LEGAL & GENERAL SURVEYING SERVICES ISSUE 9

Perspective

For professionals in the UK property market

Legal & General

Welcome

The build up to the Budget in late November promised much in the way of new housing initiatives that ultimately, given Brexit and the financial implications of such an investment, were unlikely to meet everyone's expectations. There was a welcome measure of fiscal change in the shape of new relief from Stamp Duty Land Tax as the Chancellor raised the price at which a property becomes liable for SDLT to £300,000 for first-time buyers. There was more pressure on empty properties too in the form of an increase in Council Tax. The commitment to 300,000 new homes per year was trailed by the Chancellor before the Budget and he was at pains to remind voters that there is no "single magic bullet" to increase housing supply.

The renewed commitment to build more homes poses its own challenges. Lenders need certainty on New Build value and it's our duty to help deliver that. A sustainable value is key if the nation's lenders are to feel confident in supporting this ambition and grapple with our national housing crisis. We offer some thoughts on this.

Of course, part of the housing solution includes elements of self and custom build. Our own visit to Almere Poort has prompted us to reflect how our own very British attitudes to house building and planning stand at odds with the attitudes of European neighbours. Our housing cultural baggage does not always help us make enough progress.

For many lenders, the end of the Buy-to-Let era remains a huge challenge. Lending volumes will be impacted by appetites to remain in the portfolio market. Landlords who will continue to reel from the diminishing tax relief afforded to Buy-to-Let will need to embrace new energy certification standards for their properties and commit to tenant visa obligations next year. They may be entitled to feel a little under siege.

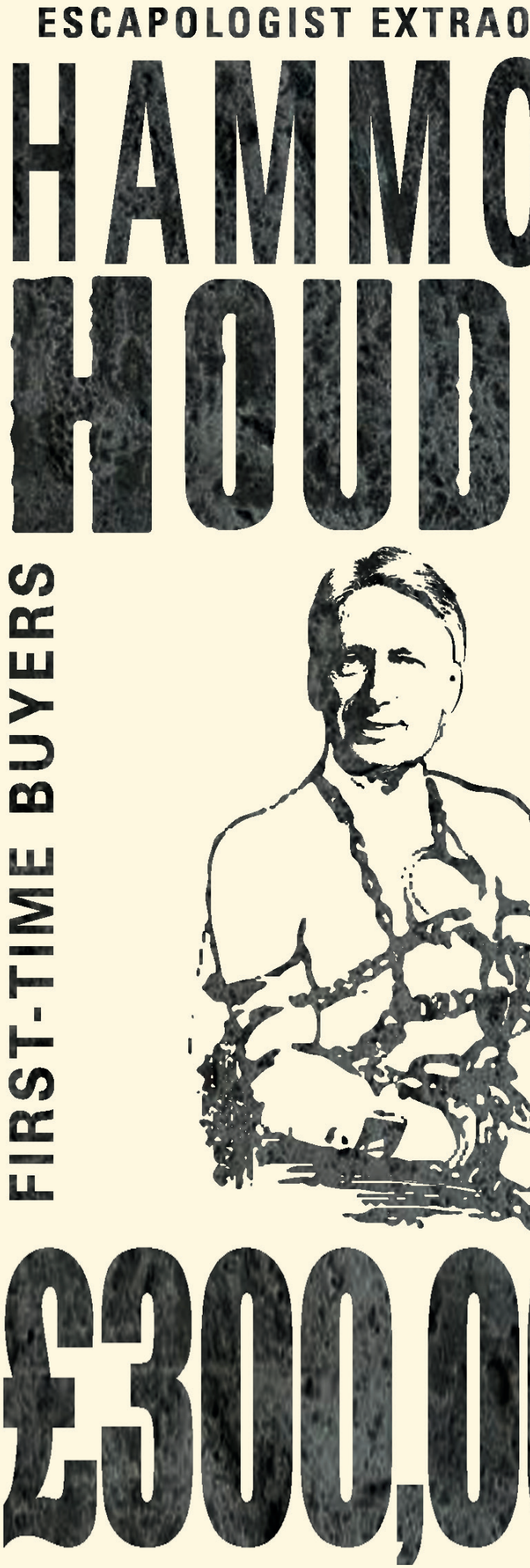
Of course, in the background of all this market, regulatory and political change is the continuing development of technology. In the 80's, the Ford Motor Company referred to 'Man and machine in perfect harmony' in their Sierra car advertisement. We explain why we believe technology and data still require human insight.

