IndustryVoice

Analysis, commentary and trends for the UK mortgage and protection industry | Edition 20 Spring 2025

Next-Gen Mortgages

Articles from

Iress
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Our partners:

Welcome

"Next-Gen Mortgages" is the theme for this edition of the Industry Voice and in this issue we've asked several experts and thought leaders from the lending community for their viewpoints on the current mortgage market and plans for innovation to drive better outcomes for consumers.

For this edition we take a deep dive into how lenders are responding to socioeconomic changes and innovating their products to serve the needs of their customers.

A special thank you to our partners and contributors for sharing their thoughts about new plans, approaches, and driving forward positive change to the relationships between providers and consumers.

We are always keen to hear your thoughts about this issue and the topics raised.

If you would like to get in touch, please contact the Advertising & Sponsorship Manager, Neal Ray.

Visit: iress.com/industry-voice for more perspectives from our provider & lender partners about the issues affecting our industry.

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Industry Voice is created and published by Iress every quarter with contributions from the financial services industry. Iress is a technology company providing software to the financial services industry in Asia-Pacific, North America, Africa and UK & Europe. Iress software has more than 200 integrations and 300 data feeds, and is used by more than 500,000 users globally. www.iress.com

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Next-Gen Mortgages

Jacqueline Durbin
Global Head of Product - Life, Pensions & Mortgages
Iress

Jacqui Durbin talks about how the next generation of mortgage sourcing technology has evolved beyond simple comparison, to playing a crucial role in helping brokers meet the specific (and sometimes unusual) needs of an evolving borrower demographic.

Unless you've been living on Mars (an increasing possibility and one we will surely cover in a future edition of Industry Voice), you will have noticed a significant demographic shift in your mortgage business. First-time buyers are older, self-employed borrowers are on the rise, and there's no escaping the persistent affordability challenges as interest rates fluctuate.

Lenders have been quick to respond, offering everything from 100% mortgages for renters to green mortgage incentives. But, for brokers, keeping on top of the latest products and deals is a challenge. That's where we come in. At Iress, we make the mortgage sourcing technology that helps advisers stay ahead of the game and navigate constantly changing lender rates and criteria with ease, speed and precision.

While that doesn't include inter-planetary mortgages just yet, the next generation of mortgage technology is giving brokers the tools to find and deliver the best mortgage for almost every type of client imaginable. Let's take a look.

Innovation to help first-time buyers

Our data shows that the average age of a first-time buyer is now around 34. Five years ago, it was 32 and 10 years ago it was 29. You see where this is heading. Stricter affordability tests now mean first-time buyers need increasingly higher salaries. Unsurprisingly, many still need to rely on the Bank of Mum and Dad or family members to find the deposit required for rising house prices.

The good news is that lenders are innovating to help out first-time buyers with deposit schemes or 100% mortgages and mortgage sourcing systems like ours make it easy for brokers to identify and access these products. Lenders aren't the only ones innovating; we are too, by introducing a filter to support the emerging Own New scheme, just one of the ways we're making it simpler for brokers to source these tailored solutions.

Saying 'yes' to self-employed borrowers

More borrowers now are self-employed or have non-traditional income streams, prompting lenders to offer more flexible mortgage products. However, finding the right lender to accept these cases can be time-consuming - or at least it was.

With Knowledge Bank now integrated into Xplan Mortgage, brokers can filter lenders based on self-employment requirements, such as the minimum number of years of accounts required. Whizzy integrations like this reduce the friction typically associated with placing complex cases, giving brokers an efficiency boost and better approval rates.

It's not easy being green

Green mortgages are gaining momentum as consumers and policymakers push for more sustainable housing solutions. Yet, only half of UK lenders currently offer green or energy-efficiency mortgages. Meanwhile, nearly half of UK properties require improvements to meet an EPC rating of C or above, highlighting an area ripe for opportunity.

Last year, we introduced green mortgage filters in Xplan Mortgage and, knowing that brokers don't always apply all the required filters, added icons to flag 'green' products making them easy to spot at a glance. This year, we'll introduce an EPC rating filter, helping brokers refine their search further and better serve the needs of environmentally conscious clients.

We feel the need for speed

Speed and efficiency have never been more vital in mortgage broking, so improving turnaround times and streamlining workflows through automation are a big focus for us. We've made some great inroads to faster mortgages and we're not stopping! This year our work continues to automate rate and criteria updates, ensuring brokers stay compliant with lender product changes, and seamlessly integrate with lenders' application systems to reduce rekeying and processing times. We also see a big opportunity to explore AI and Open Banking to get more automation into real-time affordability assessments, removing the reliance on manually submitted documents, so watch this space.

