The Bank of Family

September 2023

Executive summary

According to research by Legal & General, support from parents, grandparents, and other family members has reached record levels in 2023, helping 318,400 property purchases with an astonishing £8.1 billion worth of lending.

This means a staggering 47% of all homes purchased by buyers under the age of 55 were bought with family support.The UK housing market is increasingly divided between those helped with their purchase by generous family members and those for whom home ownership remains an almost unattainable dream. Few manage on their own.

In previous years Legal & General has tracked this lending as the 'Bank of Mum and Dad' (BoMaD), but this year the business will be referring to the research as the Bank of Family, as the term more accurately reflects the contribution of other members and the breadth and diversity of modern family structures.

If the Bank of Family was a regular bank, that would make it the ninth biggest lender in the UK. The property bought this year with help from family will have an estimated value of £124.6 billion.

Amid a cost-of-living crisis, families have ramped up their support, helping more buyers than ever. Inflation, increasing interest rates, and previously Covid-19, mean that the Bank of Family is even more essential.

The Bank of Family is impossible to ignore:

£8.1bn

The aggregate value of Bank of Family lending in 2023, at £8.1 billion, is up by half on 2020, the last time this survey was conducted

27%

Bank of Family support is more than a quarter (27%) above the 2019 pre-pandemic level, while the value of the properties purchased with the support of these gifts and lending is more than double the total from that year

58%

More than half (58%) of the value of intergenerational support goes to help first time buyers

While families dig ever deeper into their pockets to help their loved ones buy, those without access to such help face being left behind. They must either remain renting or even live with parents well into adulthood, again reliant on a form of gifting.

On current trends, the need for Bank of Family support will continue to grow, locking out those without this family support for years to come. Bank of Family lending is expected to rise to £10 billion in 2025, supporting 357,200 purchases, it would be responsible for purchasing homes with a combined value of £147 billion by that year.

Of course, the story varies across the country. Not surprisingly, buyers in London are most heavily reliant on support from family. Just over two-thirds (67%) of buyers from the capital in our survey had received help with their recent home purchase, with an average gift or loan of £30,200 – a clear signal of the barriers those without support face. Even in Wales, where house prices are some of the lowest in the UK, more than one in five (22%) got help.

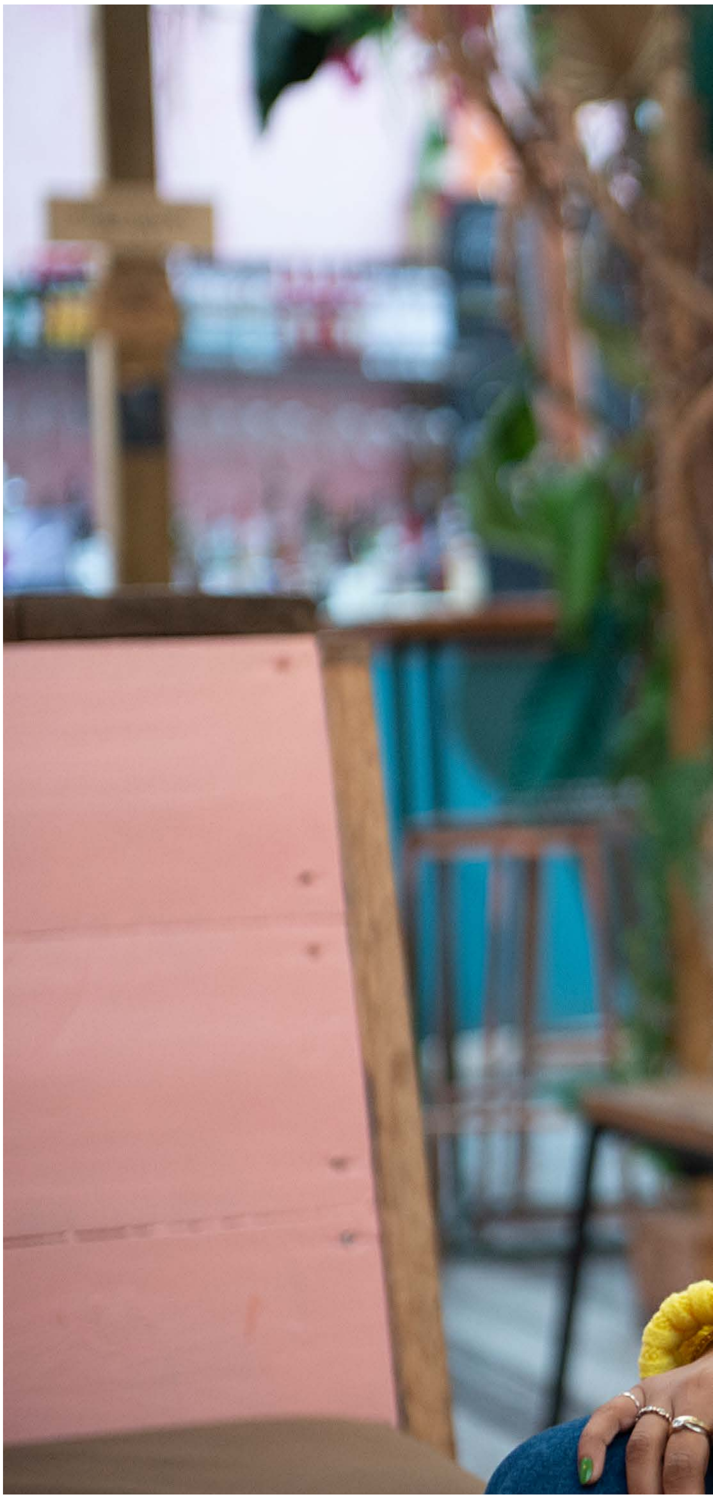
In recent months, house prices have stopped rising in most areas and even fallen modestly. But the last year has only compounded housing market inequality due to real wage reductions for most workers, rising rents, and a range of other inflationary pressures. Many households have little or no money to put towards a deposit and now little chance of building savings.

