan and developer fee (with an assumed average of 1.5% blended rate fee across the portfolio). This would see a typical household with a combined annual income of around £50,000 per year, being able to purchase a £300,000 highly energy efficient, new build property.

A £500,000 property in London might see a typical developer fee of £7,500 in exchange for their purchaser having access to the government support.

The developer contribution is in the form of a fee and no equity stake would be taken by the developer meaning

that the government retains a 15% equity stake in each property and the portfolio. When the equity loan is paid off, Government would receive 15% of the value of the property despite the net upfront contribution having been a maximum of 14% of the property value at origination and, on a blended basis, even lower. This means the likely returns on the loan book would be even greater for the Exchequer than has been seen through Help to Buy.

To further enhance affordability, it should be made clear that non-grant funded Discount Market Sale properties would qualify. This would make home ownership affordable to even more qualifying households.

The simplicity of this model, building on experience over the past 25 years of government intervention, would also allow for policymakers to 'bolt-on' additional components. One possible example might be a local connections test of some sort to support a 'First Dibs' priority. This could see a proportion of the new homes on a site being earmarked for households already residing or working in the local authority area or a property's energy performance could be included in assessment of eligibility.

Another possibility might be to include household income caps, but experience from the Help to Buy scheme showed that, in practice, the typical homebuyer had a household income of under £60,000. Consideration of an income cap should also place the scheme into context. Shared Ownership products which attract taxpayer grant (as opposed to an equity loan from government) have an income cap of £90,000 in London and £80,000 elsewhere. For a new equity loan product in 2026 any household income cap should be at least as high as the Shared Ownership threshold and probably higher.

Policy 8: A New Equity Scheme Option 2



Suzanne Aplin
Group Sales and
Marketing Director
Weston Homes



Bob Weston
Chairman
Weston Homes

“A significant percentage of current FTBs are relying on family support for deposits, creating an unfair market bias. The cost of renting has increased significantly over the last 5 years which has also impacted FTBs’ ability to save for their deposit whilst renting.”

Loan-To-Own

Summary: The Developer-Funded Loan-to-Own (LTO) scheme aims to enhance access to housing finance for first-time Buyers in the UK, addressing significant barriers such as high deposit requirements and stringent mortgage criteria which impact on affordability.

The Problem: Access to Housing Finance

Many FTBs now struggle to save sufficient deposits and meet affordability criteria for mortgages.

A significant percentage of current FTBs are relying on family support for deposits, creating an unfair market bias. The cost of renting has increased significantly over the last 5 years which has also impacted FTBs’ ability to save for their deposit whilst renting.

The lack of FTBs limits developers’ ability to build homes, as they need sufficient buyer demand to make new projects viable.

The Solution: The Developer-Funded Loan-to-Own (LTO) Scheme

The LTO scheme proposes a government-backed equity loan of up to 20% of a property’s value, interest-free for the first five years.

Developers will pay a 5% annual fee, or coupon, to the Treasury, covering the loan’s cost and generating potential revenue for the government, alongside further future revenue when the property is sold and the equity loan is repaid, plus any interest due after the initial interest-free first five year period.

Economic Analysis of the LTO Scheme

An economic model has been developed to analyse the Loan-to-Own (LTO) scheme’s impacts on first-time buyers (FTBs) and fiscal implications.

The base case involves a FTB taking a 75% mortgage with a 5% deposit and a 20% equity loan, compared to a 95% mortgage with the same deposit. A FTB with a £70,000 income purchasing a £350,000 home would be unable to buy it with a standard 95% mortgage based on 4.5x income; but with Loan-To-Own they would be able to. They would also save approximately £500 per month in the first 5 years compared to payments on a standard 95% mortgage, alongside other savings likely to be incurred between the cost of renting and the cost of the 75% mortgage monthly repayments.

Fiscal Impact of the LTO Scheme

Using data from the previous HTB schemes as a start point, we have calculated that the scheme could enable an additional 14,000 FTBs to purchase homes each year, generating a net positive fiscal impact for the government, with an estimated annual revenue gain of £28 million.

Over five years, this could translate to a total fiscal impact of £142 million, driven by developer coupon payments exceeding government financing costs.

The fiscal impact is calculated by subtracting the government financing cost from the developer coupon and multiplying by estimated uptake.

The total fiscal impact is derived by multiplying the annual fiscal impact by five years, reflecting the duration of developer coupon payments.

The scheme is designed to be fiscally neutral or profitable, benefiting both the government and aspiring homeowners.