Great expectations

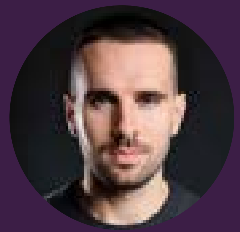
With the FCA's Consumer Duty setting higher expectations for fair treatment, supporting brokers in meeting the regulations remains a top priority. The addition of more compliance tools within Xplan Mortgage, including Fair Value Assessment links to all lender documentation and pre-populated suitability report elements, help brokers meet regulatory expectations while keeping their focus firmly on their clients' needs.

Embrace it

The next generation of mortgage sourcing technology has evolved far beyond basic rate comparison tools into a game-changer. Today, it empowers brokers to tackle complex cases with confidence and deliver mortgages faster - all while keeping on top of compliance demands. As borrower demographics shift and lending criteria evolve, those who embrace these next-gen innovations won't just keep up - they'll lead the way in a rapidly changing market.

Thriving in a changing Mortgage market

Ash Borland



The mortgage market is evolving, and advisers who understand the emerging opportunities in first-time buyers, later-life lending, and adverse credit mortgages will be in high demand. Many professionals in the industry view these areas as niche markets, but in reality, they represent a significant shift in consumer needs. Advisers who proactively position themselves in these spaces will be the ones who thrive in the years to come.

First-Time Buyers: A Changing Landscape

The journey to homeownership is becoming more complex, with affordability challenges and changing lender criteria reshaping the market. First-time buyers are now older, often waiting until their mid-30s or beyond to step onto the property ladder due to rising property prices and stricter lending criteria.

Why Advisers Should Take Notice

1. **Longer Mortgage Terms**
   With affordability being a key issue, lenders are increasingly offering 30- and 40-year terms to make monthly payments more manageable. Advisers who help clients understand the long-term implications of these options will be invaluable.
2. **Deposit Challenges**
   Many first-time buyers struggle with deposits. Advisers who stay informed about high LTV (Loan-to-Value) products, government schemes, and innovative deposit-boosting solutions can provide much-needed guidance.
3. **Education & Advice**
   Many first-time buyers lack knowledge of the mortgage process. Advisers who educate clients through workshops, social media content, or one-on-one consultations will build strong client relationships and future referrals.

Later Life Lending: A Growing Market

With people living and working longer, traditional mortgage models no longer fit everyone. The demand for later-life mortgages is surging, yet many advisers still hesitate to embrace this sector. The reality is, this market presents a major opportunity for those willing to educate themselves and their clients on the available options. Many borrowers in their 60s and beyond still have significant financial goals—whether that's helping family members onto the property ladder, moving to a more suitable home, or leveraging home equity to fund their retirement suitable home, or leveraging home equity to fund their retirement.

Why Advisers Should Take Notice

1. **Lack of Competition**
   While demand for later-life lending is rising, many advisers avoid this market due to outdated perceptions of risk. Those who take the time to understand and specialise in this area will position themselves as go-to experts.
2. **Partnership Opportunities**
   Collaborating with financial planners and estate planners can create strong referral networks and unlock a steady stream of clients needing tailored mortgage advice.
3. **Client Retention & Loyalty**
   Later-life borrowers require ongoing support. Advisers who position themselves as trusted experts will benefit from repeat business and word-of-mouth referrals.

Adverse Credit Mortgages: A Problem or an Opportunity?

The cost-of-living crisis, rising interest rates, and financial uncertainty have led to an increase in borrowers with adverse credit. Traditionally, many advisers shy away from these clients, assuming their options are too limited or complex. However, this perception couldn't be further from the truth.

Specialist lenders are expanding their offerings, creating tailored solutions for borrowers with missed payments, defaults, or CCJs. Advisers who develop expertise in this space will find themselves in high demand as more people seek mortgage options beyond high-street lenders.

Why This Market is Essential

1. **Rising Demand**
   More clients are struggling to meet mainstream lending criteria, but they still need solutions. Advisers who build relationships with specialist lenders can offer a vital service to this underserved market.
2. **Reputation as a Problem-Solver**
   Clients who have been turned away by traditional lenders are often desperate for guidance. Advisers who provide solutions in difficult situations will quickly gain a reputation as trusted professionals.
3. **Loyal Clients & Long-Term Value**
   Borrowers with adverse credit are more likely to seek long-term financial advice and return for refinancing or mortgage restructuring. Building trust with these clients can lead to lasting relationships.

> With people living and working longer, traditional mortgage models no longer fit everyone. The demand for later-life mortgages is surging, yet many advisers still hesitate to embrace this sector. The reality is, this market presents a major opportunity for those willing to educate themselves and their clients on the available options.

1. **Invest in Continuous Learning** Specialising in first-time buyers, later-life lending, and adverse credit sets advisers apart. Training, webinars, and certifications will pay dividends in the long run.

