



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Rachel Neale  
50 Princes Street  
Ipswich  
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28 March 2024

Dear Rachel,

### Mortgage Prisoners

Thank you for your ongoing engagement on the important issue of mortgage prisoners and for taking the time to meet me on 29 January. It was incredibly helpful to hear from you and your fellow campaigners on the issue and I hope you also felt the meeting was constructive. As I set out in our meeting, I am genuinely committed to looking for solutions that can deliver real benefits for mortgage prisoners as I understand that borrowers who are unable to switch mortgage deal can be in a stressful situation.

I committed to reviewing the relevant affordability regulation to ensure there are no regulatory barriers preventing consumers from switching and to ensure lenders can take into account prior repayments when assessing affordability. As you know, the Financial Conduct Authority (FCA) has responsibility for the regulation of mortgages, who are operationally independent of Government. As I promised, my team have urgently followed up with the FCA. As you know, the Modified Affordability Assessment (MAA) was introduced in 2019 specifically as a response to the challenges facing mortgage prisoners, and this already allows lenders to disapply usual lending rules for mortgage prisoners who are up to date with payments, including taking account of a borrower's current repayments. From a regulatory perspective, I am satisfied that there are no further changes to affordability assessments that would help mortgage prisoners beyond the steps that the FCA have already taken.

While I am pleased that these interventions have benefitted some mortgage prisoners, we both know that the number who have directly benefitted from these interventions is small. Following discussions with lenders, I understand the reasons borrowers struggle to switch are complex and varied. While removing regulatory barriers to switching helps, the primary barrier to these borrowers switching is lenders' decisions about which borrowers they want to lend to and the risk profile they are willing to accommodate. Ultimately the decision to lend

to borrowers is a matter for lenders and the Government cannot force lenders to lend to borrowers who the lenders consider too high risk.

However, we should make further efforts to raise awareness and use of the flexibility permitted under the FCA's rules when lenders are assessing affordability. UK Finance are currently engaging with industry to support closed book lenders to engage with borrowers who may be sitting close to lender risk appetite and, if suitable products are available, try to help them move into the active market. I am pleased that this initiative is progressing, and I understand you have recently engaged with UK Finance on this work. While it will not help everyone, it should help provide new options to some borrowers.

I also wish to thank you for the work that has gone into your Mortgage Reform Bill. I have read the proposals carefully. You propose a number of regulatory changes, including ensuring lenders offer fixed-rate options to prevent borrowers from being trapped on standard-variable rates (SVRs); disallowing the sale of residential mortgages to non-lenders; and enabling mortgage prisoners to bypass current affordability rules as well as convert to lifetime mortgages. As set out above, I am confident that regulation already permits the flexibility you seek, while any mortgage customer interested in a lifetime mortgage should seek professional advice to establish whether they are eligible and that the product meets their needs. Beyond that, neither the Government nor the FCA can force lenders to offer new lending.

While I am unable therefore to go beyond the significant regulatory flexibilities already introduced, I retain my personal, and the Government's, longstanding commitment to continue to examine this issue and what options there may be. We will continue to work with industry – including on their proposals noted above, and monitor relevant developments in the market, to determine if there are solutions that will meaningfully benefit affected borrowers in the UK, and support them returning to the active market.

Thank you again for your ongoing efforts to contribute to our shared goal on this issue.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Bim Afolami', with a long horizontal flourish extending to the right.

BIM AFOLAMI MP