

Britain's housing market is a giant Ponzi scheme

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Britain's housing market has become a Ponzi scheme — built not on value, but on debt, illusion and exclusion. Successive governments have turned homes into speculative assets, trapping generations in rent, despair and insecurity. In this video, I explain how tax breaks, financialisation and political cowardice created a housing system that rewards luck and age, not effort — and what must now be done to rebuild homes, communities and hope.

https://www.youtube.com/watch?v=PvkHfM9tsQg&si=qcfbZ_Wer2Vg91Et

This is the audio version:

https://www.podbean.com/player-v2/?i=687wk-19948b0-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Britain's housing market is a giant Ponzi scheme.

Ponzi schemes are named after a [Mr Ponzi](#). What he sold was a savings scheme where he claimed that the rates of return to savers were going to be phenomenal. And it all worked on the basis of luring more and more people into an arrangement where there was nothing of value at all, but where returns to early savers were created by those additional people being lured in, whose money was being used to pay the supposed

high rates of return that those early savers were getting. It was all fake. It was all a charade. It was corrupt. It was false. And of course it collapsed, and Mr Ponzi spent most of the rest of his life in prison in the USA, and that's what we have in the UK with regard to housing.

It's taken a long time for it to become apparent that this is what we have, but we are living with a market for housing in the UK that is little better than Mr Ponzi's savings scheme.

Housing was once about shelter and community. But it became an investment vehicle backed by tax breaks and cheap credit. In particular, the idea that people should not pay taxes on the homes that they own has created considerable perverse incentives, meaning that people have vastly overinvested in their houses, believing that this is the safe way to build up a nest egg they can pass on to their children in a way that has become totally destructive for society. The motivation might have been good. The reality has been bad.

Successive governments have encouraged house price inflation in the UK to create the illusion of prosperity. They are as guilty as anyone in the housing market itself, as well as the bankers who have, of course, provided the money to make this scheme possible, in creating the illusion of prosperity.

When once houses were about shelter and community, now more than ever, they're about financialised assets, and their ownership has become deeply unequal. Of course, all of this has been emphasised by the creation of the buy-to-let market, but even if we ignore that, the divisions are extraordinary.

Those who got early into this game have made extraordinary windfall gains, which they never earned. This claim, "I saved hard and I worked hard to create the value of my home," is complete nonsense. I know because I have a house at the age of 67, which I own. This place is what I could call mine for as long as I'm here on Earth, but the point is, I didn't pay for it.

The current value of this house, whatever it is, and I'm not really sure, is much higher than what I ever paid for. It was inflation in house prices that gave me the asset I now live in .

And those who have entered the market since I did in 1983 have done much worse. Those who now start to rent or buy face almost impossible costs, when frankly, my costs of entering the housing market over 40 years ago were entirely affordable.

The housing system has rewarded luck, older age and inheritance, but it has never rewarded effort or contribution, and those who claim otherwise are talking complete and utter rubbish.

Those of my age who are sitting on a considerable value of household wealth usually have made it simply because they've sat around for long enough in the house that they bought when they were young. The result is that inequality is now built into the bricks and mortar of Britain.

Governments do, in that case, fear falling house prices more than they do rising homelessness.

They're frightened of the backlash from the middle classes, who believe that their wealth will be dissipating.

They provide continuing tax relief, including inside inheritance tax, to deal with this and to preserve wealth in a way that is unjustified.

They put in place planning restrictions that still keep house prices high.

And council house sales, of course, just fuelled the bubble, as Margaret Thatcher always wanted them to do.

Politicians defend homeowner value to protect votes, but they don't do it to protect fairness. If they really cared, they wouldn't be cutting stamp duty, which increases house prices, and they wouldn't be seeking to preserve the tax privileges that homeowners already have, because they too lock the young out of homeownership.

Worse still, and very quietly and largely unnoticed to many people, during the course of the last decade or so, hundreds of millions of pounds of public money, provided by the Bank of England, has been used to underwrite mortgage debts so that this system has endured, George Osborne being the worst culprit with regard to this particular policy.