Again, we should not diminish the sacrifice parents and grandparents make to help see the next generation find a home. Our survey shows that many Bank of Family 'lenders' are drawing on their own property wealth to do so. Almost two thirds (69%) say it has negatively affected their financial position. And a significant number are helping in other ways too, with almost a third (31%) nationally letting adult family members live with them to help save for a deposit – allowing them to save an average of £24,900. On a national scale this is the equivalent of free rent worth £131 billion. With the Bank of Family, charity really does begin at home. Many others also provide childcare without charge, saving families thousands of pounds each year.

But we can celebrate this generosity while still worrying about its necessity and consequences – both for the families themselves and for the wider market. We need new routes to home ownership for locked-out buyers. Innovative new mortgage products and Legal & General's investment in Generation Home, which allows buyers to put a family member on their mortgage to help them borrow more, could be important tools to help level the playing field. Advisers, too, have a vital role in assisting buyers to navigate an evolving mortgage landscape.

The UK's private sector must step up and innovate, to build a model of home ownership that is more inclusive for everyone, not just those blessed with family support. That's at the heart of Legal & General's £32 billion investment in UK towns and cities, and its commitment to increase Britain's stock of affordable housing by 20%.

Solving the challenges in our housing market is a long term project and means planning for the future. Building more affordable new homes of the right type in the right areas is essential and we must recognise that, while it's a national crisis, we need a regional response. Our Rebuilding Britain Index has shown clear regional differences in both the quality of affordable housing, and the jobs and economic prosperity that enable people to buy. Improving affordability must reflect the needs and challenges of each area. Only then will we see a future where everyone can access the security and joy home ownership can bring.



Cold comfort

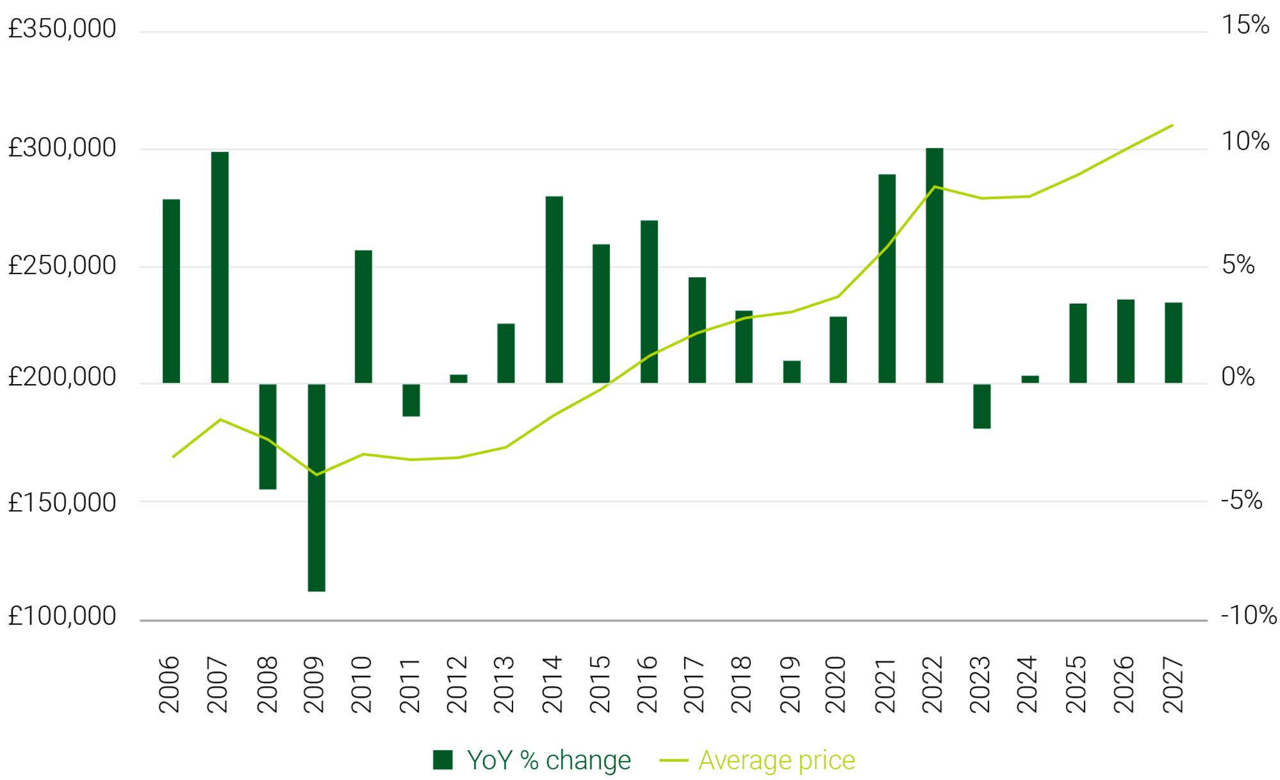
Over the past decade or so, those looking to step onto the ladder have faced an almost insurmountable challenge. House prices have increased year on year at levels well beyond the ability of many individuals to save enough for a deposit, driven in part by a critical lack of housing supply.

