

## Mortgages - UK - March 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.



"The costs of renting put such a strain on people's finances that home ownership starts to seem like an impossible dream. The negative consequences of this can be combated if more lenders work with savings providers and government initiatives to help renters take proactive steps towards saving for their first home."

-Jessica Morley, Financial Services Analyst

### This report looks at the following areas:

- Regulation confusion is damaging to consumer sentiment
- Tighter restrictions disproportionately affect self-employed and single consumers
- Rent to Buy could help those struggling to afford the urban lifestyle

The mortgage market went through yet another year of upheaval in 2014. The Mortgage Market Review (MMR) represented the greatest regulatory change for more than a decade, meaning that lenders have had to devote a large share of their resources to coming to terms with the new environment. With more regulation on the way in the form of the European Mortgage Credit Directive, the FCA's review of the MMR and a focus on interest-only mortgages, there is a growing concern that the market is becoming overly regulated and that this is having unwelcome consequences. In particular there are early indications that the pool of potential new business is becoming increasingly concentrated as specific groups, such as younger and older consumers, self-employed and single individuals and those on lower incomes, are locked out of the market due to affordability concerns.

These are all challenges that the market is more than capable of meeting head on as lenders become more confident and comfortable within their new operating environment and begin to think more innovatively about lending criteria, fees and product design. The strong growth over the past couple of years has taken gross lending over the £200 billion mark for the first time since the financial crisis, highlighting just how capable the market is of recovering from adversity.

This report examines the residential mortgage market, analysing some of the key developments in this sector, including wider economic trends and regulatory challenges. This report also provides a snapshot of mortgage lending levels, including a market forecast which shows expected growth in gross lending over the next five years. Mintel's exclusive consumer research concludes the report, looking at product ownership, appetite for mortgages over the next 12 months, awareness of regulatory changes, attitudes towards and costs of home ownership and mortgages for both renters and mortgage owners, and general consumer attitudes towards mortgages.

### Market Definitions

#### The main sectors within the secured lending market are:

- Mortgage – a loan for house purchase secured against the property. This category includes lending to first-time buyers, borrowers transferring their existing mortgage to another property and lending for buy-to-let purposes.
- Re-mortgage – this is where a mortgage borrower redeems his/her existing mortgage with their current lender and takes out a new mortgage on the same property with a different lender.

BUY THIS  
REPORT NOW

VISIT:  
[store.mintel.com](http://store.mintel.com)

CALL:  
EMEA  
+44 (0) 20 7606 4533

Brazil  
0800 095 9094

Americas  
+1 (312) 943 5250

APAC  
+61 (0) 2 8284 8100

EMAIL:  
[reports@mintel.com](mailto:reports@mintel.com)

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

## Mortgages - UK - March 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

- Further advance – a form of additional borrowing offered by lenders to their existing mortgage customers for the purposes of home improvements or to buy a car etc. By taking out a further advance, a borrower is increasing their overall mortgage debt with the lender.
- Repayment mortgage – this is where the borrower pays off both the amount borrowed (ie capital) and the interest charged each month.
- Interest-only mortgage – this is where the borrower pays off the interest charged on the loan, but not the capital. Consequently the borrower will still need to pay off the original loan at the end of the term, for example by using an investment scheme.
- Fixed-rate – the interest payments are fixed for a set period of time, after which the borrower will be moved on to another rate, such as the lender's standard variable rate.
- Standard variable Rate (SVR) – the interest varies with the lender's mortgage rate.
- Tracker rate – the interest rate moves up or down by tracking an external rate, such as the Bank of England base rate or LIBOR.
- Discounted rate – the interest rate varies with the lender's standard variable rate, but the rate is also discounted for a set period of time.

### Types of mortgage based on method of repayment:

- European and Latin American innovations, for example, often highlight juice content, water source, and high quality ingredients, such as organic production.
- These claims provide new ways for CSD brands to communicate their benefits in China as they are currently seldom used in the country, and Chinese consumers have shown that they are willing to pay more for such attributes.

