

Funding the Future

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Rachel Reeves will be presenting her Budget on November 26, if the Labour government of which she is a part lasts that long.

I will be commenting on that Budget on the day on BBC Radio 2, and elsewhere afterwards, but what is already clear is that whatever Reeves has to say, she will miss the required mark by a very long way. Being aware of that, I thought it appropriate to offer an alternative Budget speech ahead of the time when she offers her own. Given the significance of this issue, it will be addressed in parts over the next week or so, leading up to Budget Day.

This sixth part addresses how the UK's housing market needs reform, touching on mortgage and social housing funding reform as ways to fundamentally change our relationship with housing.

It is all well and good talking about reform of the UK's financial institutions and the forms that savings should take, but it is also essential that consideration is given at the same time to reform of the biggest consumer market for financial institutions in the UK, which is the funding of the purchase of properties.

I am ignoring the commercial property market at present. I have already addressed many things that need to be dealt with in this Budget, and there is more to come; that issue is not high on my list for attention.

On the other hand, the provision of mortgages to help people buy their own homes, and for funding buy-to-let properties, is a massive cause of concern for me and for this government because it is so clear that our domestic property market is out of control and is, as a consequence, causing massive stress to the people of this country.

Within the lifetime of people now in retirement, it was quite possible to buy a home suitable for a family on the basis of one reasonable, but not excessive, wage. There was a ratio of mortgage debt to income of little more than three to one. The result was obvious.

There was more time for things other than work in life.

There was more time to provide for children.

There was more time to cook.

There was more time to participate in communities.

And all of that was because less of people's income was extracted from them for the benefit of finance, and more was available for the sake of living.

Mortgages were much more affordable than they are today.

And, for those with long memories, it will be recalled that this all went wrong after what the Tories called the Big Bang in financial services in the UK in the mid-1980s, when excessive funding was made available to the mortgage market, giving rise first to a property price boom and then to a crash that harmed the well-being of many late in that decade.

Since that time, mortgage rates have varied considerably, from over 15 per cent in the early 1990s to the lows of the last decade. But it is the case that mortgage interest extraction is pushing many households to their limits again, now because of the extraordinary increase in house prices and the rising increase in loan to income ratios based on two incomes a household that now faces many people.

At the same time, very many young people have almost no prospect of ever acquiring a property without the assistance of what is called the Bank of Mum and Dad. This means that there is now a massive class divide in access to domestic security, which is unacceptable to us as a government.

In addition, the age at which a person can acquire a property has increased considerably. This has had an enormous impact on social life in the UK, not least by motivating a massive reduction in the childbirth rate as people delay having children because they cannot afford a property, whilst many now have only one child because the demands of their bankers prevent them from thinking about doing anything more, when two children were once commonplace.

The situation of renters has also become intolerable.

The government has retreated from the provision of social housing.

The definition of "affordable housing" that governments have used has made a mockery of the term "affordable".

And all the time, houses have become smaller, shared accommodation has become more common, dignity has been lost, whilst those paying up to 50 per cent of their net

incomes in rent for housing that is often inappropriate for their needs have no chance of accumulating the deposit required if they are ever to own a property of their own. This leaves them trapped, without hope of ever securing the long-term homes that they desire and which are the basis of strong communities.

People ask why our productivity is so low, and why we have such crises of ill health in this country. My answer is that all of these factors are major contributors. It is time to address these issues.

I have already explained how I would reform the UK housing market and savings market. I suspect that some here and outside this House are already raising concerns that high returns will need to be generated to cover the cost of interest on the maybe hundreds of billions of pounds per annum that will be entrusted to this government as a result.

One of my responses is that many of the activities on which these monies will be spent already have an implied cost of interest within them. That is already true of most government expenditure budgets.

In addition, sums to be expended on improving our national infrastructure, including that in the utilities and services that we will nationalise, will usually be undertaken on a commercial basis where an interest charge at the level expected will be applied.

But there is the matter of housing to consider as well. I know there is a practical limit to the amount we can spend on infrastructure, new housebuilding, energy transformation, and more. There is a finite number of people available to undertake these tasks in this country. The reality is that we will have more money available than we can spend, but I will not risk inflation by trying to spend it when resources are not available to buy.

This, however, will not create a problem. We also have a mortgage market that is failing people, and these funds will be used to assist those in need of housing in two ways.