But house prices have stalled in recent months. This year, Cebr forecasts a 1.9% reduction in property prices on average – the first fall in more than a decade.

That might appear to make the challenge of stepping onto the housing ladder an easier task for buyers, but this readjustment follows a long period of sustained and strong growth – 10.6% in 2022 alone. Prices remain above 2020 levels, and they are also forecast to rise again next year.

Average UK house price (left) and year-on-year growth (right).

Source: Land Registry and Cebr analysis.

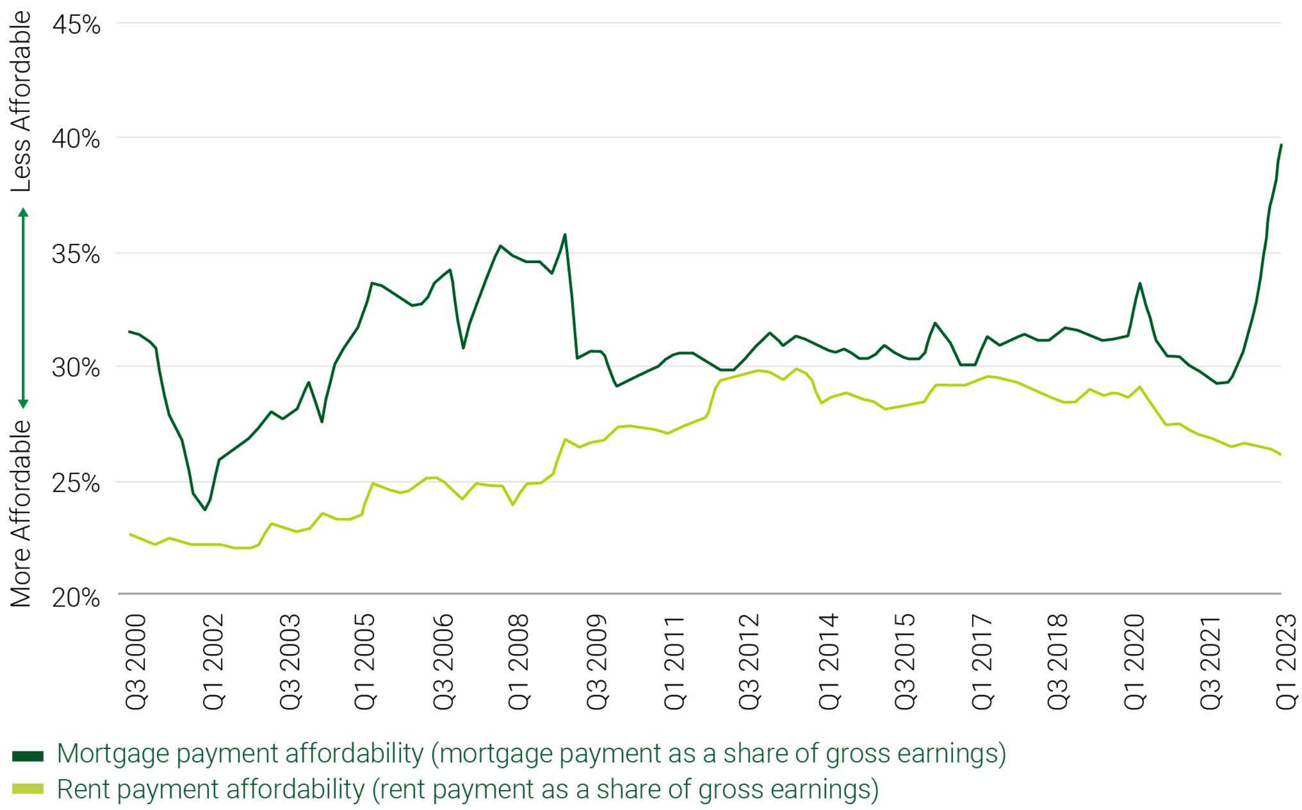


With house price reductions resulting from increased interest rates, in turn driven by inflation, buyers face borrowing costs that have increased rapidly at a time of great economic uncertainty. This comes alongside a cost-of-living crisis that is seeing other essential bills and expenses, such as energy and food, rocket.

Rents have also risen, but the much sharper hikes in mortgage rates have significantly worsened affordability for would-be buyers.

Mortgage payment affordability.

Source: ONS and Cebr analysis.



The big barrier

Regardless of repayments, the main obstacle for most buyers remains prices.

