



## Mortgage Monitor

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August 2015

# House purchase lending falters in July as threat of base rate rise draws closer

- July sees 65,356 house purchase approvals, down 1.8% on June due to rate-rise uncertainty
- Annual growth slows: house purchase approvals fall 0.2% year-on-year, after three months of strong annual increases
- Small deposit lending falls 7.1% year-on-year, with just 11,400 loans in July as banks withdraw cheapest mortgage rates

The number of mortgage approvals for house purchase has fallen back against a backdrop of the Bank of England's threats to raise the base rate, according to the latest Mortgage Monitor from e.surv, the UK's largest chartered surveyor.

There were 65,356 house purchase mortgage approvals in July, down 1.8% from 66,582 in June, slipping from an upward trajectory that has broadly persisted for the previous eight months.

On an annual basis there were 0.2% fewer approvals, down from 65,517 in July 2014. This is the first year-on-year fall since March 2015.

This fall comes as one member of the Bank of England's nine-strong Monetary Policy Committee voted to raise the base rate from its current historic low of 0.5% – and as warnings of an encroaching increase continue.

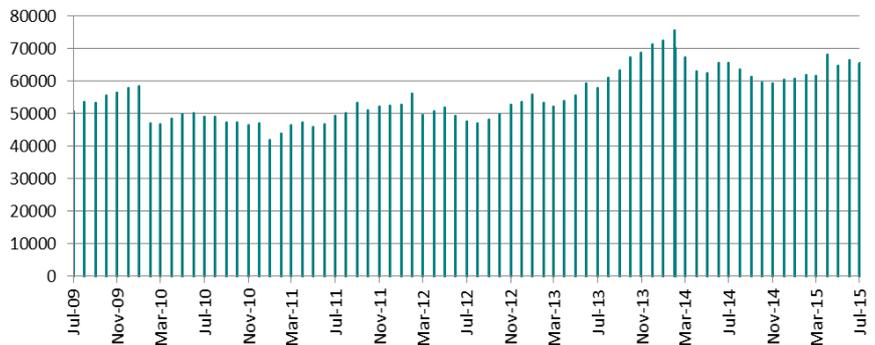
Richard Sexton, director of e.surv chartered surveyors, comments: *"The Bank of England has been beating the drum over a base rate rise that has yet to appear. Their hawkish rhetoric has had a knock-on effect on the mortgage market, with some banks beginning to withdraw their lowest-interest mortgage deals. In turn, this appears to have dampened demand for house purchase lending in the short-term, whilst stimulating remortgage activity.*

*"However, the mortgage market should be resilient in the face of this threat. Reforms like MMR introduced since the recession have left us with a market built to ride out storms. Any increase to the base rate is likely to be slow and steady. The Bank of England have as much reason as anyone to be careful about rocking the boat. With incomes rising and inflation staying low, many borrowers have been making hay while the sun shines and paying down their mortgages, while others have been taking the very sensible decision to lock in to low rates.*

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*“For now, it’s a waiting game – but it is reassuring to see that this level of uncertainty has had a limited impact on the number of approvals. What we see here are banked coals, not fading embers.”*

**Loans for house purchase since July 2009  
(seasonally adjusted)**

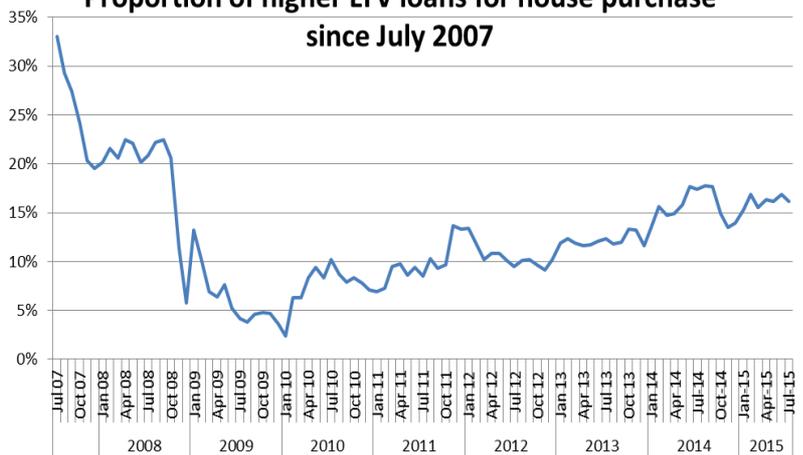


## Small-deposit lending resilient despite rate-rise threats

July has seen a fall in the number of small-deposit borrowers (with a deposit worth 15% or less of their properties’ total value) in absolute terms and alongside a drop in their proportion of all house purchase mortgage approvals.

