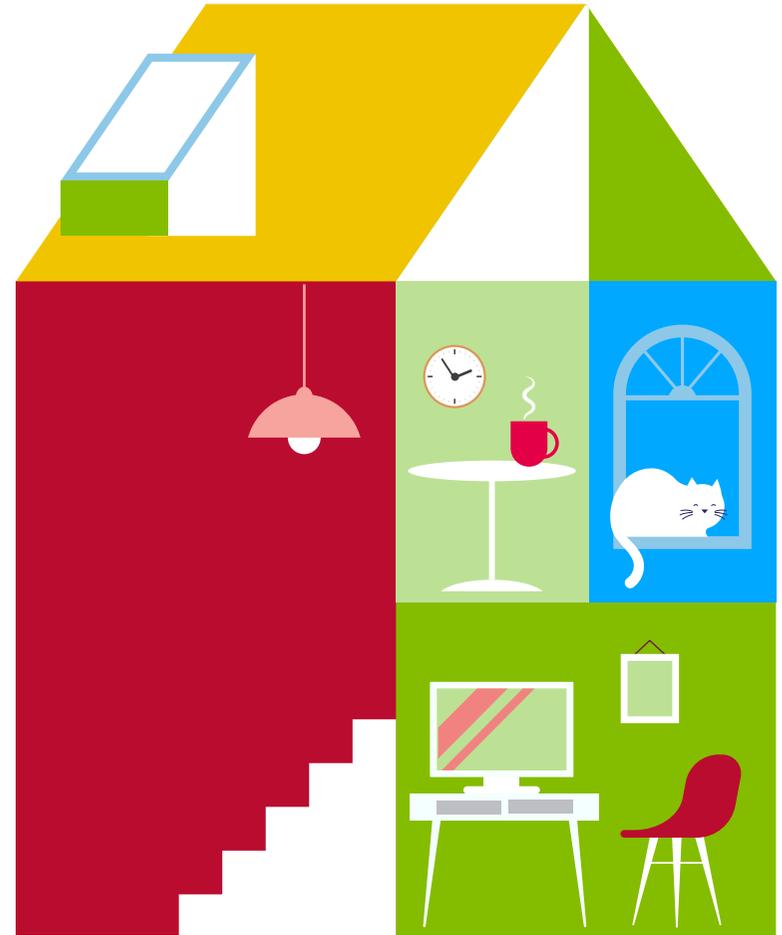


SUMMER
2022

Mortgage Intermediary



INSIGHT REPORT



A word from our Director for Mortgage Sales

| Moray Hulme

Intermediaries use their in-depth understanding of the mortgage market and wider economy to provide customers with valuable product advice, whilst informing industry partners' decision making through insight into current and anticipated sector trends.

Found across the length and breadth of the UK, mortgage intermediary firms are often small businesses that play a big part in the property sector.

We see that in many cases the intermediary role is a varied one, covering the residential and buy-to-let markets, as well as more specialist lending. In addition to a working knowledge of finance products on offer and lender criteria, the best brokers are in tune with the latest economic developments, emerging market trends and any impactful changes to regulations.

The result is a valuable source of insight into the current and future property markets.

Intermediaries have been busy of late, with many firms at or near capacity and reporting healthy profits. This reflects elevated levels of business seen since midway through 2021.

Interestingly, intermediaries tell us that the majority of the business they place is from repeat customers. This suggests that many clients see intermediaries as central to sourcing and securing finance, highlighting how important it is to build lasting relationships.

The strong business levels experienced by intermediaries have led to confidence in different aspects of the mortgage industry with prospects rebounding robustly following the dip seen at the onset of the Covid pandemic.

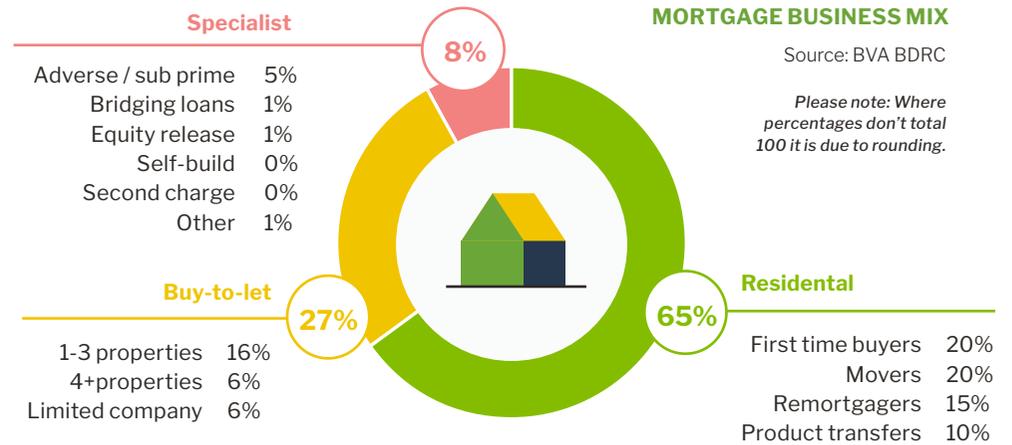
In addition to the recent purchase activity, influencing this positive outlook is a swathe of remortgaging as many 5-year fixed rate buy-to-let products, made popular in 2017 following changes to Government policy, reach maturity.