In 2022, according to the Office of National Statistics, full-time employees in England could expect to spend around 8.3 times their annual earnings to buy a home. In 1997, it was less than five times workers' earnings in almost nine out of ten (89%) local authorities. By 2022, this was true for fewer than one in ten (7%). Affordability has worsened in every local authority in the last quarter of a century.[1]

Even if buyers can pass a lender's affordability checks, most have little chance of raising a sufficient deposit. Our Deadline to Breadline research last year showed financial resilience for most is shockingly low: The average UK consumer would be just 19 days from the breadline if they suddenly lost their income. Savings are meagre, with an average of £2,431 against £610 in debt (excluding mortgage costs). One in six (16%) has no savings at all.

This is hardly the result of extravagance; once they've covered basic costs, like rent, utilities and food, the average household has £700 left for everything else. One in three has less than £500 left over.[2] With inflation down from 2022's double digits but in mid-2023 still running at 7.9%, that's likely to have worsened.[3] Meanwhile, according to property search business Zoopla, the average first time buyer deposit in 2023 across the UK is £34,500. In London, it's £144,500.[4]

1. https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/2022#:~:text=In%20 2022%2C%20full%2Dtime%20employees,6.2%20times%20their%20annual%20earnings.
2. https://www.legalandgeneral.com/landg-assets/adviser/files/protection/sales-aid/deadline-to-breadline-report-2022.pdf
3. https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/may2023#:~:text=The%20core%20CPIH%20 annual%20inflation,down%20from%2010.0%25%20in%20April.
4. https://www.zoopla.co.uk/discover/property-news/whats-the-average-first-time-buyer-deposit-by-region/

The Bank of Family: propping up the market

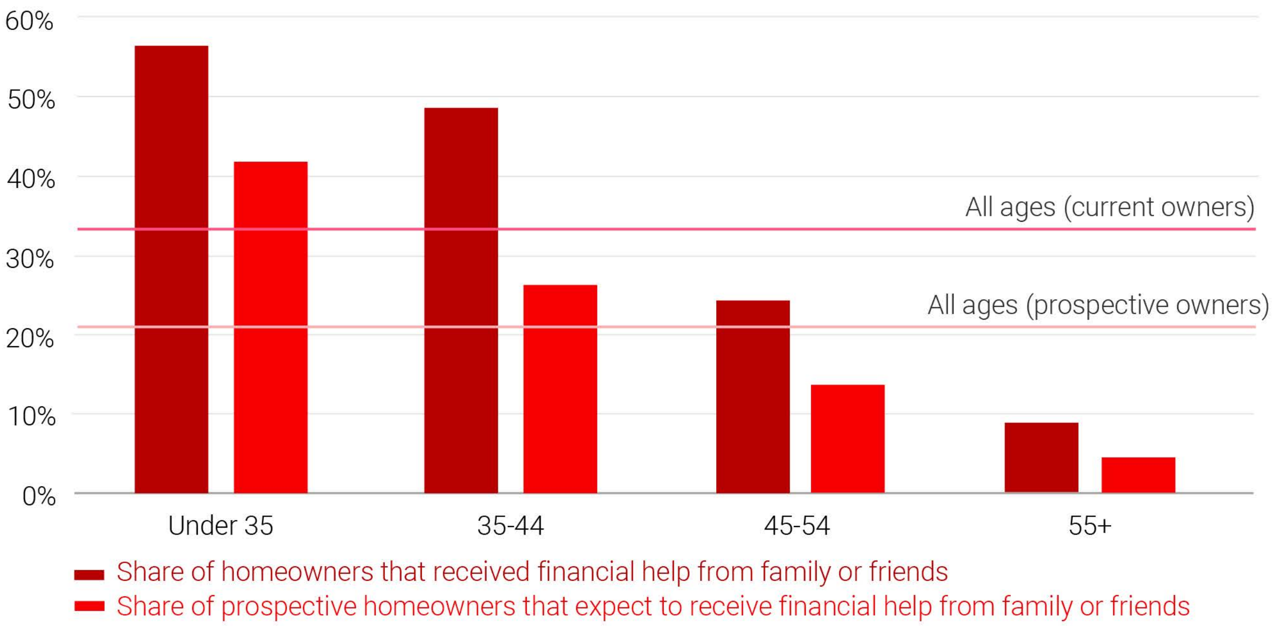
So, with many having little chance of saving enough for a deposit, where's the money coming from?

In many cases, the answer is family and friends. Our survey finds that a third of recent home buyers received help from the Bank of Family. If you exclude those over 55, who account for a large number of recent purchases, that rises to 47%. Mostly it's parents, who will account for 186,700 homes bought in 2023, while grandparents (39,800 homes) and other friends and family (91,900) are also generous with their support.

More than one in five prospective buyers (21%) expects to receive help, too.

Share of current homeowners who received financial support from the Bank of Family to buy a home, and those who expect to.

Source: Cebr analysis and YouGov survey.