Policy 9: Make Freedom to Buy Work



Paul Rickard
CEO
Pocket Living



Andrew White
Head of Public Affairs
Berkeley Group

Summary: Fix Freedom to Buy by requiring the Prudential Regulation Authority (PRA) to allow lenders to hold less capital against insured loans, shifting the scheme fees to developers, and mandating that participating lenders support new-build flats.

While the debate on Help to Buy continues, greater focus is needed on ensuring Freedom to Buy actually works for first-time buyers.

In 2025, the government created the Freedom to Buy programme, closely mirroring the earlier Mortgage Guarantee Scheme (MGS). While MGS was sensible in principle, it never reached scale. For example, in Pocket's case, not a single first-time buyer, across all of our London developments, was able to use the scheme during its life. This reflected lender policy, not buyer affordability or demand.

Why Take-Up Failed

This was not a demand problem but a delivery failure. In part, the scheme was too expensive for lenders to use. Lenders were often required to pay an insurance premium to the Government to cover the portion of the loan between 80% and 95% of the property value, while also being required by the Prudential Regulation Authority to hold capital against the loan as if it were a full 95% mortgage. Lenders were, in effect, obliged to pay the cost of holding capital against losses which were already insured by the Government, meaning they paid twice for the same risk.

The scheme also demanded lenders that use the scheme, use it on all their loans over 80%. Given the high-cost nature of it, and their desire to differentiate between customers, most lenders chose not to use the scheme at all, and

“The scale of the challenge facing today’s generation of would-be homeowners necessitates bold action, at least in keeping with the commitment to home ownership...”

therefore continued to exclude new build homes and flats from higher LTV lending offers. In urban markets, flats make up the majority of entry-level housing supply. Excluding these from mortgage support undermined both first-time buyer access and housing delivery.

What Needs to Change

To balance the interests of first-time buyers with the realities of mortgage lending, any reform of Freedom to Buy must be designed around lender risk and operational / commercial constraints. To fix the initiative we recommend the following carrot and stick approach:

Part 1: Solve the Lending Risk

- The PRA to take a more measured approach: The PRA must allow lenders to hold less risk weighted capital against the loans, to reflect the existence of the insurance product which has already been paid for to account for this risk. This will create cost savings that can be passed to customers.



- Commercial insurance fee paid by developer: the developer, rather than the lender to pay the government a fee for an insurance product that covers a portion of the mortgage value.
 - This fee to reflect the economic cost of providing the insurance.
 - It is estimated to be between 50 and 100 basis points.
 - Create more potential savings in mortgage costs and encourage lenders to participate.
- 7-year insurance period: The insurance fee will be calculated based on insuring the default risk for 7 years. The evidence is that loans are unlikely to default after this period and that borrowers would have close to 20% equity by this point.
- Lender shares some default risk: If losses occur on the insured portion the Government will be liable for 80% and the lender the remaining 20% to ensure lenders remain robust in their practices to give added comfort to the PRA.

Part 2: New Build Targets

- Following the changes set out above, require participating lenders to support all eligible property types, with a particular focus on new build flats.
- Lenders participating in the scheme must ensure that the insured product is available to a proportion of eligible new build transactions. Government to track lender performance through quarterly reporting on scheme lending volumes, new build participation rates, and regional coverage.

Policy 10: Rent to Own



Calvin Bailey
MP for Leyton
and Wanstead



Cllr Grace Williams
Leader, London Borough
of Waltham Forest and
Deputy Chair and Executive
Member for Housing
and Regeneration at
London Council

Summary: Establish a public Rent to Own Fund, funded by Capital Gains Tax (CGT) receipts from existing landlords, to underwrite low-deposit mortgages that convert long-term renters into homeowners.

Rent to Own is a policy to create a sustainable shift from private renting into home ownership, giving younger generations the same stake in our economy their parents and grandparents had. Landlords who have already made capital gains based on the rental payments made by long-term tenants will be supported to smoothly exit the market, with the government rewarding those tenants by helping them to own their home.

A public Rent to Own Fund will be created, capitalised from the CGT receipts from eligible properties alongside lender fees, to underwrite low-deposit mortgages issued by regulated lenders. The Rent to Own scheme will promote this subsidised lending to eligible landlords and renters, i.e. those who have proven their creditworthiness by paying rent on their homes over time, to enable the landlord to exit without evicting their tenant but instead turning them into a first-time buyer.

