



Ministry of Housing,
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Help to Buy: Equity Loan homes in buildings with aluminium composite material (ACM) cladding

Request for Information

I am responding to a request by the Treasury Committee (25 April 2018) to Homes England for information on:

- (i) The number of Help to Buy properties that are in buildings with potentially unsafe ACM cladding; and
- (ii) What the potential losses for Government could be if occupants pay off their equity loan while the property is devalued?

Since the Ministry of Housing, Communities and Local Government (MHCLG) has policy responsibility for Help to Buy: Equity Loan, I am responding to your request, as Minister of State for Housing and Planning. Homes England is an executive agency of MHCLG and it conducts the operational delivery of the Help to Buy: Equity Loan programme for MHCLG.

Help to Buy: Equity Loan policy and programme: overview

Help to Buy: Equity Loan is a major government programme, intended both to increase housing supply and assist people into home ownership. From its launch in April 2013 to December 2017, nearly 159,000 households have purchased a new-build home through Help to Buy: Equity Loan, of whom 81% were first-time buyers. The Government is committed to operate the programme until March 2021, with a total budget of £22.1 billion from 2013 to 2021.

Information on cladding and potential losses for Help to Buy: Equity Loan

Data on cladding is not captured by Homes England through its Help to Buy Equity Loan transaction systems. The Building Safety Programme at MHCLG has been collecting data on private sector high-rise residential buildings with ACM cladding since the tragedy at Grenfell

Tower, with a comprehensive survey launched in October 2017. The data available at March 2018 has enabled Homes England to identify an estimated 42 homes (41 from the Help to Buy scheme and 1 from a previous equity loan scheme) purchased with Government equity loans, with ACM cladding, in England. Please note this analysis is ongoing and not yet complete.

Homes England is working to further validate information. Their checks include contact with builders, building warranty providers and managing agents (as applicable) and cross-checking with Government data.

In response to your Committee's request for an estimate of the potential losses if borrowers were to repay their loans at reduced values, I can at this stage report that:

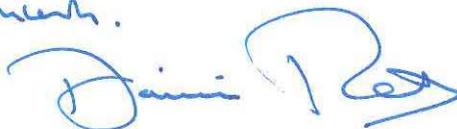
- The total value of all 42 original equity loan advances to home owners was an estimated £3,479,035 (£3,460,973 for Help to Buy loans);
- These loans have an estimated total Fair Value (the estimated current market value), before any adjustments applied for "blight," on the Homes England Asset Register of £4,139,956 (£4,114,298 for Help to Buy loans).

Homes England's role is both to manage the delivery of new Help to Buy equity loans and to administer the scheme for borrowers. Homes England aims to do this fairly and transparently for borrowers applying industry best practice through an external, Financial Conduct Authority (FCA)-regulated, mortgage administrator. All Help to Buy and other equity loans are redeemed at market value determined by an independent valuer and in accordance with the terms of the equity loan agreement.

This Department has not made an assessment of the future valuation of homes with ACM cladding purchased with the support of Help to Buy because any valuation would rely on the individual situation and the judgement of an independent valuer, at the time the property owner applies to redeem their equity loan. Homes England has established a specialist panel of valuers to deal with blighted cases - this is in accordance with the terms of the equity mortgage.

This Department and Homes England are committed to achieving clarity in these matters and ensuring that equity loan borrowers are not subject to prolonged periods of uncertainty.

Where fire safety costs are incurred because of the ACM cladding the Department has made it clear that the morally right thing for building owners to do is to take responsibility for meeting the costs of remediation, either funding it themselves or looking at alternative routes such as insurance claims or warranties. The Secretary of State recently met leaseholders to understand their concerns and with industry to discuss the barriers to remediation and potential solutions. We are keeping the situation under review and have not ruled anything out.

You should.


DOMINIC RAAB MP