Intermediaries have been busy of late, with many firms at or near capacity and reporting healthy profits

Alongside this grasp of current conditions is an understanding of the fundamental principles underpinning the sector and wider economy; it seems that many intermediaries see property as a proven asset class that represents a relatively stable long-term investment choice, an assessment I agree with.

Mortgage business mix

On average, each broker places 93 mortgage cases each year. Breaking this down, 55 are residential, making up just under two-thirds, or 65% of business. First time buyers and home movers each account for 20% of this, with remortgagers contributing 15% towards the total and product transfers making up the remaining 10%.



What is driving intermediaries' business?

Financial advisers are seeing high volumes of mortgage business driven by elevated purchase levels across the first-time buyer, home mover and buy-to-let markets, in addition to remortgaging and product transfers

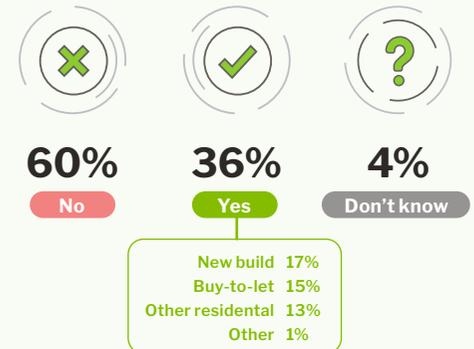
Green mortgages

In response to the growing emphasis placed on environmental issues and in anticipation of the Government's drive towards the UK producing net zero carbon emissions by 2050, mortgage lenders have introduced finance products that incentivise the purchase of properties that are more energy efficient.

These mortgages have been placed by just above one third (36%) of mortgage intermediaries, spread across new build homes, buy-to-let properties and other residential mortgages fairly evenly.

GREEN MORTGAGES PLACED

Source: BVA BDRC



Buy-to-let business mix

Brokers place an average of 34 buy-to-let mortgages each year, providing 27% of business. This is driven by smaller-scale landlords with between one and three property portfolios, who make up 16% of all mortgages placed. Landlords with four or more properties and those operating as limited companies make up the total, contributing 6% each when rounded up.

The remaining 8% of annual business placed comes from the average of five mortgages classed as specialist. This can be sub-divided as adverse or subprime mortgages, bridging loans and equity release which, account for 5%, 1% and 1% respectively. 'Other' lending completes the total.

Over one third, 38%, of the average broker's buy-to-let business is made up of non-portfolio mortgages. Limited company portfolio and portfolio mortgages make up just under a quarter each, with limited company non-portfolio accounting for the remainder.

BTL BUSINESS MIX

Source: BVA BDRC

Non-portfolio

38%

Limited company portfolio

24%

Portfolio

23%

Limited company non-portfolio

15%

On average, buy-to-let mortgages account for 27% of business placed by intermediaries each year

Analysing how the business mix has changed over the past year shows that limited company portfolio business has grown to the greatest degree, with over half (54%) of financial advisers reporting an increase in volumes.

CHANGES IN BTL BUSINESS MIX OVER PAST 12 MONTHS

Source: BVA BDRC

Non-portfolio



Limited company portfolio



Portfolio



Limited company non-portfolio



Other

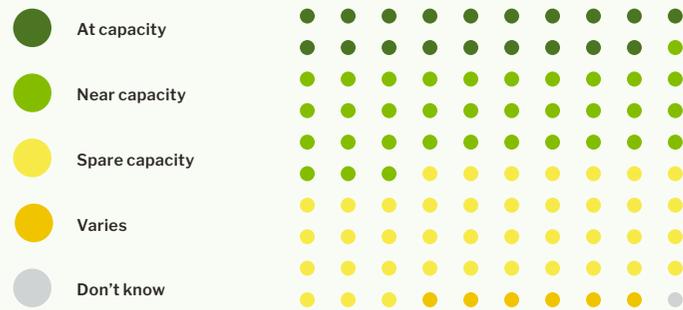


Over half of intermediaries over or at near capacity

Managing the volumes of business they receive places just under a fifth, or 19%, of firms at their maximum capacity. Just over a third (34%), are near capacity and the majority, 39%, indicate that they have spare capacity.