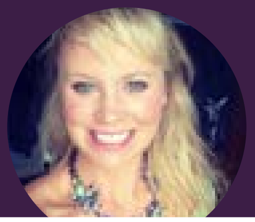
2. Build Strategic Partnerships – Collaborating with financial planners, accountants, and specialist lenders will open up new business avenues.

3. Educate Clients Through Content – Writing blogs, hosting webinars, or producing videos on these topics will position advisers as authorities in these growing markets.

Final Thoughts: The Future Belongs to Adaptable Advisers

First-time buyers, later life lending, and adverse credit mortgages aren't just niche markets—they are fast-growing areas shaping the mortgage industry. Advisers who take action now, invest in education, and proactively position themselves in these spaces will lead the market in the years ahead.

So, the question is—will you be ahead of the curve or playing catch-up? Now is the time to embrace these opportunities and establish yourself as the go-to adviser in these high-growth areas.



Santander

Green remains on the agenda! For brokers navigating the ever changing definitions and jargon it can feel like a green degree is needed to even grasp the basics. One lender may focus on EPC ratings, another solar panels and someone else talking about harvesting rain water with a variety of incentives for the efforts! The risk being by confusing borrowers and brokers alike we dilute the impact of green finance. Diversity is good for life and business so perhaps we need to focus on simplification and increased education to grow adoption not confusion. This will allow brokers to confidently guide clients towards genuinely green products. We also need to recognise improving a G rated property to an E for example should be celebrated as much as more new build being on the market. Collaboration between lenders, regulators, and brokers is key. As mother Teresa said I can do things you cannot, you can do things I cannot; together we can do great things.

AimieJo Shutt, National Key Account Manager, Santander

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Lenders face the ongoing challenge of creating innovative products and adapting to market conditions. In recent years, new options have emerged to assist first-time buyers who may not have the benefit of financial support from family. These new products have lowered the required deposit to just 5%, filling a gap in the market that has been absent for some time. However, it's unlikely we'll see a return to the days of 100% Loan-to-Value (LTV) mortgages anytime soon.

Assistance isn't limited to first-time buyers, though. As people live and work longer, due to the underperformance of past investments, there has been a growing need for individuals to access the equity accumulated in their properties. This could be for a variety of reasons, such as maintaining their lifestyle, supporting family members, or preparing for future care costs.

Another notable shift is the extension of mortgage terms. In the past, a 25-year term was considered the standard, with anything longer viewed as excessive. Today, 40-year terms are becoming more common as a way to help homeowners manage the rising costs associated with property ownership.

Chris Henry, Business Development Manager, Iress

Green mortgages are a fantastic way to step into a more sustainable future. They're not just another financial product; they offer a holistic approach to homeownership. It's really important advisors talk about the benefits because they can be quite substantial. For instance, lower interest rates, rewards or grants for energy-efficient improvements, and long-term savings on utility bills- that's a win for your wallet and the planet!

But green mortgages are more than just a label. They show a commitment to both environmental responsibility and financial well-being. By making sure sourcing systems highlight these products, we can give customers the best options that align with their values and financial goals. This approach not only supports the environment but also boosts customer satisfaction and loyalty. It's truly a win-win for everyone.

Laura Myers, Intermediary Distribution Development Manager, Lloyds Banking Group

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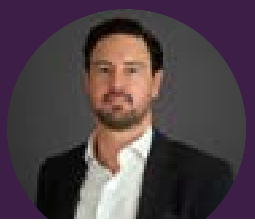
We are working hard with our Lender, Distribution and 3rd party clients to streamline the mortgage application process. It is an area which hasn't seen much innovation for a while and with our proposition we can help reduce rekeying and create improved customer outcomes. This is just one way we are protecting the future and is something which still needs to see further adoption.

Warren O'Connell, Head of Business Development – Sourcing, Iress



Foundation Home Loans

Expanding financing options for landlords with complex properties remains a key priority for buy to let lenders, as investors seek to maximise rental yields and diversify portfolios. Two key asset classes offering strong returns in the current market are Houses in Multiple Occupation (HMOs) and mixed-use properties. These investments require specialist financing, making them a focal point for intermediaries in 2025.

To meet growing demand, there are a range of solutions that cater to HMOs, multi-unit blocks, and semi-commercial properties such as flats above shops, investor-only areas, and locations affected by postcode concentration rules. Tailored underwriting processes can provide landlords with greater flexibility, helping them secure financing for high-yielding opportunities, something which we at Foundation Home Loans have introduced with our products for clients.

By partnering with lenders who fully understand the complexities of HMO and mixed-use lending, intermediaries can confidently navigate these cases and help landlords access the right solutions in an evolving market.

Grant Hendry, Director of sales, Foundation Home Loans

ACCORD MORTGAGES

The buy-to-let sector has faced significant challenges over recent years, however, we have seen a re-adjustment, with those who remain for the long-term finding new ways to make their investments work.

