

Mortgage Prisoners

Mr Deputy Speaker (Sir Lindsay Hoyle)

The hon. Member for Dover (Charlie Elphicke), who will move the motion, may speak for up to 15 minutes. I advise other Members that I expect their speeches to last for around eight minutes.

Charlie Elphicke (Dover) (Con)

I beg to move,

That this House notes that the practice of selling mortgages and unregulated commercial loans to unregulated funds has been creating mortgage prisoners, exposes businesses to asset stripping and threatens to continue to create further mortgage prisoners and risks to businesses; is concerned that mortgage prisoners are being exploited by such unregulated funds by being kept on high standard variable interest rates and therefore denied the opportunity to take advantage of historically low interest rates or fix their mortgage interest payments to gain certainty over their mortgage payments; is further concerned that businesses continue to be exposed to asset stripping; further notes that many of those unregulated funds pay little or no UK tax while depriving citizens of opportunities and in many cases their homes; believes that HM Treasury should immediately require UK Asset Resolution to cease selling mortgages to any unregulated entity; considers that HM Treasury and the Bank of England should take all possible measures to ensure that mortgage prisoners are given access to new deals and fixed interest rates, and that banks cease discriminating against mortgage prisoners by offering them less favourable mortgage terms; further considers that the Government should expand the scope of FCA regulation to include all mortgages and all unregulated purchasers of mortgages; and calls on HM Treasury and the Bank of England to hold an urgent inquiry into the sale of mortgage and commercial debt by any financial institution to any unregulated entity, with the findings of such inquiry to be published.

I thank the Backbench Business Committee for agreeing to list this important debate. A number of Members have been unable to attend because they have been detained elsewhere, and that includes the hon. Members for Feltham and Heston (Seema Malhotra) and for Burnley (Julie Cooper), the right hon. Member for Normanton, Pontefract and Castleford (Yvette Cooper) and my hon. Friend the Member for Worthing West (Sir Peter Bottomley).

The reason for bringing this debate to the Chamber is that it is time for a new covenant to deliver fairness for borrowers—a deal that will set mortgage prisoners free. Who are the mortgage prisoners? They are the people who are trapped by changes in mortgage regulation. They are trapped in expensive mortgages, unable to remortgage to get a better deal. The rules say that they cannot afford payments on a mortgage of, say, 2% so they are forced to continue with a mortgage of 5% or more. It makes no sense at all. It is estimated that there are up to 200,000 mortgage prisoners in the United Kingdom today. Every one of those 200,000 families has a story to tell about how they struggle to get by, forced to keep up payments to keep a roof over their heads, often going without.

One of those is Charlotte's family. Charlotte is 39 years old, and lives in the west midlands with her family. They took out a Northern Rock mortgage in 2007. In 2010, she had twins who suffer from a serious disability; both are wheelchair bound. The family have never missed a single mortgage payment, but they cannot remortgage due to the regulators' affordability test—a test that came into effect after the financial crash and after she got her mortgage. She says,

“How can we not afford to pay less?”

Why does this matter to Charlotte and her family? If Charlotte had a better mortgage at a lower interest rate, she would be able to afford more therapies for her disabled children, rather than having to spend so much time crowdfunding from people whose good hearts help to provide the cash she needs to help her kids. Charlotte is far from alone. Mr and Mrs Adams live in Bournemouth. They took out a Northern Rock mortgage in 2007 that is now owned by TSB's Whistletree fund, to which the Treasury sold off their mortgage. Mr and Mrs Adams are trapped at a rate of 5%. TSB will not allow them to switch because it says that they are not TSB customers, but they cannot go elsewhere. They failed the regulators' affordability tests for lower payments on their mortgage, even though they have made all their mortgage payments and their loan to value is just 62%. This has put terrible pressure on the family, causing them to suffer real illness from all the stress.

Mortgage prisoners live in fear of interest rates rising. The whole House knows that we have been living in a period during which interest rates have been very low for a very long time. That might change in the next couple of years. The whole House knows that we have seen an extended economic growth cycle—much longer than is normal—but that could also change in the next few years. That concerns Jayne, who is 50 years old. Jayne took out a mortgage in 2007. She is on a five-year tracker at 0.5% above base rate, and her mortgage was sold to Cerberus by the Treasury. Cerberus is described in the popular press as a "hound from hell" vulture fund. Jayne is now paying nearly 5% interest on a variable rate and worries about what will happen if rates go up. She cannot go elsewhere because she is self-employed. Her income fluctuates, meaning that she fails the so-called affordability test to be able to have a new mortgage with lower payments, even though she has made all her mortgage payments and the loan to value in her case is just 50%. She is basically paying £4,000 a year more than she would be if she was not a mortgage prisoner.

These cases highlight the plight of Britain's 200,000 mortgage prisoners, but what about the people who got them into this mess? All those I have referenced are Northern Rock customers. What has happened to Northern Rock's old boss, Adam Applegarth? Has he been made to atone for his role in blighting the lives of thousands of people? No—not a bit of it. In fact, he got a £760,000 payoff in 2008 and is set to enjoy a £304,000 a year pension. As I said, there are 200,000 mortgage prisoners. That number is incredibly high and threatens to become even higher. Despite the recent sales, the Treasury still holds £5.5 billion of mortgages for 35,000 customers. If these, too, are sold to unregulated funds, it could mean tens of thousands more mortgage borrowers stuck without hope of escape. On top of that, Tesco has been looking at what the Treasury has been doing and has now announced plans to sell its £3.7 million mortgage book, which would affect 23,000 customers, and it is understood that Metro Bank is considering following suit. If these books also go to unregulated funds, yet more borrowers could struggle to escape.

That is why it is important the Government now lend a helping hand, not a tin ear. The Treasury should not be selling mortgages to Cerberus or any other vulture fund without proper protection, and the regulators should be doing their bit to help free the mortgage prisoners.

Rushanara Ali (Bethnal Green and Bow) (Lab)

I congratulate the hon. Gentleman on securing this debate. As he knows, those of us on the Treasury Committee have been working to get Ministers and the FCA to commit to reviewing the affordability test and changing it from an absolute test to a relative test. As he sets out very clearly, however, this is a much bigger problem that is going to affect thousands more mortgage holders, because the terms of operating for these companies is changing. The Government and the Minister should consider whether new legislation will be required to prevent these problems happening to many thousands more people under those changes.

Charlie Elphicke

I thank the hon. Lady for that powerful point. Like me, she is a member the Treasury Select Committee and has been pressing for us to explore this matter on the Committee in greater depth. She has been a true champion on behalf of mortgage prisoners. As the House can see, it is a subject that has crossed the political partisan divide to become an issue on which we need to work together collaboratively to provide a solution and resolution.

Joanna Cherry (Edinburgh South West) (SNP)

I congratulate the hon. Gentleman on securing this important debate. We do not always agree on issues, but we certainly agree on this one. He mentioned Cerberus. Constituents of mine, Mr and Mrs Neave, were subject to pretty appalling treatment at the hands of the Clydesdale Bank, which converted their loan into a totally inappropriate overdraft facility without their agreement or signing off on any papers. Then the Clydesdale Bank flogged it off to a Cerberus subsidiary, which has effectively bankrupted my constituents. Does he agree that when banks package up these debts without any permission from the debtors and then flog them off to vulture funds, they are effectively packaging up people's lives and flogging them off, as they have done to my constituents, Mr and Mrs Neave?

Charlie Elphicke

The hon. and learned Lady makes a powerful point, and a slightly separate point, if I understand her correctly. I have been talking so far about mortgage prisoners. I think she is referencing small business borrowers, which is a separate issue on which I shall also be touching in this debate. It is a very important issue, because they, too, are vulnerable customers, in many cases, and need very similar protections to mortgage prisoners. There has been some change on the matter of mortgage prisoners. The FCA launched a consultation in March and proposed changing the mortgage affordability rules for customers who are up to date with payments, but there is a shortcoming. Its proposals only give lenders the option to apply the modified assessment. It does not propose to introduce an obligation.

