Debate Ammunition: The UK Mortgage Market

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The Richard J Murphy YouTube Channel

Debate Ammunition

The UK Mortgage Market

Funding the Future | June 2026

Today’s topic

Trump's war, your mortgage: How the UK mortgage market is failing households

The video to which this **Debate Ammunition relates can be found here.**

The core argument

The UK mortgage market is structurally designed to pass risk from financial institutions directly onto households. When external shocks, whether Putin's war in Ukraine or Trump's war on Iran, raise the cost of risk in financial markets, British homeowners pay the price through higher renewal rates, while banks continue to profit. The government has the capacity and the precedent, demonstrated by the United States through Fannie Mae and Freddie Mac, to guarantee mortgages at fixed rates for the life of a loan, transferring that risk to the party best able to bear it, which is the government. Rachel Reeves is not doing this because the City of London profits from the current arrangement, and she is governing in the City's interests, not those of mortgage holders.

Key statistics

Statistic	Figure

Average current additional monthly cost on five-year mortgage renewal (approximate) £231 more per month

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Additional total cost over a five-year term at £231 per month (approximate) £13,860 over five years

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Higher estimate of additional monthly cost cited in video (approximate) Up to £300 per month

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Share of US mortgages carrying some form of government guarantee Around 70 per cent

The argument structure

Step 1 — The Shock Trump's war on Iran has pushed UK mortgage renewal rates to a five-year high, with some households now facing approximately £231 or more extra per month on a new five-year deal compared to a year ago. This is not an abstract risk; it is happening now to real families who played no part in creating it.

Step 2 — How the Market Works Against You The mortgage market prices risk directly onto households: when external shocks raise the probability of defaults, lenders raise rates to recover that cost in advance. The risk created by Trump is transmitted straight to the monthly outgoings of British homeowners, with no buffer and no protection.

Step 3 — The US Model In the United States, roughly 70 per cent of mortgages carry some form of federal government guarantee, primarily through Fannie Mae and Freddie Mac. Those mortgages are fixed for the entire term, and while borrowers can refinance downward if rates fall, lenders cannot impose a higher rate. The government bears the risk because only the government can afford to.

Step 4 — What the UK Should Do The UK could have such a system, protecting households from rate shocks, releasing bank capital for productive business lending, and providing the economic certainty that drives growth. Reeves is instead tinkering with bank ringfencing rules to produce a fraction of the investment finance businesses need. She is serving the City of London, which profits from the current arrangement, not the households paying for it.

Their argument → your rebuttal

They Say Your Response

Government mortgage guarantees would massively expand the public balance sheet and pose a fiscal risk taxpayers cannot afford. A government-backed mortgage is not deficit spending. Every loan is matched by a real asset: the debt owed by the borrower, secured against the property. The balance sheet expands on both sides simultaneously. This is already how the private banking sector operates every day; the only question is who bears the risk, and the government can bear it where households cannot.

The 2008 financial crisis showed that mortgage-backed securities are dangerous. We should not be recreating that market. The US government mortgage guarantee system survived 2008 with reforms and continues to function. The crisis arose from private, unguaranteed, predatory sub-prime lending, not from government-backed securities. A UK model would carry a full government guarantee of the kind that protects against default, which is precisely what was absent from the toxic instruments that failed in 2008.

The Bank of England sets interest rates to control inflation; government interference in the mortgage market would undermine monetary policy. Monetary policy through rate rises is ineffective against the external, supply-side shocks, such as Trump's Iran war, that are currently driving up UK mortgage costs. Households are being punished for a risk they did not create and cannot control. A government mortgage guarantee scheme would make the rate-setting mechanism more transparent and its costs more fairly distributed, not less so.

This would crowd out private sector lending and damage competition in the mortgage market. That is precisely the point. Banks should be funding productive business investment, which is chronically scarce in the UK, not extracting rent from households who have no alternative but to borrow. The US model demonstrates that a government presence in the mortgage market does not destroy private banking; it redirects it towards the economy-building activity where it is most needed.

The one-liner

“The UK mortgage market is not broken by accident: it is designed to transfer risk onto households and profit onto banks, and every time a government refuses to fix it, you know whose side they are on.”

Further reading

All sources below are published on taxresearch.org.uk by Richard Murphy.

Post Title Date Relevance

Labour could deliver fixed rate mortgages for the life of a loan July 2024 Direct predecessor argument: sets out how a government could mandate fixed-rate lifetime mortgages and why the political will is absent.

The market is not the solution to our housing problems October 2025 Argues explicitly for a government-backed housing bank and lifetime fixed-rate mortgages as part of a broader housing reform package.

We need massive interest rate cuts now April 2025 Traces how Trump's trade war created the global interest rate pressure now feeding directly into UK mortgage costs.

US interest rates are rising: the exact opposite of what Trump says he wants April 2025 Explains the bond market mechanism by which Trump's risk-creation transmits into rising borrowing costs internationally, including UK mortgages.

Why are interest rates so high? May 2025 Analyses the sustained elevation of UK and US long-term rates and argues that Starmer, Reeves and Bailey are failing to respond adequately.

Reeves is creating the next City-generated crisis July 2025 Critiques Reeves's Mansion House financial deregulation programme as serving City interests at the expense of households, directly relevant to the video's closing argument.

Why UK governments are never dependent on financial markets July 2025 Establishes the MMT basis for government balance sheet expansion in housing finance, underpinning the argument that a mortgage guarantee is fiscally neutral.

Is Rachel Reeves constrained by the City? March 2025 Addresses directly the

claim that City pressure prevents government action on mortgage markets, and explains why it does not hold.