"Landlords play a crucial role in the housing market, providing a place to call home for those who don't want to - or aren't in a position to buy - but they need a helping hand.

"Our policy paper - 'Home Improvements'- called for industry and government action to support them, including combining targets for property standards with financial incentives, reinstating tax-deductible mortgage interest where certain specifications are met.

"Brokers have a key part to play in adding value and supporting landlords – especially as client needs become more complex, and we have a role in helping brokers, such as providing support via Accord's Growth Series, with free content covering a variety of topics from landlord tax guides to business planning.

Nicola Alvarez, Senior Manager, Mortgage Distribution, Accord Mortgages

A Home of Your Own. How hard is it to buy that first property? **And once you have it, can you afford to keep it?**

Lucy Lewis
Senior National Accounts Lead and FTB Specialist
Skipton Building Society

First-time buyers are vital to the home buying landscape and yet, too many people in the UK struggle to afford their own home. The challenges have been well documented with lack of supply, the cost of living crisis, rising interest rates and difficulties saving for ever increasing deposits all playing their part.

The unique Skipton Group Affordability Index highlights the challenges facing first-time buyers, home movers and downsizers, looking not only at the affordability costs of buying a property but also at the costs of then living in and maintaining that property. According to its data, nearly 90% of potential first-time buyers can't afford to buy a typical first home in their local area based on their personal financial situation alone (i.e. without help from Bank of Family). Perhaps unsurprisingly, 9 of the 10 most affordable areas for first-time buyers are in Scotland, but more of a surprise is that 6 of the 10 least affordable areas are in Wales – not London as you might expect.

This chronic lack of affordability across Wales is the result of consistently low first-time buyer incomes. While house prices across Wales are lower than the average in Great Britain, areas like Ceredigion and Powys are relatively high for Wales, creating particularly difficult conditions for those dreaming of getting the keys to their first home in these areas.

Upcoming stamp-duty reforms will only exacerbate the situation. From 1st April 2025, the stamp duty threshold for first-time buyers in England will fall from £425,000 back to £300,000 and Skipton Group's analysis shows the proportion of Local Authorities areas in England where the average first-time buyer home will attract stamp duty is set to almost quadruple overnight from 8.4% today to 32%. And by the end of 2027, this is forecast to increase to 42% as house prices continue to grow – making stamp duty no longer a challenge for just London and South-East first-time buyers.

Skipton Group's Affordability Index tool has been designed in conjunction with Oxford Economics, combining data from ONS, Bank of England and Skipton Group to develop a unique Index that doesn't just measure the affordability of trying to buy a property in Great Britain, but the affordability of running it too, looking beyond house prices and household incomes, including moving costs, household savings and essential housing costs.

It gives granular insight, down to Local Authority Level (that's 363 areas across Great Britain) and brokers can use our tool to look across housing tenures, age, income, location and family type to see how affordability fluctuates based on different circumstances. brokers can use our tool to look across housing tenures, age, income, location and family type to see how affordability fluctuates based on different circumstances.

This is the second iteration of the Skipton Group Home Affordability Index and we're really proud of the granular level of analysis it provides. Once again, this Index has laid bare the scale of the challenge facing first-time buyers but we've also worked hard to provide a useful tool that will add value to brokers' discussions with customers.

Our next big job is to share these findings with Government and policy makers – we are standing ready to inform and contribute to the wider conversations around how we're really going to start improving access to the housing market for first-time buyers.

Looking to dive deeper? Our BDM team are ready to answer questions and help brokers integrate affordability insights into their client discussions, get in touch today.

Supporting first-time buyers is at the heart of our purpose, **and taking action now will pave the way for future generations**

Martese Carton
Director of Mortgage Distribution
Leeds Building Society

It is set to be another busy year in the mortgage market, with changes to stamp duty relief coming in at the end of the first quarter and further base rate reductions anticipated. And while recent years have taught me to expect the unexpected, it's fair to say that things are starting to look up for aspiring first-time buyers.

Over recent years, a toxic combination of historically high house prices, the increasing cost of living, limited housing stock and higher interest rates has made it difficult for borrowers. Therefore, it is vitally important that we work together as a mortgage community to help aspirational homeowners overcome these obstacles.

For would-be first-time buyers this is the hardest time in living memory to get onto the property ladder, especially for lower income households. Building more homes — particularly affordable ones — is vital to addressing the national housing crisis and getting more people into home ownership. The Government's target of constructing 1.5 million homes in the next five years could have a huge impact but we must continue advocating for planning reform to ensure that these housing goals become a reality.

As a lender, we have taken action to support first-time buyers, and continue to advocate for their needs.

As one of the biggest shared ownership lenders, we know that shared ownership schemes are one of the most effective ways to reduce deposit and affordability hurdles, making it possible to buy at an earlier age and to begin to grow equity sooner.