It is also welcome that in July last year UK Finance, the banks' trade association, launched a voluntary agreement under which lenders committed to supporting existing mortgage prisoners to switch to an alternative product with their present lender, but that does not help people to switch from the vulture funds, and it does not seem to help Mr and Mrs Adams escape TSB's Whistletree fund, even though they are with the same lender. I hope that the FCA consultation will address and enforce that and make sure that people are not left in that difficult position. How can we free the mortgage prisoners? These mortgages were taken out many years ago, back in 2007—some even before that—well before the post-crash rules came in. These borrowers have proven their ability to pay for over a decade in making their payments. Why do we have a computer-driven affordability test that ignores the reality of the real world? We have to move beyond "computer says no" to "reality says yes". These borrowers should be treated as grandfathered as regards the regulatory rules that came in later. Banks should be obliged by the FCA to take people on and treat them as grandfathered, be they existing customers or not, and the new mortgages should be permitted without any regulatory penalty for the bank they move to.

The Treasury needs to take responsibility too. The Treasury's UK asset resolution division has been selling off Northern Rock's loan book to funds such as Cerberus. The instruction seems to have been to get the highest price at any price. Indeed, the head of UKAR, who is paid more than £650,000, recently boasted in *The Times* about how much it had managed to get for its loan books. His pay will rise to £823,000 next year if he completes the loan book sell-off. He is incentivised to achieve value

for money not to consider the wider circumstances and necessary protections. I hope the Minister will address that in his remarks. There is real concern that the Government could be facilitating the creation of more mortgage prisoners.

When selling these books, the Treasury should be making sure there are the proper protections so that borrowers do not unfairly lose out. It claimed it did that in the case of Cerberus, but that turned out to have certain shortcomings—something I think the Treasury Select Committee should look into. It is wrong for the Treasury to pursue the highest amount of cash at the expense of vulnerable borrowers who have been placed in a worse position than otherwise would have been the case. Moreover, if the Treasury is willing to sell mortgage books to vulture funds, what is to stop the likes of Tesco, Metro Bank and many others following that example? That is why we need to consider a wholesale ban on selling these mortgages to unregulated firms—full stop. The best way to achieve that is through the regulation of the whole industry. Regulating mortgages—all mortgages—will ensure that all customers are treated more fairly by mandating best practice in each and every case. That might mean that when books are sold off a little less is achieved because they cannot enjoy the fruits of regulatory arbitrage, but it will mean that vulnerable people get better protections and are more safely and carefully looked after.

There needs to be a better deal for business borrowers as well. The hon. and learned Member for Edinburgh South West (Joanna Cherry) rightly mentioned that issue just now. Business loans above £25,000 are unregulated. Time and again, we have seen the results of this—the Royal Bank of Scotland's Global Restructuring Group, the Lloyds business support unit, and others. Small businesses are the lifeblood of our economy. We must treat them fairly so that they can focus on what they do best, which is creating jobs and making our country more successful.

Mr Paul Sweeney (Glasgow North East) (Lab/Co-op)

The hon. Gentleman is making an excellent and forensic speech. He mentions Tesco Bank seeking to sell off its mortgage book. It is encouraging that since Members wrote to the bank—I understand that we have both written, as well as other colleagues—it has indicated it will look to sell it to a good lending bank, but is it not absurd that it is dependent on the good will of the bank selling the mortgage assets, rather than being copper-bottomed through regulation? We want that to be the norm, not just dependent on the bank itself.

Charlie Elphicke

The hon. Gentleman is absolutely right. He has long been deeply concerned on this issue, and he is right that it is better for the banks to sell to other regulated entities and that there ought to be an element of compulsion, which is why regulation needs to be considered. The all-party group on fair business banking and finance has been looking at what can be done to protect small business borrowers. I hope that my hon. Friend the Member for Thirsk and Malton (Kevin Hollinrake), the chair of the APPG, will address that point in greater detail because it is important. We need to make sure that there are protections against foreclosures and covenant-hunting through a financial services tribunal.

Capitalism is vital to the success of our economy and a cornerstone of our way of life, but it must be tempered by responsibility and fairness. We want people to work hard and enjoy success, but we will not tolerate people being taken advantage of. The purpose of this motion is to set the mortgage prisoners free, to protect small businesses from needless foreclosures, to ensure that we deliver fairness for all borrowers and recognise the massive contribution that they make to our economy, and to ensure that this country always puts the consumer interest before the corporate interest.

Mr Deputy Speaker (Sir Lindsay Hoyle)

I call Gordon Marsden with around eight minutes.

Gordon Marsden (Blackpool South) (Lab)

Thank you very much, Mr Deputy Speaker. It is a great pleasure and privilege to follow the hon. Member for Dover (Charlie Elphicke). I congratulate him not only on his speech here today but on the ten-minute rule Bill that he brought forward, which has given oxygen to this situation. I also pay tribute to the work of my hon. Friend the Member for Feltham and Heston (Seema Malhotra), who is unable to be here today, and of the hon. Member for Thirsk and Malton (Kevin Hollinrake), who is in his place and who, with his all-party parliamentary group, has done a great deal to take this matter forward.

This is a situation where Members are drawn into a little-known and complex subject—certainly, as far as I was concerned it was a complex subject—by the real-life experiences of constituents, and that was how I got involved. One of my constituents—I shall refer to her situation shortly—wrote to me about this. In February we had the first mortgage prisoners roundtable, if I can put it that way, in the Jubilee Room; I was there, as were other hon. Members present. They were a very mixed group of people whose lives had been shattered by the process of being mortgage prisoners for anything up to six, seven, eight or nine years. It was clear from that occasion that what the Government, and indeed the FCA, had done so far was inadequate. I subsequently met my constituent and other mortgage customers from in and around the north-west and heard their stories as well. As a result, we now have an all-party parliamentary group specifically dedicated to this issue. The hon. Member for Thirsk and Malton has also been taking it forward with his fair business banking APPG. I also pay tribute to and thank—we do not often do this, but we should when it is required—individuals in the media. Cat McShane brought this matter to people's attention in a "Panorama" programme. Hilary Osborne has written about it in *The Guardian*. William Turvill did a very lively and forensic assessment of Cerberus in *The Mail on Sunday*. In the other place, my right hon. Friend Lord McFall has taken a very distinct interest given his previous honourable role in this House as Chair of the Treasury Committee.

Everything that the hon. Member for Dover said about the way in which this process has gone forward without proper due diligence is true. An estimated £9 billion of Northern Rock mortgages remain with the Treasury, and any decision on their future will inevitably affect tens of thousands of customers. In my view, taken from whatever I have been able to glean from the numerous written questions that I have put to the Treasury, there has not been proper due diligence throughout this process. I will explain later why I think that has been the case. The proposals by the FCA that have been discussed, and will no doubt be touched on by the Minister, only give lenders the option to apply the modified assessment; they will not introduce an obligation. That is the point that we have heard about regarding the situation with Tesco. There is the freedom to dine at the Ritz—to dine with responsible lenders—but this will not affect the cowboys and the vulture funds. As the figures show, they will still represent the main problem for the Government and for all the people who are involved with this matter. Other borrowers who had borrowed from now-defunct lenders found that their mortgage had been sold off to unregulated private equity firms that did not offer mortgages and so could not provide affordable deals.

