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Bank of Mum and Dad to drive UK housing market recovery after COVID-19, says Legal & General

- 24% of home buyers are more reliant on BoMaD since the pandemic
- Bank of Mum and Dad stymied by housing market lockdown in H1 as total lending falls to £3.5bn
- However, the Bank of Mum and Dad will still be behind £50bn worth of property transactions in 2020
- Inheritances skipping a generation as a quarter of BoMaD lenders use legacies to help their adult children fund house purchases
- A third (33%) of those likely to buy a house in the next five years said that this will be done using money from family and friends

The Bank of Mum and Dad will be a driving force behind the recovery of Britain's housing market as buyers struggle with the economic impact of the COVID-19 crisis, new research from Legal & General and Cebr shows. Nearly one in four housing transactions (23%) will be backed by 'BoMaD' in 2020, with a quarter (24%) of borrowers now more reliant on financial support from family and friends.

A year of two halves

Mirroring the impact of the lockdown on the UK housing market, the Bank of Mum and Dad will lend just £3.5bn to loved ones this year – almost halving the £6.3bn parents, grandparents, other family and friends lent in 2019. It will also fund 85,000 fewer home purchases.

The figures reflect the effective closure of the housing market under the COVID-19 induced lockdown and a wider collapse in purchases reported by HMRC, with total property transactions similarly falling by nearly half in Q2 2020.1 Despite this, the Bank of Mum and Dad will still be involved in 175,000 housing transactions, within an estimated transaction value of £50.3bn, this year. With the housing market now re-opened, BoMaD is ready to step up and be a key element of the housing sector's recovery, as thousands of buyers press ahead with their plans to buy after the lockdown.

“If ‘Build, Build, Build’ is how we will recover from COVID-19, then the Bank of Mum and Dad will be centre stage once more. Generous parents, grandparents, family members and friends are gifting thousands towards deposits, with BoMaD outpacing even Stamp Duty cuts as a driver of renewed housing market activity.

“For years buyers have been faced with a limited supply of affordable homes. A challenge which is now being compounded by COVID-19. Not only are buyers facing an uncertain economic future, but changes by lenders in the wake of the pandemic have restricted the low-deposit mortgage options on which many young people rely to make their first step. While the Bank of Mum and Dad is leaning in to help those lucky enough to have its backing, a generation of hopeful buyers without the support of BoMaD could find themselves locked out of the housing market.”

Nigel Wilson, CEO at Legal & General

Last year, 19% of all home purchases were funded wholly or partly by the Bank of Mum and Dad. In 2020 that figure will rise to nearly a quarter (23%). Of those who've bought recently and received support from family and friends, 65% said it would have been 'unlikely' without help from BoMaD. One in five (19%) expect they

would have had to delay their purchase by more than 5 years without BoMaD support, and a further 14% said they never would have been able to buy without the help of family or friends.

The figures come as buyers face the economic implications of the pandemic and a restriction in the choice of high loan-to-value (LTV) mortgages on which many buyers (especially first-time buyers) rely. Recent data from Moneyfacts has shown a dramatic fall in the number of 90% LTV mortgages on the market which allow people to buy with just a 10% deposit.²

Despite the Stamp Duty holiday for purchases under £500,000, just 8% of would-be purchasers say they are less reliant on family or friends for financial support as a result of the policy measures introduced to mitigate the effects of the coronavirus crisis. Only 12% have brought forward their plans to buy since the start of the pandemic.

BoMaD leans in

Legal & General's research shows that the coronavirus crisis has encouraged BoMaD lenders to be even more generous than usual. This year, family members and friends will lend an average of £20,000 towards deposits. As a result of the crisis, 15% of BoMaD 'lenders' are now planning to give more than they would have done before the pandemic to help their loved ones. Of those saying that coronavirus has changed the amount of money they are willing to give, almost one in five (18%) want to give at least 50% more.

Homebuyers in London are set to receive the most, with the average BoMaD 'loan' standing at £25,800. This was followed by the East Midlands, where lenders have given a significant boost to the average BoMaD contribution this year, from £16,000 in 2019 to £24,100 in 2020. Family and friends in the North East and Yorkshire are contributing the least, but on average are still lending a generous £13,800 to help loved ones buy a home.

Cash remains king for BoMaD, with 39% of lenders using cash savings to provide financial assistance. However, the data also shows that for many people inheritance is skipping a generation and acting as an intergenerational gift, with more than one in four (27%) lenders using inherited funds to help their children or grandchildren to buy. Others are drawing money from ISAs (22%) and investments (16%), or even downsizing (12%) to unlock cash.

Nigel Wilson concluded:

“Whilst the generosity of the Bank of Mum and Dad is undoubtedly helping hundreds of thousands of loved ones to realise their homeownership goals every year, it remains a symptom of our broken housing market. Our reliance on BoMaD is unfair and unsustainable, and it’s putting retirements at risk as parents and grandparents try to help their kids to have a similar standard of living as they enjoyed.”

“In order to make a meaningful difference and to create a fair and long-lasting market dynamic, we need to become a housebuilding nation once again. Thousands of new and affordable properties, across a variety of tenures, are needed to give everyone a fair chance at homeownership. At Legal & General we are playing an active role in delivering this, investing in infrastructure and jobs, as well as delivering housing for all ages, social groups and tenures. The housing market has long been at the heart of our nation’s economy, and now more than ever, we need to invest in this sector in sustainable way if we really want to support the UK’s wider return to growth.”

The Bank of Mum and Dad might be an imperfect solution to an intergenerational problem, but it has also become an established and vital part of the housing landscape. Legal & General's 2020 BoMaD research also reveals that a third of people (33%) looking to buy in the next five years plan on getting financial help from family or friends in order to do so.

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Region	Average BoMaD contribution in 2019	Average BoMaD contribution in 2020	% of homeowners that received financial help from BoMaD
London	£31,000	£25,800	41%
East Midlands	£16,000	£24,100	21%
Wales	£30,600	£23,900	26%
South East	£29,000	£23,600	20%
East of England	£25,500	£22,500	15%
South West	£29,700	£18,600	25%
West Midlands	£13,700	£15,800	27%
North West	£24,200	£15,600	21%
Scotland	£16,400	£15,500	27%
North East	£13,900	£13,800	16%
Yorkshire & the Humber	£17,200	£13,800	19%

Notes to editors

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