# Bank of England allows lenders to exceed high loan-to-income mortgage cap to aid first-time buyers



The Bank of England has announced a significant adjustment in mortgage lending regulations that could offer relief to first-time buyers struggling to enter the property market. Although an overarching sector-wide cap restricting high loan-to-income (LTI) mortgages at 15% remains in place, individual lenders will now be permitted to exceed this threshold if they choose. This flexibility aims to increase the availability of mortgages with high LTI ratios, potentially easing access to loans for creditworthy buyers, particularly those purchasing their first homes.

The decision follows extensive discussions by the Bank’s Financial Policy Committee (FPC) on the current application of LTI limits. The Bank acknowledged that while such high LTI lending poses some risk, maintaining a 15% aggregate lending cap across the sector provides a protective buffer against over-indebtedness during periods of rapid house price growth. The move allows lenders to adopt varied risk appetites reflective of their strategies without compromising overall market stability. Recent data revealed that nearly 10% of mortgage lending in early 2025 was at an LTI ratio above 4.5, with this share expected to increase amid the easing of affordability tests and changing economic conditions.

First-time buyers have faced particular challenges due to stringent deposit requirements combined with lending limits. UK Finance has highlighted that many prospective buyers must amass deposits well beyond twice their annual incomes, especially in London, where high house prices far outpace wage growth. Around 30% of high LTI lending is concentrated in London, illustrating the capital’s acute affordability pressures. This has made substantial external financial support, such as help from family, a common necessity for new entrants to the market. The Bank’s latest adjustment is therefore seen by some industry experts as a pragmatic step to reflect current housing and income realities without the risk of reckless lending.

The market is already showing signs of revitalisation, with the number of first-time buyers rising sharply. Research indicates a near 20% jump in first-time purchases in 2024, accounting for more than half of all new mortgages. Mortgage rates, having retreated from recent peaks, along with new product offerings from major lenders, have improved affordability to some extent. However, the requirement for large deposits remains a formidable obstacle. Compared to other European countries, UK borrowers face much higher upfront costs and often stricter lending criteria, including lower loan-to-value ratios and stricter affordability tests, which exacerbate challenges for many aspiring homeowners.

This regulatory relaxation comes in a broader context of attempts to balance market growth with financial prudence. The Bank of England will continue to monitor risks and plans to review overall bank capital requirements, with a report anticipated in its upcoming financial stability update. Meanwhile, the government is also preparing schemes to support homeownership, such as proposals for a 99% mortgage, designed to lower deposit barriers. These initiatives, however, carry warnings from some experts about potential pitfalls, including exposure to negative equity and heightened default risks, underscoring the delicate task of expanding access without undermining market resilience.

Industry voices have largely welcomed the Bank’s move as a sensible adjustment rather than a return to unsafe lending practices. Andrew Montlake, chief executive of Coreco mortgage brokers, described the change as a “welcome and pragmatic move” reflecting contemporary income and housing market conditions. He stressed that if implemented wisely, this flexibility could significantly aid first-time buyers without jeopardising the overall stability of the housing market.

Nonetheless, the Bank of England governor has voiced caution, warning that loosening lending criteria too much might lead to more repossessions and financial instability. The overall challenge remains finding a balanced approach that supports sustainable homeownership while safeguarding the financial system against future shocks.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.irishnews.com/news/uk/boost-for-first-time-buyers-as-mortgage-lending-reins-loosened-EZJ4GVLHBFN6FG34XFQTOUAPOU/), [[2]](https://www.reuters.com/sustainability/boards-policy-regulation/uk-banks-can-increase-riskier-mortgage-lending-boe-says-2025-07-09/)
* Paragraph 2 – [[1]](https://www.irishnews.com/news/uk/boost-for-first-time-buyers-as-mortgage-lending-reins-loosened-EZJ4GVLHBFN6FG34XFQTOUAPOU/), [[2]](https://www.reuters.com/sustainability/boards-policy-regulation/uk-banks-can-increase-riskier-mortgage-lending-boe-says-2025-07-09/)
* Paragraph 3 – [[1]](https://www.irishnews.com/news/uk/boost-for-first-time-buyers-as-mortgage-lending-reins-loosened-EZJ4GVLHBFN6FG34XFQTOUAPOU/), [[4]](https://www.homebuilding.co.uk/news/how-british-homebuyers-face-higher-costs-tougher-lending-rules-and-fewer-rights-compared-to-europe-and-beyond)
* Paragraph 4 – [[3]](https://www.ft.com/content/7f464a11-e7b5-4b25-b1d8-74c0bdab0a4e), [[4]](https://www.homebuilding.co.uk/news/how-british-homebuyers-face-higher-costs-tougher-lending-rules-and-fewer-rights-compared-to-europe-and-beyond)
* Paragraph 5 – [[1]](https://www.irishnews.com/news/uk/boost-for-first-time-buyers-as-mortgage-lending-reins-loosened-EZJ4GVLHBFN6FG34XFQTOUAPOU/), [[2]](https://www.reuters.com/sustainability/boards-policy-regulation/uk-banks-can-increase-riskier-mortgage-lending-boe-says-2025-07-09/), [[6]](https://www.ft.com/content/ce643bfa-d4a9-4d85-b28c-6cc0fceba62f), [[7]](https://www.ft.com/content/25e466a2-3316-4724-9220-c3311ec015ed)
* Paragraph 6 – [[1]](https://www.irishnews.com/news/uk/boost-for-first-time-buyers-as-mortgage-lending-reins-loosened-EZJ4GVLHBFN6FG34XFQTOUAPOU/)

