Feedback Statement

FS25/6

Mortgage Rule Review: Feedback to DP25/2 and Roadmap

December 2025

Contents

All our publications are available to download from www.fca.org.uk.

Request an alternative format

Please complete this form if you require this content in an alternative format.

Or call 0207 066 1000

Sign up for our **news and publications alerts**

See all our latest press releases, consultations and speeches.

Foreword


Emad Aladhal
Director, Retail Banking

The UK mortgage market serves millions of customers well. Every year around 1.3 million people across the UK are supported by lenders and intermediaries to take one of the biggest financial decisions of their lives when they are buying their first home or remortgaging.

But people's financial lives and needs are changing. In our Strategy we set out a vision to deepen trust, rebalance risk, support growth and improve lives across UK financial services.

For many, homeownership is a foundation of long-term financial resilience and improving lives. Today's affordability challenge may be creating problems for the future. In a world where pension income is less reliable, housing wealth will be more important to financial wellbeing.

To deliver our Strategy across the UK mortgage market we have begun to change our regulation and support innovation, with an aim to widen access to affordable borrowing and to help more people own their own home.

We have already seen an impact following our March clarification of the interest rate stress test rule. 85% of the market has updated its approach, able to offer around £30,000 more, supporting many more first-time buyers in achieving homeownership.

The Financial Policy Committee's complementary action, with the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA), updating its recommendation on high loan-to-income lending, is expected to support up to 36,000 more first-time buyers a year.

And our rule changes this summer have made it easier for consumers to discuss options with their mortgage provider and get advice when they need it, to reduce their mortgage term, and simplified requirements for lenders when customers switch to them.

To begin the next phase, this summer we started a conversation on the future of the mortgage market. I want to thank the 84 respondents to our Discussion Paper and the many participants to the roundtables and engagement events we ran. We have heard from individual consumers, consumer groups, industry participants and many others.

We want to enable the mortgage market of the future. A market that adapts to fast changing technology, employment and demographic shifts, and consumer preference, need and expectations, throughout their lives and into their later years.

There will be trade-offs as we rebalance risk – but responsible lending and high standards of conduct remain core principles. They are even more important where consumers have the option of choosing more complex mortgages to meet their needs.

Consumer expectations may also need to change, as more people need to carry mortgage debt for longer. Consumers will need support to make informed decisions on how to use their housing wealth across their financial lives.

Conduct regulation can only do so much. It will take a committed effort and coordination from across Government, public authorities, lenders, intermediaries, housing developers and others to maximise the opportunity of widening homeownership.

This Feedback Statement sets out our Roadmap, across four key areas, to shape the future mortgage market. We look forward to working with you.

Emad Aladhal
Director, Retail Banking

Chapter 1

Overview and Roadmap

Context

1.1 Our Mortgage Rule Review aims to simplify our mortgage rules and consider opportunities to support sustainable home ownership.

1.2 This statement sets out our response to feedback received to our Discussion Paper (DP) on the future of the mortgage market, and action we will take as part of a longer-term plan to modernise our mortgage rules.

1.3 It also highlights opportunities where others or collective action could bring improvements. Without a system-wide response across mortgage and housing markets, barriers to widening access to homeownership will persist.

1.4 The current mortgage market delivers for millions of UK consumers. Regulatory and industry reforms since the financial crisis have raised standards and led to a more resilient market.

1.5 The shadow of the financial crisis also created a cautious risk appetite across the system. Combined with house prices growing faster than wages, mortgage affordability has been a significant barrier. First-time buyers (FTBs) are older and borrowing for longer. This cautious approach may have unduly restricted or delayed some consumers accessing the market and homeownership.

1.6 Looking ahead, more mortgage holders will borrow beyond state pension age. Given this, and with projections of under-saving into retirement, access to later life mortgages could be key to helping people achieve their financial goals in later life.

1.7 As we noted in our DP, we believe now is the right time to consider the trade-offs in the current market, and consider whether, by rebalancing risk, we can improve outcomes for more consumers. As we do so, we will remain mindful of the lessons learned from the financial crisis and the importance of responsible lending.

1.8 Listening to stakeholders and respondents this year, and using the feedback received to our DP and our July 2024 Consumer Duty Call for Input, we believe there are several areas where we can act to widen access, support sustainable homeownership, support growth and improve lives.

Roadmap

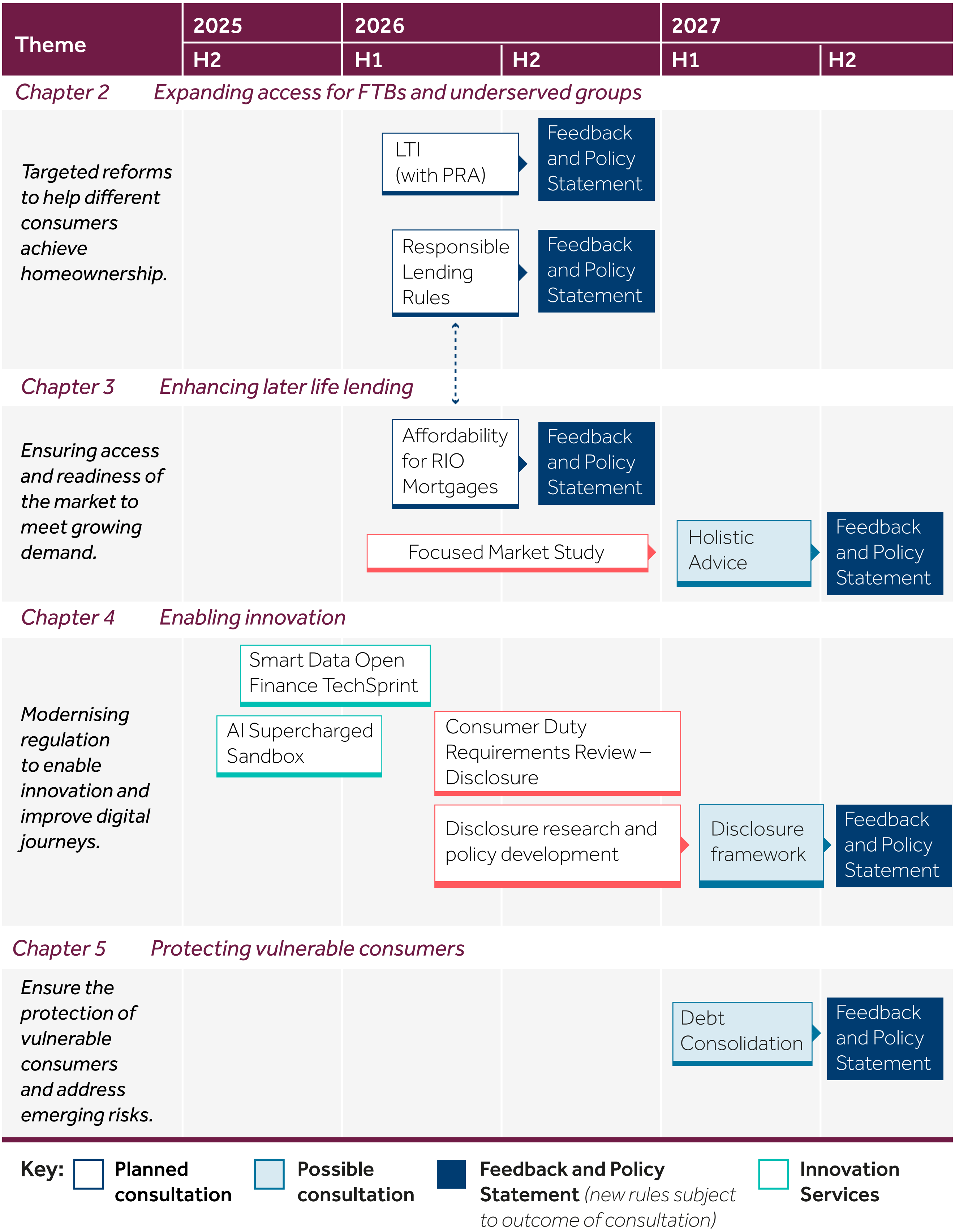
1.9 Our Roadmap sets out the action we have prioritised. These steps are grouped under four themes:

- Expanding access for FTBs and underserved consumers
- Enhancing later life lending
- Enabling innovation
- Protecting vulnerable consumers

Figure 1: Four themes

Expanding access for FTBs and underserved consumers	**Enhancing later life lending**	**Enabling innovation**	**Protecting vulnerable consumers**
Targeted reforms to help different consumers achieve homeownership.	Ensuring access and readiness of the market to meet growing demand.	Modernising regulation to enable innovation and improve digital journeys.	Ensure the protection of vulnerable consumers and address emerging risks.

