No. 74 I Winter 2024

SOCIETY MATTERS

The future for housing – what will 2025 bring?

contents

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The views expressed by authors in this magazine are not necessarily those of the BSA.

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Hello and welcome to the winter edition of SOCIETY **MATTERS**

And just like that, 2024 is nearly over, the decorations are up and 2025 is almost upon us.

Katie Wise
Channels and Publications Manager, BSA

It's been a busy year at BSA HQ with much to celebrate, most notably the Government's commitment to doubling the size of the co-operative and mutual sector. I've seen first-hand the hard work, passion and dedication that has gone into achieving this acknowledgement of the sector's value and importance to economic growth and society more widely. We will continue to support the government in achieving this ambition, helping to shape what the doubling looks like and how it is achieved.

We've also seen the re-establishment of mutual banking in the UK, with the Nationwide acquisition of Virgin Bank and the recent regulatory approval of Coventry Building Society's proposed acquisition of The Co-operative Bank. We can look forward to the continued reshaping of the financial services landscape for the better.

That won't be the only thing 2025 will bring, as we also begin the celebrations of the 250th anniversary of the establishment of the first known building society in the UK, formed in a pub in Birmingham in 1775. Fitting therefore, that the Building Societies Conference will take place in Birmingham and a celebratory beer is brewing (made by a co-operative brewer of course!). This important milestone is an opportunity to identify the future we want for the sector and the path to achieving that.

Of course, 2024 also saw the General Election and change in government, and with it, a renewed commitment to increase housing supply to support more people into homeownership. And that is the topic we focus on in this final edition of the year. We hear from BSA members, Darlington, Ecology and Family Building Societies, and Glasgow Credit Union, on the topics of self-build, alternative housing tenures, later life lending and lending to strengthen communities. Oliver Bulleid from the London Community Land Trust outlines the importance of innovative thinking and alternative solutions in achieving the goal of building 1.5m homes. A timely 2025 housing market outlook is provided by Richard Donnell from Hometrack, along with an update on reforming the home buying process from Maria Harris from the Open Property Data Association. The Green Finance Institute provides some valuable insight into the green home loan markets across Europe, drawing important lessons from Ireland, Germany and Belgium.

Cost-of-living pressures have not gone away, and many people are still in financial difficulty. StepChange Debt Charity shares their most recent client statistics and provides some advice to lenders. KPMG builds on this with their article on the future of arrears and collections – how can lenders ensure they are best serving customers and delivering good outcomes?

And finally, some welcome news from Smart Money People with the latest results from their Mortgage Lender Benchmark.

I wish you all a happy, healthy and restful break over the festive period.

Katie

New Government – same old approach to housing targets?

By ROBIN FIETH,
BSA Chief Executive

300,000 new homes a year sound familiar? 1.5 million homes over the period of a five-year parliament? Another target with an accompanying hockey-stick chart showing a disproportionate expectation of volume delivery in years four and five?

Equally familiar are the doom-mongers and fatalists calling out failure before the Government has really started. Let's be clear, I am not out to defend the Government. They should be quite capable of doing that themselves. But I do want to ask the question, "how"? What are the mutual and co-operative solutions to these challenges?

So here are some ideas. Some more, some less mutual. In case they are seen as too controversial, perhaps I should that these are my personal views and not necessarily those of the BSA!

1. The Government should not rely on private sector developers. They will build only as many homes as will maximise returns for their shareholders. Instead, Government and local authorities should contract directly with construction companies to build the additional homes that are needed in communities up and down the country. These are likely to be heavily focused on social housing.
2. Housing associations, co-operative housing schemes and community land trusts should all be encouraged and enabled to play a major role in achieving the volumes required. Pension schemes could provide much of the finance, rental income streams being a good match for pension liabilities.
3. Homes England, local authorities and other public landowners should change their approach to development land. To achieve true affordability, land should be retained in public ownership for mixed developments of social and owner-occupied homes. The homes built for sale should be sold on a suitable mark-up to cost of construction, with restrictive covenants to ensure that subsequent vendors do not benefit from uplifts in underlying land value. The proceeds from the first sale of these homes could be used to help fund social housing.
4. Emphasis should be placed on re-purposing existing buildings, subject to rigorously enforced high quality building regs - converting redundant retail, office and industrial space to decent homes, rejuvenating communities.
5. Government should actively encourage and facilitate the whole range of construction methods from conventional brick and block to modular and factory built. Local authorities should showcase developments of high-quality affordable homes built using alternative methods.

Much will depend on effective planning reform and the pace at which local authority planning teams can be brought up to strength.

There is plenty of evidence that community led planning processes can remove many of the objections – local plans that are respected, not over-ridden by the first major developer-led application. I would go further and require large developers to provide full security up front for their Section 106 commitments – and penalise heavily those that subsequently seek to re-negotiate or renege.

On local authority planning teams, if ever there were a case for accelerated apprenticeship programmes, executive education type schemes and boot camps. The "whatever it takes" approach seems entirely appropriate.

Finally, the role of building societies and credit unions? To provide the wide range and depth of mortgage lending on all of those different types of new homes built for owner occupation, including developing new and improved products. Perhaps we should start by focusing on how we could radically reform shared ownership to become genuinely progressive ownership mortgages?

