

Don't celebrate mortgage caps too soon

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Osborne has announced that the Bank of England is to get the right to cap mortgage loans as a ratio to income. I have no doubt that the power will be used.

Instinctively this feels appropriate but instinct can be wrong: do remember the unintended consequence, which is that this simply makes it easier for the wealthier buyer to get the house at a lower price than they would otherwise pay, so actually increasing inequality in the housing market.

This is a desperate measure that addresses the symptom and not the cause of this malady. The cause is a shortage of housing supply, too many houses being retained for investment, the absence of appropriate taxation of housing and land and the failure to build decent social housing for a wide range of need. And all we get in response is a banking solution, not bricks and mortar.