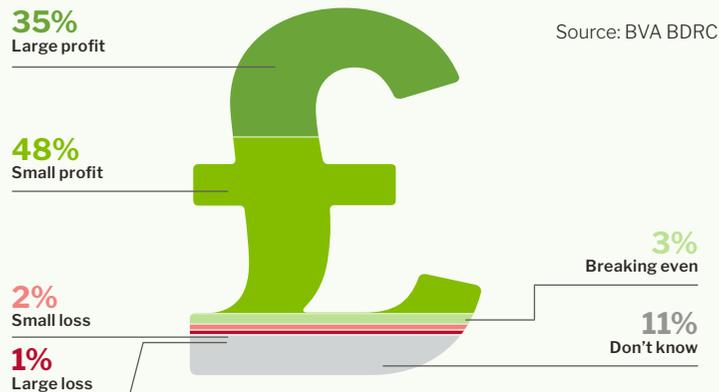
BUSINESS VOLUMES

Source: BVA BDRC



Business profitability

Just over a third, 35%, of firms report making a large profit, while a small profit is recorded by the majority, 48%.



Client relationships drive business

With two thirds of business being provided by repeat customers, the survey highlights the importance of fostering strong and lasting relationships.

A third of intermediaries keep in regular contact with their client, with a further third in ad hoc contact. When looking at how often intermediaries are in contact with clients, we see a fairly even split across the industry, with almost one in three in contact ahead of product maturity.

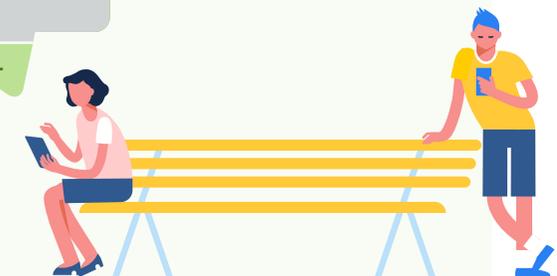
Advisers whose only contact results from inbound client contact make up the minority that remains.

FREQUENCY OF CLIENT CONTACT

Source: BVA BDRC



7% Only in response to an inbound contact from the client



The highest level of intermediary net confidence – gauged by subtracting the proportion of those that are either not very confident or not confident at all from those that are very confident and fairly confident – can be seen when assessing the prospects for their own firm, with a score of +86%. Central to this is continued strong demand for rented homes, underpinned by the long-term stability of bricks and mortar as an investment.

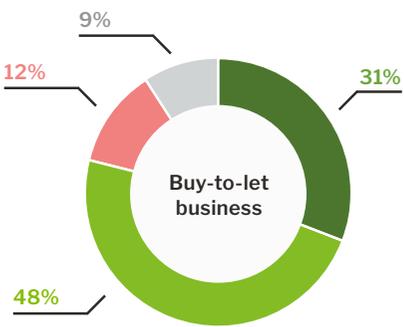
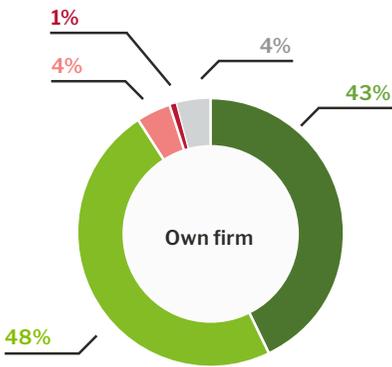
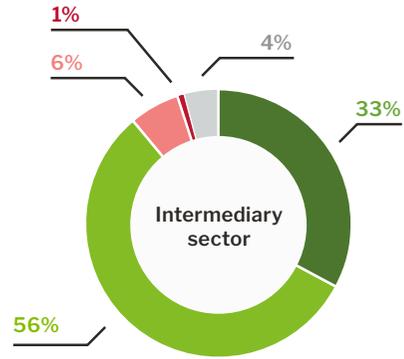
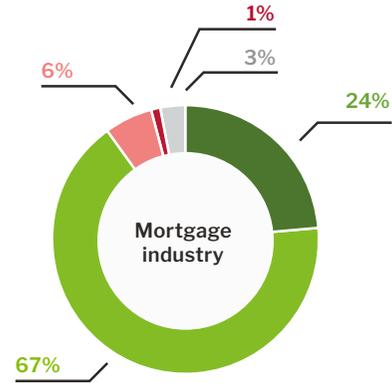
This is closely followed confidence in the future of the mortgage industry more broadly, with a net confidence score of +84% and the intermediary sector at +82%.