### Types of mortgage based on interest rate:

- Fixed-rate – the interest payments are fixed for a set period of time, after which the borrower will be moved on to another rate, such as the lender's standard variable rate.
- Standard variable Rate (SVR) – the interest varies with the lender's mortgage rate.
- Tracker rate – the interest rate moves up or down by tracking an external rate, such as the Bank of England base rate or LIBOR.
- Discounted rate – the interest rate varies with the lender's standard variable rate, but the rate is also discounted for a set period of time.

BUY THIS  
REPORT NOW

VISIT: [store.mintel.com](http://store.mintel.com)  
 CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094  
 Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100  
 EMAIL: [reports@mintel.com](mailto:reports@mintel.com)

# Mortgages - UK - March 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

## Table of Contents

### Introduction

#### Market Definitions

The main sectors within the secured lending market are:

Types of mortgage based on method of repayment:

Types of mortgage based on interest rate:

Abbreviations

### Executive Summary

#### The market

Rate of growth for gross mortgage advances starts to slow, but remains strong

Figure 1: Forecast of gross mortgage lending, 2009-19

2014 was a year of regulatory change for the mortgage industry

Consumers are beginning to feel the effects of economic growth

Housing features strongly on the political agenda

Tax reform cuts costs for home buyers

The lending market is becoming increasingly competitive

Housing market conditions

Average house prices continue to increase

Figure 2: Annual change in average UK house price – Comparison of four sources, Q1 2007-Q4 2014

MMR results in a drop in the number of mortgage approvals

Figure 3: Number of quarterly mortgage approvals seasonally adjusted, by type, Q1 2007-Q3 2014

Number of property transactions continues to grow but rate of growth is slowing

Figure 4: Number of residential property transaction completions with value £40,000 or above, Q1 2007-Q4 2014

Record low inflation has limited the likelihood of an interest rate rise

Figure 5: Monthly interest rate of UK monetary financial institutions (excluding Central Bank) for 2 year variable rate mortgage and 2 year fixed-rate mortgage both at 75% loan to value, January 2008-December 2014

Conditions improved for first-time buyers in 2014

Companies, brands and innovation

Top six lenders account for 71% of all new lending

Figure 6: Top six mortgage lenders, by gross advances, 2014

High-street lenders benefit from greater exposure

Figure 7: Attitudes towards and usage of selected brands, December 2014

The consumer

Mortgage ownership

Figure 8: Mortgage ownership, December 2013 vs. December 2014

Type of mortgage owned

Figure 9: Type of mortgage held, December 2014

Affordability of mortgages for renters

Figure 10: Renter attitudes towards property ownership and mortgages, December 2014

**BUY THIS  
REPORT NOW**

VISIT: [store.mintel.com](http://store.mintel.com)

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: [reports@mintel.com](mailto:reports@mintel.com)

# Mortgages - UK - March 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

## Mortgage owner purchasing experiences

Figure 11: Consumer opinions on the mortgage purchasing experience, December 2014

## Mortgage owner attitudes towards mortgage costs and availability

Figure 12: Mortgage owner attitudes towards mortgage costs and availability, December 2014

## Consumer awareness and understanding of regulatory changes

Figure 13: Consumer awareness of MMR regulatory changes, December 2014

## Consumer mortgaging and re-mortgaging intentions

Figure 14: Consumers' likelihood to take out a mortgage/re-mortgage in the next 12 months, December 2014

## What we think

### Issues and Insights

Regulation confusion is damaging to consumer sentiment

Issues

Implications

Tighter restrictions disproportionately affect self-employed and single consumers

Issues

Implications

Rent to Buy could help those struggling to afford the urban lifestyle

Issues

Implications

### Trend Application

Greater focus on advice gives mortgage providers an opportunity to build trust

Greater collaboration between savings providers and mortgage lenders could boost consumer sentiment

Mintel Futures: Brand Intervention

### Market Drivers

Key points

2014 was dominated by regulation

Homebuilding rates remain low, despite slight pick-up in 2013/14

Figure 15: Number of new builds for all types of tenure, 2005-14

Improving economic conditions could boost consumer sentiment

Stamp duty reform cuts costs for the majority of buyers

Figure 16: Residential land or property stamp duty land tax rates and thresholds from 4 December 2014