Figure 2: Indicative timeline for formal stakeholder consultation



1.10 We will act at pace to bring forward proposals to support FTBs and underserved consumer groups in 2026.

1.11 In other areas, further exploration of challenges and solutions is required, for example to deliver more holistic advice when customers plan for and make decisions regarding their later life finances. Policy development on all themes will commence by the end of 2026 continuing through 2027 as required.

1.12 Proposals to update our mortgage standards as part of wider, cross-cutting policy initiatives may also take place during this period. This includes proposals arising from our review of FCA requirements following the introduction of the Consumer Duty, Credit Information Market Study Remedies, Review of the Securitisation Rules, and Transforming Data Collections workstreams.

Chapter 2

Expanding access for first-time buyers and underserved groups

Overview

2.1 This chapter summarises and responds to significant areas of feedback we received on expanding access for FTBs and underserved groups to the mortgage market.

2.2 We will explore further changes to our requirements to support FTBs and underserved groups in several areas, including:

- **High loan-to-income lending** – delivering on the Financial Policy Committee's new recommendation
- **Interest-only lending** – updating guidance on credible repayment strategies, and affordability assessment of certain 'part and part' and 'low start' mortgages
- **Variable and irregular income or assets** – ensuring our requirements do not unduly constrain product innovation, such as alternative payment schedules, or availability to customers with variable or irregular income e.g., self-employed and contractors
- **Credit-impaired** – ensuring requirements are modernised and outcomes-focused, supporting those with cleared adverse credit back to the mortgage market faster
- **Regulated bridging loans** – supporting productive mortgage finance, recognising the realities and timescales to exit have changed in recent years
- **Recognition of rental payments** – supporting industry innovation and adoption of rental payment data in firms' affordability assessments.

2.3 We will engage further with stakeholders in the development of specific proposals and intend to consult on any changes in 2026. We set out below why we are not proposing further changes in relation to shared ownership, our interest rate stress test or long-term fixed rates.

2.4 There was wide agreement that some potential FTB groups could be better served. This includes those who cannot raise a large deposit, do not have family support, are self-employed, have irregular or contract-based income, are recovering from a negative life event, have overseas assets and income, or have dealt with a credit impairment. Responses also highlighted those living in tied accommodation, PhD students, carers, long-term renters and older borrowers as groups who may be underserved.

2.5 There was consensus that change could improve access for a wider range of consumers. Some suggestions would require regulatory change. Others could be delivered within the current framework, for example integration of new alternate data, using rental payment history, or using a wider variety of income.

2.6 Where we consider changes to our rules, responsible lending will remain a core principle of our framework. Our requirements aim to ensure lenders have robust affordability assessments, with sufficient scope to support innovation in the interests of consumers. As a smarter regulator, our supervisory approach will be proportionate, focusing engagement where harm is greatest, and transparent about the risks and opportunities we see within the mortgage market.

2.7 Elevated risk for cumulative changes, or 'layering', was raised by several respondents. This risk could materialise within a product, in its design and features or how it is distributed, or across the market. Where we propose changes to our rules we will evaluate the potential for this risk, which is inherent in a more permissive regime. The Consumer Duty, and firms' obligations under it, is likely to be an important mitigant to this risk, alongside our and the PRA's supervision and market monitoring.

Feedback received and action we are taking

High loan-to-income lending

2.8 Our DP highlighted the challenges potential borrowers face if they do not have an adequate deposit to lower the loan-to-value of their mortgage or need a high loan-to-income (LTI) ratio to buy their home.

2.9 Several respondents (including some larger firms) raised the interaction between LTI, stress testing, and affordability assessments. They emphasised the need for proportionate reform and the importance of maintaining market stability while supporting wider homeownership.

2.10 In July 2025 the Financial Policy Committee (FPC) recommended that we and the PRA allow individual lenders to increase their share of lending at LTI ratios of 4.5 or higher, while aiming to ensure the aggregate flow remained consistent with the 15% limit of total new residential mortgage lending.

2.11 Following the FPC's recommendation, we and the PRA are reviewing the LTI ratio requirements. We have each put in place interim measures to bridge the period until the new policy is effective. As part of this review, we will also consider the scope of mortgage types subject to LTI requirements, including retirement interest-only (RIO) mortgages.

2.12 We and the PRA expect to publish a Consultation Paper in Q1 2026. We will consider this feedback when forming those proposals.

Interest-only lending

2.13 We asked if we should update our interest-only rules to support FTBs. Since 2013, sales of any kind of interest-only product to FTBs have been less than 0.5% of all sales.

2.14 Respondents agreed interest-only could have a role to play in helping address challenges some specific consumers face in getting a mortgage. It was also clear from respondents that they thought it was unhelpful to make interest-only more widely accessible solely because it may be more affordable in the short term. Respondents pointed out that several suitability factors needed to be taken into consideration.

2.15 Building on this, several respondents said that a repayment mortgage should remain the default option for most consumers, and that revised interest-only lending standards should be supported by the Consumer Duty. In particular, the Duty's standards for product governance, customer understanding and support during the term. This would be critical given the lessons of past distribution and poor outcomes for some consumers with interest-only mortgages.

2.16 Our current framework, while clear, was observed to limit otherwise affordable, suitable and viable interest-only lending that could support wider and/or earlier access to homeownership.

2.17 We are considering proposals to update our interest-only requirements in the areas set out below.

Credible repayment strategies

2.18 One trade body and larger firms agreed that a credible repayment strategy for interest-only loans is essential to avoid poor outcomes for consumers. However, they also encouraged us to review our requirements and widen what constitutes a credible repayment strategy, including the option to consider 'follow-on' or later life mortgages.

2.19 This could potentially widen mortgage availability to certain underserved customers, including middle-aged borrowers for whom a full repayment mortgage may no longer be viable. Instead, an interest-only or part interest-only loan could support house purchase, with a view to using a lifetime product later in life.

2.20 Some respondents also noted their application of our current requirements has led to assessment of affordability for certain interest-only loans on a capital and repayment basis (MCOB 11.6.5R). This may be due to challenges arising from assessing the repayment strategy, or a conservative approach to repayment strategies more generally. Under our current rules, firms can assess the affordability of an interest-only mortgage on the basis of payment of the interest over the term, provided they consider the cost of the repayment strategy as part of the customer's committed expenditure (MCOB 11.6.48R). We will explore with firms which factors have led them to apply a capital and interest based assessment, with a view to ensuring the original policy intent is achieved.

Part interest-only

2.21 Respondents told us that part interest-only and part repayment mortgages ('part and part') could enable some FTBs and other consumers to access homeownership earlier. As above, there are also potential benefits for customers entering or returning to the mortgage market who are closer to retirement.

2.22 Part interest-only can deliver many of the social and economic benefits of homeownership. To repay the mortgage the customer will need to have repaid the interest-only capital owed by the end of the term, and more interest will be paid over the term. There are other differences with a repayment mortgage – options when experiencing financial difficulty are narrower, and depending on the wider market there may be fewer options to remortgage. Part interest-only has similarities, and key differences, to forms of partial ownership, or where part of the mortgage is repaid on a different basis e.g. past Help to Buy initiatives, or a shared equity loan.

2.23 Our framework currently treats part interest-only in the same way as pure interest-only. We will consider proposing a differentiated affordability approach for certain part interest-only lending.

2.24 There were a range of views on changes to affordability and credible repayment strategy requirements for part interest-only. Some suggested removing credible repayment strategy requirements entirely. Others highlighted specific constraints that certain standards create, such as expected equity to enable the borrower to buy another property (MCOB 11.6.46E).

2.25 To make a material impact to support FTB affordability by reducing the regular payment amounts, interest-only would need to be available on a large proportion of the part interest-only mortgage. This is because, as was highlighted by several respondents, the availability of longer terms (30+ years) for some repayment mortgage customers means most of the payments in the early years primarily cover interest, with very little capital repaid.