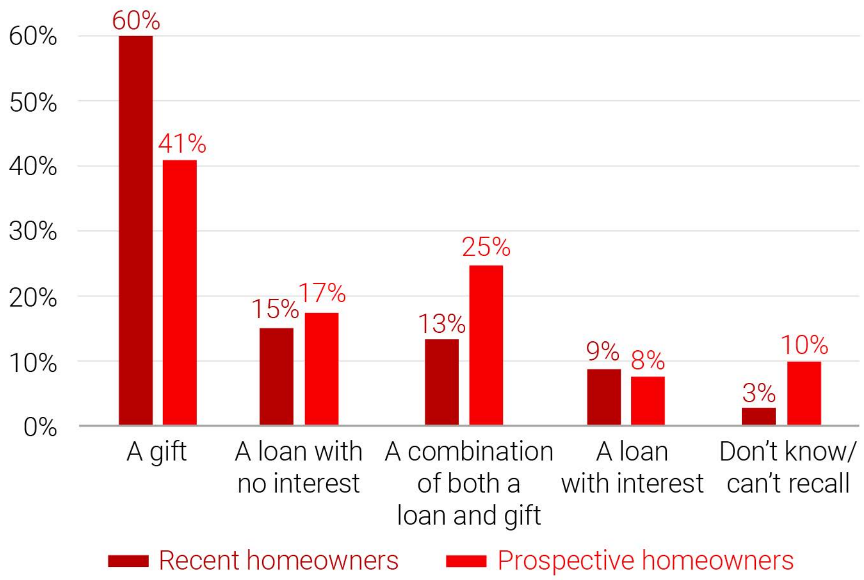


The support given is substantial at an average of £25,600, a sum that's almost three-quarters of the average UK deposit for a first time buyer. Across Britain in 2023, the estimated total value of this support from family loans and gifts comes to £8.1 billion, helping purchase property worth £124.6bn – a massive boost to the housing market.

Generally, those receiving this money don't have to worry about paying it back: 60% of contributors give the money as a gift and a further 13% as a combination of a gift and a loan.

Share of recent and prospective homeowners receiving financial assistance as a gift, loan or both.

Source: Cebr analysis and YouGov survey.



Essential support

We can see the significance of this contribution by friends and family when we consider what would happen without this money.

In most cases, Bank of Family help goes towards deposits: more than three-quarters (77%) put at least some of it towards the deposit and over half (54%) all of it. In total, this means 68% of the total value of Bank of Family support goes towards deposits – that's roughly £5.6 billion.

Most of the rest goes on other transaction-related costs, such as legal, mortgage and surveyor fees, moving expenses and renovations. Fewer than one in ten (8%) use the money to help with mortgage repayments – this accounts for only 3% of the value of Bank of Family support.

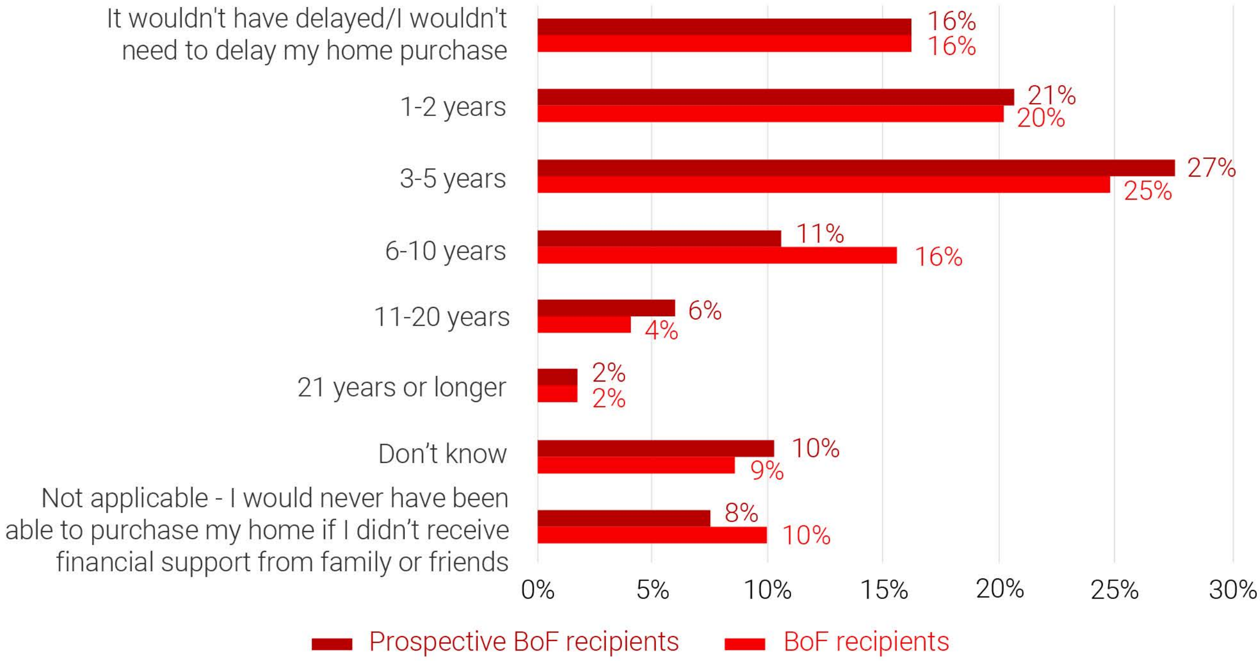
How Bank of Family contributions are spent

Source: Cebr analysis, YouGov survey

- **68%** Deposit
- **6%** Upfront mortgage fees
- **6%** Legal fees
- **5%** Renovations
- **5%** Stamp Duty
- **3%** Moving costs
- **3%** Help with monthly mortgage repayments
- **2%** Surveyor and valuations fees
- **2%** Home insurance

Putting it off: How long purchases would be delayed without Bank of Family support

Source: Cebr analysis and YouGov survey.



