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Budget 2026: what it means for UK mortgage lenders

WHY THE LENDING OPPORTUNITY SITS IN THE FRICTION IN YOUR JOURNEY

Chris Williams, Strategy and Transformation Partner, Novus Strategy & Consulting

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hello@novus-strategy.com · www.novus-strategy.com

Summary

The Budget is trying to make bank capital go further so lenders can lend more. But extra capital only turns into extra lending if the mortgage journey can handle more cases, and a good part of the capacity to do that is already inside your business, used up by friction. Fixing that friction pays back now, and it lays the foundation for Smart Data and AI.

Budget 2026 (28 October 2026) makes four changes that bear on this, and leaves one gap that lenders now have to plan around.

- **Home buying reform is now a Treasury commitment.** The Home Buying and Selling Roadmap sits in the Budget's regulatory savings package, which government estimates at £116 million a year in administrative savings for business.
- **A new equity loan scheme starts in April 2027.** Your First Home offers 20% equity loans to around 70,000 first-time buyers in England, with a 2.5% minimum deposit.
- **HMRC data may come into Open Finance.** The government will work with regulators and industry to test whether this is feasible.
- **Bank capital reform is to move faster.** The Chancellor has asked the Financial Policy Committee to deliver its leverage ratio and capital buffer reforms quickly.
- **The gap: the government Digital ID scheme is cancelled.** Identity in the home buying journey stays with certified private-sector providers.

On top of this, the Bank Corporation Tax Surcharge doubles for 15 months from January 2027. A higher tax on bank profits puts more pressure on cost-to-income, which makes efficiency in the journey matter more. The Budget makes no change to residential Stamp Duty.

> **Read together, the Budget measures point one way. The lending opportunity sits in the friction in your journey, and fixing it depends on lenders and their partners agreeing how data is checked once and trusted across the chain.**

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What the Budget says

These are the measures that touch mortgage lending, most important first. All figures are HM Treasury's own, and paragraph numbers refer to the Budget 2026 report.

Measure	What the Budget says	When	Reference
Home Buying and Selling Roadmap	Counted in the regulatory savings package. Government estimates it at £116 million a year in administrative savings for business.	Ongoing	Para 4.52
Your First Home	A £4.7 billion scheme giving 20% equity loans to around 70,000 first-time buyers in England. Minimum deposit 2.5%, maximum 15%. Interest free for five years, with charges rising gradually after that. Household income caps are £110,000, or £140,000 in London. Price caps follow local median prices: £650,000 in inner London, £500,000 in outer London. Developers pay to join. Run by Homes England first, then the National Housing Bank.	Pre-registration by end December 2026, applications February 2027, first loans April 2027	Paras 5.5 to 5.7
HMRC data in Open Finance	Government will explore using HMRC data in Open Finance, testing feasibility with regulators and industry.	No date given	Box 4.E, para 6.186
Bank capital	The Chancellor wants the Financial Policy Committee's leverage ratio and buffer reforms delivered quickly. The next stage should make the capital framework internationally competitive.	No date given	Box 4.E
Digital ID	The government Digital ID scheme is cancelled, listed as a spending saving.	Now	Para 2.8
Bank Corporation Tax Surcharge	Rises from 3% to 6% for 15 months.	1 January 2027 to 31 March 2028	Para 2.48
Savings	The cash ISA limit stays at £20,000. Tax on savings income rises by a further 2 points.	April 2027	Paras 2.50 to 2.52
Property income	Tax on property income rises by a further 2 points. A landlord registration fee is coming for the private rented sector.	From 6 April 2027	Para 2.50, Chapter 6
First Time Buyer ISA	Replaces the Lifetime ISA for new savers. £4,000 a year with a 25% bonus, for homes up to £450,000, with no upper age limit. The Lifetime ISA withdrawal charge falls to 20% for homes above £450,000.	ISA from April 2029. Lifetime ISA change from 29 October 2026	Paras 5.8 to 5.9

Also in the Budget: new powers to trial temporary rule changes (Regulation for Growth Bill, Box 4.B), a 50% cut in the overall burden of the Senior Managers and Certification Regime (Box 4.E), and planning documents published as open data by the end of 2027 (para 6.117). The Budget says nothing about upfront property information, HM Land Registry digitisation or a Smart Data scheme for mortgages.

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What it means for your mortgage journey

The Budget measures make most sense when you look at them through your journey. Capital reform should give lenders more room to lend, and the gains from reform and shared data depend on coordination across firms.