Lenders will be incentivised to promote this scheme to landlords and tenants by lower fees than are available for the government's wider 'Freedom to Buy' mortgage guarantee scheme. A right could be established for renters to have their eligibility for the Scheme considered within their statutory possession period. Landlords would benefit from a faster and more reliable no-chain sale process.

The Scheme is well suited to a regional design, using caps on the aggregate value of mortgages that can be guaranteed within each region, in proportion to the CGT

generated regionally, allowing the Scheme to remain equally accessible across regions despite wide disparities in house prices. It could be piloted in areas of greatest need and rolled out gradually.

Fiscal impacts would be minimal. Only the CGT revenues associated with mortgages agreed under the Scheme will be earmarked for the Fund, which could be established as a contingent liability. The policy therefore has no upfront capital cost, with administration costs covered by lender fees. The policy would also create fiscal space for itself, by stimulating transactions that would not otherwise have taken place. It could therefore be self-sustaining within a given geography or time period and scaled up or down according to need.

This is a policy well suited to address current dynamics in the housing market, whereby landlords are leaving under pressure from positive regulatory change, and this is creating significant disruption. With Rent to Own in place, this flow can be turned into a significant positive that not only improves conditions in the remaining PRS but turns renters who would otherwise have been evicted into first-time buyers.

"Rent to Own is a policy to create a sustainable shift from private renting into home ownership, giving younger generations the same stake in our economy their parents and grandparents had."



Lever 4: Fiscal and Tax Measures



Lever 4: Fiscal and Tax Measures

Fiscal and tax policy has a direct impact on first-time buyer affordability and access to home ownership. This section considers targeted reforms to transaction taxes and housing-related costs that could support first-time buyers.

Relevant stakeholders

HM Treasury

HM Revenue and Customs

MHCLG

Office for Budget Responsibility

Mortgage lenders

Policy 11: Supporting First-Time Buyers – Inheritance Tax and Stamp Duty



Anna Clarke
Director of Policy
and Public Affairs
The Housing Forum

Summary: Switch stamp duty holidays on and off as a market stimulus tool during slow periods; and reform inheritance tax so it is charged on beneficiaries as personal income, redistributing wealth to younger generations.

Proposal 1) Stamp Duty – The Measure Most Easily Switched On and Off

The challenge with any scheme to help first-time buyers is doing so in a way that does not simply inflate house prices.

If the buying power of first-time buyers is increased, but supply does not increase, then buyers simply bid up the price of housing, and the number of people becoming homeowners does not increase⁴. It is therefore useful to stimulate demand at times when it is most likely to increase housebuilding. Stimulating more transactions across the housing market helps free up more homes suitable for first-time buyers, as well as generating more economic activity and tax income for Government.

We are currently in a position where the housebuilding sector is struggling with viability. Developers currently report that a lack of buyer demand is the biggest factor that holds them back from building faster. Supply stimulus should be focused on periods such as this, boosting demand when it can help increase housing supply. Conversely, at times when the market is booming and housebuilding is constrained by other factors (such as planning or sector capacity), it is important to reduce the demand stimulus in order to avoid over-inflating the market.

4. It is also possible to tilt the scales between buyers and landlords or second-home buyers – as Governments over the last ten years have successfully done. Further squeezing landlords would no doubt increase the number of first-time buyers but this is likely to come at a cost to renters – not all of whom are in a position to become buyers, even if prices did fall a little.

“If the buying power of first-time buyers is increased, but supply does not increase, then buyers simply bid up the price of housing, and the number of people becoming homeowners does not increase.”

Stamp duty is the easiest measure to ‘switch on and off’ to stimulate the market only when this is required to maintain output. A **stamp duty holiday**, for first-time buyers would help, though a wider stamp-duty holiday or reduction for all buyers would also work, as it would stimulate moves to larger homes, freeing up smaller ones for first-time buyers. Any reduction in stamp duty should avoid cliff edge effects (where a slight increase in price causes a sudden increase in stamp duty liability), so as not to distort the market.

It might theoretically be possible to have stamp duty rise and fall automatically following market signals, to help balance the market – though this may reduce the extent to which giving buyers notice that it will go up in future can also be a helpful feature in encouraging people to move.



Proposal 2) Reforming Inheritance Tax to Boost the Buying Power of Younger Households

A key reason why first-time buyers struggle to buy a home is inequality in wealth between younger and older generations – the purchasing power of older people also impacts on house prices and they are more likely to live in homes with spare bedrooms, to purchase homes as buy-to-rent or to purchase second homes. One way to rebalance wealth equality in favour of younger generations would be to reform inheritance tax to incentivise people to leave their wealth more widely and directly to grandchildren.