Low Start Mortgages

2.26 Some respondents pointed to Low Start mortgages as an option to support certain FTBs and underserved consumers. These mortgages could start as pure interest-only and convert to repayment after a set period and are seen as particularly suitable for customers with high expected salary growth.

2.27 While Low Start mortgages are not prohibited under our current framework, the affordability of the increased payments would need to be assessed at the outset. We will consider whether to propose targeted changes to affordability requirements to treat the conversion to a repayment mortgage differently. We will also consider updates to the treatment of potential future increases to income.

Variable and irregular income or assets

Variable income and alternate payment schedules

2.28 Our current requirements were not perceived to create barriers to innovation to support different employment types or those with variable income flows, such as self-employed, contractors, freelance and gig workers.

2.29 Lender risk appetite was cited as a factor by two trade bodies and a number of banks. One trade body observed that some lenders, especially in the specialist market, may be more willing to innovate to support different types of employment.

2.30 Several trade bodies and a number of banks also argued that current capital requirements can make it difficult for lenders to innovate. However, respondents' comments were general in nature and did not provide further evidence or reason as to why. We have passed these comments to the PRA for their consideration.

2.31 Several respondents, including 2 trade bodies, called for greater payment flexibility. These could include alternative payment schedules to help those with irregular income flows, for example, people who are self-employed or contractors.

2.32 Firms have the flexibility to consider the types and periods of income they can accept (MCOB 11.6.8R and MCOB 11.6.9G). Our rules permit firms to consider income from more than one job, and for those who are self-employed, projections of future income, where these form part of a credible business plan. Firms can use a range of sources to verify income, for example, information sourced through Open Banking, provided they meet the requirements set out in our rules.

2.33 While the option to have variable payment schedules is possible in our and the PRA's rules, we know that some requirements across our rules use 'monthly payments' as a point of reference, for example, when advising on the cost of the mortgage (MCOB 4.7A.23AR), when undertaking a Modified Affordability Assessment (MCOB 11.9), and when assessing the impact of capitalising arrears (MCOB 13.3.4AAR).

2.34 We will review these references to monthly payments and consider whether updates are necessary to enable product innovation to support variable payment schedules.

Foreign currency lending

2.35 Consumers with income or assets in a foreign currency, or seeking mortgages denominated in a currency other than sterling, could also be better served. This was raised in feedback to our DP and Consumer Duty Call for Input.

2.36 Sales of mortgages denominated in a foreign currency are small. We do not have data on mortgages where the customer's income, or part of their income, is denominated in a foreign currency. Wider data on UK employees receiving at least some income in a foreign currency is also unavailable. However, receiving income or invoicing in Euros, US dollars or other foreign currency is an existing and likely increasing feature for some UK consumers, such as consumers who live in Northern Ireland and work in the Republic of Ireland. There is also greater internationalised working, and more flexible, cross-border contractor or gig economy employment.

2.37 Our foreign currency requirements were originally derived from the EU Mortgage Credit Directive. They apply where the customer's income or assets and the mortgage are denominated in different currencies, or the mortgage is in a currency other than sterling.

2.38 Respondents consider these requirements disproportionate and operationally complex, particularly those tracking and notifying borrowers of currency fluctuations, and the right to convert the loan into an alternate currency under certain conditions. As such, many lenders choose not to offer these loans.

2.39 Further, since 2016, following increased currency volatility, some lenders have applied greater reductions to foreign income before calculating mortgage affordability to account for currency risk.

2.40 We will explore whether we can simplify foreign currency requirements, in line with the Consumer Duty, to support consumers with foreign income or assets.

Credit-impaired consumers

2.41 Credit history and information is a key factor for firms' underwriting and ongoing credit risk management.

2.42 Several trade bodies highlighted that credit-impaired consumers could be a better served group. One lender estimates that 30% of UK adults, or 16.6 million people, have experienced adverse credit at some point in their lives, with 9.26m experiencing an event which negatively impacted their credit file in the last three 3 years.

2.43 Credit-impaired consumers often face barriers when seeking a mortgage, even where their financial situation has improved or the underlying cause resolved.

2.44 Respondents suggested our definition of 'credit-impaired customer' could be a contributing factor. They argued it may be arbitrary, overly restrictive and potentially exclude individuals from mortgages who have since demonstrated financial resilience.

2.45 One respondent felt that it would be an appropriate time to review the definition, given upcoming legislation to publish County Court Judgement claimant data, which could help distinguish between different types of judgments. Alongside this, our Credit Information Market Study Final Report proposed a series of remedies to drive better outcomes for users of credit information and for consumers, including forthcoming proposals to improve reporting standards.

2.46 The credit impaired definition, which was originally for reporting purposes only, was introduced as an operative term as part of the Mortgage Market Review (MMR). Its purpose is to support firms to apply our debt consolidation requirements, by creating consistency across firms and prevent gaming (i.e., manipulating applications to avoid stricter debt consolidation rules). Based on the feedback we received, firms may be applying the definition more broadly than originally intended, constraining lending to some borrowers whose adverse credit has been resolved.

2.47 We will explore how the definition is impacting firms' lending appetite and review our glossary definition to ensure how it should be applied is clear and outcome-focused. We will also consider the consequential impacts of any change on regulatory reporting.

Regulated Bridging Finance

2.48 We want regulated bridging loans to work for consumers and lenders where there is a genuine need for bridging finance.

2.49 Regulated bridging finance should be a genuine 'bridge', with clear purpose and exit strategy. Regulated bridging finance can be useful in several situations, including when building a house, buying at auction, settling issues of probate, carrying out refurbishments and 'breaking the chain' when buying or selling property.

2.50 Most respondents supported extending the existing 12-month term for regulated bridging loans to reflect the timescales for building, buying and selling property and settling probate, all of which can take more than 12 months.

2.51 Feedback differed on whether we should provide a short-term buffer period after the 12-month term, change the defined term limit to 18 or 24 months, or remove the term limit entirely.

2.52 One trade body wanted more flexibility for lenders when assessing whether the loan is 'for business purposes'. The respondent also asked us to clarify whether a bridging loan could be used to repair a customer's credit as referred to in MCOB 11.6.53 E.

2.53 The policy intention when the 12-month term limit was introduced was to prevent potential significant equity erosion that could take place with an unlimited term.

2.54 The MMR identified that some vulnerable consumers were being targeted to use bridging finance to clear arrears when facing repossession, despite having no realistic prospect of being able to refinance to pay off the bridging loan. The MMR also identified some vulnerable consumers were targeted to use bridging finance to repair their credit files.

2.55 We will explore options to update the term limit and extension requirements for regulated bridging loans. We will further evaluate the difficulties caused by the current term limit, and the potential harm that could be caused by more flexible term extension options and a longer defined term limit.

2.56 We continue to consider that a term limit, evidence of a clearly understood and credible repayment strategy, and the requirement that the loan cannot be used to repair credit are necessary consumer protections in this market.

Wider Feedback

Rental payment recognition

2.57 The interaction of rental payment history and future mortgage repayments has often been highlighted as an area for innovation.

2.58 We sought views on whether rental payments should be further reflected in our affordability standards, including whether a purely rent-based affordability assessment was desirable.

2.59 Some consumers have previously reported frustration where the regular payment a lender considers affordable is less than the rent they currently pay, leading to a smaller overall mortgage offer than expected. It is unclear how common this has been. As demonstrated in our DP and external data, mortgage repayments have tended to be lower than renting for most of the last decade, with the period of sharp interest rate increases in 2022-2023 the exception.

2.60 Further, following clarification of our interest rate stress test and change to the FPC's LTI flow limit recommendation firms are able to offer more consumers larger mortgages with higher repayments. These must still be assessed to be affordable. Analysis from one large lender shows it is now much less likely for a mortgage applicant to be offered a mortgage where the repayments are lower than the rent they currently pay on a similar property.

2.61 Respondents highlighted several challenges and risks to using only past rental payments as a basis for affordability. This included absence of verified income or funds to meet rental commitments, no testing of affordability where circumstances change (such as interest rate increases), the possibility that the rental rate may be below market value, that rental payments may have been met using credit, and the heightened risk of mortgage fraud.