There were 10,588 small-deposit house purchase loan approvals in July, down 5.9% compared to the 11,252 recorded in June and a 7.1% fall on an annual basis from 11,400 recorded approvals in July 2014.

**Proportion of higher LTV loans for house purchase  
since July 2007**



Small-deposit borrowers made up 16.2% of all house purchase approvals this July, falling back from 16.9% in June 2015 and 17.4% in July 2014.

Richard Sexton, director of e.surv chartered surveyors, comments: *“Smaller-deposit borrowers – typically first-time buyers – tend to be more vulnerable to change than other mortgage holders. Consequently, we have seen some slowdown in this sector. But they still remain a significant proportion of the total house purchase mortgage market, even with some understandable nervousness over the prospect of a rate rise.*

*“Though some of the ‘ultra-low’ fixed rate repayment plans are being reeled in, there is still a wide range of cheap deals on offer. Stiff competition between lenders has broken a lot of new ground in terms of low rates. We shouldn’t be overly concerned by the very cheapest offers being reined in – there is still a wealth of deals and schemes that are helping borrowers with small deposits get onto the property ladder. The real heart of the issue has always been a shortage of supply. This tension at the bottom of the market will persist until more homes are built and made available to first-time buyers.”*

## Regional snapshot: Small-deposit borrowing falls back in the East of England and Scotland

Lending to borrowers with deposits worth 15% or less of their property's total value has dipped in most UK regions in July, but has dropped by a larger amount in the East of England and Scotland.

The East of England has seen a sharp series of increases in property prices that has started to exclude some borrowers with smaller deposits, as the proportion of small-deposit lending in the area fell to 14% of all house purchase mortgage approvals, down from 16% in June.

The proportion of small-deposit borrowers has taken a similar-sized fall north of the border, with just 9% of all Scottish house purchase mortgage approvals in June going to borrowers with small deposits, down two percentage points from 11% in June 2015.

Region	Proportion of small deposit loans (July 2015)	Proportion of small deposit loans (June 2015)
Yorkshire	25%	26%
Northwest	25%	25%
Midlands	20%	21%
Northern Ireland	18%	11%
UK Average	16%	17%
South/South Wales	15%	16%
Eastern	14%	16%
South East	11%	11%
Scotland	9%	11%
London	7%	8%

Richard Sexton, director of e.surv chartered surveyors, concludes: *"The falling proportion of lending to borrowers with smaller deposits in the East of England shows that borrowers across the country need support. Property price inflation has started to nip at the heels of smaller-deposit lending in the East, further emphasising the importance of the Help to Buy scheme, which is helping many borrowers put together enough of a deposit to get on the housing ladder, even as prices climb."*

## LOANS FOR HOUSE PURCHASE - seasonally adjusted

Month	Number	Monthly change	Annual change
February	61,966	+1.9%	-11.6%
March	61,650	-0.5%	-8.3%
April	68,051	+10.4%	+7.8%
May	64,826	-4.7%	+4.0%
June	66,582	+2.7%	+1.5%
July	65,356	-1.8%	-0.2%

– ENDS –

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## Notes to Editors

### Methodology

e.surv analyses detailed data on over one million mortgage valuations the firm carried out between August 2006 and today. Each month, the researchers analyse tens of thousands of valuations and use these trends to extrapolate from the Bank of England's mortgage data to publish mortgage approval numbers for the whole of the UK, weeks before the BBA, CML and Bank of England.

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### About e.surv

e.surv is one of the UK's largest valuation providers, directly employing surveyors across the UK, supported by a network of consultant valuers. The business is the largest distributor and manager of valuation instructions in the UK and is appointed as Panel Manager for more than 20 mortgage lenders and other entities with interests in residential property. The business also provides a number of private survey products direct to the home-buying public. e.surv is a subsidiary of LSL Property Services plc. For further information, see [www.lslps.co.uk](http://www.lslps.co.uk).

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