Removing inheritance tax from estates and instead taxing it as personal income would encourage people to spread their wealth around, and also to leave it to lower earners (who would pay less tax on it). This could boost the buying power

of younger generations relative to the older ones, helping first-time buyers. A lifetime gift allowance – per recipient – would allow everyone to receive a modest legacy tax-free.

Inheritance tax is a deeply unpopular tax, despite only being paid by a small fraction of estates. Abolishing it would be popular, and taxing the beneficiaries instead would change the way people conceptualise this to a tax on unearned windfalls, rather than a ‘tax on death’ (and also has the potential to raise more money). The Resolution Foundation and IPPR have given some thought to how this might work⁵.

5. <https://www.resolutionfoundation.org/app/uploads/2018/05/IC-inheritance-tax.pdf>
<https://ippr-org.files.svcdn.com/production/Downloads/cej-a-wealth-of-difference-sept18.pdf?dm=1702046735>

Policy 12: Extending funding to and for Community Land Trusts Housing



Beth Rudolf
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Summary: Extend IHT Acceptance in Lieu to CLT land, allow CLT-bound legacies as charitable donations, and create government-backed CLT mortgage standards.

The proposal is based on the Mutual and Cooperative Sector Business Council's paper and outlines the current landscape of CLTs in the UK, which identifies certain barriers to scaling their impact, and proposes recommendations to engage with partners, regulators, and Government to help overcome three challenges to release affordability for first-time buyers:

- Development financing
- Mortgage lending
- Political and policy support

The paper recommends actions to progress in response to these challenges such as:

1. Engage with CLTs, Government, Trade Associations, Lenders, and Conveyancers to promote understanding of CLTs, bringing together a working network of those involved in the house purchase journey.



“CLTs are currently delivering less than 1000 homes per year but the National Community Land Trust Network estimates they could deliver at least 278,000 new CLT homes in total, with 80% of these being additional homes that would not have existed without CLTs.”

2. Work together to create a set of Standards for CLT mortgage lending that will provide confidence in the model for Lenders, and therefore the ability for CLTs to scale. And consider options for CLT lending to become government backed.
3. Engage with CLTs, Government, Homes England, and the progressive residential development finance community, to establish a working network of those seeking to transform residential development finance to incorporate community ownership and to support an increase in new, affordable housing supply.

The Problem: Community Land Trusts deliver affordable housing with restrictions on who can own them based on:-

- Local connection (residency or employment).
- Registered housing need.
- Income and savings below thresholds for market housing.
- No ownership of another property.

They can only be sold at an undervalue, for example 70% of full market value and to someone meeting the requirements of the CLT.

CLTs struggle to finance the development and mortgage lending policy struggles to support FTB buying them.

CLTs are currently delivering less than 1000 homes per year but the National Community Land Trust Network estimates they could deliver at least 278,000 new CLT homes in total, with 80% of these being additional homes that would not have existed without CLTs.

Solving the problem

Development Financing:

1. Legislate for Treasury to extend the IHT Acceptance in Lieu (AIL) scheme which is the primary mechanism in the UK that allows executors to settle Inheritance Tax (IHT) liabilities by transferring qualifying heritage objects, land, or buildings to the nation.

Instead of selling assets on the open market to pay the 40% IHT, this scheme allows taxpayers to offer land to public institutions in settlement of the IHT liability.

2. Enable legacies of land and property to a CLT to be a charitable donation reducing estates for IHT purposes.

Mortgage Lending:

1. Engage with CLTs, Government, Trade Associations, Lenders, and Conveyancers to promote understanding of CLTs.
2. Create a set of Standards for CLT mortgage lending that will provide confidence in the model for Lenders, and consider options for CLT lending to become government backed, for example delivering them as Commonhold to enable community management of the estate.
3. Engage with CLTs, Government, Homes England, and the progressive residential development finance community, to establish a working network of those seeking to transform residential development finance to incorporate community ownership and to support an increase in new, affordable housing supply.

“Many first-time buyers do not get on the ladder early now because they hear that they cannot afford the average property and, even if they can, the transactions take so long (125 days and 25% fall through) they would not feel mobile for work or other life events. Many live in rented house shares often with access only to a bedroom and shared use of a kitchen and bathroom.”