Next steps:

Follow Robin on LinkedIn
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Housing market outlook for 2025

The housing market returned to growth in 2024, spurred on by lower mortgage rates. Richard Donnell considers the sales market outlook for 2025 and what lenders can do to support lending growth beyond external market factors.

Regulations built market resilience to higher mortgage rates

The housing market has adjusted better than many expected in response to higher mortgage rates over the last 2 years. Mortgage regulations introduced in 2015 played their part. Most new mortgagees had been stress tested at 6%+ mortgage rates which meant they were resilient to rate rises with few forced sales and modest single digit price falls over 2023.

Transaction volumes felt the impact of higher mortgage rates more than house prices. Uncertainty and higher borrowing costs resulted in many home buyers putting moving decisions on hold. Transaction volumes fell to just 1m in 2023, down 23% on 2022 levels, and below the 1.2m long run average.

Lower mortgage rates have supported a recovery over 2024

Housing market conditions have improved steadily over 2024, largely in response to lower mortgage rates, easing affordability. This spurred increased levels of buyer activity from the start of the year. Home buyers, many of whom are also sellers, entered the market in growing numbers boosting available supply as mortgage rates fell with a 7 year high in the availability of homes for sale.

Strong growth in new sales being agreed over 2024 had rebuilt the sales and new mortgage business pipeline. Zoopla calculates that the value of homes working their way through to a completion is 30% higher than Q4 2023. The value of mortgages being agreed for home purchase has also risen in line with more sales. The market is on track for 1.1m sales in 2024, a 10% increase on last year with some of this momentum set to flow through into early 2025.

First time buyers are the largest buyer group in 2024

First time buyers (FTBs) are on track to be the largest buyer group in 2024 with an estimated 36% of all home purchases. Lower mortgage rates have drawn FTBs into the market while a 30%+ growth in rents has also pushed FTBs into home buying decisions. However, the mortgage regulations that stopped the boom and bust in house prices have increased the household income required to afford home ownership assuming lenders use stress rates of 8%+. Affordability remains the major challenge in southern England where prices are highest and a combination of loan to income limits and stress testing mean FTBs are under pressure to put down bigger deposits or to buy smaller, more affordable homes.

Affordability is still a constraint on market activity into 2025

While the market has fared well adjusting to higher borrowing costs and activity levels have recovered, affordability and access to housing remain a constraint on sales volumes and house price inflation into 2025. In short, we believe the market needs an extended period where prices rise more slowly than incomes to help reset the affordability of homes relative to incomes. We expect UK house prices to rise 2.5% in 2025.

There is a clear north-south divide around this average. Housing is fairly valued outside southern England meaning house prices could well rise in line with incomes in 2025 and into 2026. The Office for Budget Responsibility is forecasting disposable incomes growth of over 4% in 2024 and 2025 slowing to below 3% by 2027.

We expect house price growth in southern England to lag behind incomes into 2026 as affordability levels continue to adjust.

By RICHARD DONNELL,
Research Director, Hometrack

hometrack

Budget changes take the edge off market activity

Changes in the Autumn Budget compound this view with a shallower decline projected in the base rate and concerns over the extra staffing costs to businesses being passed on through lower wages as well as a weaker labour market hitting incomes growth. There is unlikely to be the same impetus from lower mortgage rates to support market activity in 2025. We assume mortgage rates remain where they are today at 4.5% to 4.8% for new business and 4% to 4.5% as an average for the best rates for home buyers.

From April 2025, buyers in England and Northern Ireland will pay more in stamp duty costs as the tax regime reverts back to 2022 levels. As the nil rate tax band falls from £250k to £125k, 40% of FTBs will pay stamp duty in 2025, up from 20% today and 83% of home movers will pay more, up from 49% today. These changes will cost the equivalent of up to 1% of the value of a home which buyers will want reflected in the price they pay, keeping prices and transaction volumes in check.

Transactions volumes set to remain unchanged

While we expect UK house prices to post modest gains of 2.5% over 2025, what matters to lenders is the scale and sources of demand for secured credit to move home or additional borrowing to fund home improvements.

We expect UK housing transactions to remain broadly in line with 2024 levels at 1.1m with the budget changes scaling back our expectations that transactions might get closer to 1.2m in 2025. Higher moving costs will act as a drag on mortgaged mover sales meaning borrowers will continue to focus on home improvements funded through additional borrowing.

Opportunities from greater efficiencies and automation

Given this outlook for housing there are some segments and geographies that are set to out-perform the UK average while in others affordability remains a constraint to the scale of the lending opportunity. How the market will support business plans depends upon which segments of the market firms currently operate within.

In addition to the market context, lenders have the opportunity to revisit their own systems and approaches to lending, considering options to improve efficiencies and open up opportunities for growth through greater automation of lending decisions in relation to property risk. Many are currently on a journey from 20% to 60% automation of property risk decisions. The opportunities to retain market share and win business from greater automation are real and worth considering alongside market based strategies for lending growth.

