



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

## Responsible Lending Review

I am writing to you about the Financial Conduct Authority's (FCA) 'Responsible Lending Review', which was published today.

The recent reform of mortgage market regulation is based on the principle that loans should only be made when there is a reasonable expectation that borrowers can repay. It is encouraging to see that the industry has adapted well to the new rules. Responsible lending is important from both a prudential and a consumer protection perspective.

But it is also important that consumers are not prevented from accessing the financial services that they need and can afford. People seek to make changes to their mortgages for a variety of reasons. In the low interest rate environment of recent years many borrowers have looked to switch products to take advantage of lower rate deals. To facilitate this the FCA allows lenders to waive affordability assessment requirements where an existing customer wants to make a change to their mortgage and is not taking on additional debt.

I am encouraged by the FCA's finding that the majority of lenders are making use of this flexibility. I want to emphasise how important I consider this to be. It is vital that consumers who want to access a cheaper deal are able to do so. This will ensure that the mortgage market works well for both lenders and consumers.

GEORGE OSBORNE