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Government suspends housing market as banks withdraw hundreds of mortgages from sale

Lenders have been overwhelmed with requests for mortgage payment holidays

By Adam Williams *and* Melissa Lawford

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The housing market was halted on Thursday night by the Government after financial institutions said they could no longer operate properly.

Ministers are [discouraging buyers from going ahead](#) with house sales and purchases unless they have already exchanged contracts as part of wider efforts to slow the spread of the coronavirus, saying no one should move unless absolutely necessary.

As a result of the pandemic, [homeowners trying to sell their properties](#) face a year of misery as the number of buyers dwindles, estate agents close their doors, banks withdraw deals and house prices fall.

There is growing concern among banks about whether property sales should be allowed to continue. Virgin Money and Skipton Building Society have suspended all new house purchase mortgage applications.

Banking trade body UK Finance has also been in talks with ministers about a wider freeze on property sales as normal life is [put on hold to fight the pandemic](#).

According to a letter sent to lenders seen by the Financial Times, the organisation said: “UK Finance has been seeking urgent clarification from the Government about whether home purchases should continue at the current time, particularly as physical property valuations are no longer possible.” All current mortgage offers for home movers have been extended by three months.

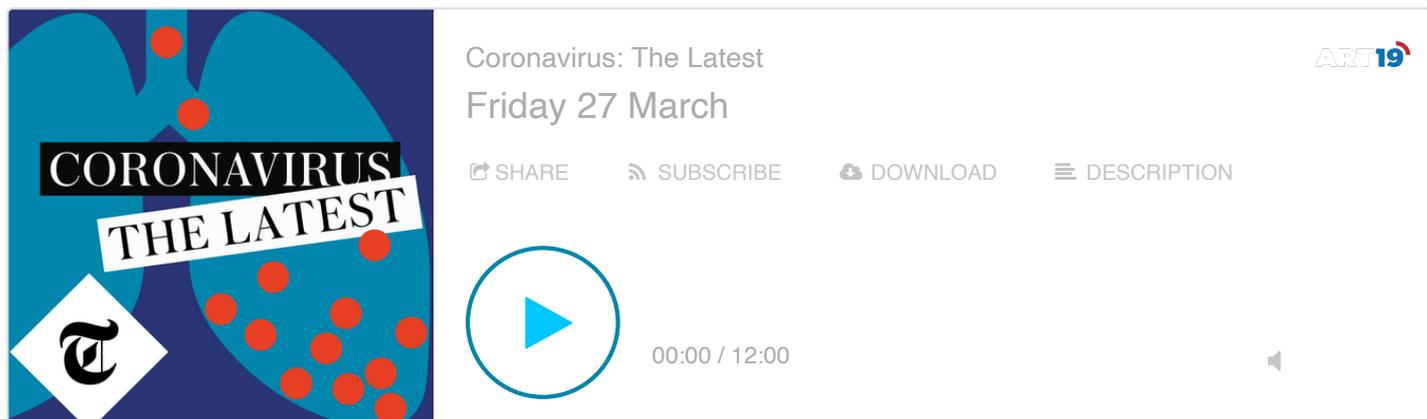
With valuers unable to visit homes to carry out crucial inspections, transaction numbers are expected to crash. The virus outbreak will cause sales in the spring months to [plunge by as much as 80pc compared with last year](#), according to Zoopla, the property website.

In the past two weeks, banks have withdrawn hundreds of mortgage deals, meaning those who have chosen to soldier on face higher interest rates.

Neal Hudson of Resi Analysts, a property research firm, said the situation could worsen. “I wouldn’t be surprised if we saw short-term numbers like China,” he warned. There, agreed sales in 30 major cities plummeted by 90pc during the first three weeks of lockdown, according to Capital Economics, a consultancy.

Sellers in Britain are already counting the cost. Joanna Murphy, 67, sold her home

earlier this month and has been staying with her sister while she waits to complete the purchase of a property in Ireland. She exchanged contracts and has transferred €350,000 (£320,000) to her solicitor.



But in the process she has already lost about £25,000 as the value of the pound has fallen. A bigger problem is that the seller is Swiss and has returned to Switzerland. The final documents can't be signed electronically, so Ms Murphy is stuck. "I had money saved, but that was going towards my pension and now it is disappearing. It is so scary," she said.

Valuers and surveyors are unable to inspect properties under current guidelines. One big lender, NatWest, confirmed that its partner firms were suspending all inspections. No mortgages can be completed without approval from a valuer.

In addition, many surveyors have warned that their previous valuations are now uncertain. Adrian Baxendale, 46, had an offer accepted on a property in Leyland, near Preston, eight weeks ago. However, the deal is now in limbo and Mr Baxendale has been furloughed. He said: "If the housing market crashes, will we be in negative equity before we move in?"

Despite a Bank Rate cut that was supposed to make it cheaper for households to borrow, hundreds of mortgages have disappeared from the market. According to Moneyfacts, the analyst, 552 loans have been withdrawn by mortgage lenders in the past two weeks, equivalent to 10pc of the market disappearing.

Major banks, including Barclays, Halifax and TSB, have axed dozens of products, while smaller lenders Together, Vida Homeloans and West Bromwich Building Society have withdrawn their entire ranges.



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Aaron Strutt of Trinity Financial, a mortgage broker, said that even those who had agreed mortgage terms faced major problems. “We can get mortgages agreed and applications submitted, but we cannot confirm exactly when they will be offered.”

Mr Strutt added that remortgaging may be difficult as banks had limited staff to process applications. He said: “Now that estate agents are closing, removal firms are shutting and valuers are not working, the market will significantly slow down.”

Mark Harris of SPF Private Clients, another mortgage broker, said that many homeowners were taking mortgage payment holidays when they were not in financial hardship.

He said: “Lenders are throwing all their resources into dealing with payment holiday requests.

“But in the same way that people are stockpiling food they don’t need, there are selfish borrowers who are asking for payment holidays when they don’t need them. This is blocking the phone lines for those who do.”

The possibility of house price falls means buyers could try to negotiate discounts of 10pc, said Thea Carroll, a property agent. But she added: “I think we will see more of a cryogenic freeze than the rug being ripped out from under the feet of the property market.”

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