Next steps

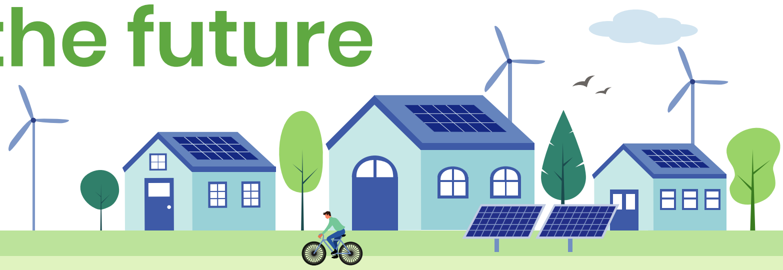
Find out more about Hometrack
www.hometrack.com

By CHLOE TIMPERLEY
Green Mortgage Campaign Lead, Green Finance Institute

MARIA DUTTON
Consumer Finance Lead, Green Finance Institute

Green Finance Institute

Developing a green mortgage proposition for the future



In the early days of the Green Mortgages market, we measured success by the number of products coming to market. Growth has been meteoric, going virtually from nought (technically 4) to 60 in five years flat. Now the conversation is shifting and deepening; with a renewed focus on helping and protecting the consumer.

Realisation is dawning that, whilst financial providers can't be expected to morph into housing decarbonisation experts, there is an opportunity to tackle the signposting gap and help break down some of the non-financial barriers that inhibit demand for green home finance products. Integrated retrofit solutions are the next frontier of the green mortgages landscape, on both the manufacturing and distribution sides of the equation.

Consumer Duty's cross-cutting rule to 'Avoid causing foreseeable harm' gives rise to complex questions. How can firms raise awareness of available grant funding for green home upgrades to protect consumers from over-borrowing? How do firms give a balanced view of clean heating options out there, from heat pumps to heat networks, without unduly favouring a particular pathway? How do they ensure adaptation retrofit (e.g. flood mitigation) is also part of the conversation? How do lenders incentivise cleaner, greener homes in their underwriting decisions without penalising – often more vulnerable – borrowers in low-EPC rated, hard-to-heat homes?

There are no easy answers, but enabling informed consumer choice is key – and it's heartening to see lenders and brokers having these important discussions. The so-called 'able to pay' cohort is often anything but; almost all of us need some degree of handholding if we are to see a just transition in the residential property sector.

The UK can look beyond its own borders for answers. The Green Finance Institute (GFI)'s new publication *Unsecured Green Home Loans: Consumer Protection and Scale in International Markets*, compares green home loan markets across Europe. This research offers insights for the UK's whole green home finance sector, drawing lessons from countries including Ireland, Germany, and Belgium, where government policy and private sector engagement have successfully driven demand for sustainable home improvements.

Ireland's National Retrofit Plan, managed by the Sustainable Energy Authority of Ireland, supported nearly 48,000 home energy upgrades in 2023 (~2% of Ireland's 2.2 million homes[1]). The 2024 Home Energy Upgrade Loan Scheme, offered through the private sector and backed by guarantees, provides low-interest loans to reduce upfront costs for homeowners and enable lenders to develop long-term green finance solutions. Given the similarities in legislative environments, a comparable initiative in the UK could be feasible and might be expected to exceed the Climate Change Committee's recommended pathway of 500,000 energy efficiency upgrades per year[2].

Germany's well-established KfW programme works with the private sector to provide low-interest loans and grants and stimulate sustained demand for energy efficiency. Similarly, Belgium's regional model offers low-interest loans and grants demonstrating how targeted approaches can support homeowners and drive green home finance.

For UK mortgage lenders, understanding these international examples is key. The principles behind successful schemes—trust, accessibility, and collaboration between the public and private sectors—apply across all forms of green home finance. As the UK government rolls out new initiatives, mortgage lenders have an opportunity to lead by offering innovative products that meet the growing demand for sustainable housing.

Next steps

Green Mortgage Hub: www.greenfinanceinstitute.com/products-solutions/green-mortgages
Green Loans Hub: www.greenfinanceinstitute.com/products-solutions/unsecured-green-home-loans/
Green Home Finance Principles: www.greenfinanceinstitute.com/wp-content/uploads/2024/06/GREEN-FINANCE-GREEN-HOMES-REPORT-NEW-a.pdf
Lender's Handbook: www.greenfinanceinstitute.com/wp-content/uploads/2024/06/GFI-Lenders-handbook.pdf
Brokers' Handbook: www.greenfinanceinstitute.com/wp-content/uploads/2024/06/GFI-Brokers-handbook.pdf

[1]SEAI programmes retrofitted 47,953 homes in 2023. [2]June 2022 Progress in reducing emissions 2022 Report to Parliament (theccc.org.uk)

Transforming the home buying process

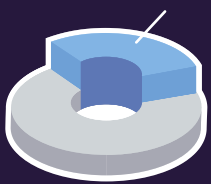
By MARIA HARRIS
Chair, Open Property Data Association

Buying a home has never been the fastest or slickest process, but we've always found ways to make it work and invested in our online systems and portals to improve the customer and broker experience. The process still takes a lot of manual intervention and requires everyone involved to validate, share and chase the same information and documents again and again.

Despite the promises of silver bullet solutions and huge investments in technology, the experience for customers and industry has never been worse –

Transaction fall-through rate is stubbornly consistent at c.30%

30%



Delayed transactions have increased with average time to completion at 22 weeks – up from 16 weeks in 2017

Home buying has become the 2nd worst life event, generating huge levels of stress for everyone involved

Transforming the homebuying journey needs more than just technology. The data we need isn't available when we need it, we find out the most critical information too late in the process, and information isn't available in ways that make it easy to validate and share. More than 99% of property information including titles, deeds, searches, planning, etc. exist in non-digital or non-standardised formats, making it difficult to access and share in real time.