Right from the beginning, this process was flawed and took little account of the position of the people we are talking about. Mortgagees with active lenders have been paying thousands of pounds more due to the ever-increasing gap between the standard value rate and the more competitive market rate. Those who now have a mortgage with an unregulated vulture fund are often forced to pay an even higher rate. This is a double whammy for constituents in places like Blackpool where there are

lots of small businesses affected in the way the hon. Member for Dover mentioned, as well as ordinary residents. Those are some of the issues that the Government need to get a handle on very urgently. A separate issue has been raised with Members of the House by the ME Group about people who were mis-sold their mortgages in the first place. It may well have a point, but that matter will have to go down the compensation route with the Financial Ombudsman Service or the FCA.

I did my best to try to get some further information out of the Government through a number of questions. One question that I posed to the Minister on 13 May was to ask “what discussions...he and...Ministers...have had with the Financial Conduct Authority on whether Cerberus Capital Management is a fit and proper organisation to purchase mortgage loans from UK banks and his Department via UKAR.” I must pay tribute to the industry of the person who drafted the reply, because it had eight paragraphs, but all I got was obfuscation of a very high order. The actual question was never responded to. I am afraid that the other questions that I and other hon. Members have asked have also shed more heat than light. Some of the replies that I have had seem to have a standard template that starts off by saying: “Customers have always been protected in UKAR asset sales.” It is fairly obvious that that is for the birds. This is another example: “Whether to offer customers new mortgage products is a commercial decision for lenders and government does not intervene in individual cases.”

If there was ever a better definition of laissez-faire arrogance in a parliamentary question, I would like to see it. This shows that there is a clear and present danger, in market terms, that without intervention UKAR will carry on selling off NR loans to unregulated providers, and that will simply perpetuate the problem that we are all concerned about.

Kevin Hollinrake (Thirsk and Malton) (Con)

In the Minister’s response to the hon. Gentleman’s question about why the loans were sold to an inactive lender, or a non-regulated entity, he said that no bids were received from an active lender. Would another option have been not to sell that debt at all, rather than to sell it to an inactive, unregulated lender that could not provide a service to the people who are subject to these loans?

Mr Deputy Speaker (Sir Lindsay Hoyle)

Order. I suggest that Members stick to around eight minutes, because the people who will be punished will be those like your good self, Mr Hollinrake.

Gordon Marsden

I absolutely agree with the hon. Gentleman, and I pay tribute to what he has done. Many of my constituents are affected by this and have come forward with heartbreaking stories. The person I mentioned at the beginning of my speech said: “I have worked hard to pay off just under 6k over the last few years but it is heart breaking to think I have paid over 20k more had I been able to access other products.”

Another constituent said: “We got a Northern Rock Together mortgage literally weeks before the banking crash... The mortgage is now with... NRAM. No arrears, making the repayments has been a struggle... but we’ve always managed... we borrowed over the equity in the house and since the decline in the housing market we are in negative equity.”

This is particularly problematic in northern and midlands areas where the property market has not recovered since the crash in the way it has elsewhere. There is a moral duty for the Government to act. It was George Osborne’s “flog it” approach to Northern Rock loans in the first place that failed to

provide the safeguards for people who were then put into a transfer lottery, with horrendous results. We need to have proper movement. We need to have a formal inquiry, now that we realise the extent of this cover-up. Why were Ministers not prepared to take that forward? The contrast between the way in which the Treasury has dealt with this and how other Departments have dealt with scandals such as the Primodos scandal is deafening. The FCA's behaviour is as much use as a chocolate fireguard, and it is time that this Government and this Minister came clean about what they are going to do in practical terms.

George Eustice (Camborne and Redruth) (Con)

I congratulate my hon. Friend the Member for Dover (Charlie Elphicke) on securing this debate and commend the work of the APPG on fair business banking, and in particular the work of my hon. Friend the Member for Thirsk and Malton (Kevin Hollinrake). I have always had an interest in modernising the regulation of our banks. Indeed, in 2010 I introduced a private Member's Bill—the Secured Lending Reform Bill—that sought to rectify a major deficiency in the law, which is that banks can currently repossess commercial property without even having to go to court to get a possession order. The power that our law grants lenders to repossess property is a rather extraordinary power that should be used lightly, and we should put in place protections for those who offer a lender a charge over their home or other property as a result of that lending. This debate also affects a type of secured lending: mortgages where the home is offered as security. I believe that people who offer their home as security should enjoy special privileges and rights.

I recently had a very sad case in my constituency that is relevant to the issue of mortgage prisoners. My constituent had taken out a mortgage in 2007 with North Yorkshire Mortgages. The circumstances behind that were not altogether happy. This gentleman needed to buy a new bungalow because his son had tragically suffered a sporting accident, and they needed a new property that he could access. His father was also ill, so there were many pressures on the family at that time. Tragically, his son passed away three years later. We all know that bereavement can be difficult, especially the loss of a child, and that affected my constituent's ability to work at the same level, which affected the household income.

After the first five years, the promotional rate on this interest-only mortgage expired, and it reverted to the standard variable rate of 5.5%. That put pressure on the household finances even further, but when he approached North Yorkshire Mortgages about a switch to a more affordable product, he was told that he could not switch to an affordable product because his income was too low. As my hon. Friend the Member for Dover pointed out, as perverse outcomes of such regulations go, it does not get much worse than this. We are saying to people, "Your income is too low to be able to pay less, so instead we are going to sting you on the standard variable rate." My conclusion from all this is that we should revisit the regulations issued by the FCA and reconsider the approach. In particular, the voluntary agreement proposed by UK Finance last year should be placed on a statutory footing. It should not just be a voluntary thing that lenders can opt into. There should be a statutory obligation on them to offer their existing customers a switch to a more affordable product.

If that is something the Government are unwilling to consider, I have a second proposal, with which I will conclude. It is that the Government should, at the very least, issue new guidance to the courts or put in place new regulations under the Administration of Justice Acts to make it clear to the courts that, when assessing any application for a possession order from a lender, there should be a powerful presumption against granting any repossession order where a customer has been refused the ability to switch to a more affordable product. The reality is this: there will be instances where people have fallen into arrears and ended up facing repossession of their home where the lender itself has been

culpable in that default and in the repossession proceedings. In my view, our law should have a powerful presumption against granting any repossession order where a switch to a different product has been refused, and I think that would focus the minds of lenders.

Rushanara Ali (Bethnal Green and Bow) (Lab)

I congratulate the hon. Member for Dover (Charlie Elphicke), who sits on the Treasury Committee with me, and other hon. Members on securing this important debate. There is something especially cruel about the way people have found themselves trapped in these mortgages—these much more expensive mortgages—that have already been described. They took mortgages out before the financial crisis—banks lent them the amount they borrowed—but following changes to the affordability tests they are now no longer eligible for mortgage rates that are a lot cheaper. As others have said, they are therefore trapped in more expensive mortgages that are costing them thousands of pounds a year.

These are not the super-rich or the privileged; they are decent, hard-working customers who cannot switch to a more affordable mortgage, even though they have mostly been able to pay. People who have struggled and whose homes are under the threat of repossession are those whose circumstances have changed, but despite what has been happening they have largely kept up with their mortgages, even though that is costing them tens of thousands of pounds. However, that has led to enormous hardship, as the Minister has already heard both here and in various Committees, while other representations have also been made to him and his colleagues. As I have said, many young people who took out mortgages before the crisis are being punished because the regulations have changed. Understandably, those changes to regulations were about sorting out and learning the lessons from the financial crisis, but they have found themselves caught in the middle, unfairly and unjustly, with the unintended consequence of leaving them trapped in this situation.

As the hon. Gentleman has said, in 2016 the Government sold off £13 billion of Northern Rock mortgages to Landmark Mortgages, which is owned by the US equity company Cerberus. This represents a huge error in public policy and, as others have said, it should form part of an inquiry into what went wrong, what we need to learn from this and how we prevent these errors from affecting many thousands more people in the future. According to a “Panorama” programme, the US firm misled Ministers and officials on mortgages. Our Government believed in the undertaking that these people would have access to mortgages and competitive rates of interest, and that that would be honoured, but it has not been. Inactive lenders, such as Cerberus and even the Government firm UK Asset Resolution, are not authorised to offer mortgage products to their customers who are stuck with high interest rates.