2.62 We will support further industry and market-led innovation and adoption of rental payment data in firms' affordability assessments. The UK market, alongside the US, is developing some of the most advanced approaches globally to integrating rental payment data to positively build customer credit profiles. There are several active third-party service providers, including Credit Reference Agencies (CRAs) and payment institutions, using direct consumer reporting and Open Banking sources to integrate rental payment history. Most recently, a CRA has announced updates to its approach to using rental payments in its credit assessment score. This step could make it easier for lenders to take positive rental history into consideration when assessing affordability.

2.63 There are also established mortgage products in the UK which explicitly use rental payment history as a factor in their underwriting. One trade body and a firm pointed to a particular building society's track record mortgage as an example of a product in the market that can help renters.

2.64 Despite these developments, several trade bodies and several firms suggested further ways to improve the consistency and quality of rental payment reporting. This included further data standardisation, and potentially mandating landlords and letting agencies to report rent payments to CRAs. This latter point would introduce new duties on non-regulated entities and would require legislative change. It is likely to incur new costs to landlords, and to our knowledge no other jurisdiction has yet taken this step. At this stage we do not see value in establishing such requirements. We have passed this feedback to the Treasury.

Shared ownership

2.65 We received a broad range of responses from various stakeholders, including individual consumers, consumer groups, housing developers, intermediaries and lenders, on shared ownership.

2.66 There were several recurring themes and challenges to wider use of shared ownership. Most respondents considered our affordability requirements (which do not distinguish shared ownership mortgages) worked well and were not a barrier to shared ownership mortgage product development.

2.67 Shared ownership was established in 1980. CBRE reports there are currently around 260,000 shared owners, mostly in England. Many respondents saw shared ownership as an important tenure within the UK market. However, several features held it back from supporting more people access homeownership.

2.68 Shared ownership is primarily targeted at FTBs. Between 1 April 2023 to 31 March 2024 there were 18,324 first tranche shared ownership sales, with 76% to FTBs. The average initial equity share was 40%, with an average deposit of £22,800. Since 2009 the average equity stake has been between 37-43%. Between 2009 – 2024 the proportion of house sales has increased from 41% to 65% and the proportion of flat sales has reduced from 58% to 33%. Shared ownership borrowers are more likely than other tenures to be a single adult, who have around half the income of full ownership FTB households.

2.69 Challenges identified included:

- **Supply of shared ownership properties** – some respondents suggested that demand for shared ownership substantially exceeds supply. Shared ownership homes are primarily constructed under statutory affordable home requirements. They are therefore contingent on wider housing supply and changes in affordable housing policy. Alongside construction, homes need to be acquired by a Registered Provider. The capacity of these providers has been impacted in recent years, potentially reducing the supply of new shared ownership properties. In Scotland, 1 respondent highlighted that only 656 shared ownership homes have been delivered in the last 5 financial years, with only 50 shared ownership homes completed in 2024-25.
- **Prudential treatment** – several respondents suggested the capital treatment of shared ownership mortgages could be reformed, potentially improving credit supply and reducing interest rates charged. Generally, dual-regulated lenders calculate capital requirements using only the value of the share owned against the sum borrowed, rather than against the value of the whole property. Respondents also emphasised that the government-backed Mortgagee Protection Clause should be considered, given the protection it provides to the lender, transferring the financial risk of default and sale shortfall from the lender to the shared ownership Registered Provider.
- **Mortgage availability and interest rate charged** – historically the shared ownership mortgage market has had far fewer active lenders than the mainstream market, with higher interest rates charged. In 2015 there were 33 firms. This has increased to 46 active lenders in 2025. However, the increase in active lenders has not reduced the difference in the interest rates charged on a shared ownership

mortgage compared to higher LTV (90% or greater) mortgages for full ownership. In 2015 interest rates on shared ownership mortgages were 0.2% higher. This year it has been 0.92% higher.

- **Registered Providers and lender engagement** – respondents highlighted the need for improved communication between Registered Providers and lenders. Specifically, improvements to data sharing and standardising of scheme provider requirements and documentation were seen as opportunities to support wider shared ownership lending.
- **Consumer awareness** – intermediaries highlighted the need for greater transparency on scheme rules and the obligations and liabilities assumed by shared ownership consumers in relation to the property.
- **Leaseholds, fees and charges** – both consumers and industry highlighted complex leasing structures and unclear or high service charges and fees as a risk and barrier. This included both older leases where customers were liable for 100% of service charges and costs for maintaining the property, and new leases which benefit from grant funding for the first 10 years, particularly for flats. Lenders can become liable if a borrower defaults on service charges, adding complexity to underwriting and risk management.
- **Viability of staircasing or onward sale** – consumer feedback described the process for purchasing additional shares in the property (staircasing) and resale as complex, costly and time-consuming. Lenders raised affordability assessment challenges that were unduly limiting staircasing. This was due to either Homes England guidelines or scheme requirements, rather than our affordability standards. Levels and rate of staircasing have fallen in recent years, partly in response to increased inflation. Since 2001, around 82,000 households have 'staircased' to 100% or sold the property. This has led to the suggestion shared ownership is now a 'destination' for many, and not just a 'bridge'.

2.70 We have shared respondents' feedback with the Government and the PRA, and are ready to work with public authorities and interested organisations to support further reforms to improve shared ownership. However, the feedback we received has not identified areas in our rules warranting changes at this point.

Interest Rate Stress Test

2.71 We introduced our interest rate stress test requirement in 2014. It requires firms to consider the potential impact of likely future changes to interest rates on affordability for a minimum of 5 years. The exceptions are where the contract is less than 5 years in length, in which case the lender must test for the duration of the contract, or where the payable rate is fixed for a period of 5 years or more, in which case no stress test is required.

2.72 In March this year, we reminded firms of the flexibility in our stress test. It confirmed that lenders may design their stress test in a way that is appropriate for the customer's mortgage, including whether that lender is likely to offer the customer a new deal.

2.73 This has had a significant impact. Market participants report that at least 85% of the market has now updated its approach, with lenders able to offer around £30,000 additional lending for a typical application. Our Product Sales Data for Q3 2025 confirms an emerging shift in approach, and we expect a clearer trend in future quarters as mortgages offered since the clarification are completed.

2.74 Alongside questions in our DP, earlier in the year we also conducted a Call for Evidence on our stress test rule. Given the impact of our March statement and feedback received this year, we are confident that the current framework is now better used.

2.75 Some lender respondents said a change in the FPC's LTI flow limit was required to maximise the additional lending available under new approaches to meeting our stress test rule. Following the FPC's updated recommendation in July, some lenders have undertaken further adjustments to their affordability and lending criteria. Some respondents said that, taken together, these changes were important steps to rebalancing risk in the market, but they asserted they were unlikely to present material risks to consumers or financial stability.

2.76 There was limited support for a single, central rate or for adopting a flat stress rate – both of which are approaches taken in other jurisdictions. The PRA's interest rate affordability stress test for buy-to-let mortgage contracts was also highlighted as a sensible framework. It shares many similar aspects to the MCOB framework, with the addition of a floor rate. While both a central rate and a floor rate may ensure a consistent approach across firms at different points during the interest rate cycle, both may limit how a firm's stress rate considers the specifics of a customer's mortgage. Given the scale and diversity of products within scope of MCOB this is important. As some respondents pointed out, too rigid a framework could reduce flexibility and harm product innovation.

2.77 Following market developments and further feedback we have concluded no further policy change to the stress test is currently required.

Long Term Fixed Rate Mortgages

2.78 Most respondents agreed with the observations we made in our DP. These included that our rules are not a barrier to the development of the UK long-term fixed rate (LTFR) mortgage market, that consumer demand is limited and that there is limited evidence of harm from low levels of product availability. Many respondents, including consumer groups, said that regulatory intervention was neither necessary nor desirable to encourage further market development. As a result, we do not propose to intervene to support the take up of LTFR mortgages.

2.79 Some respondents pointed out that LTFR products can reduce the risk of customers suffering interest rate shock. Globally, several other mortgage markets have LTFR as the primary rate type available, notably the US, France and Denmark. All these markets are characterised by different lender funding models, which support LTFR.

2.80 Several industry bodies and financial institutions noted that within the UK there are a range of LTFR products available for customers, with new lenders and new products entering the market in recent years. However, respondents highlight there is currently limited demand from consumers for LTFR. This is due to actual and perceived limits on flexibility and early repayment charges. This includes additional costs if a customer moves home within a few years, the higher interest rate environment and the higher rates and monthly repayments compared to shorter-term fixed rates and other products.