At Leeds Building Society we recently commissioned a new report which reveals that shared ownership is more affordable than private renting in the vast majority of geographical areas. What's more, due to capital repayments and house price increases, shared owners can be significantly better off than private renters as a result of equity growth.

We feel strongly that everyone deserves a place to call home, which is why we've tackled one of the main barriers facing would-be homeowners whose earnings are being outstripped by house prices and making saving a large deposit even harder. We've recently made adjustments to our affordability model to give a more realistic view of what borrowers can afford to repay every month, giving first-time buyers a better chance of getting a foot onto the property ladder.

Our new Income Plus mortgage range enables first-time buyers to borrow up to 5.5 times their earnings. Together with the improvements in how we assess affordability, we estimate these mortgages will increase the maximum we can offer a first-time buyer by £66,000 compared to our standard mortgages – a figure that we are extremely proud of, and a tangible example of the benefit that changes made by lenders can have on individual borrowers.

And in order to support those with weaker credit scores to get onto the property ladder, we partnered with Experian to allow mortgage applicants to potentially improve their score. Experian Boost uses open banking to assess the last 12 months of payments, such as council tax and subscriptions to streaming services, incorporating them into a free 'boosted' credit score, opening up the dream of home ownership to more people.

The purposeful action we take now will pave the way for future homeowners, and we hope that more lenders will come up with solutions to support first-time buyers, and further bolster the future of the housing market.

The Buy-to-Let sector is undergoing a major shift towards professionalisation, and lenders must evolve - not just with new products, but with smarter, digitally enabled processes. A digital-first approach is now essential, ensuring financing keeps pace with regulatory change, market demand, and the growing need for predictable, sustainable credit.

Speed and agility will define the next era of BTL lending. Streamlined, data-driven underwriting can reduce friction, lower costs, and unlock investment potential. Digital valuations, insurance tools, and predictive analytics should enable near-instant offers, pre-empting borrowing needs and supporting long-term portfolio growth.

Lenders must go beyond transactions, becoming strategic partners that help landlords secure, improve, and diversify their rental assets. Those who embrace digital agility alongside product innovation will set a new industry standard - shifting from rigid, one-size-fits-all lending to dynamic, multi-dimensional, borrower-centric partnerships.

The future of BTL finance belongs to those who lead, not lag.

Hugo Davies, Chief Capital Officer and Managing Director, Mortgages, Lendinvest

How are lenders responding to the challenges in the mortgage market, what product innovation are we seeing and how is this helping different customer segments, e.g. not only first time buyers, but second time buyers, sub-prime lending?

"It's no surprise that we're seeing longer mortgage terms. In 2015 fewer than 0.5% of our mortgages were on a 40 year term. Now, it's around the 5% mark.

"We continue to see adverse coming through. Typically, the cases that proceed include adverse due to a one-off life event, such as divorce or unemployment. But sometimes, it's those frustrating bits of adverse such forgetting to change an address, missing a final utility bill, or not paying a parking ticket.

"With affordability an ongoing challenge, and families wishing to support each other to purchase and remain in properties, we launched Joint Borrower Sole Proprietor (JBSP) last year. We've since seen strong demand across resi and BTL, both UK-based borrowers and expats.

"On JBSP we've seen applications with borrowers from age 23, going all the way up to 92. Mortgages with terms of 30 years or more account for 48% of the applications, and 74% have been on a repayment basis. I suspect this is because the younger generation is struggling with salary-to-house-price ratios, so they're opting for longer terms. They want to be able to pay off these loans themselves over time and just need a bit of family help now."

Andrew Sadler, Key Account Manager, Suffolk Building Society

Specialist lending - the new **normal for Brokers**

Paul Adams
Sales Director
Pepper Money

Customer circumstances have never been more diverse. The way people earn their income has changed significantly, with more individuals relying on multiple jobs, self-employment, or variable earnings like bonuses and commissions. At the same time, the rising cost of living has contributed to increased missed payments and higher levels of unsecured debt. These changes mean that an increasing number of potential homeowners no longer meet the rigid lending criteria set by high street banks. For brokers, the challenge is clear—adapt to these changing circumstances or risk failing the customers who depend on them for access to the right mortgage solutions.

The latest Pepper Money Specialist Lending Study shines a spotlight on the scale of the shifting finances of the nation's households. The research found that 8.4 million people have experienced adverse credit in the last three years alone. Despite these challenges, there's still a strong desire for homeownership among those with adverse credit, with 64% of those who don't currently own a home saying that they aspire to do so in the future – and 1.76 million people with adverse credit are planning to buy a property in the next 12 months.

Amidst these challenges, brokers have a significant opportunity to make a real difference in people's lives and provide options for customers whose credit record means they just missed out on a mortgage from a high street lender.

