

The Bank of Mum and Dad digs deeper as average contribution rises by £6,000

- *Lending double the £3,000 rise in average UK house price over the same period*
 - *'BoMaD' roars back above £6bn of lending in 2019*
- *Family and friends use savings to help young and old onto and up the housing ladder*

The Bank of Mum and Dad (BoMaD) is digging ever deeper in 2019 as family and friends spend an average £6,000 more than in 2018 to help loved ones onto the housing ladder. The new report from FTSE100 financial services group Legal & General and Cebr shows that, amidst a reduction in transaction volumes across the UK housing market, BoMaD will fund nearly 20% fewer property purchases than in 2018. However, BoMaD lenders will be more generous this year than ever before, as the average contribution increases to £24,100 - more than £6,000 more than the average contribution last year of £18,000. This rise is double the average UK house price increase of £3,000 in the year to March 2019.¹

The jump in BoMaD loan sizes has increased total lending for the Bank of Mum and Dad by 10% this year - up to £6.3bn from £5.7bn in 2018. As a result, BoMaD is now the 11th largest mortgage lender in the UK.²

Despite the reduction in transaction volumes, BoMaD will still continue to support thousands of buyers across the country in 2019 - involved in more than a quarter of a million (259,400) property purchases. This is down from 316,600 transactions last year, but it still amounts to nearly one in five (19%) transactions in the UK mortgage market. In total, BoMaD will help buyers to purchase property worth nearly £70bn this year. In some parts of the UK, there has been an even bigger rise in contributions from family or friends. In the North West, the average BoMaD 'loan' has nearly doubled from £12,900 to more than £24,000, while the South West saw the average contribution rise by over £10,000 to £29,700.

This shift in loan size could be because BoMaD lenders are supporting family and friends to purchase larger properties. Three-bedroom houses or flats were the most commonly purchased properties in 2019 (44%), and well over a third (38%) have helped family or friends to buy a two-bedroom property. 15% of lenders were even helping loved ones to purchase properties with four or more bedrooms.

This year's findings also suggest that the Bank of Mum and Dad is playing a more complex role in the housing market than previously thought. Millennials (those aged 35 and under) continue to rely on mum and dad the most, with 62% needing financial support from their parents or other family members and friends. However, BoMaD is helping more than just young first-time buyers. The findings from Legal & General show that more than a fifth (22%) of people aged 45-54 have received financial assistance from BoMaD to purchase their latest property. Around 7% of over-55s have also received help from family or friends to buy their most recent home. This support for older buyers is expected to double, with 14% of Britain's over-55s expecting assistance from BoMaD for a future house purchase.

¹ According to the ONS, the average UK house price has risen by £3,000 from £224,000 in March 2018 to £227,000 in March 2019:
<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/march2019>

² <https://www.ukfinance.org.uk/blogs/largest-mortgage-lenders-2017-%E2%80%93-challengers-and-specialist-lead-way>

Nigel Wilson, Group Chief Executive at Legal & General, said:

“The Bank of Mum and Dad continues to be the ‘iceberg’ mortgage lender beneath the surface of our housing market – all but invisible yet exerting a massive influence, funding purchases across the country and helping people to defy the economics of affordability and realise their housing dreams. This year, parents or grandparents, family or friends are set to lend thousands more to fund nearly one in five house purchases.

“The Bank of Mum and Dad is a symptom of Britain’s broken housing market and it goes far beyond millennials relying on their parents as more older borrowers look to family and friends for financial support. Our reliance on ‘BoMaD’ funding is an increasingly skewed facet of the UK housing market. It’s dependency, not generosity. It’s socially divisive and it’s creating a ‘locked out’ generation of first-time buyers who aren’t lucky enough to benefit from this kind help. It’s also almost certainly eroding older people’s finances when they need it to fund care and retirement – parents, grandparents, even friends are digging ever-deeper into their savings and pensions.

“Real action is needed to deliver thousands more new and affordable homes to change the market for good, across a range of tenures. At Legal & General we are playing our part, working to bring positive change by investing in towns and cities throughout the country. Delivering the jobs, infrastructure and homes our thriving communities need.”

Parents are expected to make the biggest contribution to family members in 2019 and will be responsible for £4.4bn of lending, while grandparents will lend £657m. Other family members and friends will help more than 51,000 buyers by lending a staggering £1.2bn to help loved ones buy a home. Most BoMaD lenders are using cash savings (53%), but this year unlocking housing wealth through equity release has jumped to become the third largest source of funds (16%).

Legal & General’s research also shows that the Bank of Mum and Dad’s role is set to grow even further. More than a third (35%) of prospective buyers who are planning to purchase a home in the next five years expect to rely on financial support from their family.

Other key findings from Legal & General’s “Bank of Mum and Dad” research include:

- BoMaD lenders in London are contributing the most to help family or friends onto the ladder (£31,000 per transaction on average), but those in Wales are also supporting loved ones to the tune of £30,600
- ‘Borrowers in the West Midlands are set to receive the least support (£13,700)
- Nearly a fifth (19%) of BoMaD lenders were providing financial support because they felt it was their personal responsibility to help younger family members buy a home
- Over three-quarters (77%) of those receiving support in 2019 are home movers, not first-time buyers, compared to less than two-thirds (62%) of home movers in 2018.

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NOTES TO EDITORS

The information contained in this press release is intended solely for journalists and should not be relied upon by private investors or any other persons to make financial decisions.

[1] Table 1: Average BoMaD contribution in 2019 and 2018 by UK region*

Region	Estimated value of the average BoMaD contribution in 2018	Estimated value of the average BoMaD contribution in 2019
North East	£12,000	£13,900
North West	£12,900	£24,200
Yorkshire and the Humber	£16,900	£17,200
East Midlands	£17,300	£16,000
West Midlands	£14,700	£13,700
East of England	£17,900	£25,500
London	£30,600	£31,000
South East	£21,700	£29,000
South West	£19,300	£29,700
Scotland	£10,800	£16,400
Wales		£30,600

*Excludes those that did not receive any financial assistance from family and friends

FURTHER INFORMATION (JOURNALISTS ONLY)

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Legal & General Group

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