Confidence in the buy-to-let (BTL) business that brokers are involved in is lower with a net score of +58%. Stringent legislation and tax burdens that landlords are subject to, in addition to recent and anticipated interest rate rises, were cited as influences of this lower level of confidence amongst brokers.

CONFIDENCE IN OUTLOOK FOR...

Source: BVA BDRC

Please note: Where percentages don't total 100 it is due to rounding.



Mortgage intermediary outlook

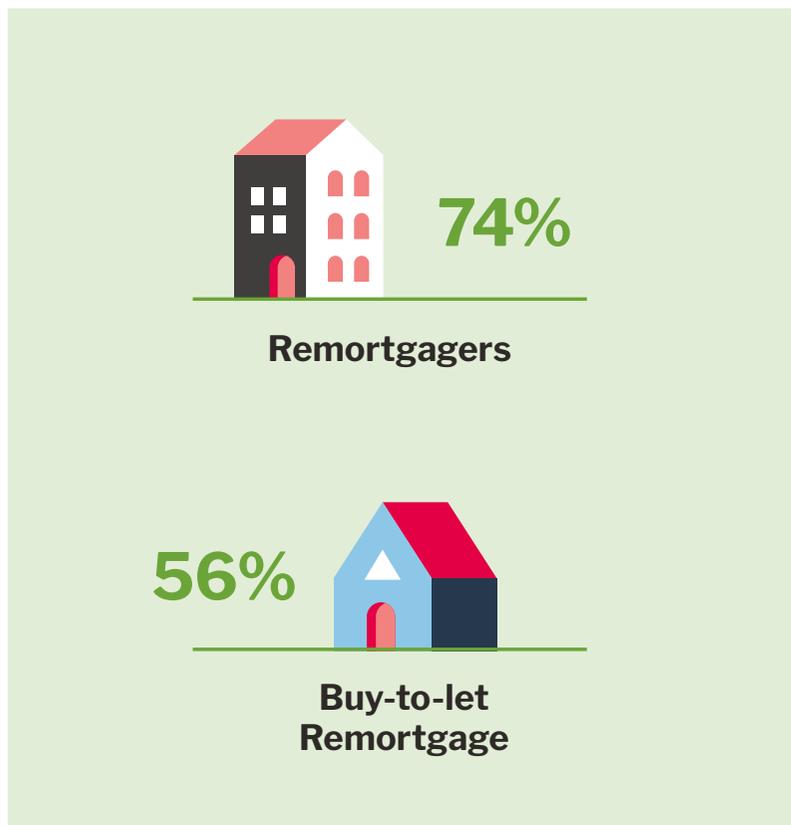
Intermediaries are confident about the outlook for different aspects of the mortgage industry and their place within it, but have identified some threats that have the potential to negatively impact the sector

Remortgaging will drive future business

Looking at the mortgage market specifically, brokers anticipate that remortgage business, both residential and BTL, will be a key strength over the next few years. Other areas predicted to drive activity include BTL purchases, and residential first-time buyers. There is variation in how firms are responding to the anticipated shift towards a rise in remortgage business. The majority, 45%, see the shift as business as usual and are making no changes to how they operate but 41% say that they are placing a greater focus on client communications towards the end of their term.

FUTURE STRENGTH OF THE MORTGAGE MARKET

Source: BVA BDRC



CHANGES RESULTING FROM BUSINESS MIX SHIFT TOWARDS REMORTGAGING.