Even digital identity, one of the easiest tasks for the customer to complete, is disjointed with no industry-wide consensus on how it should be done and how to make it safe and secure for the customer to verify once and share their credentials with the parties who need it.

The Key to Reform: Data and Trust

Open banking and other digital customer journeys have proven that open data standards and trust frameworks are the foundations of a more efficient, transparent, and customer centric experience.

Open data standards are essential for safe and easy access to data, verifying its provenance, and enabling shareability – all critical to the digitisation of the property market. We need a way of surfacing this data to the customer and connecting every part of the home buying journey with the real-time information they need at the right point in time.

Trust frameworks underpin the infrastructure we need to allow safe and secure access and sharing of property and identity data between lenders, conveyancers, buyers, and sellers, by identifying the approved sources of the data and setting standards to accredit the industry providers who can collect and share that data on behalf of the customer.

Legislating the future of homebuying

The Data (Access and Use) Bill now entering its 3rd stage in the House of Lords, is a critical next step in this journey. This new legislation supports consumers' rights to access and have control over sharing their property, financial, and digital identity data. Homebuying will be one of the first use cases delivered, demonstrating Government commitment to this transformation and the importance of open data standards and a property data trust framework in shaping the future.

The next iteration of the Digital Identity & Attributes Trust Framework will include a supplementary code specifically for property, setting out the additional guidance and requirements for one single identity check that meets everyone's governance standards.

Legislation and collaboration are driving this transformation. Open data and API standards already enable digital upfront property packs and seamless data sharing across the transaction. Work is underway with government to create the property data trust framework, ensuring that source data is digitised, verified, and can be relied on. Members and brokers will be looking to lenders to shape and support the transition to a much improved homebuying experience.

Next steps

To receive our updates you can sign up for our newsletter at the bottom of our homepage
https://openpropdata.org.uk/

or follow us on LinkedIn
www.linkedin.com/company/open-property-data-association

By JESS TRUEMAN,
Head of Business Development at Smart Money People

Building societies continue to shine as mortgage market leaders

Building societies have once again demonstrated their reputation as the standout performers in the UK's mortgage market, maintaining their lead in overall broker satisfaction for the thirteenth consecutive time. The latest edition of Smart Money People's Mortgage Lender Benchmark confirms this ongoing trend, with building societies achieving record-breaking satisfaction levels, surpassing even the impressive milestones set earlier in 2024.

A widening gap in broker satisfaction

In a fiercely competitive market, building societies remain the benchmark for excellence, with brokers consistently rating them highly for customer service, system efficiency, and overall satisfaction. With an overall satisfaction rating of **86.5%**, they outperformed nearest challengers lifetime lenders by a notable **2.7% points** overall, reinforcing their reputation as trusted partners in the mortgage sector.

Excelling in key metrics

Compared to other lender types, building societies excel in:

- **Ease to find customer eligibility** – scoring **85.4%**, comfortably ahead of lifetime lenders (**83.7%**), banks (**82.7%**) and specialist lenders (**81.5%**), showcasing their ability to simplify the lending process
- **Communication** – leading with **82.8%**, building societies ensure brokers stay well-informed, outperforming lifetime lenders (**81.5%**), banks (**77.7%**) and specialist lenders (**77.4%**)
- **Online tools and system** – at **84.0%**, they maintain a clear edge over other sectors, ensuring brokers have a seamless experience with their online platforms

Adapting to the future

To maintain their dominance in the evolving mortgage market, our broker feedback tells us that building societies must remain innovative and proactive. Key areas of focus include:

1. **Digital transformation:** Ongoing investment in cutting-edge tools and systems to streamline processes and enhance the user experience for brokers and borrowers alike.
2. **Speed and precision:** Increasing the efficiency of application processing and decision-making to meet rising market demands.
3. **Effective communication:** Ensuring transparency and consistent engagement with brokers throughout the lending process.

Sustaining leadership in a dynamic market

The thirteenth edition of the Mortgage Lender Benchmark shows that building societies are successfully delivering broker satisfaction and operational excellence. Their ability to adapt to market demands, invest in innovative solutions, and prioritise efficiency ensures they stay ahead in an increasingly competitive landscape.

Looking forward, building societies face an exciting yet challenging future. The mortgage market is evolving rapidly, shaped by economic shifts and changing borrower expectations. To remain at the forefront, building societies must double down on their strengths – exceptional service, robust systems, and trusted relationships, while embracing forward – thinking strategies to stay agile and responsive.

Summary

In an industry where trust and reliability are vital, building societies have consistently demonstrated their value. By continuing to set high standards and driving innovation, they're well positioned to continue meeting the expectations of brokers and their clients. Their track record of success suggests that they are not just keeping pace with change – they are leading it.

Next steps

Read the full report: https://smartmoneypeople.com/business/mortgage-lender-benchmark

Self-build is essential to supporting the government's ambitious housebuilding target

By CHRIS BLEWITT,
Head of Mortgages,
Darlington Building Society

Darlington Building Society

Rachel Reeves MP highlighted the new government's plans to build 1.5 million homes in England over the course of this parliament in her inaugural speech as Chancellor of the Exchequer.