Finally, we welcome Lynda Blackwell, until very recently the FCA's mortgage sector manager, to our 'View From the Top' where she gives her thoughts on the markets and risks for the coming year.

Once again can I say we enjoy discussing our thoughts with you and addressing the topics that concern you and your business.

Thank you for your custom.

Kevin Webb
Managing Director



Hammond's housing 'Houdini' act

The Chancellor was in a bit of a tight spot and, truth be told, this budget hasn't changed that. Nevertheless his position is no worse for it. With time now ticking until Britain leaves the European Union in March 2019, the political and economic ramifications of our exit continue to play out on the world and, of course more immediately, on our own national stage.

Many people including some of our politicians, feel relatively powerless to influence the future direction of our country, but, if his first budget of this parliament is anything to go by, we do have the ability to manage our own personal and national finances.

First budgets of a new parliament are traditionally the dramatic ones in which the Chancellor dispenses the unpalatable medicine of tax increases, because they are at the furthest point from the next election. However, for a variety of reasons, Mr Hammond did not follow the norm. Far from increasing the Exchequer's income, the Budget Red Book reveals a net tax give away of just under £1.6 billion in the coming tax year. His main headline-grabbing move was to give first time buyers an exemption from Stamp Duty Land Tax (SDLT) on the first £300,000 of consideration for properties worth up to £500,000. Some move on this front had been widely expected, and it accounts for over a third of the give away.

A new relief from SDLT will raise the price at which a property becomes liable for SDLT to £300,000 for first-time buyers. Those claiming the relief will pay no SDLT on the first £300,000 of the consideration. No relief will be available where the total consideration is more than £500,000. The relief applies to transactions with effect from 22 November 2017. The operation of the higher rates of SDLT for additional properties will be amended to give relief for various people including: those increasing their share of their own home, families affected by a divorce court order, spouses buying property from their spouse and cases where properties are held in trust for children subject to Court of Protection orders. A new rule will target the abuse of relief for the replacement of a purchaser's only or main residence by requiring the purchaser to dispose of the whole of their interest in their former main residence to someone who is not their spouse. These changes take effect from 22 November 2017. The previously announced reduction in the SDLT filing and payment window from 30 days to 14 days will apply from 1 March 2019.

It is a concerted effort to help with the issue of intergenerational unfairness but it is also old medicine for an aging patient. The Treasury really only has fiscal tools in its box and oiling every wheel in the market is clearly unaffordable in the Treasury's eyes. In addition, releasing money back to buyers is of little help if stock remains in short supply. It transfers the money from the Revenue to the seller through inflated prices. Indeed, current homeowners have probably benefited from this shot in the arm to prices.

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There was nothing in the budget about a vision for housing over and above numbers. The right housing in the right places remains infuriatingly beyond the imagination of government. There remains an opportunity to incentivise the creation of headroom in this market by building for last time buyers and down sizers.

The increase in Council Tax for empty properties is welcome in terms of helping to encourage some supply back to the market but overall this was a budget that offered some opportunities to lenders with an appetite for First-time Buyer lending and New Build but ultimately could not offer the fire-power the market really needs. The Chancellor needed a political success to keep him in situ. This budget was really about offering hope with a meagre purse. Has he got away with it? He may just have done enough for now.

Man and machine in perfect harmony

Business strategy is awash with talk of Artificial Intelligence (AI). There is a growing understanding that, as of today at least, AI is fundamentally about algorithms (human intelligence tinned in source code) rather than neural machine learning. Whether Financial Services is on the cusp of an immense change, or the reality is more akin to the infamous Mechanical Turk of 1770 (a chess machine that pretended to be intelligent but was actually operated by a hidden human inside), it is important to understand the direction of travel and how we make the most of it.