Without this money, most prospective and recent recipients say they would have had to delay their purchase. Sometimes that may be for just one or two years, but it's often for much longer. More than one in five buyers (22%) say they would have had to put their plans on hold for more than five years. One in ten (10%) say they never would have been able to buy.

With 58% of Bank of Family support, totalling £2.5bn, going to first time buyers, it's clearly become a critical part of the housing market – and a key cause of ongoing inequality.

Looking around: the regional picture

Regional variations are a further sign that the help given by the Bank of Family is driven as much by necessity as generosity. Buyers in London, where in April 2023 the average house price of £534,000 was nearly double the UK average of £286,000[5], are by far and away the most likely to have received help.

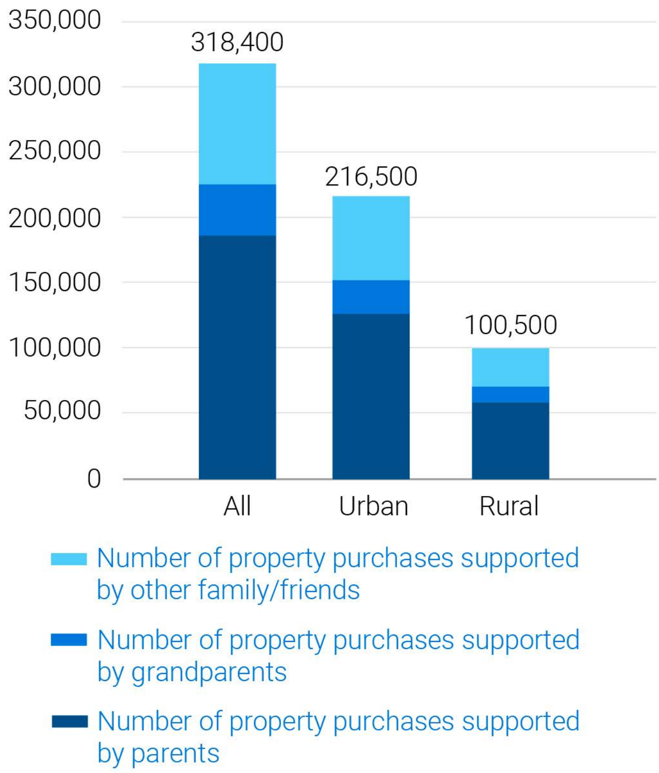
The Bank of Family supported two-thirds (67%) of homeowners in the capital – more than double the proportion of the second-placed region (the North West at 36%). Wales was the region where the Bank of Family was least likely to provide support, with only 22% of buyers getting help.

Buyers in more expensive regions also tended to receive larger contributions. The four areas with the highest average house prices – London, the South East, the East and the South West – also saw the greatest contributions. However, the East of England, with an average gift or loan of £32,100, rather than London (£30,200), led the way, despite its lower prices.

More broadly, buyers in cities and towns were most likely to receive help – perhaps because they're more likely to be younger, requiring more support, and seeking more expensive housing in urban areas. Overall, urban properties account for 70% of the value of Bank of Family support and more than two-thirds (67%) of the transactions it facilitates. That equates to roughly £82bn worth of housing in 2023.

The number of transactions supported by Bank of Family by location.

Source: Cebr analysis and YouGov survey.



5. https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/april2023

Average Bank of Family contribution by region.

Cebr analysis and YouGov survey.

£20,200
North East

£24,300
North West

£24,400
Yorkshire and the Humber

£20,000
East Midlands

£19,800
West Midlands

£32,100
East of England

£30,200
London

£26,600
South East

£25,300
South West

£22,000
Wales

£20,700
Scotland

Different outlooks

Of course, it's not just the levels of support that determine whether potential buyers can actually afford to buy, nor just average house prices alone.

As Legal & General's Rebuilding Britain Index has shown, buyers in different regions face varying challenges. In London and the South East, for example, the availability of quality affordable housing is a particular issue but this is somewhat offset by local job availability and economic prosperity. Property is more expensive, but jobs are more plentiful and pay more.

By contrast, the North East has lower than average prices, so scores relatively well in terms of affordable housing availability (albeit still well below what's needed). On the other hand, buyers in the region face more of a struggle when it comes to jobs and prosperity. Likewise with Wales and Northern Ireland.

The result is that there are challenges in every area. In some places, such as London, sky-high property prices put the deposit required out of reach for even those on good salaries; in others, such as the North East, while property may look more affordable than elsewhere, local pay and prospects make saving even the modest deposit required too difficult for those living there. Consequently, the Bank of Family is vital for many buyers right across the UK, and its absence – where potential buyers do not have family who can help – will be as keenly felt in Liverpool as it is in London.