As ever, the devil is in the detail, and Darlington Building Society fully supports the government's objective to ease the housing crisis.

Whilst there were certainly no sweeteners in the Autumn Statement for the residential mortgage market we remain hopeful that Housing Minister, Matthew Pennycook MP's enthusiasm towards self-build provides a brighter future for self-builders.

Pennycook has built on his initial enthusiasm for the self-build sector in a recent letter to the Chair of Homes England. Doubling down on the party's manifesto to "Get Britain Building Again" he expressed an expectation of Homes England to "support the reform and diversification of the housing market." More specifically, he requested "support the self and custom build and community-led housing sectors."

Amplify progress

The new build market in 2023 made for gloomy reading. In 2023, there was a decrease in new home registrations—the process by which a developer registers their intent to build a new home—to 105,449, compared to 189,009 in 2022[1].

However, the Right to Build register has over 50,000 signatories so far, with just 7,000 plot opportunities available. The Planning and Infrastructure bill proposed in the King's Speech could be a vehicle to alleviate this issue and open the gates to more self-builders...and therefore more homes. We hope to see movement on this in the New Year.

> **With 1 in 3 people considering building / commissioning their own home (NaCSBA) the scope to amplify housebuilding rates with self-build is huge. But support for individuals is needed.**

We need housebuilding to be firing on all cylinders to reach the target set out by the Chancellor—50% higher than the previous 200,000 homes per year target, which was never met. Self-build isn't the preserve of the wealthy, with sites such as Graven Hill in Oxfordshire perfectly demonstrating how accessible and affordable self-build can be on a range of budgets, providing a diverse stock of homes.

Support for self-builders – what does it look like?

Like any economic scale, supply and demand drive house prices up and down—and with it, affordability.

By increasing its support for independent self-builders the government will clear the path for more to follow suit, effectively creating a supplementary stream of housebuilding that is not reliant on large corporations and associated red tape delays.

In her inaugural speech, the Chancellor laid out plans to review green belt boundaries to prioritise the 1.2 million brownfield sites and newly coined "grey belt" land. This could go some way to providing self-builders with the much-needed land and permissions to build their dream home.

Every self-build journey starts with research. Darlington Building Society lends on self-build projects up and down the UK and is partnered with BuildLoan so that aspiring self-builders have access to experts from pre-planning to unlocking their new front door.

Next steps

Visit the Darlington Building Society website for more information: www.darlington.co.uk/darlington-intermediaries/products/self-build

[1]https://www.nhbc.co.uk/media-centre/industry-news/2024/02/06/record-numbers-of-affordable-homes-completed-in-2023-as-private-house-building-slows

By PETER TUTTON,
Head of Policy,
StepChange
Debt Charity

Cost-of-living pressures and financial difficulty – where are we now?

StepChange Debt Charity helps people across the UK who are facing or worried about financial difficulty. We provide debt advice, debt solutions and also mortgage advice where this could help people get their financial situation under control.

Last year over 180,000 people completed debt advice with Stepchange. A quarter of them said that the increased cost of living was the main cause of their debt problems, up from 6% who said this in 2021. Polling we commissioned in September 2024 from YouGov showed:

> ***41% of adults finding it difficult to keep up with household bills and credit commitments***

That's an estimated 22 million people under some financial pressure.

Homeowners are generally less vulnerable to problem debt, and the cost-of-living crisis has not yet resulted in a large spike in people with mortgages seeking debt advice, despite increased mortgage costs.

Our most recent client statistics show:

only	compared to	and
13%	**30%**	**32%**
of our clients are mortgagors	who are tenants of social landlords	who rent from provate landlords

However our polling found a quarter of adults with a mortgage saying they had used credit to keep up with mortgage payments. Our research repeatedly shows that using credit to cope with payment pressures makes people much more likely to experience serious problem debt and related harms later on. So there is a potential 'long shadow' debt risk continuing into the future.

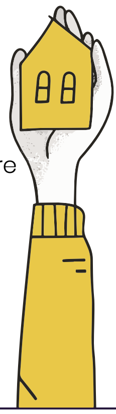
The majority (84%) of mortgagors we saw in H1 2024 did not have mortgage arrears. A high number were in full time work and the main problem was with multiple unsecured debt payments. Debt advice, debt restructuring solutions and forbearance could support most of these. It is worth noting that 56% of these households included children; and 58% of these clients told us about an additional vulnerability. So it is crucially important that people get good quality help and support from early signs of financial difficulties onward.

The 16% of homeowners seeking help with mortgage arrears (around 3% of all our clients) have more challenging circumstances. So, although nearly half were in full time work, they were much more likely than other mortgagors to be single adult households. They were also twice as likely to be unemployed or not working because of illness or disability. Perhaps as a result, they were more likely to be in receipt of universal credit (28%) and much more likely to have negative budgets at the time they sought debt advice (58%).

What to conclude from this?

Firstly, there is a journey from payment pressures to financial difficulties to problem debt. There are a number of things that influence whether this journey ends in good and bad outcomes. If people get early help much harm may be avoided. Focusing messaging on giving people options and reassurance of help matters. So does good forbearance and signposting to other help, like debt advice, when people do engage.

Secondly, it is more difficult for both lenders and debt advice to resolve financial difficulties for people in the most vulnerable situations .Doing so will need a range of policy interventions to lower barriers to help seeking, improve safety nets, build financial resilience and ensure secure and affordable housing alternatives.