In 1982, Ford released an advert for their Sierra car that included the sign off line, 'Man and machine in perfect harmony'. Today, we see Big Data, automation, data learning and algorithms play an increasingly large part in every area of our lives – including the underwriting of property risk. Much is written about this process and much more is made of the dawn of Artificial Intelligence (AI). But a cursory read of the experts' opinions quickly reveals we are nowhere near a world built on machine learning. What we have, as Ford so presciently acknowledged, is a new age of people and machines working together.

Of course the long-term prognosis for the relationship between man and machine may be different. But that is a long way off. Even in the field of Artificial Intelligence today, scores of humans are involved just about everywhere, whether in tiny start-ups or massive tech companies. In fact, most AI products are not fully automated. Interpretation of data, the data itself and the judgments based upon the facts are very much human led. In every field of technical endeavour, and property risk is no exception to this, people are integral to certain processes such as building the data sets. As has been said countless times, having a large data set matters immensely in automating risk decisions, particularly if you're going to use particularly data-hungry deep learning algorithms. Everyone needs to find ways to either acquire or build their own data set that has unique value. Plenty of humans are involved in those processes. Until we develop a system for sharing data that means there is no competitive advantage in owning data, (do not hold your breathe) we will all be compelled to seek out the information we need in new ways. Once this is done we need to label it – this is an absolute must to effectively automate and train any machine. This is a complicated task to handle, particularly at scale. Many start-ups correctly identify data-labelling as a core aspect of their business if not their competitive advantage.

We are currently in the midst of a data processing evolution. We do not require physical inspections to underwrite property in many cases but there are two elements, and automation is not one of them, that allow us to follow this path. One is the impact of the risk to lenders if they get a set of decisions wrong, and the second is the likelihood of that happening in any particular market. Automation enables us to shorten processes but our appetite to do this is not a result of the automation itself but of our attitude to the lending risks, their likelihood and their impact. After all, no automated solution is 100% accurate, 100% of the time.

For certain types of problems ('low product risk' situations), this doesn't really matter – having Netflix's machine learning algorithms recommend the wrong movie would be mildly annoying (not that it happens much), but that's about it. For other problems ('high product risk' situations), the automation getting it wrong even in tiny number of cases could have serious real-world impact, and possibly dramatic consequences, such as failing to detect cancer. In many situations, it makes sense to have the AI highlight the issues that it cannot resolve with enough confidence, and have humans handle those. This is why we developed and offer a triage property risk process that compliments the risk appetite and policy guidelines of lenders.

Ultimately our experience remains that, on the whole, clients are less concerned with the actual fabric of a process as long as the service or product is great and delivers as promised for the right price. Of course, we should all care immensely about blatant and deliberate misrepresentations – AVM's do not carry PI cover – but in the vast majority of cases, the reality is a lot more nuanced, and what matters most to end users is the ultimate product performance.

Arguably rather than talking about how automation (robo-advice etc) is going to change our industries we should really be asking ourselves how these technologies will enhance our products and service. For us, the blend of people's talents, skills and expertise with computing power offers huge opportunities in property risk management. The prospect of fully automated AI products is fascinating, but for the foreseeable future, the process will involve a lot of humans and, for now, that's just fine.


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Dutch courage!

Many western countries' lower-income residents are face a housing crisis but, in mainland Europe, the Dutch are showing an alternative approach through their innovative Almere Poort housing project.

The Almere project designates a zone of rural land to people, who are then free to develop their plot to their own specifications and needs. Private individuals purchase a plot of land from a 'plotshop' with a small deposit. When the houses are resold on the open market for full ownership the municipality makes a healthy profit which it reinvests in new part-ownership homes. Almere residents can build their own customized house with appropriate help according to basic government standards. All the infrastructure is installed by the council – from the roads to all the utilities... right down to the speed bumps.

Almere was a Dutch response to the flagging New Build market of the credit crisis. Our own response to this same crisis has been largely fiscal by comparison as successive UK Governments have opted to offer first-time buyers incentives. The result in the Netherlands has been a sustained subsidised private investment in new housing projects for middle- to low-income buyers that is now almost a decade old. In the Netherlands, self-build now accounts for a third of all homes purchased.

No-one is suggesting that self build or custom build represent a silver bullet for social housing in the UK but they should, as previous administrations have acknowledged, form part of the solution. But for this to happen, our attitude to New Build needs to change.

