

Emma Reynolds MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

7 March 2025

Dear Emma,

RE: Simplifying responsible lending and advice rules for mortgages

Thank you for your letter of 7 February, welcoming our Mortgage Rule Review. We support the Government's commitment to helping people own their own home and its backing for our work to support economic growth. We want to ensure regulation supports sustainable home ownership.

We are taking steps today, and in the coming weeks, to improve access and flexibility for mortgage borrowers.

Today, we are reminding firms of the flexibility our rules provide. As interest rates fall the current market approach to interest rate stress testing may be unduly restricting access to otherwise affordable mortgages. To consider further improvements quickly, we will shortly launch a Call for Evidence on current and alternative approaches to stress testing.

Innovation and digitalisation, including use of AI-enabled tools, will be a key driver for growth and good consumer outcomes.

Later this month we will work with a wide range of experts, including from the mortgage sector as part of our Open Finance Sprint. We will consider how improved smart data sharing can enhance products and services and inform our thinking as we shape the future technological and regulatory framework.

Building on this we will work with industry, consumer groups and others to explore how we can adapt regulation to enable better digital journeys. Complementing the Government's plan to digitalise the house buying process, we anticipate this will leverage the benefits of digital identity services and property information. Our suite of Innovation Services remains open for mortgage firms to apply and test new propositions.

In May, we will consult on making it easier for consumers to:

- remortgage with a new lender;
- reduce their overall cost of borrowing through term reductions; and
- discuss their options with a firm outside a regulated advice process.

We will also propose to retire guidance where the Consumer Duty now ensures consumers are protected, reducing regulatory burden and complexity.

Beyond these immediate steps we need to consider the future of the mortgage market - what it needs to deliver for different consumers at different stages in their lives and the wider UK economy, and the role of regulation to deliver it.

In June we will launch a public discussion on, amongst other things:

- risk appetite and responsible risk-taking;
- alternative affordability testing and product innovation;
- lending into later life; and
- consumer information needs.

Throughout, we will continue to engage closely with HM Treasury, the Bank of England, including the Financial Policy Committee and the Prudential Regulatory Authority.

Consumer protection and responsible lending will remain core principles. Many lessons from the financial crisis remain relevant today. But conduct and firm culture is far stronger now. With the Consumer Duty we can deliver an outcomes-based approach, refining and simplifying standards to ensure a vibrant market in which all creditworthy consumers should be able to access a good value mortgage.

I look forward to working with you on this important agenda.

Yours sincerely,

Nikhil Rathi
Chief Executive