Activity at the end of 2014 suggests a more competitive year ahead for mortgage lenders

### The Housing Market

Key points

Average house prices continue to grow strongly

Figure 17: Annual change in average UK house price – Comparison of four sources, Q1 2007-Q4 2014

Drop in number of mortgage approvals following implementation of Mortgage Market Review

Figure 18: Number of quarterly mortgage approvals seasonally adjusted, by type, Q1 2007-Q3 2014

BUY THIS  
REPORT NOW

VISIT: [store.mintel.com](http://store.mintel.com)

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: [reports@mintel.com](mailto:reports@mintel.com)

# Mortgages - UK - March 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Number of repossessions and arrears remains low in 2014

Slowdown in rate of growth for property transactions

Figure 19: Number of residential property transaction completions with value £40,000 or above, Q1 2007-Q4 2014

Mortgage borrowers are feeling the benefit of low base rates

Figure 20: Monthly interest rate of UK monetary financial institutions (excluding Central Bank) for 2 year variable rate mortgage and 2 year fixed-rate mortgage both at 75% loan to value, January 2008-December 2014

Many are still concerned about the impact of an interest rate rise on their finances

Figure 21: Consumers' assessment of the impact of an interest rise on their finances, December 2014

Conditions are improving for first-time buyers

## SWOT Analysis

Figure 22: UK mortgage market, SWOT analysis, 2015

## Who's Innovating?

Key points

TSB offers the best of both worlds

HSBC seeks to speed up the mortgage application process

Barclays cuts costs for first-time buyers

The opportunity to help 'Mortgage Prisoners'

## Market Size and Forecast

Key points

Consistent growth in both gross lending and net advances

Figure 23: Total secured lending, by gross and net advances (not seasonally adjusted), 2008-14

Redemptions and regular repayments climb back up

Figure 24: Mortgage repayments, by type (not seasonally adjusted), 2008-14

Continued growth in gross mortgage lending expected over the next five years

Figure 25: Forecast of gross mortgage lending, 2009-19

Figure 26: Forecast of gross mortgage lending, at current and constant prices, 2009-19

Forecast methodology

Fan chart explanation

## Segment Performance

Key points

Banks continue to dominate the market

Figure 27: Gross mortgage lending, by type of lender (not seasonally adjusted), 2007-14

New lending outstrips re-mortgage business

Figure 28: Gross mortgage lending, by type of loan, 2007-14

A recovery in the first-time buyer market

Figure 29: Loans advanced for house purchase, by type of borrower, 2007-14

## Channels to Market

Key points

Growing proportion of intermediated sales

**BUY THIS  
REPORT NOW**

VISIT: [store.mintel.com](http://store.mintel.com)

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: [reports@mintel.com](mailto:reports@mintel.com)

# Mortgages - UK - March 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 30: Proportional distribution of regulated mortgage sales, by channel, 2009/10-13/14

Almost eight in 10 mortgages sold on an advised basis

Figure 31: Distribution of regulated mortgage sales, advised versus non-advised, 2009/10-2013/14

## Market Share

Key points

Six lenders account for 71% of all new lending

Figure 32: Top six mortgage lenders, by gross advances, 2012-14

## Companies and Products

Barclays

Gross mortgage lending

Relevant brands and subsidiaries

Mortgage product range

Distribution channels

Key financial data

Figure 33: Key financial data for Barclays PLC, 2013-14

Recent activity

HSBC

Gross mortgage lending

Relevant brands and subsidiaries

Mortgage product range

Distribution channels

Key financial data

Figure 34: Key annual financial data for HSBC Bank PLC, 2013 and 2014

Recent activity

Lloyds Banking Group

Gross mortgage lending

Relevant brands and subsidiaries

Mortgage product range

Distribution channels

Key financial data

Figure 35: Key financial data for Lloyds Banking Group 2013-14

Recent activity

Nationwide

Gross mortgage lending

Relevant brands and subsidiaries

Mortgage product range

Distribution channels

Key financial data

Figure 36: Key financial data for Nationwide 2013 and 2014

BUY THIS  
REPORT NOW

VISIT: [store.mintel.com](http://store.mintel.com)

