

The coming housing crisis

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It is very rare that you find me supporting any proposal from the Tufton Street brigade. However, the Centre for Policy Studies has [produced a report today](#), working with the Joseph Rowntree Foundation, about which they say:

A new paper from the Centre for Policy Studies warns that, as millions face losing their jobs when furlough ends next month, many will risk losing their homes as well when the mortgage holiday arrangements end at the same time. Even with the Job Support Scheme, many could struggle to pay their mortgages without reform to the support available.

Despite 1/3 of those in poverty being owner-occupiers, housing benefit only covers renters. Home owners can only get help with their mortgage interest payments, and even then, they must wait nine months to qualify - and the whole amount is withdrawn if they take on any work at all.

The report, supported by the Joseph Rowntree Foundation, argues that the Support for Mortgage Interest (SMI) scheme needs urgent reform to support low-income homeowners through the crisis, and more generally to improve the benefits system so that it better supports struggling homeowners.

It argues that as well as being necessary and compassionate, such measures will be far more cost-effective for government than seeing people lose their homes and go on to housing benefit. Largely because the current version of SMI is a loan-based scheme with virtually no ultimate cost to government.

To ensure those with mortgages who lose their jobs don't also lose their homes, the CPS is proposing that:

- * the nine-month waiting period for SMI should be abolished;*
- * the first three months of SMI should be paid as a grant, not a loan;*
- * Government should allow people to claim SMI while moving into work, as with other*

benefits;

** lenders should make people who are at risk of losing their homes aware of this scheme automatically;*

** to ensure that people do not remain in homes they cannot afford in the long term, SMI should be time-limited for claimants who are able to work and are not receiving a disability-related benefit.*

The report also argues that there is a longer-term need to rebalance the welfare system to reflect the desire of those on low or moderate incomes to achieve, and retain, home ownership.

It is, of course, appropriate to note that the Centre for Policy Studies has woken up to this issue when homeowners are impacted, rather than renters: their bias is apparent. That does not, however, mean that this is not a real issue, because it is. As I have said, very often, during the course of this crisis, it will spillover, and quite dramatically so, into the property market, whether via the rent or mortgage systems.

In either case short-term measures of the type proposed by the CPS may be appropriate. But they are just sticking plasters. The real issues are systemic, and the CPS proposal goes nowhere near addressing them.

So what is really required to help mortgage owners as the property market begins to collapse under the strain of the coronavirus crisis?

First of all, job creation is critical.

Second, selective furlough has to continue.

Third, continuing mortgage holidays have to be permitted.

Fourth, it is essential that interest rates be kept low, come what may.

Fifth, a new industrial strategy is required so that people can be retrained and redirected towards meeting the needs that we must now address.

This is the only way to deliver long-term prosperity. And, the problems implicit in a society which is overly dependent upon house ownership must also be addressed, including a restriction upon the right of banks to ever seek to recover more than the value of the property from the mortgage holder so that the concept of negative equity is eliminated from consideration. Householders cannot be held responsible for macroeconomic failure. Governments have this responsibility, and if they need to compensate banks for that fact, then so be it. But the torment of being held enslaved by a mortgage cannot be an outcome of this crisis.

For once I welcome a move from the CPS. But it is far too limited in its horizons to have any long-term impact. We need real vision to address the changes that are actually required to ensure that people can stay in their homes in the UK over the next few years.