Lending capacity released

Every mortgage application uses up the time of your underwriters, case handlers and customer teams. When details are re-keyed, when the same document is requested twice, or when a case stalls after offer waiting on a conveyancer, that time is spent with no extra lending to show for it. When a case falls through after underwriting, the whole cost of that work is spent and nothing is lent. Faster capital reform should give lenders more room to lend, but that only becomes extra lending if the journey can take on the extra cases. Taking friction out lets the same people move more cases through to completion, which means more lending without adding to the cost base.

Speed to offer

Your First Home brings a government equity lender into the case. Help to Buy is the best guide to the extra steps: another approval, more documents, and a wait on developers' build timetables that often means extending offers. Lenders who plan for them now will move faster from April. Checking scheme eligibility at decision in principle avoids most of the rework later on.

Speed to completion

A good part of the time from offer to completion is spent outside the lender, in conveyancing, searches and late property information. The Roadmap is the government's route to cutting that time. Lenders that plan only within their own walls will capture just part of the benefit.

Fall-through reduction

The scheme's income and price caps create new ways for a case to fail late, so eligibility needs to be tested early. Higher interest rate expectations (para 1.15) also tighten affordability, which means more re-quotes and more cases at risk between offer and completion.

Foundations for Smart Data and AI

The same work sets lenders up for what is coming. The government is exploring HMRC data in Open Finance, which could let a lender see verified income at the point of application. That is Smart Data reaching affordability, but it only saves time if the journey is ready to use it, so the check happens once and the result carries through to underwriting, the offer and the conveyancer without being repeated.

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AI works the same way. It can only make good decisions from clean, trusted data, and a journey full of re-keying and repeated checks gives it neither.

With the Digital ID scheme cancelled, there will be no national digital ID for every firm in the chain to use. Identity checks will stay with certified private providers, so lenders, brokers and conveyancers will need to agree how a check made once can be relied on by everyone. That will sit alongside the wider data standards the government is planning through the Roadmap. That is the job of Horizontal Digital Integration (HDI), the operating model that lets data, decisions and workflows move reliably across every organisation in a property transaction.

Novus recommended actions

The first sets the direction, the second needs a decision before pre-registration opens in December, and the rest belong in 2027 planning.

1. **Ask where friction is costing you the most lending today.** Put one question to your executive team: where is friction in our journey costing us the most lending today? Map where cases are re-keyed, re-checked, stalled or lost after underwriting. Put a value on fixing each one, including the Roadmap reforms that would cut your offer and completion times, before you commit spend.
2. **Settle your position on Your First Home before December.** Decide on products, criteria and appetite. Build the scheme's income and price caps into decision in principle. Decide how affordability allows for the equity loan's charges once the interest-free period ends. Confirm with Homes England how the equity loan will be secured, and map the new hand-offs with Homes England and developers before the first case arrives. The scheme sits alongside your own low-deposit and family-assisted products, so decide where each fits for a first-time buyer.
3. **Plan your identity strategy around private-sector verification.** With Digital ID gone, use certified digital verification services. Test where a check completed once could be relied on by your brokers and conveyancers, within the reliance rules in the Money Laundering Regulations, rather than repeated at each stage.
4. **Get your journey ready for verified income data.** Identify where HMRC data would change your affordability checks and time to offer, and design the journey so a check made once carries through to underwriting, the offer and the conveyancer. Get involved early in the industry testing the government has promised.
5. **Tie journey efficiency to the 2027 cost and capital case.** The surcharge raises the tax on bank profits for 15 months, and capital reform is speeding up. Make journey changes part of that conversation with finance and risk, not a separate change budget. Building societies should also review savings pricing ahead of the April 2027 tax changes.

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Any questions, do let me know.

Chris Williams

Strategy and Transformation Partner, Novus Strategy & Consulting

Sources

HM Treasury, Budget 2026: Breathing space for today, fresh hope for the future, HC 726, 28 October 2026. Every figure in this briefing is a government figure or government estimate taken from that report.

The £116 million is government's estimate of administrative savings for business from the Roadmap. It does not measure the value of reform to lenders or buyers. HM Treasury sets out the method in its Technical Annex to the Regulatory Administrative Savings Package (Budget 2026).

ABOUT NOVUS STRATEGY & CONSULTING

Novus is a UK consultancy dedicated to the mortgage and home buying market. We work with lenders as a strategy and delivery partner. We find the friction in the mortgage journey, prioritise the changes that matter most to speed to offer, speed to completion, fall-through and lending capacity, and deliver them within existing programmes.

Lenders work with us in three ways: across the whole journey, on a specific use case, or through regular market intelligence briefings like this one.

Pathfinder by Novus builds a digital twin of a lender's mortgage journey, run by Novus practitioners. It shows where value is trapped, including the lending capacity a faster journey could release, and models the impact of changes before you invest.

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