

Reeves to Stake Growth on Mortgage Rule Easing in Push for Economic Revival

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Chancellor Rachel Reeves is preparing to place a major bet on economic expansion by loosening mortgage regulations, forming a central piece of her wider “Leeds Reforms.” She aims to kickstart the UK’s sluggish economy by lowering barriers for first-time buyers and stimulating activity in the housing market, while warning of possible financial risks if not managed carefully.

The most eye-catching element is a permanent government-backed mortgage guarantee scheme, building on the post-pandemic initiative. Under this plan, lenders will be encouraged to offer high loan-to-value mortgages, up to 95 per cent, thanks to state-backed protection. The scheme is expected to help around 36,000 additional buyers get onto the housing ladder in the first year. Nationwide Building Society has already responded by lowering the income threshold for its Helping Hand mortgage from £35,000 to £30,000 for single applicants, and from £55,000 to £50,000 for joint applicants.

Further measures will include the recognition of non-traditional credit markers, such as rental payment history, to strengthen the borrowing profile of prospective buyers. Reeves has framed this as part of a broader pro-growth agenda, reducing financial sector red tape, modernising share-listing rules, and streamlining regulatory processes, to drive investment, boost lending, and lift household living standards.

However, concerns are growing among financial watchdogs. The Financial Conduct Authority and the Bank of England have both warned that encouraging larger mortgages relative to income could overheat the housing market, increasing risks of household indebtedness and default. Sara Hall of Positive Money noted that “loosening mortgage rules translates to saddling households with larger, less sustainable debts.” The head of the Financial Conduct Authority, Nikhil Rathi, also warned that such changes could double home repossession rates if economic conditions deteriorate.

In her speech, Reeves is expected to stress that fiscal discipline remains a priority. She will reaffirm that borrowing will be governed by strict self-imposed rules, with all day-to-day spending covered by tax receipts. The

government will seek to assure markets that economic growth will be achieved responsibly, without undermining financial stability.

In summary, Reeves is banking on more accessible mortgages to drive household spending and revive economic momentum. The strategy reflects a centre-right ethos: empowering individuals through home ownership, stimulating market-led growth, and delivering reform without abandoning oversight or fiscal control.