And the costs are enormous. One of the costs is that people actually can't now afford to move. So great are the costs of moving because of the amounts of money involved in the housing market - and here, stamp duty is a problem I will admit - that workers literally cannot move to live near their jobs, and so we have a country where productivity is falling.

But we have the same problem with regard to rent because people cannot afford to upscale the amount of rent they need to pay and the deposits that are required if they're to move jobs as well. That is impossible for many people, and as a result, wages are stagnating just as housing costs consume ever more as a part of disposable income. The paradox is unbelievable: because people can't move, housing costs are actually getting more onerous for them.

We're also seeing other costs. Young people are delaying families and careers because of unaffordable rents. They also can't take risks, for example, to set up their own businesses, and they most certainly can't afford more than one child if they have one at all. This is a real cost to society, a human cost uncounted, but real nonetheless.

Britain's economy is now shackled to its property addiction, or the property addiction of its middle class.

And what we know is that all Ponzi schemes, like our housing bubble, because housing bubble it is, will be dependent upon new entrants into the market. That has always been true. As long as more and more people arrived into the market because of an expanding population, and we have had an expanding population, or because people moved out of rent and into homeownership, there was always going to be a continuing bubble, and that's what we've seen for 40-plus years, but now that situation is changing.

People now can't afford to buy. The average age of a new homeowner is rising significantly, and interest rate risks are exposing the fragility of this whole model, and some people are questioning, "Why stay in homeownership?" They're actually quitting, whilst the declining buy-to-let market is also dumping property onto the market.

The fact is that the housing market has reached the point where its survival on the basis of faith - and that is the only reason why prices have remained high, let's be clear about it - is at risk. Fundamentals say that there is no value in the housing market at the level that current prices are being charged at.

There are a declining number of buyers and a declining number of people looking to invest in buy-to-let properties - if investment you can call it - and the consequence is that at some point, our Ponzi scheme, our housing bubble, is going to collapse.

What do we need to do now? We need the government to underpin our housing market. We need there to be order within it. A collapse would not help anyone. But what we do need to do is make sure that this order is used to provide people with homes. So if there is a risk of a net selling market, and that is a possibility because of the demographic and because of the affordability ratios that now exist around housing, then we should be seeing government step in to buy houses for people.

And we should understand houses as being homes for people now. They are vital economic infrastructure for society, but above all else, they're homes and not investment opportunities.

And the idea of returning to a situation where we have mass social housing must become a national priority. And that can be existing homes as well as new ones. I don't understand the obsession with the fact that all social housing must now be new. There is no problem with existing housing stock moving into public ownership, if, as a consequence, landlords are fair, rents are fair, and people are protected and have the right to long-term tenancies which provide them with the protection for their families so that they won't face disruption every year or so as they're forced to move by a landlord who wants to move them on to increase the rent.

Houses must once more be about living and not leveraging.

Britain's housing market has stopped serving the public good. It now actively harms it by denying hope to millions, creating economic and political despair, and we can see where that's going. Reform is riding on a wave of that despair.

The wealth that is created by housing is illusory. It's built on debt, and it's built on exclusion, and it's built on the basis that you have value when in practice, if you had to move, you'd realise none.

Any reform will be resisted. Let's be clear about that. We know that's true. Those who are invested in housing want to believe that their property is going to carry on rising in value because that has been their lived experience. But to delay reform now is to risk collapse by any other name.

We know that the Ponzi scheme of housing could burst. We have to plan to make sure that we have an orderly restructuring of our markets instead.

We can build homes, or we can perpetuate the bubble, but we can't do both. There's only one of those, which is a wise choice. And we have to build homes, and we have to bring homes into public ownership.

Unless we do that, unless we make housing social again, and unless we commit to a policy that is focused around people and not property, we cannot have a functioning society in the long term, and that's what I want.

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