As has already been said, the FCA estimates that between 120,000 and 150,000 people are stuck in this predicament. Only about 10,000 people may be supported, leaving many tens of thousands more stuck. Some people have paid £40,000 more—or more—in interest than they would have done if they were on a cheaper mortgage interest rate of, say, 2%. This is desperately unfair.

There are many heart-breaking stories, and we have already heard some of them today. One of the widely reported cases was that of Lisa and Mark Elkins. They have had to pay £2,500 a month on their mortgage because their interest rate is now nearly 5%, which is three times the best rate available in the market at the time the report was provided. Lisa and Mark had to borrow tens of thousands of pounds that they would not have had to borrow had they had access to alternative, cheaper, rates. It is not acceptable for people to have to live like that when, through no fault of their own, they find themselves in that predicament. It is concerning that the Government’s latest sell-off of NRAM

mortgages was to the inactive lender Citi because—as colleagues have highlighted—they were unable to find an active lender for the deal. It is frankly irresponsible of the Government to pursue such sales, and it sets a dangerous precedent. The Government must consider this issue comprehensively and protect other consumers, as well as addressing the issues affecting current mortgage prisoners.

With other colleagues, I have raised in the Treasury Committee the plight of mortgage prisoners. The Minister probably thinks that I sound like a broken record when he appears before that Committee, but this has gone on for more than a decade. The reality is that the FCA has not acted—it has been too slow. Thanks to pressure from Members across the House, the FCA has finally stepped in to address the affordability test, and the Minister has responded reluctantly, grudgingly, gradually and in a piecemeal way that seems indicative of a number of Ministries at the moment. Perhaps Ministers are distracted by a talent show that is currently going on, but I hope this Minister will carry on working and build on what he has done so far. I appeal to the Minister to ensure that the change in the affordability test from an absolute one to a relative one is meaningful. The danger is that the FCA will wriggle out of this—frankly, the FCA has been utterly complacent, and it should not have taken so long. The danger is that the FCA will advise banks to provide for these mortgage prisoners, but that there will be no teeth to that advice and banks will not be required to apply the affordability test as a relative test. We will still be stuck in the same position, and very little will change. Will the Minister assure the House that he will instruct the FCA to take this issue seriously and ensure that the affordability test is meaningful, rather than trying to push aside MPs who have been campaigning on this issue by giving them something that looks mildly satisfactory but does not change anything for our constituents who are suffering?

As others have said, the bigger issue at stake is the regulation of mortgage providers. The Government must look thoroughly at how thousands of people are protected, because mortgages are long-term loans. If the rules change in the middle of a long-term loan agreement, those retrospective changes make things very difficult for people and inevitably lead to a trap, and that must be understood and addressed. I hope the Minister will take this issue seriously and protect those who are currently trapped in high-cost mortgages, and that he will also look to the future and be proactive in protecting thousands of others who may find themselves at risk because of decisions that his Department and Government might have made. The Government were warned, but those warnings were not heeded. I hope they will be today.

Bill Grant (Ayr, Carrick and Cumnock) (Con)

It is a pleasure to follow the hon. Member for Bethnal Green and Bow (Rushanara Ali), and I congratulate my hon. Friend the Member for Dover (Charlie Elphicke) on securing this important debate. I know he feels strongly about this issue, and I understand that his ten-minute rule Bill has been taken up by the Government. This is an emotive topic for nearly 200,000 of our constituents who find themselves trapped with an unaffordable mortgage, in many cases simply because they happened to be mortgaged to a financial institution that foundered during the financial crisis. The majority, although not all, were with Northern Rock or Bradford & Bingley.

For the most part, those families did everything correctly. They saved for their future and made every mortgage payment on time, yet they remain trapped with interest rates of around 5%. They are unable to transfer their mortgage to a more reasonable and current percentage rate of 2% because that is, bizarrely, deemed unaffordable by lenders as a result of responsible lending rules brought about by that same financial crisis—an unhappy and unfortunate irony. I was very surprised to learn that regulated mortgages could be sold on to unregulated funds overseas, such as Cerberus, which we heard about earlier and is based in the United States. In addition to mortgage prisoners, the issue also

affects those who have loans. A family in my constituency had two tailored business loans with the Clydesdale Bank, a reputable name with a sense of security, which they took out in 2011. The Clydesdale subsequently sold the loans, which involved significant sums, to Cerberus. If I may, I would like to quote from my constituent:

“Communications received from Cerberus and those responsible for managing our loan on their behalf, were very confusing, with letters being received from various sources: Henrico Ltd, Engage Commercial, Pepper UK Ltd and Cerberus European Servicing Ltd. There was a complex web of names and numbers and it was impossible to get anyone to answer any queries. Emails were not replied to. One letter intimated our interest was to be a staggering 29%, causing us considerable alarm. It was unclear whether, legally, we needed to pay interest or repayments to Cerberus. We calculated monthly interest payments and paid them to”— wait for it— “Thames Collections Ltd. There was considerable anxiety on our part as to whether even a few pence short payment might be used as an excuse to put us into administration.”

Joanna Cherry

The hon. Gentleman’s constituents’ experience with Cerberus reflects the experience of my constituents, the Neaves. They had a friend’s accountant look at the papers. That person identified overcharging in the region of £75,000 in interest and charges, but they have just not been able to do anything about that. As I say, they have been bankrupted.

Bill Grant

I thank the hon. and learned Lady for that intervention. I regret the journey her constituents had. Fortunately, while it was a very dark journey for my constituents, the result was not as catastrophic, but these are serious matters. As has been said in this Chamber, small business people are the backbone of Britain and they need our support. The family’s fear was about putting the company into administration to gain access to their assets—assets that were greater than the value of the loan. As I said, there was a reasonable outcome. Eventually, the family, through their own diligence, were fortunate enough to be able to escape and move to another bank. The effect that dealing with this company had on their business and day-to-day lives is still very raw. Yet for more mortgage prisoners, it remains an ongoing concern.

I welcome to a degree the fact that the Financial Conduct Authority is taking this issue seriously—not before time. In March, it launched a consultation on rule changes that would allow mortgage prisoners to move to a better deal. I understand that the consultation closes on 26 June and I encourage anybody in this situation to respond to it. It is also clear that the Treasury is in agreement with the FCA’s stance, with the Economic Secretary to the Treasury, my hon. Friend the Member for Salisbury (John Glen), confirming in a written question earlier this year that “HM Treasury welcomes the FCA’s announcement that it intends to change its mortgage lending rules to move to an affordability assessment for customers seeking to switch to a cheaper mortgage without borrowing more”.

That is encouraging, but sadly it does not include an obligation for it to do so. With a consensus in Parliament, positive action from the regulator and indeed Government support, one might wonder why there is even a need for this debate. It is simply that the issue has gone on for far too long, has caused too much stress, grief and misery for our constituents throughout the UK, and can be so obviously resolved that it must not be allowed to persist much longer. I urge the FCA and the Government to act swiftly and provide a binding solution that will extricate our constituents from this unsatisfactory situation. We can free the mortgage prisoners. If I may, I would like to borrow a small

phrase from the British Transport police, "See it, say it, sorted". We have seen it and we have said it. Sort it.

Martin Whitfield (East Lothian) (Lab)

It is always a great pleasure to follow the hon. Member for Ayr, Carrick and Cumnock (Bill Grant). I thank the hon. Member for Dover (Charlie Elphicke) for co-sponsoring the motion, the all-party groups for their work and the Backbench Business Committee for facilitating a very important, timely debate for the mortgage prisoners. To own our own home is one of the aspirations of this society, but to have safe, secure accommodation is a basic need within the hierarchy of needs. Without that, nothing else can happen in a family or for an individual, so how has this country, which ranks home ownership so highly, found itself in a position where we are debating the situation of citizens who are trapped in a contract to make repayments to stay in their property, but who are unable to exercise the right to pay off that mortgage debt against their property so that they can benefit from lower interest rates and make lower monthly payments?