Our planning system tends to favour conservative building methods and facade treatments rather than encourage innovation. Self-build designs are often eschewed by established architectural critics. High-rise and many New Build experiments of the 50's and 60's have done nothing to help the image. Many of the paternalistic experiments of the 60's and 70's are now being pulled down. Since the birth of the middle-class housing development in Victorian times, the accepted wisdom has been that housing ought to be aesthetically consistent in design and scope. But this consensus, through the mother of invention, is slowly changing. We can specify nearly everything else we purchase in life so, the logic implies, why not housing? Grand designs may not be about social housing but the art of the possible has become clearer to people.

What has accompanied this cultural shift in post-war Holland, which has had to rebuild vast swathes of its property at one time or another, is a recognition that, at the heart of this decision to empower residents to build their own properties, the property is very much secondary in the lending decision to the status of the individual. There are no multiple variants of lending policy according to build type. They simply do not have that cultural baggage as they see it.

While custom-build and self-build housing cannot single-handedly solve the UK's housing crisis, they do offer an opportunity to throw the market open to far greater competition. Both types of housing are economically sustainable models, yet in Britain we still lag far behind our northern European counterparts when it comes to alternative housing for anyone but the wealthier parts of society.

The Almere options and opportunities

This innovative experiment involves a 100 hectare space (250 acres) extension to the south west of the city, in the Poole region. The land was reclaimed from the sea in the 1950's and the entire area has been master planned by the local authority into a number of districts. There are areas for live/work self build homes; there are terraced areas and there is a zone for very sustainable homes. There is also an area set aside for canal side homes, and another for houses with bigger gardens. There is a zone specifically aimed at housing developers, who assemble collectives of people who want a block of apartments or a terrace of similar homes built for them. Individual plots vary in size from 86 m² to more than 1200m².

Not all the homes are built as solo projects; for example 25 people formed themselves into group and then hired an architect and contractor to build a block of flats together.

Getting New Build and affordability premiums right

There may be disagreements about the way in which we increase and deliver New Build housing in the UK but that there needs to be more of it is without question.

The country it seems is facing up to its housebuilding crisis. Over a decade ago, the Barker Review of Housing Supply noted that about 250,000 homes needed to be built every year to prevent spiralling house prices and a shortage of affordable homes. That target has been consistently missed. The focus is invariably upon planning, practices and resources with funding and lending generally considered secondary considerations. Yet if New Build growth explodes over the coming months and years, understanding its value will be critical in facilitating the transition of these properties from properties to liveable homes. We need the homes but lenders have to be confident they are lending responsibly to individuals but also not compromising their exposure risk to any one site.

Since 2006 we have had professional guidance for valuers that sets aside over reliance on New Build sales figures. The valuer's task is to establish an underlying value and work upwards in an approach that incorporates the tangible elements of a New Build that add value and remain in the event of a resale. This approach then adds the value of these elements to the underlying value.

To begin to understand the real value of New Build, directly comparable resale property provides an insight into the market value of the New Build property, bench marking it against other sales. By looking at resale evidence from the area the valuer can establish the underlying tone of value. But if resale evidence from the area of similar style properties allows us to establish the underlying value, how do we get from that to the New Build market value?

We need to consider what attributes can continue on subsequent sale. New Build properties may have a better specification than resale properties in which case the valuer will need to identify those elements that add value when compared to the underlying resale value and other New Build comparables from both on and off site. These attributes affecting ongoing resale might include; energy efficiency; better layout / design; additional bathrooms or a builders brand / reputation. So far so good, however, there are often financial incentives that accompany New Build that may include monetary contributions; legal fees, stamp duty, cashbacks, guaranteed rents etc, that are not part of the asset on an ongoing basis.

These second type of monetary incentives do not add value but may form part of the overall New Build sales deal. Thus, the 'cash' incentives must be understood and allowed for but a mechanical pound for pound deduction is not necessarily the impact on value. Valuers therefore need to exercise judgment in the light of all the information and evidence available.

Comparable evidence of New Build transactions may require adjustment to reflect sale price elements that are exclusively sales incentives. These complexities inform purchase decisions that mean valuers must work back and establish a base value.