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: [reports@mintel.com](mailto:reports@mintel.com)

# Mortgages - UK - March 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

## Recent activity

RBS/NatWest

Gross mortgage lending

Relevant brands and subsidiaries

Mortgage product range

Distribution channels

Key financial data

Figure 37: Key financial data for RBS Group 2013-14

## Recent activity

Santander

Gross mortgage lending

Relevant brands and subsidiaries

Mortgage product range

Distribution channels

Key financial data

Figure 38: Key financial data for Santander UK 2013 and 2014

## Recent activity

## Brand Communication and Promotion

### Key points

Spending on mortgage advertising falls by 10% but is still considerably higher than post-crisis expenditure

Figure 39: Total advertising expenditure and services, 2009/20-2013/14

Brand building dominates advertising expenditure

Figure 40: Advertising expenditure on mortgage products and services, by sub-category, 2009/10-2013/14

TSB spends to establish itself in the market

Figure 41: Advertising expenditure on mortgage products and services, by top 15 advertisers, 2009/10-2013/14

Decreasing influence of the press

Figure 42: Proportional distribution of mortgage adspend, by media type, 2009-14

A note about adspend

## Brand Research

### What you need to know

#### Brand map

Figure 43: Attitudes towards and usage of selected brands, December 2014

#### Key brand metrics

Figure 44: Key metrics for selected brands, December 2014

Brand attitudes: Tesco Bank's Clubcard appear to boost loyalty associations

Figure 45: Attitudes, by brand, December 2014

Brand personality: Santander has stronger perception of vibrancy than others

Figure 46: Brand personality – Macro image, December 2014

Barclays still has negative associations compared to other brands

BUY THIS  
REPORT NOW

VISIT: [store.mintel.com](http://store.mintel.com)

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: [reports@mintel.com](mailto:reports@mintel.com)

# Mortgages - UK - March 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 47: Brand personality – Micro image, December 2014

## Brand analysis

Nationwide performs strongly across metrics with particular strength in trust

Figure 48: User profile of Nationwide, December 2014

Tesco Bank has perceptions of accessibility and customer service

Figure 49: User profile of Tesco Bank, December 2014

Yorkshire Building Society shares similar benefits to Nationwide

Figure 50: User profile of Yorkshire Building Society, December 2014

Santander uses advertising to boost upbeat connotations

Figure 51: User profile of Santander, December 2014

Barclays maintains quality perception despite negative press

Figure 52: User profile of Barclays, December 2014

NatWest has particular strength among younger adults

Figure 53: User profile of NatWest, December 2014

HSBC has bias towards higher income groups

Figure 54: User profile of HSBC, December 2014

Lloyds Bank has greater consistency across income bands

Figure 55: User profile of Lloyds Bank, December 2014

John Charcol has an element of exclusivity and authority as mortgage specialist

Figure 56: User profile of John Charcol, December 2014

London & Country has lower perception of exclusivity but still lacks awareness

Figure 57: User profile of London & Country, December 2014

The Co-operative Bank has lost trust but maintains element of social responsibility

Figure 58: User profile of The Co-operative Bank, December 2014

## Mortgage Ownership

### Key points

Ownership levels continue to be restricted by economic and demographic factors

Figure 59: Mortgage Ownership, December 2013 vs. December 2014

Low ownership levels amongst young and old consumers highlight concentration of the target market

Figure 60: Mortgage owners, by age, December 2014

Income has a significant influence on mortgage ownership

Figure 61: Mortgage owners, by gross annual household income, December 2014

Affordability criteria limit options for single households

Figure 62: Mortgage ownership, by current marital status, December 2014

## Timing of Last Mortgage Purchase

### Key points

Impact of the credit crisis clearly evident in mortgage purchase timings

Figure 63: Timeframe of mortgage purchase, December 2014

Regulations restrict access to mortgages for self-employed consumers

BUY THIS  
REPORT NOW

VISIT: [store.mintel.com](http://store.mintel.com)  
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094  
Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100  
EMAIL: [reports@mintel.com](mailto:reports@mintel.com)