Most people's understanding of home ownership is that they find a property, approach a lender and suggest the amount that they can put forward by way of deposit. The lender then lends them the difference so that they can purchase the property, and they repay the lender the principal sum and an additional sum by way of interest. They have the property, they are repaying the principal and they pay the interest. When someone wants to move, they sell their home, repay the amount owed, acquire their new property and borrow again. Alternatively, if they can find someone who will lend to them more cheaply, they use the money that person lends to repay the original lender and they move forward, freeing up some of the equity in their house or taking the benefit of lower payments.

Some of us are old enough to remember the silly idea of saving with the building society. We would pay in money month after month, building up a track record of financial stability so that when we found a property we would be lent other people's money so that we could buy our property. That would be decided on the basis of our financial history. At this stage, I would like to cue the music from "It's a Wonderful Life" with James Stewart, who acted as George Bailey, who chose to whom he would and would not lend other people's money from the town. If only we could go back to that and say no to the algorithms and the committees that have led to the bundling of what are called "risky loans" that are sold on. The people who are trapped in their mortgages find that they owe money not even to the original lender, but to someone else who might be abroad and for whom there is just an email address and no regulation, and who controls their mortgage, the interest rates and the payment periods. There is nothing that the borrower can do.

That might be an oversimplification, but it is a reality for constituents. As the hon. Member for Dover pointed out, it works out as between 300 and 400 people in every constituency in the United Kingdom. They are our friends, neighbours and families. These are not risky mortgages. These are individuals who, in many cases, have never missed a payment in their lives. These are people who understood that when they took out the mortgage they would go to the ends of the earth and cut other things so that they made the mortgage payments at the end of the month, because they wanted their house. They made that honourable contract and unfortunately today, it is with another party that, I will say, is less than honourable. A blame game is developing. There are arguments between the interested parties over the fact that this is all the fault of the EU and the legislation that was tightened around the lending market. There is the almost nonsensical situation that if someone remortgages with an existing lender, which admits that it is the lender, that person can bypass the requirements for the payments but cannot do so with a new lender.

The reality is that the UK Government, in seeking to do right, as they believed they were with Northern Rock and Bradford & Bingley, bundled up and sold mortgages to companies—these vulture funds—such as Cerberus, which we have heard about. They have trapped individuals and families as mortgage prisoners. The action of the UK Government and industry led to the selling of loans that the borrower had no say over to an unregulated, overseas vulture fund. The job of such a fund is not to lend money; it is a financial model to exploit and make profit. It would appear that following the successful stamping out of “poor lending”, a new practice—a new fertile field of exploitative profiteering—has been created, and the UK Government are partly responsible for that. In my short time in the House, I have sparred with the Economic Secretary possibly more than with any other Front Bencher. It has been a great pleasure, and I know him to be an honourable man. Let me take him back to what he said in a letter, because I genuinely believe it to be the case: “I can commit to a determined effort to resolve this. There is no reason why these individuals should be left in this very difficult position.” I hope that today is the day on which he will be able to set out a way to resolve this problem.

Mr William Wragg (Hazel Grove) (Con)

I start by paying tribute to all those involved in the D-day landings 75 years ago today, especially remembering those who gave their lives. We and our allies will forever owe them a debt of gratitude. My constituent Alfred Barlow sadly passed away a few weeks ago, but he had hoped to be in Normandy with other veterans. I mention him particularly following the excellent speech from the hon. Member for Blackpool South (Gordon Marsden), who was a family friend of his. Let me now turn from a debt of deep gratitude to a kind of debt that is causing harm to families across the country who are locked into uncompetitive and expensive mortgages and unable to move to other more affordable products. That may be because they are trapped by large and expensive exit fees, or—as we have heard this afternoon—because they have been told, quite perversely, that they cannot afford to move to a cheaper deal, owing to an over-rigorous application of credit-scoring or affordability checks. Many are customers with excellent track records of keeping up repayments, but they are trapped by the rigidity of the new lending criteria. Being locked into those expensive products means that they pay more than they ought to pay. That, in turn, can force them into financial hardship, and in extreme cases can lead to the loss of their homes and other assets, especially when the loan is transferred to vulture funds which seek aggressively to recover the debts.

Colleagues may have hoped that on a Back-Bench Thursday we might avoid even a mention of the European Union, but the hon. Member for East Lothian (Martin Whitfield) beat me to it. I mention the EU not with any reference to the current overarching debate, but to refer to a matter of fact. The EU mortgage credit directive is a code of conduct for mortgage firms, which we implemented in the UK in 2016. In an attempt to learn lessons from the 2008 mortgage credit crunch, rules on lenders were tightened to prevent consumers from taking out loans that they might later not be able to afford by stress-testing their ability to make repayments, even in the hypothetical event of large hikes in interest rates. In contrast to the relatively laissez-faire attitude to mortgage lending that had gone before, this was supposed to protect consumers from placing themselves in potentially precarious financial situations. However, its implementation has shown that the rules have been over-tightened, which has resulted in the creation of tens of thousands of mortgage prisoners.

As with everything, there is a general lack of agreement on whether the current rules stem inherently from the EU directive or from the UK’s implementation of it. There is also a question mark over whether the situation of mortgage prisoners is merely an unfortunate and unintended consequence which the industry is keen to rectify, or whether lenders indeed benefit from the position of customers who find themselves trapped, and may therefore have a limited appetite for reform. We have seen in

other areas of financial service regulation that when debtors face distress there is always someone around to profit, and that is exactly where vulture funds come in, to pick at the remains. It is a trend that we have seen in the business banking sector too, when lenders have abused small and medium-sized enterprises to extract the maximum profit. Like many other Members, I was contacted by several constituents before the debate, and was asked to give examples from their cases. I hope that by doing so I will highlight the human side of the story, which is often lost when we talk about market reviews and regulatory consultations. Important as those processes are to reforming the system, we must remember that behind each broken product or recalled asset is a home, and an individual or a family.

I want to mention two cases but this issue affects many more in my constituency. One gentleman from Offerton contacted me. He has a mortgage with Landmark Mortgages following the collapse of Northern Rock and was paying a fixed rate of 6% for two years, which was subsequently reduced to a variable rate of 4.7%. That is clearly quite high in the current market and he was paying a lot in mortgage repayments. I wrote to Landmark Mortgages on his behalf to ask if it would consider offering him a lower interest rate now his fixed product had ended. It declined. Another constituent, from Hazel Grove, took out a 15-year fixed 1.25% above base rate loan secured against a portfolio of properties with the Yorkshire Bank. He placed his trust in the security of a 15-year loan. However despite his excellent credit ratings and payments being made on time and never in default he soon found himself subject to aggressive sales of further loans on higher interest rates which he felt bullied into accepting. This meant he was paying considerably more interest each month for many years until he started to struggle with the repayments. He therefore made arrangements on a number of occasions to try to refinance, but each time it was denied.

Then the bank appointed Cerberus Capital Management, a US-based private equity firm specialising in “distressed investing” to take over the loan and act in receivership. I know that some Members make more references to classical illusion in this Chamber than I do, but I will on this occasion indulge the House with such a reference, because Cerberus is a multi-headed dog that guards the gates of the underworld to prevent the dead from leaving; what an apt description of that company. As my constituent found to his cost, it is not in the agent’s interest to help customers, as it will lose fees, so it undermined any attempts made to resolve matters. Now my constituent has all rents from his property portfolio paid directly to the administrators and lives in constant fear that his family home—or even that of his 84-year-old mother—may be repossessed at any moment. This is all rather similar to another issue: the treatment of small businesses by banks and the aggressive recall of loans and assets. This is an issue with which many of us are well-acquainted through the excellent work of the all-party group on fair business banking and finance, which has spent many years looking at this issue, most notably at Lloyds and the Global Restructuring Group, but it was a practice endemic across the industry.