2.81 There were limited suggestions for regulatory reform to support the market. Some respondents argued we should update advice requirements to place more emphasis on interest rate risk, and so that advisers can compare short term and long-term rates. Our rules (MCOB 4.7A.6R) already require advisers to consider if it is appropriate for the customer to have stability in the amount of required payments, especially given the impact of any future significant interest rate changes. Alongside the customer's other needs and circumstances, advisers might also consider what interest rate type, and length of any fix, is appropriate.

2.82 Some individuals thought changes to capital requirements would make LTFR products more cost-effective for firms. However, lenders disagreed, arguing the costs involved in pricing these deals are for lenders to manage. We have passed this feedback to the PRA.

Chapter 3

Enhancing later life lending

Overview

3.1 Demographic and economic change are likely to create more demand from homeowners to access their housing wealth in later life. Consumers need to be supported to fully understand their options for funding their later life, receiving timely and appropriate support and advice, with products that deliver good consumer outcomes and offer fair value.

3.2 Respondents engaged positively with our discussion of later life lending. Many agreed that now was the right time to consider changes necessary to meet changing and growing consumer need. Several referenced an increased overlap or 'blurring' of markets for customers over 55, given many mainstream lenders' increased maximum age limits and the increased flexibility of lifetime mortgages. However, the distribution of these products, along with consideration of a customer's wider wealth and options remains highly channel dependent.

3.3 While there was consensus on the context and challenges, there were a range of potential solutions suggested, all of which we believe need further consideration and development.

3.4 We also note industry and trade association-led initiatives aiming to support the market to develop. We will look to work with these initiatives as part of our work plan set out below.

3.5 Following the feedback received, we will continue to develop policy which supports the market to meet future customer need. During 2026, we will:

- **Undertake a focused market study** – to assess the readiness of the market to deliver for consumers in future, to inform future policy development;
- **Consider changes to our RIO framework** – including affordability requirements, and application of LTI limit requirements to support market development of this product; and
- **Explore options to support the delivery of more holistic advice** – with a view to enabling consumers to efficiently access the wide range of advice and support they may need when making financial decisions on their housing wealth as they approach later life or during later life.

Feedback received and action we are taking

Focused market study to assess readiness for future demand

3.6 Respondents recognise that more mortgage terms are extending into later life and the pension savings gap is widening. This means more borrowers may need to use their housing wealth to support their retirement, long-term care needs and achieve financial security in later life. Releasing equity through downsizing, whilst an important alternative to a mortgage, was seen by some as increasingly uneconomical given transaction costs and inheritance tax implications in some circumstances, in addition to limited supply of desirable alternate housing options. Safe and fair value access to housing wealth could deliver wide ranging social and economic benefits.

3.7 The lifetime mortgage industry continues to reform and innovate – driven by economic conditions, demographic change and regulatory intervention. Respondents highlighted new product features and flexibilities that have been introduced in recent years. These include options to make full or partial interest payments rather than allow interest to roll-up, pay down capital with reduced or zero repayment charges and flexible drawdown. Industry respondents suggested that further product innovation is achievable.

3.8 However, respondents recognised several potential challenges to meeting increased demand from a greater range of customers. These include:

- The number of active later life lenders and advisers. Today there are around 16 active lenders in the lifetime mortgage market. By contrast there are around 179 lenders operating in the mainstream market. With respect to equity release advisers, there are currently 6,155 unique individuals certified to advise on equity release transactions, with industry estimating around 2,000 active individual advisers. This compares to over 35,000 advisers in the mainstream market.
- Low consumer awareness, understanding and trust in products and services.
- Concerns about cost and scope of advice. These include the practical challenges for consumers of potentially needing to engage multiple advisers, such as regulated financial and mortgage advisers, alongside tax and legal advisers, so they can make confident and informed decisions.
- Impact of prudential standards and investor demand for equity release backed securities. Respondents said these limited or created disincentives for insurers to expand in the lifetime mortgage market, affecting product availability, pricing and innovation. Some suggested exploring government-backed solutions such as underwriting the No Negative Equity Guarantee, securitisation or guarantees to reduce funding costs and expand access. We have passed this feedback to the Government and the PRA.

3.9 We will undertake a focused market study to assess if the market can and will develop to meet the increased and differing needs of consumers in the future. We will consider how we can support the market to adapt, and look to support evolving industry innovations and opportunities to get the right long-term solutions in place. Where we find change is needed, our focus will be on implementing pro-competitive solutions that support innovation, and for consumers to easily access products and services which meet their needs and provide fair value.

3.10 We will launch this study with a Terms of Reference in Q1 2026, setting out the proposed scope, key issues we'll explore, the potential outcomes this work might lead to, and our next steps. We will actively engage with firms, industry and consumer groups, and other stakeholders to get their views throughout. Our study will be forward-looking; it will not examine the past conduct of individual firms. We will aim to publish an update by the end of 2026, and consult in 2027 on any changes within our remit that we think could be made.

Assessing Retirement Interest-only Products

3.11 Respondents highlighted retirement interest-only (RIO) mortgages as an underused solution for many consumers, with regulation being the main barrier. RIOs are loans for older consumers where regular interest payments are made for life, with repayment of the loan made following a specified life event (usually the customer's death or move into residential care). At that point, the loan is repaid, often through the sale of the property

3.12 The uptake of RIO products remains limited. So far in Q1–Q3 2025, 2,137 RIO mortgages (£201.5m) were advanced across the UK, compared to 20,322 (£1.63bn) lifetime mortgage sales. The quarterly volume of RIO advances typically ranges between 650-750 loans, with lifetime sales around 6500-7000 sales. RIOs are currently a niche product within the later life segment.

3.13 Respondents noted the benefits of RIO products to older consumers, allowing them to release equity or repay a mortgage while remaining in their home. It may be more cost-effective than moving home or a lifetime mortgage. RIO products can also provide a viable option for house purchase for older borrowers who can make interest payments, but do not want or cannot afford full repayment.

3.14 Several respondents identified our guidance on RIO affordability assessments for joint mortgages (MCOB 11.6.15G(4)) as a significant barrier to entering the market. They recognised that RIO affordability assessments need to account for an individual survivor's ability to maintain their payments if their partner dies. However, current guidance has been applied in a restrictive way. Many lenders only assess affordability using the current income of the customer with the lowest income, rather than allowing for changes to their income or assets on the death of their partner, the other customer. This prevents more realistic assessments of customer affordability if one of the parties dies. Others have asked whether they could consider other repayment strategies if a joint borrower dies, such as planned use of equity release.

3.15 We will review our guidance to decide if we need to make changes to support alternative affordability assessments for RIOs. As noted in the previous chapter, we will also assess whether RIOs should be exempt from limits on higher LTI lending requirements, benefitting from similar treatment to that currently given for lifetime mortgages.

Holistic Advice

3.16 There was broad support for making advice more holistic. Respondents highlighted the potential benefits to consumers, particularly in later life lending. Many considered that a more holistic approach would better address the full spectrum of customer needs and secure better outcomes, as customers would be better informed to make decisions.

3.17 However, there was no clear consensus on what holistic advice is and different opinions on what this should look like. Some thought that advice should consider all available mortgage options for a customer, while others advocated for a truly integrated approach that brings together lifetime mortgages, pensions and investment advice.

3.18 Respondents identified a number of barriers to achieving a holistic approach to advice. Many said there are regulatory silos, particularly between mainstream and later life lending, caused by the structure of MCOB rules and split qualification requirements. Other barriers mentioned include regulatory reporting requirements, the RIO affordability assessments, and external standards which require some customers to get legal advice.

3.19 Respondents widely acknowledged that achieving truly holistic advice is complex and had differing views on how to achieve it.

3.20 Many respondents favoured both merging MCOB 4 and 8 and reviewing the Training and Competency Sourcebook requirements to incorporate equity release into the existing Level 3 mortgage qualification. This could enable all advisers to consider whether later life lending was suitable for their customers and thus support a more holistic assessment of their needs. Others went further, suggesting that there should be a single qualification, also encompassing pensions. However, some had concerns that significant changes to the qualification requirements would be costly and potentially result in the advice market contracting.