Nowhere is this clearer than in part-exchange. Valuers need to carefully consider the impact of any premium price paid for a part-exchange property, the details of which will be noted in the Disclosure of Incentives Form (DIF).

One approach has been to follow the trail of the transactions to attempt to understand the nature of the deal and glean how much the developer is gaining / losing. But on an individual basis the success of this approach may be limited as the developer will be incentivised differently at different times of the year and stages of the development. Of more interest to valuers may be an understanding of how prevalent part-exchange is in that market and where this activity plays a significant part in easing property resale whether that be for the ease of moving, ease of selling or for financial benefit as well.

We are all aware that the detail of the incentives included in the sale of comparable New Build properties may not always be readily available. However, it is the valuer's responsibility to seek and establish these incentives. Valuers should differentiate between sales incentives that do not add value to the property and those tangible attributes of New Build properties that may do so.

A valuation entirely derived from New Build comparable evidence that has been adjusted to exclude the value of incentives may still include an element of value attributable to a first owner benefit, if this exists. The valuer will have regard to these incentives in arriving at the valuation on the defined basis, but will not reflect them purely as an arithmetical exercise starting with the notified sale price or a selected comparable.

The existence of a 'first occupation' benefit will be linked to supply and demand for new properties in a locality. The valuer should be aware of their market

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and the factors driving these conditions. Approaches to the assessment of any first owner benefit need to be considered, and there is certainly no defined percentage of the selling price that can be ascribed consistently. Sales evidence of sold and 'sold subject to contract' properties can be collected from the development, from other new developments in the area with properties of similar style and from the resale/second hand market. At that point, in the normal way, the valuation of New Build property in accordance with the definition of market value in the Red Book VS 3.2 includes an element of value attributable to a first owner benefit. Mortgage lenders broadly understand the principle of this type of benefit, and that such a benefit ceases to exist upon first occupation and may not be realised upon resale. The existing guidance states,

'The property is newly constructed/refurbished and I confirm that the valuation provided is for the property as new, it may not be possible to obtain the valuation figure if the property is subsequently resold as second-hand especially if comparable new property is on offer at the same time.'

Affordability can be impacted by sales and mortgage products such as those supported by indemnities or financial guarantees, which are not in themselves builders' incentives, might from time to time be offered through lenders and/or builders. This may lead to prices increasing in response to strong demand created by those very products i.e. demand, fuelled even, by improved affordability. The analysis should consider whether or not such products positively discriminate in favour of the New Build market to the extent that they might lead to an unsustainable market and price distortions. Valuers need to be aware of the availability of such schemes and should record their existence. They should make appropriate enquiries in respect on their use within a particular development as part of their analysis of comparable data, and consider any effect they may have on market conditions and on market value.

Any affordability 'premium' can also relate to government backed mortgages, where some prospective purchasers see a property as now being obtainable when otherwise it wouldn't have been. Similarly, where a purchaser is buying a percentage share in the case of shared ownership, they may be prepared to pay a higher figure for the share than is sustainable when the value is calculated based upon the 100% share and then discounted. Existing Red Book guidance, and that of most lenders, states that the market value must be given relative to the 100% share assumption which should negate this problem in those circumstances, with the exception of schemes such as restricted resale price covenants.

Wherever identified it should be considered whether an element of price is transferable on resale. Valuers need to exercise judgment and draw upon market knowledge, expertise and experience to decide whether it should be excluded when providing a sustainable market value. A sustainable value is key for lenders and the nation if it is to build houses that go beyond the immediate needs of our housing crises.

Treading carefully in Buy-to-Let

Buy-to-Let is undergoing change on every front. Falling yields in London, regulatory and tax change as well as tenant accountability have changed the attractiveness of property as an asset class for many investors. The most recent change was the Prudential Regulation Authority's rules on portfolio lending. The perpetual shifting sands have left many wondering which way to turn.

At this stage, it is impossible to predict for certain how the broader buy-to-let market is likely to react. It's possible that the process of getting a new buy-to-let mortgage will slow down as lenders adapt to more time-consuming affordability checks, and product interest rates and fees may rise in part owing to a reduction in the number of lenders competing for this business. Certainly lending responses to PRA's portfolio rules have been far from uniform. There's a great deal of variety in how individual lenders are responding to the prospect of tighter affordability checks. For example, while Barclays says it will only impose very small changes, other lenders are tightening their interest cover ratios – the percentage of interest which rental income can pay off. Two lenders – Santander and Platform – won't be offering any new lending to portfolio landlords at all. Some landlords have sought to incorporate their portfolios into Limited Company structures to side-step the changes – although doing this triggers the prospect of stamp duty and capital gains tax bills.