I want to highlight a few of the similarities that are critical to this debate. The first is the apparent toothlessness of the FCA and its seeming inability or unwillingness to respond to poor practices in the market. As we saw with the business banking scandal, the FCA is slow to instigate reform, and it is not until consumer victims start piling up at its door that it takes note. It is for the Government to ensure that the FCA shows more appetite and greater urgency to protect the consumer. I welcome the current consultation on responsible lending rules and guidance, but if past experience is anything to go by I am not holding my breath that it will provide the kind of solution that customers need and deserve. Moreover, the FCA often suggests that consumers seek redress from the ombudsmen or the courts, but that is rarely a viable option. The Financial Ombudsman Service is limited in the size of redress it can offer. For larger claims, litigation is an extremely fraught option due to the inequalities in access

to justice between an individual customer and huge, often multinational, financial institutions with their armies of lawyers.

As my constituent from Hazel Grove told me: “The bank squeezes every penny from you so you’re unable to support your family or fight for justice. The court costs of litigation are too high, therefore you’re unable to make a claim or file to protect your rights. I am unable to get legal aid as it’s a civil matter. If you try to bring a claim the banks just say to the court that they will want a cost order, and proof that you can pay the bank’s costs if you lose, which of course I can’t.”

Bob Stewart (Beckenham) (Con)

The FCA seems to be an organisation that either ignores people, puts us in a pending tray forever, tells us to go away or suggests we go to an ombudsman, but very rarely does it actually do its job. It is time it was sorted out.

Mr Wragg

I need elaborate no further on that excellent intervention from my hon. and gallant Friend. The scenario I have just described is nearly a carbon copy of that of another constituent, from Romiley, who was told by the FCA to take RBS to court over his business loans. Sadly, in both instances, it is very much a case of David versus Goliath, but without the ability to afford the slingshot. Finally, and most crucially, I want to highlight to the House the impact that such financial struggles can have on individuals and their families, and especially on their mental health and wellbeing. The material impact of financial hardship on both mental and physical health must not be underestimated. I have to ask the Minister how we can condone parts of the financial system having such disastrous effects on people.

In conclusion, the move to reduce barriers to switching to a more affordable mortgage for consumers who are up to date with payments and not looking to borrow more, which the FCA is consulting on, is certainly a good thing. However, to my mind the issue is bigger than that. UK financial services, particularly the consumer lending sector, urgently need to start working more in the interests of the customer. We of course accept and welcome the fact that banks and lenders need to make a responsible profit in order to be sustainable as businesses, to continue to provide services, and to continue as an important cornerstone of the economy. However, with the ongoing SME business banking scandal, and with the mortgage prisoners issue now gaining profile, this profiteering to the point of greed is rapidly creating the impression that the banks are going beyond what is responsible. [Interruption.] With that, Mr Deputy Speaker, I shall heed your indications and conclude.

Mr Paul Sweeney (Glasgow North East) (Lab/Co-op)

It is a real pleasure to be called to speak in this debate, although it is one that we regret having to have. I commend the hon. Member for Dover (Charlie Elphicke) for securing it. This is a crucial issue that must be gripped with urgency and tenacity by the Government.

Reflecting on the past decade or so, I left school at the time of the financial crash and it has been a feature of my formative years through university and in my career, but it is amazing to think that, a decade on, we are still seeing the toxic legacy of that financial banking crash playing out and blighting the lives of thousands of people across the United Kingdom. The banking system de-leveraged and tried to de-risk its structures, but there was clearly a big revenue gap for lenders, and the number of people who were taking out mortgages reduced significantly. As a result, the banks sought to profit as best they could by introducing dubious programmes of selling off mortgages, moving mortgages and spreading between lender borrowing costs and the rates charged to borrowers. So it was impossible

for those with standard variable rate mortgages to adjust, even though the market rate reduced substantially below it, and as a result they have been trapped in financial purgatory where they are detrimented to the tune of thousands and thousands of pounds.

It is particularly alarming to see the number of people who have worked hard, and done everything they thought was right in their lives by investing in property to build for their retirement, being faced with this significant situation. They are trying to enter a period of their lives where they can relax and enjoy their retirement, but they still face a huge burden. I am thinking in particular of one of my constituents, Diane Anderson. She retired two years ago from being a trade union official with Unison. She is now 71 years old. She re-mortgaged in 2003 with Northern Rock, but then the financial crash hit and her mortgage was repackaged and sent off to Northern Rock Asset Management—NRAM—which was in turn packaged up by the UK Government and sold to Cerberus, an American vulture fund, in 2013. She was on a 4.5% standard variable rate. As we know, people can easily buy a mortgage now for 2%—I think my mortgage rate is around 2%—so it is extraordinary that she is trapped in this situation with an interest-only repayment element of about £80,000. It expires in three years' time, and there will still be an overhang after that. She is retired, wants to enjoy her retirement, and is still facing that huge burden, when she has been paying that mortgage for 20 years. Surely, any modicum of common sense, any appeal to sanity, would say that is a supreme injustice, which brings the regulatory environment of this country into disrepute.

I urge the Minister to take note of that case. It is representative of many thousands across the UK. It is estimated that 200,000 people in the UK are mortgage prisoners in some shape or form. It is crucial that the Government respond urgently to the situation. It is simply inappropriate for people to be found on that level of hardship. They have done everything right. The Government must provide redress. First, they should ensure that further mortgages are not sold to predatory firms that will trap people in such a way. Secondly, they should provide redress to those who are, or have been trapped in this situation, which they find it extremely difficult to extract themselves from, and who have suffered a resulting detriment. This problem has resulted from a legacy of failure of appropriate regulation in the banking system in this country. It is a monstrous evolution, or deformation, that unfurled from the financial crash, and it needs to be addressed urgently. We should be doing everything we can in this House to reduce harms in our society—in this House, we should adhere to that as a governing principle. When we identify harm brought to us by our constituents, we should immediately and forensically identify practical ways to minimise, if not eliminate it. This harm has been brought to all of us, regardless of political colour, and any appeal to common sense would dictate that robust processes must be put in place to redress it.

The APPG's recommendations are very sensible—to legislate to prevent regulated mortgage contracts in a commercial loan from being transferred to a non-regulated environment, so that in future such decisions are not left in the gift of those such as Tesco, and their sense of moral certainty, to do that in moral righteousness. We cannot be at the mercy of such boardroom decisions; it must be an overarching principle in our country, backed by legislation and by regulation.

We must introduce a new ability-to-pay system, to allow those that can to return to high-street market rates. My constituent was never in arrears; she was managing her mortgage, her mortgage was performing perfectly adequately, yet she has found herself in this situation. It is not good enough, I am afraid. There must be a better way to do this, and a better way for people to escape the clutches of Cerberus and other vulture funds. It is abominable that the Government actually sold those loans off to that sort of company without sufficient due diligence. In that situation, the Government bear liability to compensate people who have been affected. The equivalent loss of the SVR to the market rate that they could have recouped should be compensated by the Government; I would say that is a

perfectly reasonable redress for those who have been trapped for so many years, and faced so much hardship and uncertainty—particularly mature people, who are looking to retire and enjoy their retirement. It is a great shame that in their later years they have been faced with such a stressful situation. I urge the Minister to act robustly and listen to the points raised by the APPG and colleagues, who have presented their constituency cases and their broader understanding of the issue.

