

Mortgage Market Forecasts



Release date: 15 December 2025

UK Finance: Mortgage Market Forecasts 2026-2027

UK Finance predicts a levelling-off in demand in 2026 as affordability pressures limit access for some

Despite ongoing tight affordability, 2025 saw robust growth in borrowing for house purchase, helped first by the rush to beat stamp duty changes in April, and subsequently by a modest relaxation of regulatory lending rules. In 2026 we see affordability pressures biting somewhat harder on borrowing for house purchase, offset by a slightly stronger remortgage market, driving overall growth of four percent in gross lending to £300 billion.

Lending for house purchase grew by 22 per cent in 2025, with more modest growth of two per cent forecast in 2026.

After a slow start to the year, the second half of 2025 saw strong growth in mortgage refinancing, with more customers reaching the end of their fixed rate and looking for a new deal. External remortgaging grew by 17 per cent to reach an estimated £71 billion in 2025, with internal Product Transfer business rising by 18 per cent to £256 billion. In 2026 we expect steady growth, with external remortgaging rising by ten per cent to £77 billion and Product Transfers by two per cent to £261 billion.

The buy-to-let market was resilient in 2025, despite the significant regulatory and tax constraints now facing investors. Purchase activity was up by 11 per cent (to £11 billion) compared with 2024, and remortgaging by 24 per cent (to £28 billion). In 2026, additional tax and regulation is likely to constrain the extent of further growth, and we expect a broadly flat picture for the buy-to-let market, as demand for new purchases levels off.

Robust underwriting standards have helped keep arrears levels on mortgages written since 2014 to an absolute minimum. The increase in arrears seen though the worst of the cost-of-living crisis was modest and largely concentrated amongst older mortgages that do not have the same level of resilience. As mortgage rates continued their gradual easing through 2025, arrears fell by 12 per cent to end the year at 92,100 cases. Next year we expect conditions to continue to improve, driving a further five per cent fall in arrears to 87,500 cases.

Whilst arrears decreased through 2025, mortgage possessions ticked up, as the industry and courts move back towards normal levels of activity, following the dislocations of the pandemic years. We estimate there were 8,600 mortgage possessions in 2025. Although this was 34 per cent up on 2024, this remains very low by all historic comparisons, excluding the artificially low numbers seen since the pandemic. We forecast a more modest nine per cent increase in possessions in 2026 to 9,400 cases as the industry and court system work to help customers in long-term unrecoverable arrears exit their mortgage with the maximum amount of equity.

Commenting on the forecasts, [James Tatch, Head of Analytics at UK Finance](#) said:

"The mortgage market showed strength through 2025, in particular in house purchase markets. Whilst the first quarter of the year saw a boost to activity as customers rushed to beat the changes to stamp duty, there was continued momentum through the rest of the year, with small changes to regulatory lending rules helping support demand.

"Even with the welcome tweaks to lending regulations earlier in 2025, affordability is now at very tight levels and this is likely to limit borrowing options for some prospective customers in 2026. However, responsible lending rules will continue to ensure those able to access the market can do so on an affordable, sustainable basis.

"Refinancing showed expected growth in 2025 overall, both in retention business and external remortgaging. With increased numbers of maturing fixed rate deals next year, we expect further growth in 2026.

"The numbers of customers in arrears continued to improve, as cost and rate pressures recede. Robust lending standards have helped keep payment problems to a minimum through the more challenging conditions seen since 2022. Numbers peaked early in 2024 at just half that of the previous peak, and in 2025 fell back towards the historic lows seen in 2022. Whilst possessions saw a small rise, numbers remain very low by all pre-pandemic comparisons. We expect a further small rise next year, but possession activity will remain at low volumes compared with previous cycles.

"Although we expect arrears to fall next year, there will always be some customers who encounter financial hardship. As always, any customers who do find themselves in difficulty should speak to their lender at an early stage, as the industry continues to provide help to anyone struggling with a range of tailored support options."