One behavioural change in the market that is surfacing is that chain-free buy-to-let investors are increasingly deserting London in the face of the tax and regulatory pressures. The volume of chain free sales is falling – a trend that some say is accelerated after last year's introduction of a stamp duty surcharge on buy-to-let and second homes. The consequence is that this reduces much needed liquidity and transactions in the market. London has become a costlier proposition for buy-to-let landlords in the past year. Buy-to-let investment in London has more than halved since the introduction of the stamp duty surcharge last year, according to UK Finance, however landlords have increasingly invested outside the M25, with strong growth in markets such as Manchester and Liverpool.

For those looking for short-term gains, yields are attractive in the north, with strong price growth and the average property in the north east returning 5.1 per cent to investors in August and the north west offering yields of 5 per cent. With lower initial purchase costs than in London and the south east, these areas have higher yields in percentage terms than anywhere else in the UK. The east of England and the north west have also seen a monthly average rent increase by 3.2 per cent over the past 12 months. Rising demand for rental properties and insufficient housing stock, however, are contributing to pushing up prices.

The slew of changes that have rained upon the Buy-to-Let market are largely in place now. Though the stepped reduction in mortgage interest relief (which finally disappears in 2020) is still running through the system. There is yet more to come for BTL investors. From April 2019, landlords will have to pay any capital gains tax within 30 days of selling a property, whereas up until this date it is paid at the end of the current tax year.

And challenges in other areas of Buy-to-Let continue to roll through. As of April 2018, all buildings within the scope of Minimum Energy Efficiency Standard must have a minimum Energy Performance Certificate rating of E, or they will be illegal to rent out. A civil penalty of up to £4,000 will be imposed for breaches.

Right to Rent checks became a requirement for Landlords in early 2016 and require all landlords to check that any tenant or permitted occupier has the right to be in the United Kingdom. Checks must be made for all tenants, even if they are British, and the most likely documents to check would be a passport and/or a visa. Landlords or agents must check these for each tenant. If a visa expires during a tenancy then the landlord or agent would be expected to request the updated version, and if there are any concerns raised for either prospective or current tenants then the Landlord or agent is expected to contact the Home Office. Landlords or agents can be fined or possibly imprisoned if they allow a tenant to reside in a property without these checks being performed.

Buy-to-Let still offers good yields and opportunities but it is no longer the easy one-way bet many believed they had invested in. Being a landlord is a becoming a much tougher business. The level of scrutiny and accountability will come hard to many who believed they were in an unregulated niche market not so long ago. When the dust has settled we will know more about where we are with this market. Until then Buy-to-Let will continue to demand careful scrutiny.


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View from the top

Lynda Blackwell is a 25 year veteran of the mortgage market. Formerly the mortgage sector manager at the Financial Conduct Authority and architect of the Mortgage Market Review, she was responsible for transforming the regulation and operation of the UK mortgage market. Lynda is now an advisor to a number of businesses in the market and Non-Executive Director of MoloTech Ltd.

What do you see as the biggest housing challenge over the next few years?
Building enough houses. Home ownership remains a hope for the vast majority of UK adults, but the market simply can't generate the housing supply required to keep the levels of mortgaged ownership stable, let alone increasing. The data shows clearly that the number of First Time Buyers getting onto the housing ladder, even with the support of the various government initiatives – and the help of Bank of Mum and Dad – is falling far short of the numbers needed to slow the decline in homeownership levels. The cost of houses relative to incomes is a real problem. While house prices have doubled in real terms since the 1990s, real earnings have only risen by around 20%. The lack of housing supply is keeping prices high and putting the prospect of home ownership increasingly out of reach for many. The challenges around home ownership also make the private and social rented sectors, and the need for appropriate choices for those for whom home ownership is not a realistic option, increasingly important – and supply is constrained in these sectors too. Unless the supply issues are addressed, there's a risk that the market will become increasingly polarised between the 'have's' – those already on the housing ladder with housing wealth and options to use it – and the 'have not's', with no housing wealth and limited future choices. We need a carefully considered, long-term housing strategy to address all the various interrelated issues and to put the UK housing (and mortgage) market onto a more stable and sustainable footing for the future.

