

How important is the Bank of Mum and Dad?

"Reliance on the Bank of Mum and Dad will persist until house prices drop"



By Jake Carter

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While the entire housing market has endured a raft of challenges in recent times, first-time buyers have felt the brunt of these.

As a result, many first-time buyers' reliance on the Bank of Mum and Dad has only grown. So, what have brokers seen on the ground?

Gary Bush (pictured left), financial adviser at Mortgage Shop, an online whole of market independent mortgage brokerage, said the enduring role of the Bank of Mum and Dad, or even Gran and Grandad, remains pivotal, especially considering the limited opportunities for first-time buyers to enter the property market without family assistance.

"Our approach often involves harnessing gifts from relatives for deposit funds, combined with the flexibility of Shared Ownership," he said.

This strategic combination, Bush added, empowers applicants to access larger properties that would otherwise be financially out of reach, facilitating transitions like upsizing from two to three bedrooms.

Older relatives, having navigated a time when massive income-to-loan multiples were not prerequisites for first-time buyers, he said, now find themselves in a position to assist younger family members in a much-needed capacity.

However, Bush added that the complexity arises with the Bank of Mum and Dad when unforeseen circumstances, such as relationship breakdowns, occur.

"The lack of legal protection can lead to complications, highlighting the crucial role of a knowledgeable adviser who should communicate these risks and encourage individuals to seek legal counsel in such situations," he said.

The reliance on the Bank of Mum and Dad, Bush believes, is likely to persist until there is a significant reduction in the house price-to-average income ratio.

This, he said, underscores the ongoing importance of family support in navigating the evolving landscape of property ownership.

"As the real estate dynamics continue to shift, the role of family assistance remains a cornerstone for many aspiring homeowners, bridging the gap between financial feasibility and homeownership aspirations," Bush said.

Peter Stamford (pictured right), director and lead adviser at Moor Mortgages, said the role of the Bank of Mum and Dad is rapidly transforming from a mere boost, to an almost indispensable step in the home-buying journey for numerous first-time buyers.

This shift, Stamford said, is propelled by the escalating prices of properties and the widening gap between incomes and home values, compelling parents to play a crucial role in providing financial assistance.

"While this practice serves as a lifeline for aspiring homeowners, it comes with its share of downsides," he added.

This growing reliance on family financial support, Stamford said, has the potential to exacerbate inequality, as not all individuals have equal access to such assistance.

Furthermore, he said, there are inherent risks, including the jeopardy of parents' financial stability, as they dip into their resources to aid their children in a housing market characterised by increasingly unattainable prices.

"The complexity deepens as this family support can introduce complications to relationships if not approached with foresight and clear communication," Stamford said.

As the Bank of Mum and Dad becomes a near-essential component of the home-buying process, he suggested, it highlights a multifaceted solution to a systemic issue.

"It underscores the pressing need for a comprehensive approach to housing

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affordability in the United Kingdom, one that addresses the root causes of skyrocketing property prices and ensures a more equitable and sustainable path to homeownership for all," Stamford added.

How important do you believe the Bank of Mum and Dad has become in today's market? Let us know in the comment section below.

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