

# THE END OF HELP TO BUY – WHAT NOW?

McPhersons Financial Solutions

Philip Hammond the new chancellor confirmed in September 2016 that the Help to Buy mortgage guarantee scheme would close at the end of 2016. This decision brought to end three years of Government support for first time buyers. But will it have an impact on your homeownership aspirations?

## A successful policy

The scheme was first introduced in October 2013 in an attempt to boost and provide a deposit percentage of lending at high Loan-To-Values (LTVs). This helped first-time buyers get onto the property ladder. Records show that it appears to have had the desired effect: official figures show that the scheme has supported 86,341 purchases since its launch, with 79% of those being to first-time buyers, and has led to a surge in activity in the high-LTV sector with a welcome boost in competition and product choice across the market. Chancellor Philip Hammond decided to write to Mark Carney, Governor of the Bank of England, to say that the scheme would close to new loans at the end of 2016. He said that it had done the job it was intended to do in kick-starting the high-LTV market with the figures demonstrating that the purpose of the scheme “had been successfully achieved”, and that given the average price of a home bought through the scheme stands at £157,000, it’s been shown to support responsible lending.

## The strategy

It was always intended to come to an end in 2016, but there had been calls for it to be continued, particularly given events that could create uncertainty in the market. There were fears that lenders could once again retreat on the LTV position which follows lesser deposits without a Government guarantee to act as support, so the decision to wind down the scheme came as a bit of a surprise to some.

However, the Chancellor doesn’t see this as a problem. He said in his letter that the high-LTV sector has become “less reliant on the scheme as confidence has returned,”

He went on to say that there are now over 30 lenders that offer 90-95% LTV mortgages outside of the scheme. He believes that the closure of the scheme “will be unlikely, in current market conditions, to affect significantly the provision of finance to prospective mortgagors, including high LTV borrowers”.

## Boom or bust

Many believe this is the exchequers fiscal ‘drawing in of the horns’, so which is it – boom or bust? The Chancellor certainly seems to think that the high-LTV sector will continue to flourish without the scheme being there, but critics think he has got it wrong. Much of it could come down to how the mortgage market as a whole reacts to the uncertainty caused by the referendum, but more recent figures show that lenders are already becoming slightly more cautious about lending to those with only a 5% or 10% deposit.

All may not be lost, however, as it’s worth pointing out that the Help to Buy Equity Loan scheme, the phase of the initiative that provides support to buyers in the form of a Government loan, is still going to be available, so first time buyers could still find some help. However, the market here is slightly different: although 81% of the 91,759 properties bought using the equity loan scheme have gone to first time buyers, the scheme is only open to those buying new build homes, which means the average value of those properties is far higher at around £225,000.

**If you are unsure of that suitability of a mortgage for your circumstances please get in touch now to arrange your free meeting on 01424 730000 or [info@mcphersonsfs.co.uk](mailto:info@mcphersonsfs.co.uk).**

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