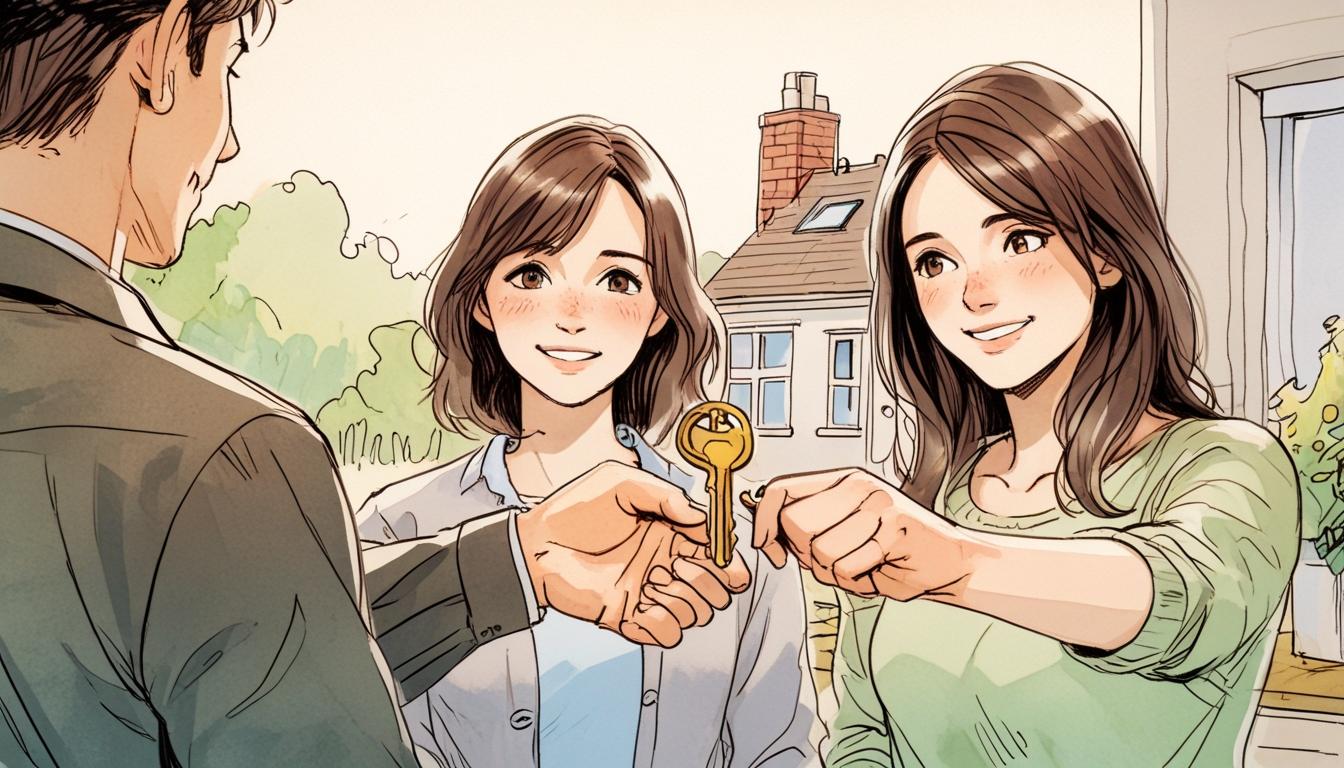
# Bank of Mum and Dad support widens UK first-time buyer divide



The housing market in the UK is experiencing significant shifts, largely driven by the phenomenon often referred to as the "Bank of Mum and Dad" (BoMaD). A recent analysis by UK Finance illustrates how parental financial support is enabling first-time buyers to enter the housing market sooner and with greater purchasing power. However, this trend raises concerns about increasing inequalities in homeownership, as those without familial assistance are finding it progressively more difficult to secure their place on the property ladder.