Notes to Editor

1 For more information please call the UK Finance press office on 020 7416 6750 or mail press@ukfinance.org.uk.

2 UK Finance is the collective voice for the banking and finance industry. Representing around 300 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation.

3 Product Transfer activity does not feature in official measures of gross mortgage lending.

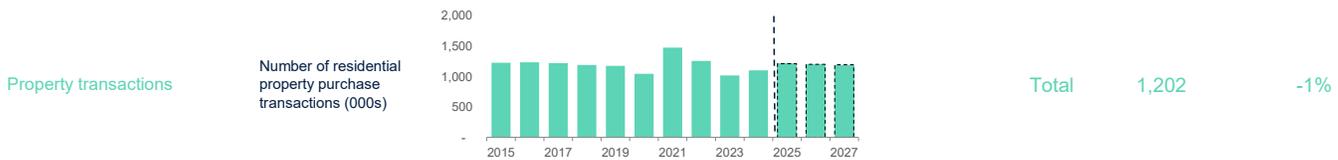
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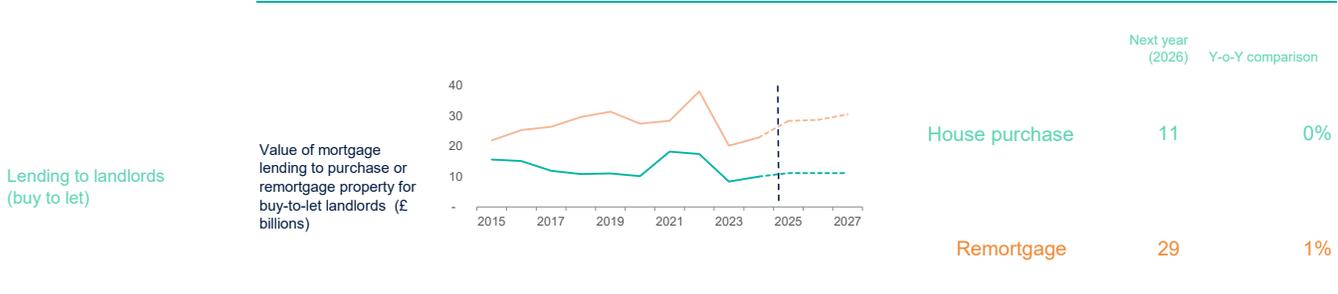
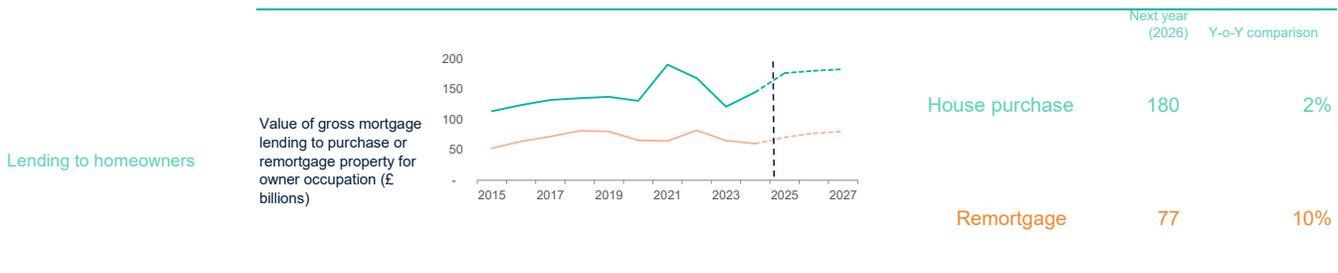
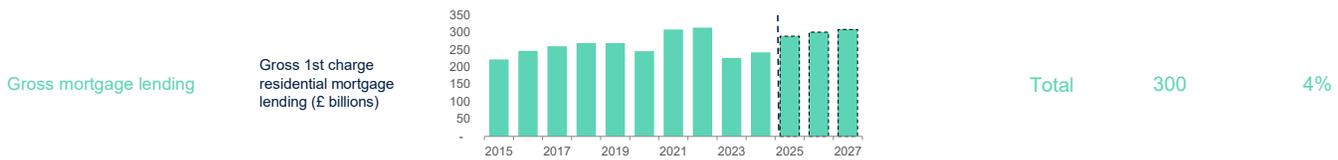