Another common hurdle is outstanding unsecured debt, which can push a customer's debt-to-income ratio (DTIR) beyond what mainstream lenders will allow. Not all lenders, however, impose a maximum cap for DTIR. For example, at Pepper Money, we don't impose a DTIR cap. Instead, we assess affordability based on a customer's ability to sustainably manage their payments, providing opportunities for borrowers who just miss out on high street lending.

Economic pressures have further reshaped the mortgage landscape. Rising inflation, household bills, and the increasing cost of living mean more customers are seeing fluctuations in income and expenses. Many are turning to multiple income sources, with our research showing that 14% of UK adults now earn from more than one job.

Meanwhile, 35% receive variable income through bonuses, overtime, or commissions – income types. For many high street lenders there may be limitations or restrictions imposed to account for this in their affordability models. If brokers only rely on traditional lenders, they risk excluding these customers from homeownership altogether.

However, the opportunity here is much larger than the challenge. The ever-increasing complexity of household finances puts even greater onus on the importance of professional advice, and while the high street may not always be able to lend to a customer, there are many specialist lenders that offer another option.
Looking ahead, specialist lending is no longer just an alternative – it's the new normal. Brokers who fail to consider a broader range of lenders into their approach may not only limit their own business growth but also fail the customers who need them most.

At Pepper Money, we're committed to helping brokers navigate this shifting landscape with transparent lending policies, flexible criteria, and a human approach to underwriting that addresses individual circumstances.
Specialist lending is the new normal and, as it continues to expand, brokers who proactively engage with this sector will be best positioned to deliver the right outcomes for their customers and grow their businesses in the process.

Why GCC residents are choosing to refinance now **before it's too late**

Layla Hamidan
Head of Property Finance Sales and Servicing
Nomo Bank

The Bank of England has set a path towards lower interest rates, creating opportunity for those seeking to refinance. The challenges in the global property finance market remain but, despite these, Nomo Bank is increasingly seeing more interest by GCC customers seeking this form of finance.

The rationale is clear. Property owners who took fixed rate deals when rates were high will have now exited those deals, or are shortly due to do so. Therefore, in a more competitive financing environment, and with rates at their most favourable in recent years, homeowners have an opportunity to secure more advantageous terms through refinancing.

Buy-to-let

At Nomo we're seeing particular interest in refinancing from GCC customers who own buy-to-let property (BTL), capitalising on the lucrative combination of decreasing rates and increasing rental yields.

In the UK, tenant demand has outstripped the supply of new homes for some time. The number of rental enquiries now is double the pre-pandemic level and shows little sign of slowing. While the Government was elected on an ambitious pledge to build 1.5 million new homes over the next five years, it'll take some time before this has a noticeable effect on rental supply. In the meantime, tenant demand is expected to rise.

This positive picture for BTL property owners belies substantial regional variation, which GCC customers are attuned to. Using data from Rightmove, the UK's leading property portal, Nomo sought to understand where GCC customers are looking for property. The results show that these searches are closely aligned to where rental yields are the highest. In January 2025, the most popular region is Scotland, accounting for 1-in-5 Rightmove GCC enquiries for UK property. It's perhaps no coincidence that Scotland's average rental yield is the second highest of all UK regions at 7.7%.

The North West (encompassing Liverpool and Manchester) is also popular, with the region representing 18% of all enquiries. The popularity of the North West points to another source of increasing tenant demand – students. Regardless of the broader picture, students will always need somewhere to stay for their studies, providing landlords with a relatively predictable, consistent source of income. With the North West region containing multiple leading universities, and many more specialist colleges, the comparatively low house prices there make it an attractive option.

With strong headwinds in the BTL market, refinancing onto more favourable deals can enhance profitability for landlords. In combination with rising rental yields owing to strong demand, refinancing is proving increasingly popular among this type of investor.

Why now?

These favourable conditions are not guaranteed to continue. Following a steady decline throughout 2024, inflation unexpectedly increased in January 2025 to a 10-month high . The property finance market, like many others, is led by these macroeconomic trends. For those looking to arrange new fixed property finance agreements, the current environment is as good as it's been for some time, though it isn't guaranteed to stay that way. As recent times have showed, geopolitical instability is unpredictable and can move markets quickly in ways that cannot be foreseen.

In addition, Nomo is seeing more interest in refinancing owing to stamp duty increases that will take effect in April 2025. For property owners weighing up whether to refinance their existing property, or purchase an additional one, this change has led many to opt for refinancing. Add to this the detail that overseas buyers of residential property already pay a 2% surcharge on stamp duty, many GCC investors may use this period to assess their options. We're seeing many use refinancing to make upgrades to their properties, creating the possibility of better rental returns than before.