3.21 Other suggested options included:

- Expanding the free information the Money and Pensions Service gives consumers to include later life lending.
- A market-wide referral scheme, or a shift to a framework where advisers 'diagnose' what the customer might need and refer them to a specialist.
- Requiring brokers to disclose whether they advise on later life products.
- Introducing signposting to prompt borrowers to think about later life options as they approach the end of their term or switching products.
- Exploring how emerging technologies, such as AI, could help advisers deliver holistic advice.

3.22 Mortgages can be complex for many consumers, particularly when considering later life lending options. We want consumers to be able to make well-informed decisions, and we recognise that access to professional advice can support delivery of good outcomes.

3.23 We share stakeholders' aspiration for more holistic advice. To realise its benefits, we need to undertake further work and engagement to define the scope of holistic advice and the outcomes it should aim to achieve. Given the scale and breadth of policy development, we will run this in parallel with our focused market study and ensure respective findings and insights are shared.

3.24 We intend to engage further with industry and other stakeholders in early 2026, including through roundtables, to start this process. This is likely to explore what is possible within the current regulatory framework, how housing wealth can be integrated into existing retirement advice and guidance systems, scope what a commercially viable holistic advice proposition could look like, and identify any regulatory changes needed to support its delivery.

Wider feedback

Suitability Rules

3.25 Respondents outlined that our advice suitability rules were clear, and generally working well. Some did not see any reason to change the suitability rules.

3.26 Most respondents supported the aim of the 'cheapest option' rule (MCOB 4.7.23A). However, several respondents felt there were benefits to reviewing and updating it. They noted inconsistencies in the way firms interpret the rule, especially which fees and costs should be included in the calculation. Some felt there should be more flexibility and noted issues with comparing different products such as RIOs with lifetime mortgages. Others find the rule outdated and not in line with the Consumer Duty, which can lead to a narrow focus on price and potentially lead to customer confusion.

3.27 We will consider whether any amendments to these rules would be beneficial as we consider whether changes are needed to deliver holistic advice.

Enhanced Advice

3.28 The idea to consider introducing an enhanced level of advice for specific borrowers was met with caution. We will not take this idea forward but will use the feedback received as we consider options to deliver holistic advice.

3.29 Industry respondents felt that advisers regularly deal with a range of borrowing needs and that they already tailor advice based on their customers' circumstances. Both industry and consumer groups thought that introducing an enhanced standard of advice risks creating a two-tier system, which could undermine the Consumer Duty and result in a shift in focus to process over outcomes. A consistent standard of advice for all advisers is preferred.

3.30 While enhanced advice might offer benefits in high risk or complex transactions, many believed that similar outcomes could be achieved through mandatory Continuous Professional Development, updated qualifications and training, and better referrals, rather than new advice standards.

3.31 There was broad consensus that qualifications alone are not the best way to improve advice and there was minimal support for an enhanced qualification. Respondents thought an additional qualification would be costly, disproportionate and damage adviser retention and diversity.

Chapter 4

Enabling innovation

Overview

4.1 Developments in Open Banking, Open Finance, AI and data science were all seen as enablers of new, efficient ways to assess credit risk and widen lending criteria. Respondents to the DP also saw AI as a powerful new tool to support human-led mortgage advice.

4.2 Respondents encouraged us to continue to make our Innovation Services available to support further development and adoption of open banking and open finance. Several respondents highlighted the opportunities to improve digital journeys, data access, and product design to meet diverse customer needs.

4.3 We will:

- **Continue to support innovation and adoption of new technology** – through our Innovation Services, encouraging mortgage industry participation
- **Further consider the role and standard required for mortgage disclosure** – to support digital customer journeys and alignment with the Consumer Duty

Feedback received and action we are taking

Innovation services

4.4 We are currently running an Open Finance TechSprint focused on mortgages. Ten teams are looking at the potential use of Open Finance data to improve customer outcomes against 2 problem statements. The TechSprint will run until February 2026.

4.5 Our AI Lab is enabling safe, responsible AI experimentation and collaboration across a variety of firms and fintech businesses. The first cohort of users of our Supercharged Sandbox, which aims to help firms who are in the discovery and experiment phase of their AI product's development, includes a mortgage use case. Alongside this, our AI Live Testing, which involves several lenders, is designed as a service to help those further along in the process of developing an AI system and who are ready to begin using AI in real-world contexts.

4.6 We encourage more mortgage industry applicants to use our Innovation Services. Applications for future cohorts within our AI Lab will open in 2026. Where we have further demand, with applications that meet the scheme criteria, we will support firms to explore and test their innovations.

Disclosures and financial promotions

4.7 Mortgage product disclosures aim to ensure consumers are given clear and comprehensive information about the terms, costs, and risks of the prospective or agreed mortgage. It should enable borrowers to compare options, understand their obligations, and make informed decisions. It is an important summary of the offer or the mortgage and allows them to consider the terms outside of a sale or advised conversation.

4.8 The Consumer Duty sets a clear framework for disclosure. It means firms must help retail customer understanding by providing communications that meet their information needs, are likely to be understood, and equip them to make effective, timely and properly informed decisions.

4.9 Mortgage disclosure requirements, introduced before the Duty, are prescriptive across an applicant journey and during the life of the mortgage, with key standards originally derived from EU requirements.

4.10 Respondents did not generally call for material changes to our disclosure framework. This was despite a consensus that consumers engage with it in a limited way, and do not use it as envisaged – particularly the European Standardised Information Sheet (ESIS) which is not used for comparing different mortgage offers.

4.11 Larger mainstream lenders highlighted the sunk investment costs from developing ESIS compliant systems, which should be considered in any cost-benefit analysis of potential changes. Specialist and niche lenders, such as bridging firms, were in favour of change and increased flexibility, currently limited by our disclosure framework. Many respondents highlighted potential benefits of permissive changes, provided we allowed long implementation periods.

4.12 We believe it is worth further exploring changes to disclosure and financial promotion rules to support innovation and smoother digital journeys.

4.13 The Consumer Duty, alongside changes in markets, technology, consumer behaviour and expectations, means we should look again at how sector requirements could change as firms support consumer understanding. As part of the Consumer Duty requirements review, we want to give firms more flexibility to tailor customer-facing communications in a way which promotes consumer understanding and allows for more modern customer journeys.

4.14 We will take a step-by-step approach, first using existing behavioural research, firm insights and potentially commission mortgage-specific research in 2026. We will engage with firms and system providers to help us further develop our approach. If we decide rule changes will improve market competitiveness, support growth or improve consumer outcomes, we expect to consult on proposals during 2027.

Wider feedback

Digitising the house buying and selling process

4.15 We asked whether conduct regulation can support the digitisation of the house buying and selling processes.

4.16 Establishing a new approach was seen by many respondents as requiring significant government leadership and support. Shortly after our DP closed, the Ministry of Housing, Communities & Local Government launched its consultation on Home buying and selling reform.

4.17 Respondents identified several benefits to digitalising the home-buying and selling process. These included greater transaction certainty, speed, efficiency, reduced fraud, resilience and reduced costs. We note that these potential benefits could apply in both home moves and equity release.

4.18 By contrast the current system, particularly in England, Wales and Northern Ireland is seen as slow, inefficient and with higher failure rates and costs than in other developed countries. The root causes are inefficiencies between the number of parties involved and a lack of digitisation.

4.19 Respondents recognised ongoing initiatives to improve efficiency and reduce costs, such as those led by the Digital Property Market Steering Group, the Open Property Data Association and HM Land Registry with the Digital Registration Service, as well as the rollout of digital ID checks. Recently the Centre for Finance, Innovation and Technology has been tasked by HMG to launch an industry-wide Coalition to coordinate and progress various live initiatives seeking to enable a digitally-driven property market.

4.20 Some respondents supported a role for us sharing our experience of creating frameworks that enable data sharing, establish conduct standards and deliver outcomes that meet the needs of different and vulnerable groups. As the sector increasingly uses digitisation and technology, some respondents felt we should promote standardisation and accountability, ensuring regulation provides the necessary guardrails to support innovation and better consumer outcomes.

4.21 We recognise that we have a role to play in supporting the Government and the industry to deliver digitalisation of the house buying process. This is particularly the case for streamlining anti-money laundering (AML) checks as we assume the role of the single professional services supervisor for AML.