Source: BVA BDRC

45%

No changes made - it's business as usual

41%

Greater focus on client communication towards end of term

11%

Streamlined compliance procedures

6%

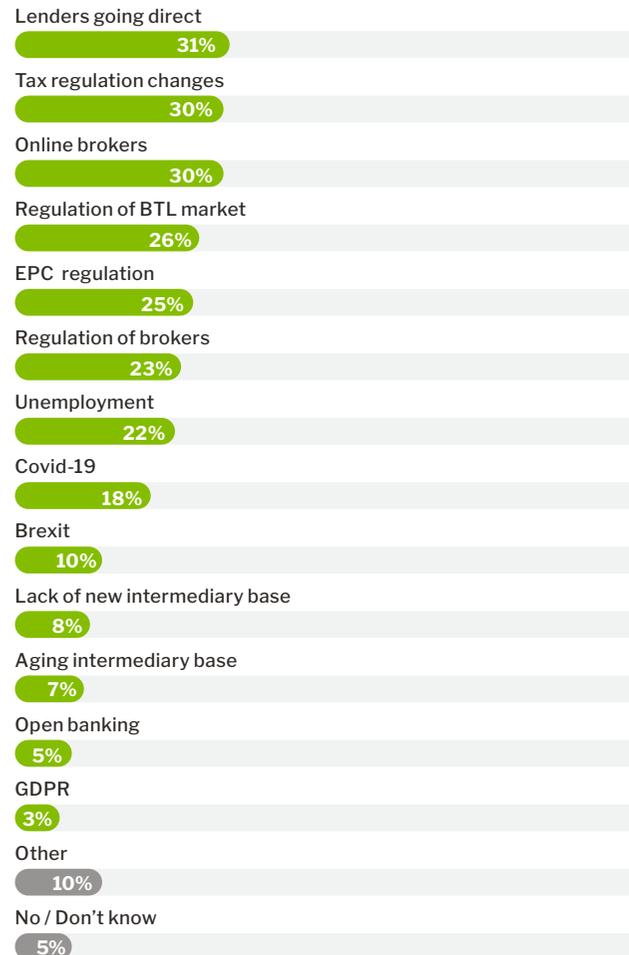
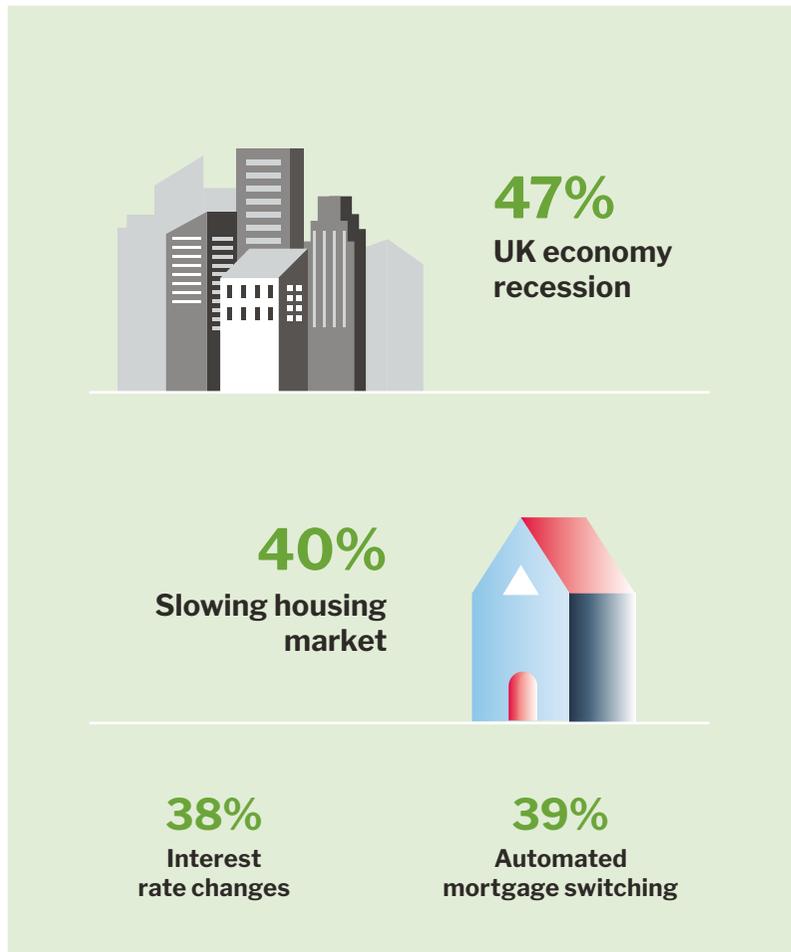
Dedicated advisers to deal with remortgage business

Future threats to business

Alongside future mortgage market strengths, brokers also outlined what they foresee as threats to their business. Current events have a heavy influence on the most prominent of these risks, with UK economic recession, a slowdown of the housing market and interest rate changes all a concern to brokers' business prospects.

FUTURE THREATS TO BUSINESS

Source: BVA BDRC



Regardless of whether we're in boom times or recession times, there will always be movement in the mortgage market. Because underpinning everything, there's a shortage of housing in the UK. And whatever else is happening, people get married, people get divorced, people die, people move after university. So there's always some demand there in the background.