Refinancing is taking off

Particularly among BTL property owners, refinancing is increasing in popularity. At the moment, there is a window of opportunity for property owners to refinance in an otherwise challenging mortgage environment. Added in that rental yields and house prices are expected to increase, the time to refinance is arguably the best it has been in some time. Through understanding the needs of GCC clients, Nomo is preparing for an even greater emphasis on refinancing deals for the remainder of 2025.

Learn more about Nomo here:
Nomo Bank | UK Sharia-compliant digital banking

"Affordability challenges have helped to spark innovation from lenders to support the changing needs of the customer.

With house prices rising, loan requirements tend to be higher, meaning many borrowers are opting for longer terms to keep payments at a minimum, with many lenders allowing terms of 35 years and in some cases 40 years. There has also been a noticeable increase in longer-term fixed term products as well as a growing market of fixed for term products, for those seeking additional certainty.

Affordability requirements being stretched beyond the 4.5 Loan to Income (LTI) for certain customer cohorts is also becoming more common, but it's important to remember that lenders will assess incomes differently. For example, specialist lenders may look at taking more income into calculations to improve affordability.

More product innovation is inevitable. Schemes such as Deposit Unlock or Own New which are helping buyers buy their homes with minimal deposit contributions are available, as is Joint Borrower Sole Proprietor, which is particularly helpful for those with loved ones who want to support their children, without gifting a substantial amount of cash or equity."

Chris Kirby, Head of Sales, The Mortgage Lender (TML)

Solo living trends - the number of individuals living alone in the UK is on the rise - how are lenders in the market supporting single income borrowers?

"Solo living is expensive! In January, Uswitch claimed those living solo were subject to a 'single surcharge' of £3,844 due to having to cover all household bills alone. And solo living affects women disproportionately. To celebrate this year's 50th anniversary of women being legally able to apply for a mortgage, Mojo Mortgages recently conducted some research. It revealed that with women's average full-time salary being 16% lower than men's, women can borrow £27,158 less, and it takes them an extra eight years and nine months to save for a deposit.

"Until the pay gap is closed, Joint Borrower Sole Proprietor mortgages are a useful tool to support women into homeownership (but of course we'll accept JBSP applications from everyone!).

"There are a few other gems we offer that could be used to support single income borrowers. If an individual is earning at least £100k then we can offer the applicant our higher income multiplier of 5.49.

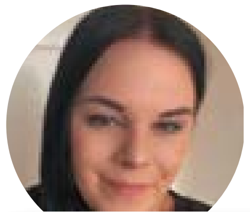
Charlotte Grimshaw, Head of Intermediaries, Suffolk Building Society

"The buy to let market has faced significant challenges in recent years, from tax changes to regulatory shifts, yet it remains resilient. While some landlords are scaling back, those with strong portfolios – especially professional landlords and those operating through limited companies – continue to find opportunities.

"Landlords are keeping a close eye on potential policy changes, with particular concern around Capital Gains Tax and EPC requirements. Many are reassessing their strategies, becoming more selective about tenants and exploring ways to offset future costs.

"Lender innovation will go a long way in supporting landlords through these shifts. We could see more tailored mortgage products, including increased availability of limited company products, or greater refinancing options which allow landlords to restructure their portfolios in response to market changes. While uncertainty remains, the sector has proven time and again that it can certainly adapt and evolve."

Jonathan Stinton, Head of Intermediary Relationships, Coventry Building Society



Currently only half of mortgage lenders in the UK offer Green or energy efficiency mortgages. With proposed changes to EPC metrics and nearly half of the properties in the UK needing improvements to meet an EPC rating of C or above, there is still so much that can be done to achieve the government's goal to ensure that most homes achieve an Energy Performance Certificate (EPC) rating of C or above by 2035.

Kelly Yolal, Senior Product Manager, Iress

Buy-to-let landlords and lenders keep innovating - **government should do the same**

Kate Davies
Executive Director
Intermediary Mortgage Lenders Association

Buy-to-let landlords have been under fire for many years. They have been targeted as a cash cow by successive Chancellors since George Osborne decided that buy-to-let mortgage interest payments would no longer qualify for tax relief in 2013. In the 12 years since, other allowances have been restricted, Stamp Duty on second homes significantly increased and an ever-heavier burden of legal obligations imposed.

During that time, IMLA has consistently appealed for moderation when it comes to the treatment of landlords, firmly believing that the solution for improving this core part of the UK's housing landscape lies not in tax and regulation, but in building. This government, like the last, has ambitious targets for social and private housebuilding, but it will be a long time coming, if at all. And in the meantime, the pressure on landlords continues to mount.

The Renter's Rights' Bill, due to be introduced by this Summer, will place even more of a strain on already squeezed landlords. The protection of tenants' interests is of course important, but sadly the unintended consequences of this Bill are likely to hurt the sector overall more than it helps the tenant.

