

Mr Brandon Lewis MP  
Department for Communities and Local Government  
2 Marsham Street  
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London  
SW1P 4DF

18 May 2016

Dear Minister,

Please accept this letter as a short supplementary response to the Starter Homes Regulations consultation, published on 23 March 2016. Whilst Barclays has contributed to the Council of Mortgage Lenders' response (CML), we wanted to provide some additional positive comments about the Government's proposals, which we believe will offer significant benefits to first-time buyers (FTBs).

Although Barclays' share of the new-build lending market is at present smaller than some players (notably, Lloyds and Nationwide) there is significant appetite among us and other less dominant lenders for greater participation to support FTBs. We see Starter Homes as an exciting means to achieving this, and to getting more people onto the property ladder. We are pleased to have the chance to support the Government in implementing this policy.

There are two key areas where we would like to add our comments to those set out by the CML. First, with regard to the sale of Starter Homes, and second, on the interaction with the Help to Buy scheme.

On the former, we support the Government's view that restrictions on the property's sale at market value should be no longer than eight years. We therefore believe a five year restriction moving to a three year taper would be the best approach, which significantly differs from the CML's view that the longer the period of discount – including the taper – is, the greater lender participation would be. However, in line with the CML, we support the proposal that where a Starter Home is sold at full market value, the seller should receive the share of the value they are due, and any residual discount is returned to the Government.

We support an eight year restriction period because, whilst we acknowledge that these properties should not be viewed as short term investments, we strongly believe that a Starter Home should be just that – your first home, not your only home. Any policy interventions should therefore encourage movement up the ladder as well as on to it. By enabling people to progress to the next rung quickly, this will create a capillary effect, freeing up more homes for the next FTB, and pulling more people up and onto the ladder.

Our position is also supported by consumer behaviour. Research from Clydesdale and Yorkshire Bank in January of this year suggests that the average FTB plans to stay in their home for 7 years, 9 months<sup>1</sup>, which means that an 8 year restriction window would align with organic behaviour. CML research from 2015<sup>2</sup> also suggests that the median age of an FTB is 30. The decade between the ages of 30 and 40 often sees significant life milestones – for example marriage or the start of a family – so it will be important that consumers retain the flexibility to move on or realise value from their property as and when they need it.

Regarding the interaction between Starter Homes and the Help to Buy scheme, we share the CML's concern that this could create complexities which would be challenging for lenders and consumers alike. For example, would the equity loan be on the market value or the starter home value? And how would this be returned to the Government or consumer when they sold the property, either within the restricted period or after? Finally, were the schemes to interact, a consumer could feasibly only need an investment of £96,000<sup>3</sup> on a London property of £200,000 to own that property. This risks giving excessive advantage to these individuals which could lead to market distortion. However, whilst potentially challenging, combining schemes would not be beyond our operational capabilities were there strong political appetite to see this happen.

Finally, whilst we recognise that this policy does bring a small risk of consumer 'gaming', in contrast to other larger lenders we are not convinced that this will lead to significant market distortion. Instead we see Starter Homes as a welcome means to getting people onto, and moving up the property ladder whilst also potentially boosting competition in the new build lending market.

If you have any questions about the above response, please do not hesitate to get in touch with myself or Tony Fullbrook ([tony.fullbrook@barclays.com](mailto:tony.fullbrook@barclays.com)) in my team who would be happy to discuss our views further.

Yours sincerely,



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<sup>1</sup> <http://www.propertywire.com/news/europe/uk-housing-ladder-research-2016012111465.html>

<sup>2</sup> CML, First-time buyers, new mortgages and affordability, UK (2015)

<sup>3</sup> A Starter Home with a full market value of £200,000 would be available to eligible buyers for £160,000. In conjunction with the London Help to Buy scheme, a customer would require a 5% deposit (£8,000) plus a 55% loan-to-value mortgage (£88,000) equating to £96,000 in total