AI assisted advice

4.22 There was a strong consensus that AI should be used to improve the mortgage advice process, but it should not replace human advisers. We will consider the feedback on AI-assistance as part of our work to develop a more holistic approach to advice. More broadly, our approach to AI, or any new or novel technology, is principles-based and outcomes focused, to allow firms to adapt and innovate.

4.23 AI is seen as valuable for improving sales processes, eligibility assessments, fraud detection, and administrative tasks, but human judgement remains essential, especially in complex cases.

4.24 Several respondents called for additional rules and guidance on the use of AI within the mortgage sector. Many respondents raised concerns about accountability highlighting the lack of a clear regulatory framework for holding AI accountable for advice given. Some called for defined standards on transparency, suitability, and liability for AI-generated advice. This was particularly important to respondents given concerns about AI's potential to make errors, hallucinate or produce incomplete data which could cause problems for advisers and customers.

4.25 We consider that existing frameworks – such as the Consumer Duty and the Senior Manager and Certification Regime – can already manage many of the risks associated with adoption of new technologies.

4.26 Respondents agreed that qualified advisers should review and sign off AI-based recommendations. Human intervention was seen as vital for ensuring advice suitability and consumer protection. Respondents also had concerns that customers may not fully understand AI-generated recommendations or may engage superficially with AI advice. This could lead to poor decisions, especially if consumers do not know what questions to ask or what information is relevant. Respondents also emphasised the need for clear disclosure of how AI is used in the advice process and to ensure vulnerable customers are not disadvantaged. Some respondents raised that increased reliance on technology could exclude some older borrowers.

4.27 Respondents thought the role of intermediaries is likely to evolve rather than disappear. Intermediaries could increasingly act as interpreters, validators or facilitators of AI outputs, helping consumers understand and contextualise AI-generated advice or providing a final recommendation from an AI-generated long list.

Chapter 5

Protecting vulnerable consumers

Overview

5.1 Several areas emerged where further action is needed to protect consumers in vulnerable circumstances. These included exposure to the impacts of climate change, outcomes for victim-survivors of economic abuse and those using a mortgage to consolidate debt.

5.2 We will take work forward to:

- **Climate risks** – Collaborate with the Government, industry and others to continue to improve consumer understanding and appreciation of climate risks, particularly flood risk, accompanied by action to improve mitigation
- **Economic abuse** – Work with Government and others to identify material solutions to challenges and poor outcomes faced by victim-survivors of economic abuse
- **Debt consolidation** – Explore the potential cost-benefit of revised standards for debt consolidation, aligned with the Consumer Duty

Feedback received and action we are taking

Implications of climate change

5.3 As part of our broader work to understand the impact of climate change on the mortgage market, we sought views on whether regulatory interventions could help address climate-related challenges.

5.4 We continue to engage with the Government, industry, and other stakeholders to explore how physical and transition climate risks are affecting lender risk appetite, affordability, and consumer outcomes. Physical risks such as localised flood risk, may affect the quality and value of the property as security for a mortgage, making it harder for prospective homeowners to obtain a mortgage. Existing homeowners could face new challenges and costs if growing physical risks affect their home's value, their ability to remortgage to a new lender, or sell their home.

5.5 A key concern was flood risk and the scheduled expiry of the Flood Re insurance scheme in 2039. In the decade since it was established it has helped 660,000 households secure flood coverage. Policies ceded to Flood Re have increased in recent years, with a 20% increase to 346,200 policies in 2024/25, reflecting an increase in severe weather events and rising global reinsurance costs. Flood Re's chair and chief executive have both highlighted the need to reform the scheme to ensure it is sustainable, and that collaborative and bold thinking is required to shape flood insurance beyond 2039.

5.6 As the expiry of Flood Re coverage draws closer, this will increasingly affect lender risk appetite. Many mortgage terms already extend well beyond 2039. Other areas raised included the need for a long-term solution for funding flood defences, improved coordination in planning and flood risk assessments, and developing stronger connections between lenders, insurers and the Department for Environment, Food & Rural Affairs. We will continue to engage with the industry, and plan to undertake further structured engagement on this topic in Q1 2026. We will also continue engagement through the working groups of the Climate Financial Risk Forum, which have developed guides and tools to help the industry in areas such as climate adaptation and resilience. And we will liaise with other appropriate public bodies to ensure we communicate the issues and suggestions outlined above, encouraging a collaborative approach.

5.7 Respondents raised several points directly relevant to our regulatory remit. These included greater clarity and consistency around green finance, particularly on green mortgage products and their interaction with our Anti-Greenwashing Rule (ESG 4.3.1R). We will consider green disclosure as part of our wider commitment to reviewing disclosure.

5.8 Some respondents also said borrowers can struggle to fully understand retrofit products (such as solar panels or heat pumps) and the associated payback periods, maintenance issues, and potential savings. Respondents encouraged us to introduce clearer disclosures to help raise consumer awareness and support more informed decision-making. As this relates directly to non-financial products, we have passed this feedback on to the Government and the relevant authorities.

5.9 Respondents also suggested clearer standards for affordability assessments where borrowing is used to fund climate resilience and efficiency improvements. We recognise the importance of improving the energy efficiency of UK housing stock in the transition to a climate resilient and net zero economy. We also recognise the role lenders can play to help homeowners retrofit their homes, for energy efficiency or climate adaptation, including to make them more resilient to the risk of flooding. We support innovation in this area and remain open to working with firms as they design and deliver new propositions.

5.10 There is already flexibility within our rules for lenders to use statistical or modelled data when assessing a consumer's current and future basic expenditure, including energy bills. We are aware that some lenders already incorporate expected energy savings into their affordability assessments and offer preferential rates or cashback for energy-efficient properties or retrofit improvements. This approach enables lenders to support sustainability-linked lending while maintaining responsible affordability standards.

Economic Abuse and Coercion

5.11 We asked for feedback on how our regulation, and wider requirements and processes, could better support victim-survivors of joint mortgage abuse.

5.12 There was overwhelming support from a range of respondents for improving outcomes for victim-survivors of economic abuse, alongside evidence of ongoing initiatives to improve firms' processes and procedures. As a next step, some respondents said changes were needed to joint and several liability to materially improve outcomes for victim survivors.

5.13 We have continued to engage with the charity Surviving Economic Abuse and have met with victim-survivors of economic abuse to hear first-hand the challenges faced – we are very grateful to them for their insights.

5.14 We recognise that achieving wider change requires a collaborative approach. We welcome the Treasury's Financial Inclusion Strategy and its commitment to explore joint mortgage abuse. We will continue to engage with the Government and other stakeholders to achieve meaningful change for those suffering economic abuse. We support exploring of the legal challenges where economic abuse is evidenced, and how process and procedures could be improved, for example whether the existing lender could be involved in court proceedings where a Mortgage Capacity Report is undertaken to have an accurate reflection of the position.

5.15 Some industry respondents asked for guidance on when they could accept single borrower consent in economic abuse cases.

5.16 Where pursuing payment or compromising the debt, case law is clear on when and how lenders may enter arrangements with one of the debtors.

5.17 For contractual changes, lenders will apply their own terms and conditions within the requirements of the law. One consumer group asked for lenders to update their terms and conditions to enable single borrower consent for contractual changes in economic abuse cases. Ultimately where a dispute arises, the intervention of a court may be required. Further change is likely to require potential consideration of legislation.

5.18 We also believe it would be outside our statutory powers to introduce rules or guidance that allow for transfers of equity in respect of the property without the consent of one of the parties, given that if the parties are not in agreement a court order would be required to transfer the mortgaged property.

5.19 One consumer group highlighted that, in some cases, exiting the mortgage may be in the best interests of the victim-survivor, where their abuser is making token payments and equity in the property is being eroded. While MCOB 13.3.2AR(6) is clear that firms must not seek repossession unless all other reasonable attempts to resolve the position have failed, firms should use their judgement to understand and consider the customer's individual circumstances enabling them to tailor support and prevent foreseeable harm. We recognise that repossessions are sometimes necessary, to protect consumers from greater, unsustainable debt and to maintain the integrity of the mortgage market.

5.20 The same consumer group also recommended that firms update their terms and conditions to allow for a single party's consent where a court order has been made. We have passed this feedback to the Government.