Next steps

Find out more about StepChange
www.stepchange.org

Building genuinely and permanently affordable homes is part of the solution

By OLIVER BULLEID,
Executive Director, London Community Land Trust

The Labour government has pledged to build 1.5m homes, but this will never happen without innovative thinking and alternative solutions. Community Land Trusts are one of the alternatives.

CLTs, like London CLT (LCLT), build genuinely and permanently affordable homes and – crucially when we need Nimbys to become Yimbys – they give communities agency in developing those homes.

We work with the community to build homes that are wanted and needed.

People – the Community – are at the heart of a CLT. Land is the asset being held, where the price of a CLT home is linked to average local incomes in perpetuity. The final piece, Trust, is the long-term stewardship of that asset.

In practice this works through an entirely community-led process, backed by London CLT's technical and practical guidance. It begins with finding a site and continues beyond when residents move in.

With Citizens House (our direct development of 11 homes in Lewisham that opened in 2023), a community campaign group walked the neighbourhood, plotted potential sites on a map and presented it to the council. Lewisham Council transferred a piece of land – a tricky site of underused garages backing onto a school – and a community steering group open to all local residents took this forward.

What's interesting is that the community campaigners are rarely residents of the finished affordable homes. They are creating homes that will directly benefit others but indirectly benefit the community as a whole for years to come. CLTs are a demonstration of the wider community's deep sense of ownership and value.

Day to day, residents take on stewardship by forming a Resident Management Company to manage their own homes. They choose a managing agent to carry out repairs and works, but could specify that these are done by local people, supporting the local economy. The key is they are invested in their community and empowered through the RMC. When the residents of Citizens House recently got together for a gardening day to spruce up the public spaces around their homes, residents from the wider neighbourhood stopped by to chat. It all fosters connections, engagement and long-term good. A point of note when loneliness is another acute issue in the London housing mix.

Engagement is a win for community members, who are being heard, having genuine input and creating genuinely affordable homes for local people. It is a win for the council: they no longer have a difficult site to manage through disrepair or even anti-social behaviour, and they can add additional affordable homes to their target without managing that process themselves.

London CLT is working on eight sites across seven London boroughs. For instance, we have a project at Cable Street, Shadwell, for 41 affordable CLT homes that recently secured enough Greater London Authority funding to take it to planning.

And CLTs are proven providers; there are 500 working or forming across England, Scotland and Wales with projects big and small. CLTs can work with larger-scale private developers, too. With good community engagement, you hear voices and concerns you wouldn't hear otherwise. This leads to buy-in, and if there's something to offer the community, a developer could end up with more homes than it originally foresaw, and a project supported through the planning system.

UK housing needs additionality and alternatives if it's to solve what is a decades-old crisis. Community Land Trusts are part of that solution.

Next steps

www.londonclt.org

Future of Arrears and Collections: Lenders must ensure they are best serving customers going through arrears and collections

Falling into arrears can be an incredibly difficult time for a customer, and they often look to their lenders as the experts to help them through it. In response to the cost-of-living crisis and increased regulatory expectations, we are seeing firms starting to take action to ensure they are best serving their customers and delivering good outcomes.

By DANIEL SAWYER,
Risk & Regulatory Advisory at KPMG

The combined impact of rising prices and high interest rates have put many households under pressure in recent years. This has been particularly dramatic for mortgage borrowers rolling off fixed rate periods set during a historically low-rate environment.

The cost-of-living crisis has also coincided with increased regulatory scrutiny on arrears and collections practices. For example, the FCA's 'strengthening protections for borrowers in financial difficulty' policy came into effect on the 4th November 2024 and the regulator has published a number of Final Notices this year.

On top of this, firms are also facing into increased levels of vulnerability, changing customer behaviours, and a shift towards omni or multi-channel engagement.

Offering customers more channels to get in touch, and empowering customer support staff with the tools to best help those that are facing financial difficulties will improve future outcomes for many households.

Research has shown that customers are often put off engaging with their creditors out of fear. It can be difficult to pick up the phone and talk to a stranger about the problems they are facing, particularly when they aren't sure how the creditor will react.

Offering digital channels and automating elements of the arrears and collections journey can provide a different mechanism for these customers to engage, and create opportunities for operational efficiencies. Some example 'use cases' are provided below:

Online Income & Expenditure (I&E) Forms	Self-Serve for Simple Forbearance	Updating Payment Details
Allowing customers to complete an I&E online can result in more accurate assessments of affordability, create the opportunity for use of external data to reduce completion time (e.g. Open Banking data) and free up telephony capacity.	Low risk customers (e.g. low value or early arrears) can self-serve and select appropriate forbearance online, without having to speak to an agent. Controls should be in place to direct customers to tailored support where required.	A mechanism for customers to update payment details (e.g. Direct Debits) online can reduce the volume of calls coming into the contact centre and allows customers to self-rectify any issues simply caused by a change in pay date or bank account.

The best value will be delivered when the above are paired with customer-facing colleagues who have the right tools, guidance and support to help customers across both digital and traditional channels.