The Bill includes the scrapping of no-fault evictions and Assured Shorthold Tenancies, which will seriously impede landlords' ability to get unsuitable tenants to move out. The Bill also imposes restrictions on when rents can be increased and a ban on accepting rents in advance, which will make it very hard to let property to overseas students with no UK credit record. The more pessimistic industry pundits are predicting a full-blown exodus as landlords flee the Private Rented Sector (PRS) in droves. The result of such an outcome would be fewer properties to rent – and higher rents for tenants.
But landlords are a resilient breed. Many have survived the government pressure of the last decade or so, and some have thrived. Admittedly, some of the smaller, 'accidental' landlords have dropped out of the market as conditions have got harder, and portfolio landlords with multiple properties now account for half of the homes in the PRS. But those who have remained have adapted their business strategies in response to the numerous challenges they have encountered.

Despite the economic headwinds, most buy-to-let investors who have been in the market for some time will have seen the value of their property or properties increase. Those looking to expand their portfolios can leverage some of their increased equity for this purpose. And they are likely to look for or negotiate favourable purchase prices. Many have been buying poor quality or neglected properties at auction with a view to refurbishing them to rent out. Many have converted standard dwellings into Houses in Multiple Occupancy, which can provide accommodation for more tenants and generate higher income for the landlord. Others are investing in Multi-Unit Freehold Blocks.
Record numbers of landlords have been buying property through limited companies, or converting their existing portfolios into such companies to benefit from more benign rates of tax.

These creative endeavours have become more common in recent years, and mortgage lenders have been quick to respond with more varied and flexible products which can cater for the increasingly complex needs of strategic-thinking buy-to-let investors. Many offer short-term finance for auction purchases and refurbishment loans with an exit onto a buy-to-let mortgage. Many more will now fund HMOs and MUFBs. Niches which were once the preserve of a handful of specialists are now served by a range of large and small lenders, who have introduced greater competition, resulting in more criteria choice and keener pricing.

There is also a wide choice of 'green' mortgages out there for landlords seeking to make their properties more energy efficient. It is still unclear whether this government will insist on rental properties achieving an Energy Performance Certificate of C by 2030, but some investors are improving their properties in any case, as it can make sound business sense, offering tenants better quality accommodation with lower running costs.

At this stage, most 'green' mortgages simply offer a slightly lower rate once improvements have been carried out, and more innovation will no doubt surface in this sector should the 'C' target be imposed or similar government requirements be imposed.

In the long run, if we want a healthy, sustainable PRS, the government needs to change its approach to buy-to-let landlords. It needs to recognise the crucial importance of the sector – which houses some 20% of UK households – and beware introducing measures which could reduce the number of properties available for rent and disincentivise further investment by landlords. There will always be households which cannot afford to buy their own homes, and others for whom ownership is not a practical option. Whilst there remains a huge deficit in the supply of affordable social rented property, the PRS will be the only option for many – so its continued health and viability are essential.

Principality insight reflects key role for intermediaries in the first-time buyer experience

In 2024, first time buyers reliance on brokers grew significantly with 64% using a mortgage broker to help take their first steps into home ownership. Principality's research with Verve also showed how the many different types of FTBs relied on brokers for additional support and navigating the mortgage market.

Key headlines, include:

FTBs rely on mortgage brokers both emotionally and practically to help them achieve their home ownership dreams. There's an expectation to take the 'heavy lifting' away from the buyer.

Whilst experiences with brokers are typically more positive than those with estate agents and solicitors, there is still room for improvement.

Given the extent to which FTBs rely on Brokers it's clear that they are a key advisory channel for FTBs.

In 2025, our commitment to making more possible for brokers and FTBs continues. Take a look at our latest news.

Martin Bowmer, Head of Product – Lending,
Principality Building Society

Today's mortgage market showcases the constant criteria changes being made by Lenders but also the support needed to Brokers to help bridge the gap of underserved markets.

The focus on First Time Buyers is still a key priority, with new products becoming available by Lenders to help grow this market. However it's equally as important to look at Next Time Buyers. Many homeowners are coming off lower rate mortgages and some are moving into later life lending where moving properties is a necessity. There are also those homeowners who want a bigger property either due to growing families or to climb the ladder. Criteria and affordability changes can help Next Time Buyers purchase their next property, which in turn allows for more choice and affordable properties for First Time Buyers. House prices, location and property availability are key influencers for First Time Buyers, so having more movement in this space will ultimately provide more options to the market.

Louise Sarsby, Head of Account Management, Provider/Lender, Iress

Get in touch

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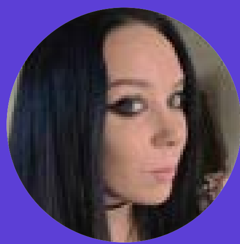

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