



PARAGON GROUP PRESS RELEASE

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Paragon calls on Chancellor not to make further changes to tax on landlords and deliver full housing strategy

Paragon today calls on the Chancellor to make no further changes to the taxation of landlords in Wednesday's Budget and instead instigate a root and branch review of the UK's housing requirements to deliver a comprehensive strategy to meet the housing needs of the country's growing population.

The UK's population is forecast to grow from 64.6 million in 2014 to 74.3 million in 2039¹. With limited housebuilding, reduced investment in social housing and a round of tax increases planned for landlords operating in the private rented sector (PRS), there is little prospect that quality, affordable housing will be available for all without co-ordinated action by the Government.

Whilst home ownership is a prized objective for many, private landlords are increasingly being called upon to provide support for those who cannot or choose not to buy either because of mortgage affordability and regulatory constraints, lifestyle changes or a requirement for flexibility.

So far, Government incentives to encourage home ownership are against a backdrop of reduced investment for local authority housing provision, less support for housing associations through a revival of the 'right to buy' and a complex layering of tax increases and policy changes for PRS landlords.

The dangers of this approach are highlighted in the conclusions of an independent London School of Economics Report² commissioned by Paragon which argues that the PRS plays a key role in the UK's housing system and that any slowdown in the expansion in supply of privately rented housing arising from changes in taxation and regulation will put pressure on rents and household budgets.

Calling for action, Paragon Group Chief Executive, Nigel Terrington said: "The Government needs to instigate a thorough review of UK housing need in the context of the expected population growth. The size of forecast population growth is the equivalent of nine cities the size of Birmingham³.

"The private rented sector is an important provider of homes for people in the UK. For many years, successive Governments have actively reduced the provision of social housing. This, together with other regulatory changes such as the Mortgage Market Review which has restricted mortgage credit to homebuyers, mean more people are turning to the PRS.

"There is real risk of lasting damage to the sector if the impact of the changes is not fully understood and particularly if the Government continues to layer one measure upon another without a thorough and robust assessment of the progressive impact different measures will have.

“The PRS does not have a binary relationship with home ownership: holding back growth in the number of properties for rent will simply not increase home ownership and may increase costs and reduce amenity for tenants.

“In the context of forecast population growth, together with a current and projected housing shortage, the key requirement is for the Government to create a stable policy framework that will encourage investment in the supply of good quality, affordable housing across all tenures, so that people can choose the best housing option to suit their lifestyle.”

1. Office for National Statistics, National Population Projections: 2014-based Statistical Bulletin
2. London School of Economics, “Taking Stock: Understanding the effects of recent policy measures on the private rented sector and Buy-to-Let”. For further information contact Paragon
3. BDB2015/04 Birmingham Demographic Briefing

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NOTES TO EDITORS

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The Group is a highly experienced buy-to-let mortgage lender to landlords and residential property investors in the UK through its Paragon Mortgages and Mortgage Trust brands.

The investment division of the Group, Idem Capital, undertakes acquisitions of loan portfolios including first and second mortgages as well as unsecured assets. In addition, the Group services mortgage and loan portfolios for itself and on behalf of a number of clients such as banks, private equity houses and specialist lenders.

In February 2014 the Group launched its banking subsidiary, Paragon Bank PLC. It is a retail-funded lending bank with a direct-to-consumer Internet platform for savings and loans. Its lending products are distributed via intermediaries. The Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.