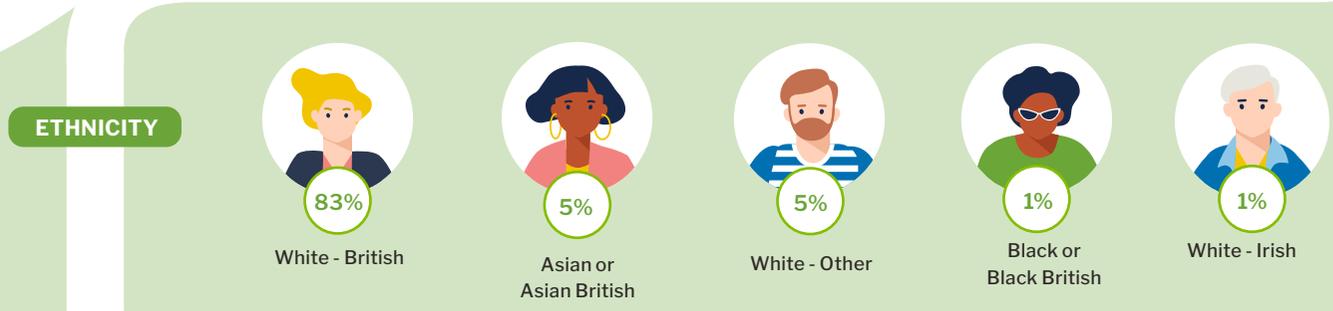
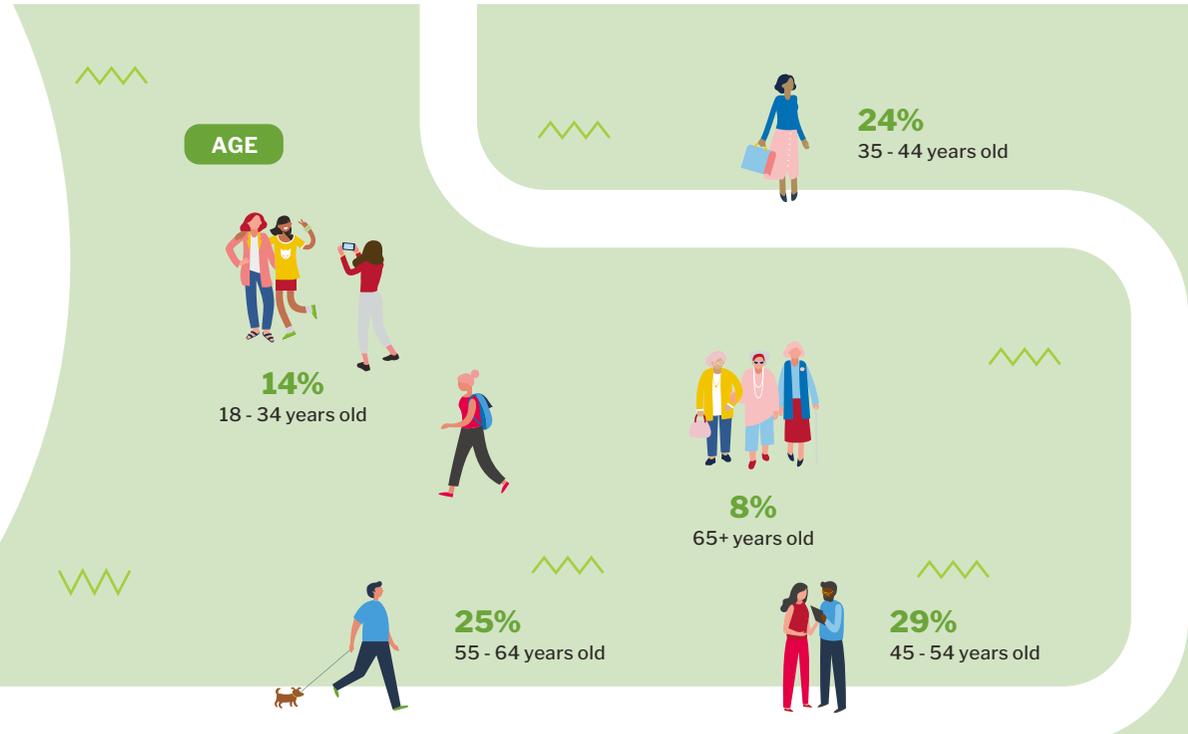
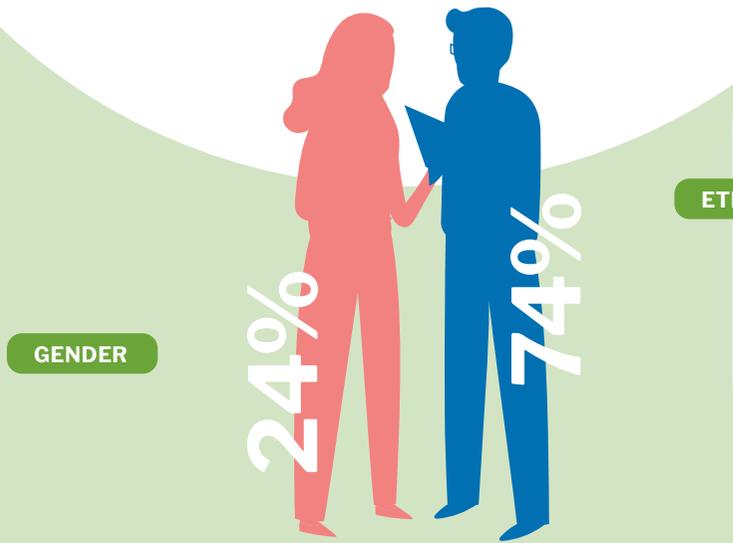
David G
Independent Financial Adviser