Industry best practice

Those best placed to weather the myriad of pressures impacting arrears and collections to deliver good outcomes for their customers (and their firms) will be those who can:

- Identify customers at greatest risk and tailor contact strategies and communications based on customer behaviours.
- Have an empathetic, appropriately skilled and trained workforce capable of dealing with the most complex customer circumstances.
- Remove friction from rigid processes and make arrears and collections as smooth as possible.
- Offer the right forbearance, at the right time, and ensure customers are informed and able to make effective decisions, even when under high stress.
- Regularly test and monitor their outcomes, using data to drive decision making and inform actions.

Next steps

Read more about the challenges facing firms and the actions to take on KPMG's website.
https://kpmg.com/uk/en/home/insights/2024/01/arrears-and-collections.html

Creating homes and communities by working together

Like other building societies, Ecology was founded by Members who realised they could achieve more working together than alone.

By DAN CAPSTICK, Mortgage Product Manager, Ecology Building Society

That's one reason the business model has endured for so long, empowering and enabling millions of people to realise their home-owning aspirations, as it does to this day. And while the most common type of lending remains a mortgage secured against a single property, there are other ways to purchase a home.

Owner-occupation by an individual, couple or family group is still seen as the most usual way to buy a home, but other tenures are available for people wanting to pool or share resources, whether for financial, social or other reasons.

Community Land Trusts (CLTs) are just one example of community-led housing which can build new homes, improve existing properties, or repurpose empty or derelict buildings.

CLTs create affordable homes for local people, built on land donated or acquired cheaply, such as from local authorities. In areas where property prices are high, these homes' sale or rental prices are then discounted in perpetuity for those who meet eligibility criteria.

Cohousing is another way for a group of people to build homes through a collective project, going a stage further by creating an intentional community.

This type of development has individual residential units, with additional common buildings and amenities, such as cooking and laundry spaces, or vegetable plots the group uses and maintains. *Lancaster Cohousing*[1], which Ecology supported, has a car share scheme and even generates its own electricity!

Due to cohousing's commitment to communal living, new purchasers wishing to join a scheme will need to be approved by the existing owners.

Pedestrianised street, Lancaster CoHousing

Both CLTs and cohousing have been around for decades and in our experience can create vibrant, sustainable

Lancaster CoHoBikes

communities where many residents will want to stay. The developments Ecology has supported, built to high environmental standards, have been popular and often over-subscribed. Waiting lists for vacancies are an indication of the buyer demand for these schemes.

So as people seek out ways to access affordable housing or create real communities, we believe there's an opportunity for greater use of these types of tenure. Which is where we need action from more lenders to step into the community-led sector, particularly to provide development finance to get these projects started.

Of course, teaming up with other individuals or families to create new homes or a new community won't be for everyone.Beyond self-led groups, there's another well-established way to buy a home in partnership – through shared ownership, a market where mutuals are more active.

Shared ownership began in the 1980s, offering purchasers a way to buy an agreed share in their home and pay rent on the remainder, usually to a housing association.

As the deposit is based on the value of the purchase share rather than the whole home, shared ownership has become particularly popular with first time buyers (77% of SO purchasers in 2022/23), as well as one-adult households (50%) and buyers under 30 (33%). For these groups, raising a deposit is a major obstacle to purchasing a home.

As housing affordability remains a challenge for too many, it's important for building societies to continue to anticipate and respond to customer need and come up with the products to support the social impact we were founded to deliver.

Next steps

Find out more: Ecology's Community-led lending - *https://www.ecology.co.uk/mortgages/community-and-commercial-mortgages/community-led-housing/*

Lancaster Cohousing's website - *https://www.lancastercohousing.org.uk/*

[1] https://www.lancastercohousing.org.uk/

Later Life Lending

by **MARK BOGARD**, Chief Executive, Family Building Society

The Family Building Society exists to serve the needs of modern families – the way we live today.

Today's older generation saw paying off their mortgage as one of life's big events, like passing your driving test or getting married. Mortgages weren't for old people. That sense is evolving. Because it needs to. People are living longer. Some are working longer. The state retirement age is rising in any event. Life has got more complicated and there is more for older people to spend their money on and a greater spread of demands on it – both positive and more necessity driven. And many of these older homeowners have more equity in their homes than they ever thought they'd have. Which, of course, is the very problem that their grandchildren have as potential first-time buyers.

We will do a new mortgage for a 90-year-old. A significant proportion of our book is lending in and into retirement. The regulators see it as what we do and have come to talk to us about our experience and how we ensure good outcomes for customers. Politicians too.

His Majesty's Treasury see later life lending as critical to help people pay for later life care. Hence Retirement Interest Only mortgage, for example. But this is a can that is endlessly kicked down the road. Look at the response of the public to Theresa May's mooted dementia tax. But people can only spend the equity in their home once.

We see grandparents helping grandchildren with a deposit for a home or helping with educational expenses. We see grandparents focusing on themselves, spending money on cruises for example. They self-style as the SKI generation – Spend the Kids Inheritance. We've seen a later life mortgage to fund a houseboat purchase. And a 70 year old borrow £400,000 on a very valuable, unencumbered house to buy for his recently married 27 year old wife a new kitchen. The Treasury need to understand that this money can only be spent once and people would rather spend it on nice things, earlier, than later, on care.