Looking ahead: what next for Bank of Family?

The Bank of Family may not be a real business, but it is subject to supply and demand. What happens to Bank of Family funding in the coming years will depend on purchasers' need for support and families' ability to provide it.

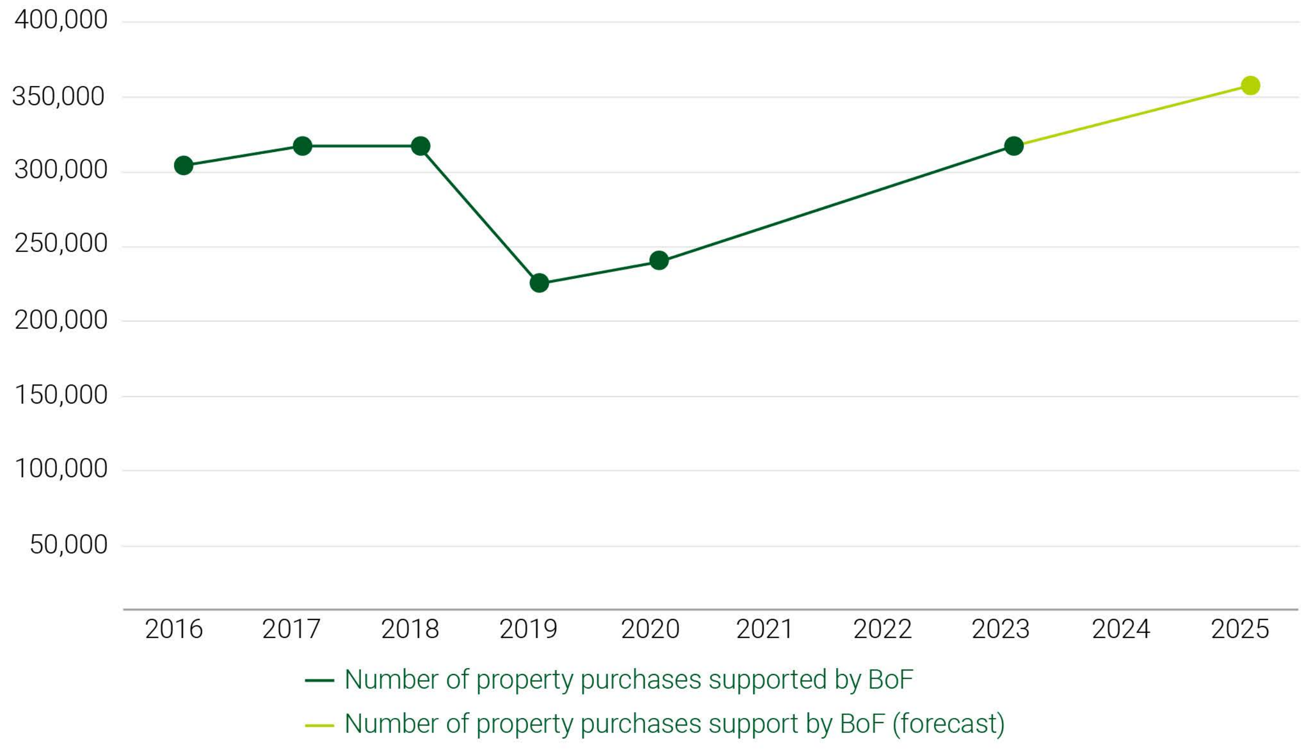
On the one hand, buyers look likely to need a helping hand for the foreseeable future. If anything, we should expect Bank of Family lending to grow.

Family and friends supported between 300,000 and 320,000 home purchases a year from 2016 to 2018. This figure dropped off in 2019 and 2020 as transactions also fell, but 2023 has seen a marked recovery.

With house prices expected to continue to rise in the coming couple of years, both the number of transactions supported by family and friends and the value of that help will likely increase. We estimate Bank of Family gifts and lending will rise to £10.0 billion in 2025 and support over 350,000 transactions, covering an equivalent national property value of £147.4bn.

Bank of Family supported property purchases 2016-2023 and 2025 forecast.

Source: Cebr analysis and YouGov survey.



9. https://www.gov.uk/government/statistics/monthly-property-transactions-completed-in-the-uk-with-value-40000-or-above