Mortgage intermediary people

Covering much of the UK, a wide range of demographics are represented within the mortgage intermediary sector; some much more than others, particularly when we look at gender and ethnicity.

Mortgage intermediaries – who, where and how

The population of the mortgage intermediary profession are varied, with a fairly even spread across age groups, but there is less diversity than we see in other sectors. Intermediaries are three times more likely to indicate that they are male than female and the overwhelming majority, 83%, describe their ethnicity as ‘White – British’. ‘Asian or Asian British’ and ‘White – Other’ are the ethnic groups with the next highest levels of representation, both at 5%. Smaller proportions, 1%, of intermediaries describe their ethnicity as ‘Black or Black British’ or ‘White – Irish’.



Mortgage intermediary firms

Mortgage intermediary firms are typically small businesses, employing fewer than 10 registered mortgage brokers, but some have plans to expand, indicating the current strength of the sector. Many mortgage brokers have worked within the industry for a number of years so benefit from extensive experience.

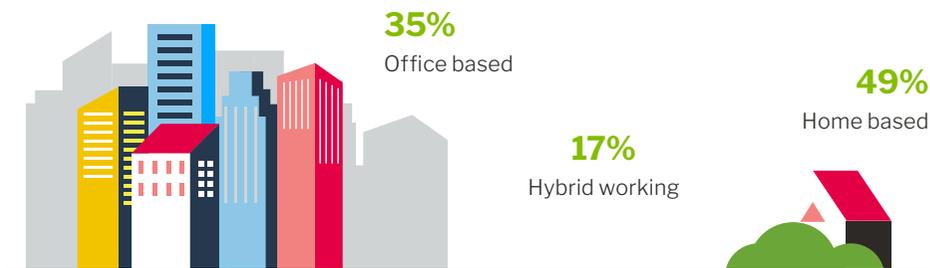
Staffing



Place of work

Long before the Covid pandemic changed where and how businesses work, financial advisers have taken an agile approach to work with many accustomed to working outside of a traditional office environment.

Please note: percentages do not total 100 due to rounding.

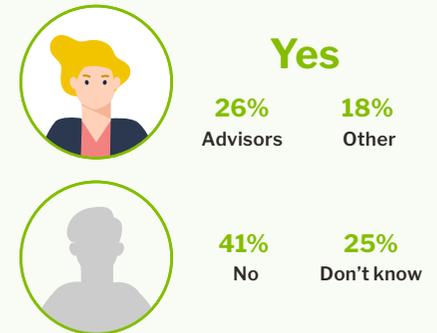


Recruitment on the agenda

Over four in 10 firms plan to recruit more staff in future, unsurprising given the proportion of firms indicating that current business volumes mean that they are at or near capacity and the positive outlook brokers have, particularly for the future of their own firm and the mortgage industry.

ARE YOU RECRUITING?

Source: BVA BDRC

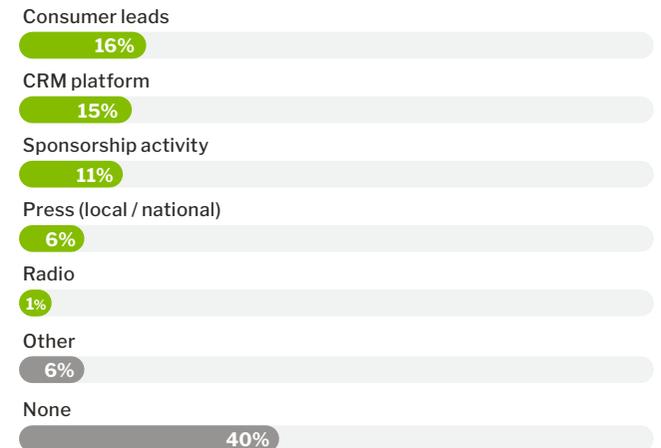


Marketing

Digital channels, primarily social media and websites, are the most utilised methods to promote financial adviser firms' business activities. Interestingly, four in 10 invest in no marketing, perhaps representing the high levels of repeat business seen in the sector.

