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Mortgage rules review aims to widen access

Exploring more flexible lending to support first-time buyers and later-life borrowers

Imagine being told you cannot borrow, despite having a steady income, savings in place, and affordable repayments. For thousands of people, this is the reality of today's mortgage market. The Financial Conduct Authority (FCA) has recognised these frustrations and is considering whether lending rules should be updated to better reflect how people now live and work.

Why the rules are being reviewed

After the financial crisis, mortgage lending became subject to strict affordability checks. These measures were important, as they raised standards and protected borrowers from overextending themselves. Yet, more than a decade on, they are starting to show their limitations.

Today's buyers are generally older, often borrowing for longer periods, and many have employment arrangements that do not fit traditional income models. The FCA has emphasised that the aim is to ensure the rules "keep pace with changing needs and support sustainable homeownership." In short, the framework that made sense in 2014 might not be as effective in 2025.

Buyers with healthy finances are sometimes excluded, not because they cannot afford a mortgage, but because their circumstances do not fit neatly into existing categories.

Who stands to gain

Three groups emerge as potential winners from reform. First are first-time buyers, who are increasingly extending repayment terms. In 2024, 68% of them chose mortgages lasting 30 years or more^[1]. Longer terms reduce monthly payments, but strict rules can make lenders cautious.

The second group comprises self-employed workers and those with

fluctuating incomes. A graphic designer invoicing clients or a nurse working irregular shifts might earn consistently but find it difficult to demonstrate affordability under current criteria.

Third are later-life borrowers. With longer life expectancy and stable pension income, many wish to borrow into retirement. Yet existing rules often treat retirement as a sharp cut-off point, leaving these borrowers with fewer options than they deserve.

Each case highlights the same tension: the ability to pay exists, but the framework does not always permit lenders to recognise it.

Importance of balance

Of course, easing the rules involves trade-offs. Longer mortgage terms reduce monthly payments but increase the total interest paid. Lending into retirement raises concerns about income fluctuations and health. More flexibility for variable incomes must be carefully managed to avoid risks in an economic downturn.

This is why the FCA is proceeding cautiously. The goal is not to roll back protections but to improve them. Rules that exclude responsible borrowers serve no one, but rules that encourage excessive borrowing serve even less. This balance is vital, and expert guidance is crucial for managing it effectively.

Affordability and the bigger picture

The FCA has also highlighted the difficulties faced by renters. They typically encounter higher costs, less security, and greater signs of financial vulnerability compared to homeowners. At the same time, the increasing trend of 30-year-plus mortgage terms shows how strained affordability has become.

Together, these realities support the case for

reform. Promoting responsible lending could lower barriers to ownership and reduce the gap between renting and owning. For buyers, it might offer more options. For renters, it could provide a clearer route to stability.

Every mortgage option has its benefits and compromises, and understanding both aspects is the best way to make informed decisions with confidence.

Looking ahead

The FCA's consultation is still ongoing, and immediate changes are not certain. However, the overall direction is clear: mortgage rules must adapt to longer working lives, diverse income sources, and new borrowing opportunities.

If reforms are introduced, they could change access to homeownership for first-time buyers, provide reassurance for self-employed workers, and offer more flexibility to older borrowers. The most important step is to seek professional mortgage advice to ensure that any decision made today remains relevant tomorrow. ■

Is it time to make your dream of homeownership a reality?

With proper preparation and guidance, we could help you secure the right mortgage. We will help you strengthen your application and connect with lenders that best suit your needs. Please contact us for further information.

Source data:

[1] [fca.org.uk/news/press-releases/fca-continues-mortgage-rule-review-boost-homeownership-and-support-growth](https://www.fca.org.uk/news/press-releases/fca-continues-mortgage-rule-review-boost-homeownership-and-support-growth)