5.21 On repairing credit files, we know that CRAs, lenders and trade bodies are working in collaboration with the third sector to improve the way coerced debt and economic abuse is reflected on victim-survivors' credit files. By providing contextual information, the aim is to make it easier for victim-survivors to access products in future. One firm highlighted that it used marital dispute markers to support victim survivors. Some responses highlighted the benefit of having separate credit data where there is a dispute.

5.22 Life events such as domestic financial abuse are one of the 4 drivers of vulnerability that we identified in our Guidance for firms on the fair treatment of vulnerable customers. It is positive to see firms' efforts to work with experts by experience and share good practice. Publications such as UK Finance's Financial Abuse Code and the Good practice guide by the charity Surviving Economic Abuse help build understanding of possible responses to the issues. HMT has recently highlighted in its Financial Inclusion Strategy the role of good practice examples, including providing specialist training for frontline staff and ensuring customer support teams are equipped to deal with identified cases of economic abuse. Firms may want to consider these publications in the context of mortgages.

Debt Consolidation

5.23 We asked for views on taking a differentiated approach for mortgages taken out for a purpose other than buying a property, including for debt consolidation.

5.24 Most respondents agreed that a differentiated approach was desirable where a mortgage was for debt consolidation purposes, given the different aims and risks to a mortgage for homeownership.

5.25 There was limited detail on what a differentiated approach might look like. One trade body suggested permissive changes to affordability assessments. Others suggested this could simply be a requirement to seek legal advice or be given enhanced advice.

5.26 There was cautious support for revised advice requirements for complex debt restructuring. Some respondents thought it would result in better outcomes for customers, though they provided little evidence to support this. Firms flagged that not everyone consolidating debt would require an enhanced level of advice.

5.27 We are currently undertaking multi-firm reviews examining responsible lending, quality of advice and fees and charges in the second charge mortgage market. We will consider the findings from these reviews and use them to shape next steps for our debt consolidation rules.

Chapter 6

Rebalancing risk in the mortgage market

Overview

6.1 Our DP outlined some of the trade-offs that need to be considered were the overall risk appetite of the mortgage market to shift. This included increased mortgage access potentially leading to possible house price inflation and greater potential for defaults. Most respondents agreed that we identified the right trade-offs.

6.2 We also set out ideas with respect to 'tolerable harm', a key point of reference where we allow for more risk, aiming to deliver consumer, growth and competition benefits, acknowledging it could potentially mean increased risk of harm for some consumers.

6.3 We will use this feedback to refine our approach to tolerable harm further and inform future analysis and trade-offs where policy and rule change is proposed.

Rebalancing risk

6.4 Rebalancing risk is central to our Strategy. Given developments in markets and regulation, now is the time to look again at our collective attitude and approach to risk. Mortgage regulation should enable informed risk to be taken, not eliminate it entirely. Attempting to do so would stifle innovation and competition, and with them the market dynamism that drives growth and benefits consumers.

6.5 Rebalancing risk requires a collective shift in thinking, measuring success not only by the absence of failures, but by the benefits realised. Importantly, it is not about accepting harm lightly, but about balancing risk and benefit responsibly. This requires us to have an honest dialogue about the relationships and trade-offs between risk, benefits, and potential harm, informed by real-world complexity.

6.6 Where we propose potential changes to our mortgage framework, we will transparently consider the trade-offs where we are rebalancing risk within the mortgage market.

Trade-offs

6.7 Most respondents agreed that rebalancing risk appetite within the mortgage market could lead to an increase in arrears and repossessions, particularly for higher risk customers.

6.8 Respondents generally felt that these risks can currently be managed, noting that arrears and possessions have been low following the financial crisis, and most recently following increased interest rates and increases in the costs of living. Many respondents believe an increase in arrears and repossessions, as market risk appetite shifts, would not be significant and within a tolerable level of harm. Further, respondents noted this would occur within a support framework for customers in financial difficulty recently updated following the pandemic.

6.9 Some consumer groups argued that stronger forbearance, which could be mandated, may still be needed where risk appetite changes, with earlier intervention. Others highlighted that the financial literacy of consumers should be factored in.

6.10 It was also noted that where delinquency increases, and expectations of forbearance also increase, these may have a counter effect to the aim of widening mortgage access. This is because firms may readjust their risk appetite to manage the cost and operational burden of increased forbearance.

6.11 Respondents also suggested several additional trade-offs we should consider:

- 'Layering risk': layering multiple risk factors increases overall exposure
- Digital Exclusion: automation may disadvantage vulnerable consumers who don't have digital access
- Equity Concerns: both intergenerational and intragenerational fairness issues arise, especially on access to family wealth and income trajectories
- Climate Risk: short-term pressures or disincentives limiting investment for long-term protection
- Rental prices: where rental supply is constrained, but demand is increased because of tighter lending rules

Relationship with 'foreseeable harm'

6.12 The relationship and consistency between 'tolerable harm' and the Consumer Duty requirement to 'avoid causing foreseeable harm to retail consumers' (PRIN 2A.2.8R) was raised by several respondents.

6.13 These two elements of our approach – our established Consumer Duty requirement and developing concept of tolerable harm – are compatible. Both accept that risk and harm are an inherent aspect of financial markets and products – but both also seek to ensure that risk is appropriately controlled.

6.14 Consumer Duty requirements are standards against which firms are held accountable. They must act to avoid causing foreseeable harm to retail consumers. The rule is underpinned by the concept of reasonableness. Firms are only responsible for addressing the risk of harm when it is reasonably foreseeable at the time, considering what a firm knows, or could reasonably be expected to have known.

6.15 In contrast, tolerable harm could be a reference point we use to evaluate the impact of policy change on a market where increased risk has been introduced or where the distribution of risk has changed.

6.16 These approaches may also be complementary in circumstances where rebalancing risk realises a higher level of net benefit for consumers, with new risk appropriately mitigated and avoiding lost opportunity from keeping the status quo or doing nothing.

Annex 1

List of respondents

Adam Broughton

Age Partnership Limited

Alvin Scott

Amanda Ducas

Angela Conder

April Mortgages Limited

Arjan Verbeek

Association of British Insurers

Association of Mortgage Intermediaries (AMI)

Church of England Pensions Board

Citizens Advice Bureau Scotland

Compare the Market

Dr Alan Brener, UCL

Dr. Nicole Lux – Real Estate Lending Research

Elizabeth Rooke

Equity Release Council

Fibonacci Finance Limited

Finance & Leasing Association

Fred Y Manu

Generation Rent

Guiide

Homes for Scotland

Jasmine Luy

KG Mortgages Limited

Later Living Now

Legal & General

Lloyds Banking Group

Morgan Ash

Mortgage Advice Bureau

Mortgage Advice Trust

Mortgage Metrics

Mortgages Made Easy

National Westminster Group

Nationwide Building Society

Plain Numbers

Pocket Living

Richmond IFA

Royal London Group

Santander UK

Shared Ownership Council

Step Change

Stonebridge Mortgage Solutions Limited

Surviving Economic Abuse

The Bridging & Development Lenders Association

The Building Societies Association

The Practitioner Panel

UK Finance

University and College Union (UCU)

Vida Bank Limited

Annex 2

Abbreviations used in this paper

Abbreviation	Description
AML	Anti-money laundering
CRA	Credit Reference Agency
CRS	Credible repayment strategy
DP	Discussion Paper
ESIS	European Standardised Information Sheet
ESG	Environmental, Social and Governance sourcebook
FCA	Financial Conduct Authority
FPC	Financial Policy Committee
FTB	First-time buyer
LTFR	Long-term fixed-rate mortgage
LTI	Loan-to-income
LTV	Loan-to-value
MCOB	Mortgages and Home Finance: Conduct of Business sourcebook
MMR	Mortgage Market Review
PRA	Prudential Regulation Authority
PRIN	Principles for Businesses
RIO	Retirement interest-only

© Financial Conduct Authority 2025
12 Endeavour Square London E20 1JN
Telephone: +44 (0)20 7066 1000
Website: www.fca.org.uk
All rights reserved

Pub ref: 2-009004

All our publications are available to download from www.fca.org.uk.

Request an alternative format

Please complete this form if you require this content in an alternative format.

Or call 0207 066 1000

Sign up for our **news and publications alerts**