

25 November 2014

FPC housing consultation  
Financial Stability Group  
Room 1/34, HM Treasury  
1 Horse Guards Road  
London, SW1A 2HQ



By email to: [FPChousingconsultation@hmtreasury.gsi.gov.uk](mailto:FPChousingconsultation@hmtreasury.gsi.gov.uk)

Dear HM Treasury

### **The Financial Policy Committee's Housing Market Tools**

This is a response from the Chartered Institute of Housing to the consultation on the FPC's housing market tools. Both Grainia Long and Gavin Smart of CIH have been asked to respond as members of the DCLG's Housing Sounding Board.

We welcome the proposals and believe that together with other changes such as those that have resulted from the Mortgage Market Review, they should help ensure that the market is more robust and less vulnerable to shocks.

Our main caveat on this is that, of course, the outcome of the consultation will simply make the tools available to the FPC, the key test will be how it uses them. For example the FPC will have powers to assess viability of portfolios using DTI and LTV measures but it will be for the FPC to decide how and at what levels to intervene. The judgements it makes and how alert it is are the factors which are likely to decide how successful the tools are, rather than the powers themselves.

CIH can see tensions arising in more active monitoring of the housing market, with the concerns about how to prevent serious market failure having led to a range of initiatives and ways to intervene. This will need careful handling so that decisions from the BoE/FPC perspective of protecting the wider economy stay in alignment with those of the FCA in protecting the consumer. The FCA itself has a careful balance to strike, because while it is important that consumers do not take on excessive risk (and that, for example, the current relatively low rates of repossession do not worsen if interest rates rise), it must also encourage access to the market for those who can sustainably pay a mortgage. The further criteria to be used by the BoE/FPC, while of course very important ones, can only make these decisions more complicated and difficult to get right.

Although not part of this consultation, CIH also remains concerned about the relatively easier access to mortgages enjoyed by buy to let landlords, especially

compared with first-time buyers. Measures which widen the gap should be avoided and, if possible, the gap should be closed.

CIH will be monitoring and commenting on the effects of these reforms in our annual *UK Housing Review*.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gavin Smart', written in a cursive style.

Gavin Smart  
Deputy Chief Executive and Director of Policy and Practice.