MARKETING ACTIVITY INVESTED IN

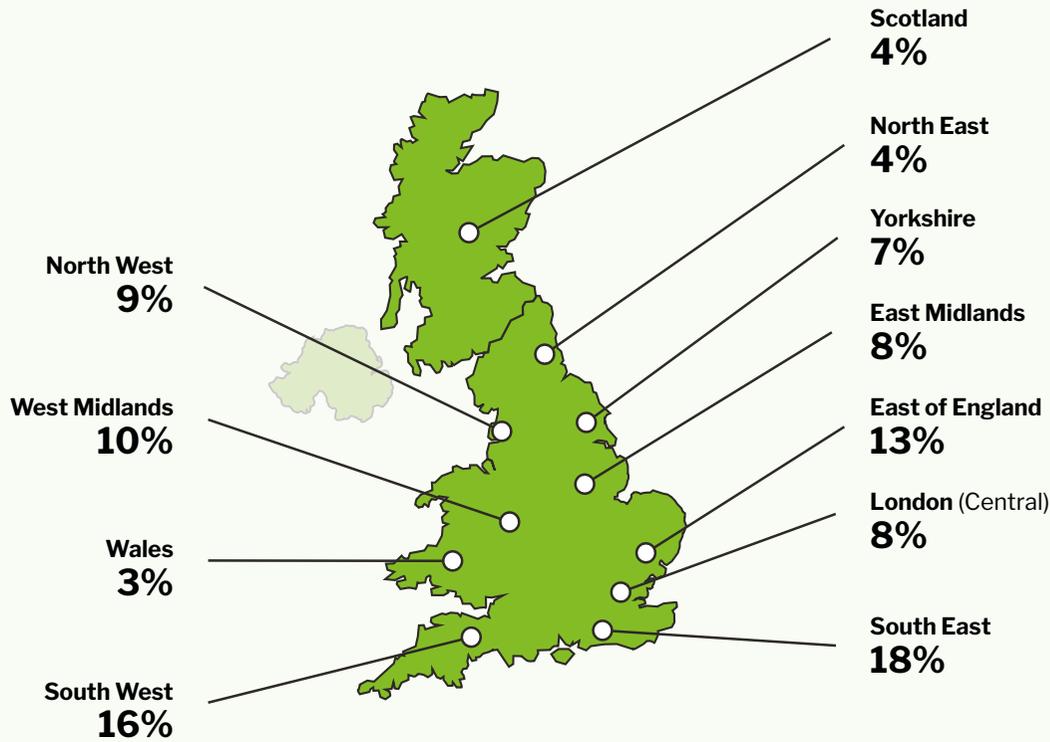
Source: BVA BDRC



Mortgage intermediaries operate across almost the entire UK, but a particularly high concentration, 18%, can be found in the South East, perhaps mirroring the prevalence of landlords in the region. The South West and East of England also have high proportions of intermediaries, with more northerly regions such as Yorkshire, the North East and Scotland typically home to fewer.

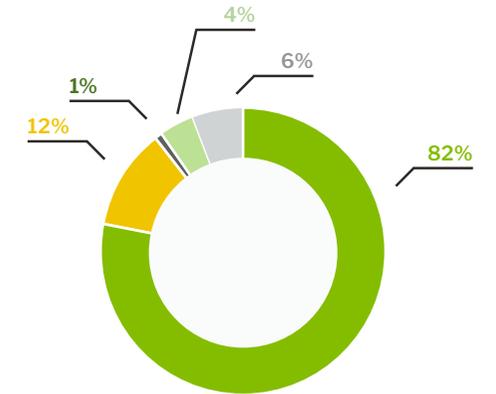
INTERMEDIARIES OPERATE IN...

Source: BVA BDRC



INTERMEDIARY TYPE

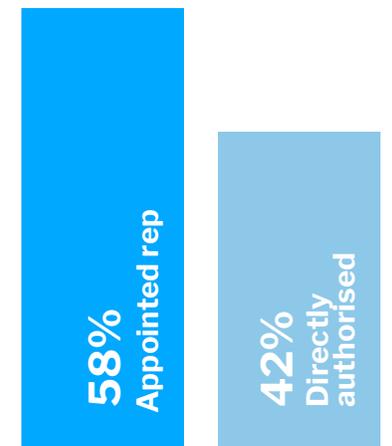
Source: BVA BDRC



- Mortgage broker
- IFA
- Estate agent
- Life company rep
- Packager
- Other

AUTHORISATION

Source: BVA BDRC



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