Paul Scully (Sutton and Cheam) (Con)

There have been some differences of opinion on how to pronounce Cerberus. I am going to go with Cerberus, the hound of Hades, but of course that will be a moot point by the time people read this in Hansard. I congratulate my hon. Friend the Member for Dover (Charlie Elphicke) on securing this debate from the Backbench Business Committee, and on the fantastic work that he has been doing with colleagues, and with the Opposition Member, the hon. Member for Feltham and Heston (Seema Malhotra). This has been a truly cross-party initiative, to raise the issue of the some 200,000 people affected by this problem across the country. I know that the Minister is listening, and I know that, judging by our past discussions and debates, he has been open to solutions—and looking for solutions—to tackle the difficult banking issues that he has to cover within his remit.

In the Gallery today there are several mortgage prisoners, including my constituent Juliet Peddle. Juliet and her husband took out her mortgage back in 2002 with Northern Rock, and every two years she was able to transfer automatically on to the lowest two-year rate; so she was always going to have that automatic review, ensuring that she had as affordable a mortgage as possible. When Northern Rock failed, she ended up, after the various exchanges, with Cerberus. I am not sure that Juliet knows—I certainly do not—how it was decided which mortgages went down which route, so that some ended up with Cerberus. It seemed to be a bit of a lottery. It means that she and her husband, like many other self-employed people—her husband is a self-employed black cab driver—are locked into the affordability rules, mainly because Cerberus does not have any alternative products. There is nowhere else for her to go within the company. The BBC alleged in a 2018 “Panorama” programme that Cerberus had told the Government, before it made its bid for the Northern Rock loan book, that it intended to offer better mortgage deals and evolve into a challenger bank. I am interested to know whether the Minister has any insight into whether that offer was actually made. If it was, it clearly has not been adhered to some three years later.

We have heard why this has happened. The Government reforms back in 2014 allowed lenders to waive the affordability requirements for new and existing customers who were remortgaging but not increasing the size of their debt. Unfortunately, as we have also heard, the EU mortgage credit directive, which came into force in 2016 and with which we have to comply until at least 31 October—this is not my leadership bid—prevents lenders from waiving the requirements when a borrower moves to a new lender. That undermines the Government’s reforms by further restricting how mortgage prisoners can or cannot move in terms of their future mortgage. We know that, at present, lenders are able to waive affordability requirements only for existing customers, which does not help Juliet. We have talked about the voluntary agreement that the FCA has built up and to which 67 lenders have signed up, but again, because Cerberus does not have alternative products for her and her husband to move to, it will not help Juliet. I am interested to hear what the Minister can say to Juliet and all the other mortgage prisoners here today and across the country who are desperate for help. Many of them can afford to keep up their payments, but why should they be paying three times the rate that the rest of us can pay on the open market? It needs to be fair, and it needs to be a level playing field. I hope the Minister will have some answers for Juliet and the Members who have raised this issue today.

Jim Shannon (Strangford) (DUP)

It is always a pleasure to speak in these debates on the banks, and I have spoken in every one. I am sure that my constituents are more than glad to know that, on banking issues, I am here to bring their cases to the attention of Ministers. The Minister has always been responsive to my queries and questions on behalf of my constituents, and I look forward to his response not just to me but to everyone else. That is why we are here. I congratulate the hon. Members for Dover (Charlie Elphicke) and for East Lothian (Martin Whitfield) on securing this debate. They have been engaging on this subject, and they and the Treasury Committee are to be congratulated on sustaining their interest and effort here. We all appreciate their considerable efforts on behalf of all our constituents across the whole United Kingdom of Great Britain and Northern Ireland. I believe that the solution requires a collective and collaborative effort by the regulators, Parliament and the Government. As others have, I call on the Government and the regulators to hold an urgent inquiry into the sale of debt to unregulated entities.

It is a pleasure to follow the hon. Member for Sutton and Cheam (Paul Scully). He makes a valuable contribution to every debate he speaks in, but his contribution to this debate is especially valuable. It is always a special privilege to follow him. A number of Members have spoken on behalf of the mortgage prisoners, and I add my and my party's support to the House's calls for Her Majesty's Treasury and the FCA to redouble their efforts to address this serious subject properly. I will mostly speak about the sale of debt by banks, through private equity investors, to third-party funds such as those described as vulture funds. Put simply, these banks generally made judgments to lend and then decided to change their business strategy—every Member who has spoken has given such examples—away from these customers whom they had previously regarded as credit-worthy, often for 10 to 15-year loans. They were often happy to make supernormal profits or bonuses, and then abandon their customers through a form of grooming process, turning these long-term loans into on-demand overdraft facilities; they were basically screwing these people as much as they could. It seems obvious that private equity can make the returns they want only through buying or collecting the debt through substantive write-downs of debt and/or at the expense of those customers who trusted their bank—and they do trust their banks, or at least they used to. They do not trust them any longer. From what I have seen, these former customers are the real losers. The hon. Member for East Lothian estimated that there are some 400 of these customers per constituency, and I know some of the ones in my constituency and am well aware of the problems they have had in trying to get beyond where the banks and the companies that took on their overdrafts and mortgages were.

From the Minister's response to an urgent question in March 2019 about the hunger striker in Scotland, it seems that some lending bank standards are now in place. However, the evidence we have looked at suggests that the banks have little or no control in respect of, or interest in, those customers once there has been a sale to a third party; it seems that they are impotent, or unable or unwilling to help. As the House and the Minister know, we in the Democratic Unionist party have taken an active interest in pressing for the banks to bring forward a dispute resolution scheme—DRS—for historical banking cases. We are keen to have those matters addressed. To my knowledge, none of the seven participating banks in the current UK finance scheme believes that cases sold on to third party vulture funds are eligible for the past or future DRS. What is the Minister's understanding about this specific area in relation to, first, eligibility and, secondly, any retroactivity in relation to the lending standards he mentioned in March? After the Minister's remarks then, I wrote to Richard Donnan, head of Ulster bank, which is RBS in Northern Ireland and our state-owned bank, saying: "Secondly I enclose a part of the Urgent Question information from Hansard in relation to a moratorium for current cases from Cerberus whilst the DRS scheme comes in to effect.

Can I have your confirmation that the Ulster (and indeed RBS) are ensuring that Cerberus are staying all legal proceedings (such as those within project Aran?) as set in that exchange with the EST." I left my office on Monday night to come here, but on Tuesday my constituency office received a call from Mr Donnan's office in response to my original letter to him back in March/April. I look forward to his written reply, especially as the bank is largely owned by us as taxpayers. It is always good to remind the banks that the taxpayers—us in this House and everyone else across the nation—are ultimately the people they should be responsive to. In particular, we have been watching and involved in how the Clydesdale and Yorkshire bank, which was formerly owned by National Australia Bank—it also owned the Northern bank in Northern Ireland, now Danske, until 2004—has been addressing the mediation/remediation efforts on a number of cases involving Cerberus. From my most recent briefing, it seems that those mediation efforts in working with the victims group CYBGCSG, and CYBG top management on 14 cases have been futile, as there appears to have been no active follow-up process. We have asked for the process and it seems that they have not got off their backsides—it is disgraceful that they have not done so. I understand that our involvement in those informal mediation efforts will lapse imminently, as I have learned that in addition to the legal claim filed by RGL Management last month, an additional legal group claim will be filed for an initial 50-plus cases centred on the CYBGCSG victims group this month. It is unfortunate that no resolution was found to any of those 14 cases, with further peaceful yellow vest protests and potentially hunger strikes across the country now seemingly inevitable.