You have in the past attracted controversy by suggesting that those owning their homes outright should be helped to downsize to free up housing stock. Have you changed your views on this?
Not at all – but what I said is that such homeowners should be helped to downsize if they wanted to – nudge incentives, if you like. I was certainly not suggesting compulsion! I think the Chancellor missed a real opportunity at the budget to help those many home owners owning their homes outright and wanting to downsize by providing them with relief from stamp duty. This would help free up housing stock, especially for the second stepper, younger families wanting to move and finding it a struggle in today's stagnant market. It's clearly not going to be for everyone, and there are many who will want to remain in their family home. But there are also many who would choose to move if there was good value, purpose-built and affordable housing available. Research for Legal & General in 2015 (**https://www.legalandgeneralgroup.com/assets/portal/files/pdf_175.pdf**) showed that, of over a third of older homeowners who had considered downsizing, only 7% did so. The view was that to unlock this market, there was a need for the right housing (suitable for older people and near family, friends and facilities) and also the right tax regimes, with stamp duty being a key focus. This is all part of the interrelated issues mentioned above that need to be carefully thought through and addressed as part of a long-term housing strategy.

Is the underlying issue of access really one about affordability – is the regulatory regime too restrictive?
I don't think anyone would want to see the market go back to the poor lending practices we saw in the past. At the core of the new regime is what everyone agreed is a very simple, common-sense principle that loans should only be advanced where there is a reasonable expectation that they can be repaid. Unfortunately, in the past that didn't always happen, with both lenders and borrowers assuming that house price rises would make repayment or refinancing possible. The market is now going through a difficult transition period between the pre-crisis looser standards and the much- improved standards of today which has meant that for many of those borrowers who took out their mortgages pre-crisis, the products so readily available to them in the past are simply no longer available to them today. Sub-prime products, interest-only, self-certification and high LTV, for example, are not available or are much more restricted than they were in the past. It's going to take time for everything to be rebalanced and for that lending to wash through the system. The pendulum may have swung too far initially in terms of aversion to risk – but the MMR did not stop risk-taking and we are gradually seeing the market come back in a number of areas, helped by the smaller and specialist firms prepared to carefully underwrite on a case by case basis.

Do you think regulation is responsible for a lack of risk-taking/innovation in the mortgage market?
I have no doubt that having to keep up with constantly changing regulatory requirements (both prudential and conduct) will impact on firms' ability to innovate. I'm sure the market would have appreciated some time to breathe after transformational change of the scale of the MMR, quickly followed by the changes necessary to comply with the Mortgage Credit Directive. We are now waiting for the FCA's interim report on competition in the mortgage sector, originally planned for summer 2017 but now pushed back into next year. We know it is looking at advice and technology, where lots of the new innovative thinking is happening. There is inevitable speculation and second-guessing about the outcome of that study, and while there is that uncertainty, developments may be held back.

Do you think the market should worry about technological disruption?
I think it should be seen as a massive opportunity. It's the next stage in the evolution of the market. I have recently been appointed a non-executive director and advisor to Molo, a new start-up aiming to be the first digital lender in the UK. I'm proud to be part of a team with a really refreshing mindset, focused on using the new digital technologies and capabilities to put what really matters to consumers firmly at the forefront of what they do. It isn't all about product and what they can sell – it's about providing a personalised, ongoing and value-adding service to meet the needs of consumers wanting to buy a home and to stay on top of their home finances. We've all seen how digital technology has transformed business models across other industries. The customer is now firmly in control, 24/7, at a time and in a way that suits them. It has raised the bar for what customers expect from the financial services sector. We have a real legacy hangover in the mortgage market, with 73% market share is in the hands of 6 lenders with largely static business models, processes and systems built around mass product sales rather than real-life, evolving customer needs. It's time for the mortgage market to properly adapt to how the financial services world is changing around it and I'm excited to be part of that.