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## Bibliography

1. <https://www.irishnews.com/news/uk/boost-for-first-time-buyers-as-mortgage-lending-reins-loosened-EZJ4GVLHBFN6FG34XFQTOUAPOU/> - Please view link - unable to able to access data
2. <https://www.reuters.com/sustainability/boards-policy-regulation/uk-banks-can-increase-riskier-mortgage-lending-boe-says-2025-07-09/> - The Bank of England has announced a relaxation in mortgage lending rules, allowing individual UK banks and building societies to issue more high loan-to-income (LTI) mortgages. While the sector-wide cap remains at 15%, individual entities may now exceed this limit, addressing the BoE’s finding that banks have been operating well below the threshold, hindering market growth. This move is aimed at helping more first-time buyers enter the housing market, although the BoE noted that deposit requirements remain a greater obstacle. The change follows a request from the Labour government for regulators to support economic growth without endangering financial stability. The high LTI lending cap was originally introduced in 2014 to curtail risky lending that contributed to the 2008 financial crisis. The BoE reported that in the first quarter of 2025, high LTI loans comprised 9.7% of total lending and expects this could rise to 11% by the end of the year under the new flexibility. Additionally, the BoE will review overall bank capital requirements and report its findings in its December financial stability update, although it currently views capital levels as broadly appropriate.
3. <https://www.ft.com/content/7f464a11-e7b5-4b25-b1d8-74c0bdab0a4e> - The number of UK first-time buyers jumped by almost 20 per cent last year and accounted for a record share of new home mortgages, according to research that points to the impact of easing borrowing costs on demand. Some 341,068 first-time purchases were made in 2024. First-time buyers accounted for 54% of new mortgages. Many first-time buyers are now 'coupled up', with almost two-thirds of mortgage applications involving multiple applicants. Amanda Bryden, head of mortgages, highlighted an improvement in mortgage affordability. Mortgage rates have fallen from their peak, with lenders like Barclays and Santander announcing new mortgage products. Industry experts see the rise in first-time buyers as positive but note ongoing challenges, including deposit requirements and affordability.
4. <https://www.homebuilding.co.uk/news/how-british-homebuyers-face-higher-costs-tougher-lending-rules-and-fewer-rights-compared-to-europe-and-beyond> - UK homebuyers face significantly higher costs and more restrictive lending conditions than their counterparts in Europe and other major economies. Despite recent interest rate cuts by the Bank of England, UK mortgage rates remain notably higher than the Eurozone average. Substantial deposits are a major hurdle, with UK first-time buyers needing an average of £75,072, rising to over £150,000 in London. Countries like Germany and France offer higher loan-to-value ratios and government schemes to lower initial costs. UK mortgage lengths have increased to an average of 29.1 years, leading to higher total interest payments. Financing for self-build and renovation projects is also more expensive and complex. Strict age limits, conservative affordability tests, and early repayment charges further restrict financial flexibility. These factors often result in higher upfront fees and rigorous application processes, prompting calls for policy reforms to make the mortgage market more accessible.
5. <https://www.ft.com/content/8349f57f-89b3-4f34-8e6c-1585c2190610> - The UK mortgage market is experiencing a resurgence of 100% (no-deposit) mortgages as lenders support first-time buyers amid high property prices. April Mortgages and Gable Mortgages launched no-deposit home loans in May 2025, with other lenders like Skipton, Halifax, and Barclays offering similar products under specific conditions. These offerings, reminiscent of pre-2008 market practices, now feature stricter affordability checks and higher interest rates—around 5.99% and 5.95%, respectively—higher than the average 5.09% on five-year fixed mortgages. While these loans provide assistance to renters who struggle to save, experts warn of risks such as negative equity if property values fall. Analysts remind that lessons from the 2008 crisis—when many believed in perpetual price growth—must inform this renewed lending. Borrowers with solid financial plans can benefit, but caution is advised for those relying solely on future house price increases.
6. <https://www.ft.com/content/ce643bfa-d4a9-4d85-b28c-6cc0fceba62f> - Chancellor Jeremy Hunt is preparing plans for a 99% mortgage scheme ahead of the Budget, aiming to reassure voters and support homeownership. The proposed scheme would require only a small deposit from buyers, with details still under consideration. Prime Minister Rishi Sunak has expressed understanding of people's frustration with rising house prices. However, concerns from industry experts highlight potential risks, including increased exposure to negative equity and financial instability. Critics warn that such schemes could lead to higher levels of default and repossessions if not carefully managed. The government has previously introduced support schemes like Help to Buy, but debates continue about the future approach to mortgage lending and affordability.
7. <https://www.ft.com/content/25e466a2-3316-4724-9220-c3311ec015ed> - The Bank of England governor has warned that proposals to relax limits on riskier mortgage lending could lead to more home repossessions and may not effectively help first-time buyers. He emphasized the importance of maintaining prudent lending standards to prevent instability in the housing market. The review of current policies aims to balance supporting market growth with financial stability, with no final decisions made yet.