The later life lending that we do competes with the Equity Release Mortgage market. This product is suitable for many, but the maths of compound interest means that it is best delayed as long as possible. As Einstein said

> ***"Compound interest is the eighth wonder of the world. He who understands it, earns it. He who doesn't, pays it."***

So having a "normal mortgage" for as long as possible can save a family of lot of interest. But there is a real and troubling distortion in the market. Advisers get a fee that is significantly greater for selling an equity release mortgage than a normal mortgage. And there's no affordability test to work through. We hope that the FCA addresses this issue, which may drive poor outcomes, in some cases.

We also see that some older people need to manage their investments and their debt holistically. When I started out in financial services many advisers could cover both. The evolution of their regulation means that they almost never do nowadays. That is a step backwards. Especially when debt can be used to reduce IHT.

So, as this market inevitably and certainly expands, there is more that product providers, advisers and regulators can and should do to optimise the outcome for older borrowers.

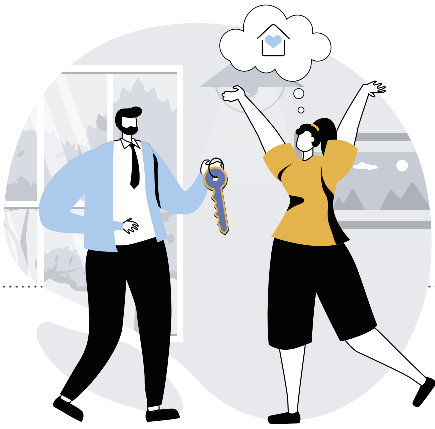
Next steps

Find out more:
www.familybuildingsociety.co.uk/tips-and-guides/mortgage-guides/later-life-borrowing-research

Investing in communities and supporting social enterprises for lasting change

By DAVID ROSS,
CEO, Glasgow Credit Union

Scotland is currently facing a national housing emergency, with a record number of people currently in temporary accommodation.



Housing pressures are being felt in every corner of the country, with the Scottish Government committing to build 110,000 affordable homes by 2032. This is an ambitious target and to realise it, it is essential that creative, strategic financial partnerships are explored.

Glasgow Credit Union's commitment to supporting communities goes far beyond the conventional role of a credit union. With over 63,000 members, our organisation was built on the principle of service and benefit to members, which covers financial inclusivity, empowerment, and social responsibility.

Our recent partnership with Homes for Good embodies our values, providing a powerful example of how lending with an ethical purpose can directly impact people's lives while strengthening the local economy.

The recent £2.4 million loan to Homes for Good will support the creation of high-quality, affordable homes for people who often face significant barriers in the housing market. This investment isn't just about property acquisition—it's about uplifting communities, supporting small businesses, and contributing to Glasgow's ongoing economic development. By making this commitment, we're investing in people's futures, helping families to find stable homes, and fostering an environment where communities can grow and thrive.

This partnership combines financial prudence with social value, proving that lending decisions can have a transformative impact beyond traditional financial metrics. The success of this partnership is rooted in shared values: both partners believe in the power of community-driven solutions and the need to make a tangible difference in people's lives. This is not merely a transaction; it's a long-term agreement to improving access to housing, regenerating local spaces, and creating an inclusive rental market.

Lending, for us, means more than just offering affordable loans; it's about supporting sustainable projects that align with our members' interests and values. Since our founding, Glasgow Credit Union has sought out innovative ways to drive community benefits, whether through competitive rates, flexible financial products, or partnerships that support local organisations. By providing this loan to Homes for Good, we're showing that lending can fuel societal good, addressing pressing issues like affordable housing while delivering fair returns. We hope our example encourages other lenders to take similar steps in forging partnerships that place social impact at the core.

The housing challenges in Glasgow and beyond are extensive, but they are not insurmountable. Many local authorities across the UK are calling for creative, practical solutions to address housing needs, and the financial sector has a crucial part to play. Working with social enterprises like Homes for Good, we can help meet these demands while aligning with our purpose to deliver member benefit, economic opportunity and community wellbeing. This is about investing with intention: focusing on projects that bring meaningful, positive change to the people who need it most.

We're proud to help lead the way in rethinking what lending can achieve and to contribute to a future where financial services are an engine for lasting social progress. In a time when the housing crisis calls for bold and collaborative action, I am confident that similar partnerships will follow, underlining that ethical, purpose-driven lending is not just possible—it's the way forward.

We're excited to continue working with partners who share our values, and we remain committed to financing projects that embody the spirit of our mission to work on behalf of our members to strengthen communities and improve lives.

Next steps

Visit *www.glasgowcu.com* and *homesforgood.org.uk* to find out more.

Building Societies Annual Conference

7&8 MAY 2025

BIRMINGHAM

The 2025 Building Societies Annual Conference is heading to Birmingham to celebrate the 250th anniversary of the founding of the first ever Building Society. Ketley's Building Society was established in 1775, founded by Richard Ketley, the landlord of the Golden Cross Inn, in Birmingham.

Join us on the 7&8 May 2025 at the ICC Birmingham to celebrate this landmark anniversary!

FOR YOUR MONEY 250 BUILDING SOCIETIES SINCE 1775 FOR YOUR COMMUNITY

The Building Societies Annual Conference is the leading event in the sector, bringing together over 1000 attendees, from chairs, chief executives and directors from BSA member organisations, to executives from organisations that work with the mutual sector including retail banks, insurance firms, professional advisers and suppliers, along with regulators and the media.

For full details and to register your place visit the conference website.