According to the findings, assisted first-time buyers—those receiving help from family—tend to enter the market at an average age of 30, possessing an average household income of £56,000. This demographic manages to purchase homes valued at nearly £40,000 more than their unassisted counterparts, who typically buy at 32.5 years of age and earn a higher average household income of £65,000. The stark contrast in purchasing power is evident: assisted buyers deposit an average of £118,073, while unassisted buyers average just £60,741.

This reliance on family support is far from a mere trend; it has become a crucial element of home-buying strategies for many. Rising property prices and an insufficient supply of affordable homes exacerbate the challenge faced by prospective buyers lacking parental assistance. UK Finance's data highlights that, across the UK, average home purchase prices for assisted buyers are £317,846, compared to £279,381 for those without family support. In London, these discrepancies widen further, with assisted buyers averaging deposits of £224,054, while their unassisted peers managed significantly less.

As part of this evolving landscape, governmental measures such as the temporary stamp duty holiday during the pandemic disproportionately aided assisted buyers, while leaving many unassisted buyers struggling to navigate the financial repercussions of rising costs. Experts, including James Tatch from UK Finance, argue that while many first-time buyers continue to chart their own paths without familial aid, the growing need for assistance is a troubling trend that threatens to deepen the wealth divide in homeownership. Tatch emphasised the importance of addressing both supply and affordability issues to maintain equitable access to homeownership.

Furthermore, discussions surrounding the challenges of rising mortgage rates and increased housing costs are increasingly relevant. The average recent first-time buyer was expected to allocate a significant portion of their income—36% of take-home pay—towards mortgage repayments, eclipsing the historical norm of 30%. The recent reductions in base rates from the Bank of England aim to stimulate buyer interest but come against a backdrop of soaring rents and diminished savings potential for deposits.

Indeed, some analysts speculate that the high levels of family financial assistance—now seen in 57% of first-time buyer transactions—could further shape the political and economic landscape of the UK, perpetuating cycles of wealth and disadvantage. According to recent reports, family support for first-time purchases reached approximately £9.4 billion in 2023, with forecasts suggesting stable contributions into the coming years.

Moreover, rising rental expenses further complicate the ability for younger generations to save for a deposit, emphasising the necessity for structural changes within the housing market. Recent government initiatives, including proposals from the Labour Party to prioritise first-time buyers in new developments and the introduction of a 'Freedom to Buy' scheme, seek to alleviate some of these pressures. However, the effectiveness of such measures remains to be seen in light of persistent affordability challenges and high property prices.

In essence, while the "Bank of Mum and Dad" facilitates a pathway to homeownership for some, the implications of this support reverberate throughout the housing market, intensifying the conversation around inequality, social mobility, and the future of homeownership in the UK.

### Reference Map

1. First-time buyers and parental support dynamics
2. Economic implications of the Bank of Mum and Dad
3. Housing affordability statistics
4. Trends in financial support for first-time buyers
5. Social mobility challenges within homeownership
6. Recent housing purchase statistics and trends
7. Legal & General's housing market insights and forecasts