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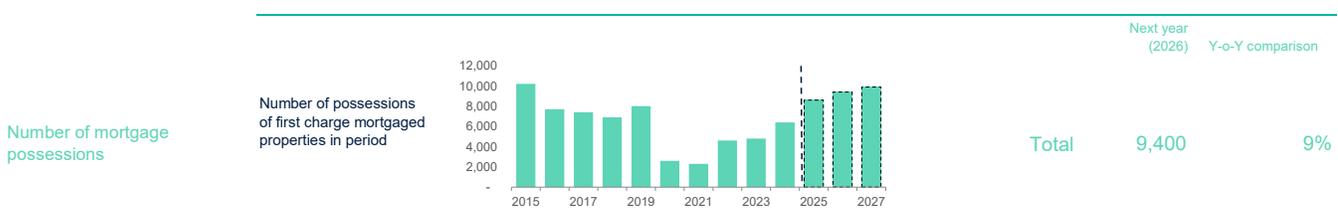
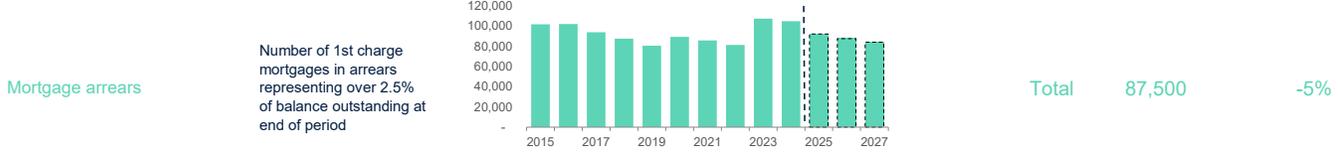
Property transactions



Gross lending



Arrears and possessions



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Property transactions		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Source table
Number of residential property transactions (000s)															
Total		1,230	1,235	1,220	1,192	1,177	1,045	1,476	1,258	1,019	1,102	1,212	1,202	1,196	PT1
Gross mortgage lending		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Source table
Total (£ billion)															
Total		222	247	260	269	269	246	308	313	226	242	289	300	308	MM8
Of which: for house purchase (£ billion)															
Homeowners		114	124	132	135	137	131	190	168	121	145	176	180	183	RL3
Buy-to-let		16	15	12	11	11	10	18	17	8	10	11	11	11	BTLA1
Of which: for remortgaging (£ billion)															
Homeowners		53	64	72	82	80	66	65	82	65	60	71	77	80	RL4
Buy-to-let		22	25	26	30	31	27	28	38	20	23	28	29	30	BTLA1
Product Transfers		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Source table
Value (£ billion)															
Homeowners		N/A	N/A	N/A	N/A	N/A	N/A	N/A	198	240	217	256	261	272	RF14
Net mortgage lending		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Source table
Net lending (£ billion)															
Total		35	41	46	45	49	47	72	58	2	24	53	57	57	MM13
Mortgage arrears and possessions		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Source table
Arrears															
	Total 1st charge mortgages in arrears representing over 2.5% of the outstanding balance	101,600	102,000	93,800	87,500	80,600	89,300	85,700	81,200	107,300	104,800	92,100	87,500	84,000	AP2
Possessions															
	Total 1st charge mortgaged properties taken into possession	10,200	7,700	7,400	6,900	8,000	2,600	2,300	4,600	4,800	6,400	8,600	9,400	9,900	AP4

Source data tables are available to UK Finance members or data associates from www.ukfinance.org.uk/industry-data/industry-data-tables/.

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For media enquiries, journalists should contact press@ukfinance.org.uk

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