# Mortgages - UK - March 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 64: Mortgage ownership by employment status, and proportion of mortgages taken out by employment status, December 2014

## Type of Mortgage Held

### Key points

Uncertainty about interest rate rises and favourable rates increase the popularity of fixed-rate mortgages

Figure 65: Type of mortgage held, December 2013 vs. December 2014

Implementation of the MMR and tighter restrictions on interest only mortgages does little to alleviate confusion

Regulatory focus on interest-only could bring ownership levels down

## Affordability of Mortgages for Renters

### Key points

Many renters feel that they will never be able to afford their own home

Figure 66: Renter attitudes towards property ownership and mortgages, December 2014

Helping young consumers save for a deposit could be the key to increasing prospects

Figure 67: Agreement with the statement 'I am currently saving for a deposit on my first home,' by age, December 2014

...this includes preventing the development of pessimistic attitudes

Figure 68: Mortgage intentions of renters, by other mortgage intentions of renters, December 2014

Figure 69: Mortgage intentions of current renters, by attitudes towards home purchasing, December 2014

## The Mortgage Purchase Experience

### Key points

Most mortgage/re-mortgage purchasing experiences over the past five years have been positive

Figure 70: Consumer opinions on the mortgage purchasing experience, December 2014

Majority of consumers feel that they had adequate choice when taking out their mortgage

Understanding of mortgage transactions is high

70% say they understand what to do if payment becomes difficult

More mortgage owners understood charges and fees than thought they were fair

## Mortgage Owner Attitudes towards Mortgage Costs and Availability

### Key points

Low savings rates encourage early repayments

Figure 71: Agreement with statements about mortgage costs and availability, December 2014

A fifth are reliant on introductory deals and fixed-rates

The risk posed by the MMR to the re-mortgage market

## Consumer Awareness and Understanding of Regulatory Changes

### Key points

Consumer awareness and understanding of the MMR regulations is low

Figure 72: Awareness and understanding of new mortgage regulations, December 2014

Misunderstanding of regulations undermines consumer confidence

Figure 73: Agreement with the statement 'I don't think I'll ever be able to afford to buy my own home' by awareness and understanding of new mortgage regulations, December 2014

## Consumer Mortgaging and Re-Mortgaging Intentions

BUY THIS  
REPORT NOW

VISIT: [store.mintel.com](http://store.mintel.com)  
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094  
Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100  
EMAIL: [reports@mintel.com](mailto:reports@mintel.com)

## Mortgages - UK - March 2015

Report Price: £1750.00 | \$2834.04 | €2223.04

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

### Key points

**Majority of consumers unlikely to take out a new mortgage within the next 12 months**

Figure 74: Likelihood to take out a mortgage in the next 12 months, December 2014

Figure 75: Selected demographics by unlikelihood to take out a mortgage/re-mortgage in the next 12 months, December 2014

**More than half of all current mortgage holders do not intent to re-mortgage in the next year**

Figure 76: Mortgage ownership by mortgage/re-mortgage intentions of the next 12, December 2014

**Mortgage seekers are most aware of regulatory change**

Figure 77: Likelihood to take out a mortgage within the next 12 months, by awareness and understanding of new mortgage regulations, December 2014

**Mortgage lenders have a relatively small group of potential new customers**

Figure 78: Likelihood of current renters to take out a mortgage in the next 12 months, December 2014

### Appendix

**Annual and quarterly mortgages approvals data**

Figure 79: Number of quarterly mortgage approvals seasonally adjusted, by type, Q1 2007-Q3 2014

Figure 80: Number of Annual mortgage approvals seasonally adjusted, by type, 2013-14

**Market size and forecast**

Figure 81: Best and worst case forecast of gross mortgage lending, 2009-2019

**BUY THIS  
REPORT NOW**

VISIT: [store.mintel.com](http://store.mintel.com)

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | APAC +61 (0) 2 8284 8100

EMAIL: [reports@mintel.com](mailto:reports@mintel.com)