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

* <https://www.independent.co.uk/money/first-time-buyer-parents-help-finance-mortgages-b2748040.html> - Please view link - unable to able to access data
* <https://www.ft.com/content/4b7e81b3-d0c4-4ef5-9686-1ceee63a6c9b> - This article discusses how the 'Bank of Mum and Dad' has reshaped the British economy by providing substantial financial support to children, particularly in covering university tuition fees and deposits for first homes. Data shows an increasing reliance on this support, with a significant percentage of first-time homebuyers receiving family assistance. This trend underscores a growing economic divide, where children's opportunities are increasingly influenced by their parents' financial status. Rising property prices and insufficient housing supply exacerbate this issue, making it harder for those without parental support to secure homeownership. This dynamic has long-term effects on social mobility, as children from less affluent backgrounds struggle more with educational and financial opportunities. The situation is further complicated by issues such as high rent costs and the growing costs associated with elderly care, potentially diminishing future inheritances. Consequently, the Bomad's importance is unlikely to decline shortly, potentially increasing societal inequalities and influencing political landscapes.
* <https://www.reuters.com/world/uk/uk-house-prices-edged-up-by-01-january-nationwide-says-2025-01-31/> - This article reports that UK house prices saw a slight increase of 0.1% in January compared to December, following higher increases in the previous months, according to Nationwide. Despite financial pressures, the housing market remains resilient, though affordability is still an issue. The average homebuyer would spend 36% of their take-home pay on mortgage payments, exceeding the long-term average of 30%. Additionally, 40% of first-time buyers received financial help for their deposit from family or friends. January's house prices were 4.1% higher than the previous year, down from December's 4.7% increase. Demand in the housing market appears to be strengthening, as evidenced by rising net mortgage lending in December. Upcoming expiration of temporary tax incentives and potential interest rate cuts by the Bank of England are likely to boost property demand further. Nationwide forecasts a 2-4% rise in average house prices for the year.
* <https://www.ft.com/content/9d9830cb-aeca-4dd7-aeba-fc9385a4796c> - This article highlights that over half of first-time homebuyers in 2023 received financial assistance from family, marking an 11-year high with 57% of transactions involving family help. Factors such as high mortgage interest rates and rising house prices have made it difficult for new buyers, despite government aid like stamp duty breaks. More stringent mortgage requirements since the pandemic have also affected higher loan-to-value lending. Average mortgage rates for 90-95% LTV were around 5.66-6.08% in July 2024. Family support amounted to £9.4bn in 2023, with forecasts expecting similar amounts annually through 2026. Soaring rents have further impeded buyers' ability to save for deposits, with UK rents rising 8.6% over the past year. London's rents hit a high of £2,114 per month. The Labour party intends to improve first-time buyers' prospects by giving them priority in new developments and introducing a 'Freedom to Buy' scheme to facilitate lower deposit requirements.
* <https://www.theguardian.com/society/2024/mar/16/over-a-third-of-first-time-buyers-relying-on-bank-of-mum-and-dad> - This article reports that over a third of first-time buyers in England (34%) now turn to family for a financial gift or loan to help them buy their home, compared to 1 in 5 (20%) seven years ago. A further 1 in 10 rely on inherited wealth. It is not only first-time buyers who benefit from parental support—over 1 in 10 (12%) of existing owners are also benefiting from a gift or a loan when buying a new home. The report warns that difficulties in buying homes are becoming a barrier to improving social mobility in the UK. The article also notes that first-time buyers who receive money or a loan from their parents can buy 2.6 years earlier than those who do not. In London, this figure rises to 4.6 years. The average income of households in London who rely on support from parents is £40,900 compared with £42,400 for those who do not.
* <https://www.mortgagesolutions.co.uk/news/2023/12/08/nearly-half-of-first-time-buyers-receive-help-from-family-ifs/> - This article reports that almost half, 45%, of the first-time buyers in their 20s who purchased a home between 2018 and 2020 received financial help from their family, according to a report from the Institute of Fiscal Studies (IFS). The IFS also found that 80% of financial help for first-time buyers came from parents, while 7% was from grandparents. Overall, a quarter of people getting onto the property ladder had financial help. The first-time buyers received £25,000 on average and had deposits of £55,000. The IFS said this support had 'potentially very high effective returns in recent years' because it helped to bring down the interest rate on the mortgage with a lower loan to value (LTV).
* <https://group.legalandgeneral.com/en/newsroom/press-releases/legal-general-bank-of-family-to-fund-record-number-of-property-transactions-underlining-uk-housing-affordability-challenges> - This press release from Legal & General reports that the 'Bank of Family' is expected to support 318,400 UK property purchases in 2023, the highest number of property purchases family gifting has ever supported since Legal & General began tracking family lending in 2016. The average amount of Bank of Family money given by family is expected to hit £25,600 this year, while total lending is expected to climb to £8.1 billion in 2023, up 50% on 2020. The total value of properties bought with Bank of Family assistance is predicted to reach £124.6 billion this year. Family contributions are set to climb to a staggering £10 billion by 2025, according to the research. This increasing reliance on financial support from parents, grandparents, other family, and friends underlines the challenges faced by aspiring buyers who don’t have access to this support.