Firstly, we will create a national mortgage scheme where a person can take on a fixed rate that is expected to last for the entire life of their mortgage. And before anyone says that this is not possible, please note that it happens in the USA, and so if they can do it, so can we.

Of course, there will be moments when market rates will be higher or lower than those that this scheme will charge, but setting a fair rate is within our capability, and we will have a secure source of funding. The consequence is that we can transform the mortgage market in this way to ensure that families will no longer face the peril of remortgaging when the Bank of England has decided to punish them for the simple desire to live in their own home. That era will be over, although it will take a few years for this promise to be fulfilled in full.

Private mortgage suppliers will, of course, be allowed to match these offers, but we will not hear their objections to what we are proposing. When they have failed this country for too long, we must act.

We must also be radical in the rental sector.

Firstly, we will put in place radical reforms to deliver new social housing.

Every local authority in England, with encouragement being provided for similar action in Scotland, Wales and Northern Ireland, will be expected to create a plan for how they can deliver more social housing in their area. They will be encouraged to apply for budgets within guidelines that we will supply. This will not be a lottery. This will be action intended to create change from the outset. We will provide a clear indication of the scale of funds available to each authority before they begin their work, although we will, of course, be willing to hear their views on alternatives to our plans. There will be new social housing available everywhere, and the commitment will continue into the future.

In addition, where private housebuilders have been offered planning permission and have not used it within two years, then that planning permission and the land to which it relates will revert to a local authority, which will have the right to buy the land in question at the price for which the developer acquired it, or at a fair market value if it is believed that the price in question was artificially high as a consequence of related-party transactions.

The local authorities in question will then be offered funding to use the land acquired for social housing purposes. They will not be required to build the plans previously submitted by the private house builder, which may well not be suited to social housing needs. They will, instead, be allowed to submit a fast-track alternative proposal so that social housing can be delivered instead. The idea that the private sector might landbank to exploit potential homeowners at a cost to society at large must come to an end.

Even so, there is a real risk that these programmes will not deliver sufficient social housing and will not address the problem, now that many buy-to-let landlords are leaving the market, creating a supply shortage that is driving up rents again. This has become another form of exploitation, and we cannot tolerate that.

As a result, if any landlord now intends to sell their property and gives notice to a tenant that this is their intention, that tenant will have the automatic right to appeal to their local authority for that property to be acquired as social housing. We will put in place procedures to ensure that these properties are acquired by local authorities, subject to their suitability for long-term use. Payment will consider such factors, as well as the current condition of properties. It is not our job to sustain artificially high property prices, and to ensure this situation is not abused, we will put in place

compulsory purchase options at realistic valuations. The consequence of these proposals will be an increase in the supply of social housing, which is essential to provide security for people in the UK.

The last Labour government introduced welcome measures to address some issues in the private rented sector. We are going further, using capital from savings in this country, to ensure that communities can provide opportunities for younger people, in particular, to live with the security of tenure for the sake of their well-being and that of their children.

We are confident that the schemes I outline will be very popular and will encourage savings in the programmes that we are putting in place, and can be self-funding. After all, the arrangements they will replace are. But if insufficient funding is provided in that way to turn savings into social capital, we will consider providing further funding of this sort through specific bond issues.

Only a decade or so ago, Tory Chancellor George Osborne used the government's power to create money to advance funds to banks to boost mortgage lending with the apparent primary intention of inflating house prices to keep the Conservative vote happy. Now we will use the power of the government to ensure that everyone has the right to enjoy appropriate housing. That's what a responsible government should do. We will not go down the irresponsible path that the Tories took.

Housing is at the centre of this government's priorities, and we are offering a joined-up policy to ensure that, as our programmes roll out, everyone has the chance to live well.

Other posts in this series:

- * [***The Alternative Budget 2025 - The Background***](#)
 - * [***The Alternative Budget 2025, Part 2: Understanding tax and 'borrowing'***](#)
 - * [***The Alternative Budget 2025, Part 3: Creating a new fiscal framework***](#)
 - * [***The Alternative Budget 2025, Part 4: Renationalisation***](#)
 - * [***The Alternative Budget 2025, Part 5: Reforming the UK's Savings System***](#)
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Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [**here**](#).

One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.

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