Browne Jacobson

Current state and outlook for the mortgage lending sector

11 July 2025 Kay Chand

On 10 June 2025, the **Financial Conduct Authority** published its statistics on mortgage lending for the first quarter of 2025 .

It has found that:

- The outstanding value of all residential mortgage loans increased by 1.2% from the previous quarter to £1,698.5bn, and was 2.6% higher than a year earlier.
- The value of gross mortgage advances increased by 12.8% from the previous quarter to £77.6bn, the highest new advances since 2022 Q4, and was 50.4% higher than a year earlier.
- The value of new mortgage commitments (lending agreed to be advanced in the coming months) decreased by 1.5% from the previous quarter to £68.2bn, but remained 13.5% higher than a year earlier.

This signals strength in the sector for Q1 and beyond. However while new arrears have fallen, the number of possessions has increased.

The challenges

Against the backdrop of a lack of wage growth, cost of living and shortage of housing, people are still finding ways to buy a house.

However, while the tightening of regulation has helped some, it has restricted access for others. For example, some have received help from the 'bank of mum and dad' while others, such as the self-employed or first time buyers, have struggled.

It is therefore difficult to debate the right level of regulation for the market in isolation from some of the other external factors such as affordability and supply and demand.

What do the economists say?

It may come as no surprise that economists are expecting to see a shift in markets over this year with investors looking at reallocation into Europe instead of the US.

Their view is that we remain in a state of stagflation. Andrew Bailey, Governor of the Bank of England continues to take a gradual approach. The direction of travel of interest rates appears to remain on a downward trajectory to 2027 after rising initially.

The UK Chancellor is having to make tough fiscal policy decisions with a balancing exercise to keep both the bond markets and the public happy.

We need to keep an eye on household incomes and unemployment as they are likely to have an impact on mortgage growth.

40% of full time workers are unable to buy a home and there are mixed views on the 'Help to Buy' scheme. Ultimately house prices need to fall and it is expected that depreciation will land heavily on housing in the next decade.

Open for business

The good news though is that the UK is open for business. While others are putting up trade barriers, the UK is doing deals with nations such as China and Germany.

More people want to move home but can first time buyers afford to and can others get the price they want to sell their homes? There are more homes on the market but it is becoming increasingly difficult to sell in 12 months.

Demand however is up. It's all about access to finance and affordability.

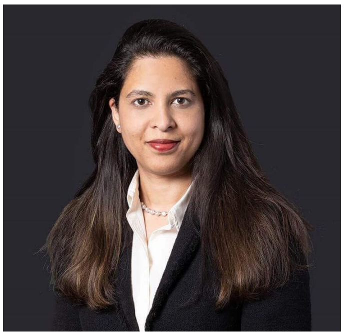
Market digitisation considerations

Market dynamics are changing the way people work, affecting what people want in the market place. Shared ownership is likely to increase and there is likely to be more demand for different product types including interest only mortgages and later life lending. People are also crying out for a smoother and more efficient experience.

Suppliers of digital technology in the market will need to be agile to be able to pivot into new markets. This is something that they are able to do quite well.

In five to 10 years, greater take up of AI solutions as part of the mortgage/conveyancing process is expected. The Land Registry has already implemented its digital solution for qualified electronic signatures. There however remains an issue of common standards and integration across the market players before this can become ubiquitously embedded.

Contact



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