Feeling the strain

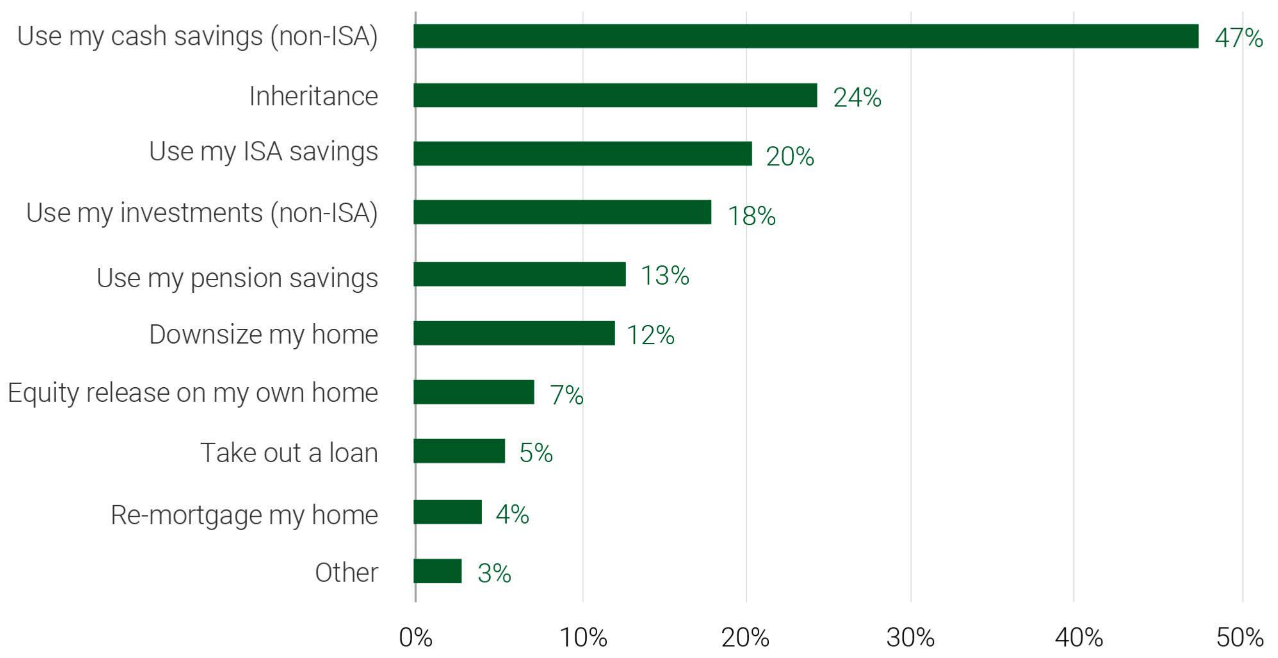
That continued growth depends on Bank of Family backers being able to continue their support, though. To see how likely that is, we commissioned an additional survey of parents and grandparents who have helped or would consider helping family members to buy.

The results show family drawing on a range of sources to help their loved ones. Most often they use cash savings (47%) but they can also gift money from inheritances (24%), ISA savings (20%), other investments (18%) and pensions (13%). Almost a quarter used their property wealth, either downsizing (12%), using equity release (7%) or remortgaging (4%). As the later life lending market develops, these last two in particular may well grow.

Worryingly, of those who had helped children or grandchildren buy, few took advice beforehand. Just 12% sought professional advice, while 9% looked online. That's despite the fact that gifting large sums is a significant decision for most. Only 29% said providing support did not have at least some impact on their financial position. On the plus side, when it did have an impact it was usually a small one (47%). But for 15%, helping not only impacted their financial position but also hit their standard of living.

Sources of support: How family fund or would fund help for their loved ones.

Source: Cebr analysis and YouGov survey.



More than money

Finally, whether or not they are able to help directly, parents and grandparents across the country support young people in other ways than just providing a financial gift.

Perhaps most obviously, many allow adult children to live with them while they save for a deposit. Incredibly, our survey found that over a third (31%) had done so – for an average of 2.7 years. A similar proportion (37%) said they would be willing to do so in future.

Based on monthly rents over recent years, we estimate this support is worth an average of £24,900. Across the UK population of over 55s with children, that would mean “free rent” worth £131bn.

Nor is it the only way the older generation help. The value of childcare provided by family members is estimated to be worth more than £5,000 a year.

Almost half (42%) of the over 55s in our survey had helped in this way, with an average weekly time commitment among them of 8.9 hours a week – 464 hours a year. Given the average childcare worker’s pay in 2022 of £11.54 per hour, according to the Annual Survey of Hours and Earnings, that’s free labour worth £5,400 annually. And the amount people actually pay for professional childcare is usually much more.

Conclusion

Whether or not the Bank of Family is sustainable, it isn't fair.

It may deal with the symptoms of the housing crisis – at least for those who have help – but the Bank of Family is certainly no cure. Of course, old problems sometimes need new solutions. Innovation is helping address affordability in the UK. For example, Generation Home, the new residential mortgage lender backed by Legal & General and others, lets stakeholders help with a deposit in return for a financial interest in the property. Responses to these initiatives show that the market is eager for new options for young buyers.

With Bank of Family support likely to grow in future and the lending landscape evolving, advice will be more important than ever. It's vital that we address the current shortfall and ensure Bank of Family "lenders" get appropriate guidance from professionals – both to avoid putting themselves in difficulty through their generosity and to make sure their help is delivered in the most efficient way for all parties. In almost all cases, those involved in the homebuying journey are better served by getting advice – whether they're looking to step onto the ladder themselves or helping someone else to do so with more than just moral support.

And while we need to support more fresh ideas to address affordability, we also can't ignore the core problem of a vast shortage of property and uneven economic opportunities within and between regions that makes affordability so challenging for many. We need to take a more inclusive approach to capitalism for us to prosper, and we must build it – brick by brick. Until we do, many young people's prospects of owning their own homes will still be determined by familial circumstances.