I will, however, provide some potentially good news, as it is always good to give a bit of good news in a debate that can save us from a bit of doom and gloom. The Minister may recall that I first raised the Danske bank case of the Armstrongs a year ago. He knows about this because I have written to him about it, and he has seen the case paper with the all-party group on fair business banking and finance analysis. I understand that following their yellow vest protests from December 2018 to April 2019 at Danske banks in Northern Ireland and at Danske bank Northern Ireland-sponsored events, and with the upcoming DRS, the bank solicitors have now asked to engage with them. It has taken a long time, but hallelujah for that! At least they are answering and some correspondence is now taking place. I hope and pray that this proves to be a useful process with a positive conclusion, and that my constituents, the Armstrongs, do not feel that they need to resume their peaceful "yellow vest" protest from July, with the attendant publicity, at a time when Danske bank just happens to have won the top award in Northern Ireland this week, as a responsible company.

Following correspondence, I am aware that other banks, such as Santander, have agreed to look into some cases prior to the DRS process for SME Alliance members, and that is to be commended. As a party, in the past year we have raised in the House two other cases in which Danske opposed the Financial Ombudsman Service's considering the complaints on a time-bar basis. Danske can quite easily allow the FOS to consider those complaints now, as I understand that those customers are willing to have their complaints considered by the new FOS team, which was effective from April 2019.

I hope that Danske and the other participating banks will collectively allow those 396 and 447 complaints from 2008 to November 2018, from across the United Kingdom of Great Britain and Northern Ireland, to be considered by the FOS, as part of the overall recognition of the need to deal with historical complaints, which it is important we do, and that the Minister will today add his support for their inclusion in the FOS or DRS processes, as a matter of fairness and equality across the historical scheme from January 2000. I understand that both the DRS chair, Lewis Shand Smith, and Mr Andrew Bailey at the FCA believe that to be appropriate, and I know that the matter was raised earlier this week with UK Finance, so there is endorsement and support from very responsible people. Hopefully, a positive response is imminent from all the stakeholders and participating banks. Finally, the subject

of third-party debt is not solely a UK matter; in our neighbouring jurisdiction, the Republic of Ireland, there was a debate on a private Member's Bill on vulture funds in the Dáil on 28 May, and the Republic of Ireland Parliament also took useful evidence on accounting and auditing in a Select Committee in the same week. Perhaps the Minister can look into what happened there. I finish by supporting the motion, and call on Her Majesty's Treasury and the FCA to follow up with a proper inquiry on debt transfer to third parties and to actively consider changes to the law and regulation in this crucial policy area. Most mortgage prisoners and SMEs deserve better from us all. I thank every Member for their contribution and look forward to the Minister's response.

Bob Stewart (Beckenham) (Con)

As an old soldier, I am conscious, as is the House, that at this time 75 years ago, our troops had gained a foothold on Gold and Sword beaches, the Canadians were on Juno and troops were on Utah, but on bloody Omaha, where 2,500 men's lives were taken on this day 75 years ago, people were still trying to get on to the beach. The sea was red with blood, troops were drowning as they got off the landing craft, and when they did get a foothold on the sand under the water, they had to push bodies away before they were massacred on the beach. In the first waves, 90% of those incredibly brave American soldiers were casualties. We are talking today about something that matters very much to our constituents, but we should also—I have a right to say this, I think—bear in mind the absolute fear and worry of our troops at this moment 75 years ago. My speech will be short, because Mr Deputy Speaker has told me that it has to be—

Mr Deputy Speaker (Sir Lindsay Hoyle)

I assure the hon. Gentleman that he can take up to 10 minutes. How is that? I will be as generous as that.

Bob Stewart

Mr Deputy Speaker is such a great man. I thought I was being told off earlier. My comments will be short because I have spoken about this matter and the associated problems many times in the nine years for which I have been a Member of Parliament. Colleagues on both sides of the House are nodding. Why the heck has this matter not been sorted out? We are meant to sort these matters out—we are meant to be the people who legislate to get such injustices sorted and done. We have failed collectively to do that. In particular, I want to raise the matter of the injustice done to my constituents—to the D'Eye family. Dean, my friend, is somewhere around, but I am not allowed to point him out. An injustice was done to him and his family by these banks. I am referring to Dunbar Bank, part of the Zurich group, and also the Royal Bank of Scotland's Global Restructuring Group. I just cannot understand it. Decent people run these associations and they are actually—dare I use the word—screwing people utterly and completely, and it is immoral.

Kevin Hollinrake

indicated assent.

Stephen Kerr (Stirling) (Con)

indicated assent.

Bob Stewart

I am glad to say that my colleagues agree with me. It seems to me that it is also far too easy for banks to get rid of their problem by selling on their loan accounts to unscrupulous debt recovery firms—

vulture firms—that entangle decent, hard-working people, such as the D’Eye family, in a web. That is utterly wrong. These people cannot get out of it because they just do not have the money, and that is utterly wrong. Originators of loans should not be able to get rid of their responsibilities in this way. It is wrong, colleagues! It is wrong! I want to end my remarks by talking about the Financial Conduct Authority, which does not seem to have the will or the authority to sort out this matter—to force the banks to investigate and deal with these legacy issues. The Economic Secretary to the Treasury, who is a good friend of mine, is looking at me with a scowl, but in a nice way. He is a great friend and an utterly decent man who would really like to sort out this matter—he has to now after I have said such nice things about him. I am now expecting that to happen. I truly believe that, somehow or other, we people in this House must get this matter resolved. It is wrong that we have not sorted it for the people whom we represent. I have been here for nine years and feel ashamed that we have not resolved the matter. I thank you, Mr Deputy Speaker—oh, it is Madam Deputy Speaker. I thought that Mr Deputy Speaker had got far more attractive while I was speaking. Thank you, Madam Deputy Speaker, I will now shut up.

Kevin Hollinrake (Thirsk and Malton) (Con)

I thank you, Madam Deputy Speaker, for calling me to speak in this debate. May I first draw the House’s attention to an interest that I have in this matter, in respect of the head office of our business? The debt is owned by Promontaria, which is a division of Cerberus. It is less happy about that than I am, because it is a very low rate. Our business is not under pressure as the rate is half a per cent over base. We are suffering no financial detriment for that, but I think that it is right that I point out that connection. It is a pleasure to follow my gallant and hon. Friend the Member for Beckenham (Bob Stewart). I was very touched by his moving words, particularly at the start of his speech. He has done a lot of fine work on this subject, and has spoken in just about every debate on it. I have spoken on this matter, too. My hon. Friend the Member for Dover (Charlie Elphicke) has also done a lot of work in bringing forward these really important issues. He has done a lot of work on the Treasury Committee and has been a great supporter of the all-party group, as has the hon. Member for Feltham and Heston (Seema Malhotra).

After listening to all the excellent contributions today, I have to ask why on earth we let them get away with it. There was unsustainable lending prior to the great financial crash—irresponsible lending to businesses and consumers. I am talking about 120% loan to value and non-status mortgages. These bankers were chasing businesses around, and upping the ante in terms of the deals that they were trying to do, particularly in commercial property. They created the conditions for the crash that followed. They started to bundle up subprime debt and selling it on. They caused the financial crash. Then they went back to these consumers and these businesses and say, “I’m sorry but your business is no longer sustainable.” But that was due to the recession—the recession that they created. They created the situation with mortgage prisoners. There are 140,000 mortgage prisoners, including tens of thousands of small and medium-sized businesses. And it is not just about the businesses themselves; it is about the lives behind those businesses. As other hon. Members have said, it is about the families and the jobs that rely on those businesses. Imagine being a business owner, as I have been for 27 years, and one day having to go back to your wife and children to explain that your business no longer exists—all you have worked for all your life. Can anybody imagine having to have that conversation? These are the conversations that the people represented by all-party parliamentary group are having to have. McKinsey came along and said, “Here is a great idea. We’ll solve this problem by having bad banks.” But this means that the bankers are incentivised yet again—once to over-lend to businesses and consumers, and again to put these businesses inside the “bad banks”. Of course, that is all funded by the taxpayer. But there is no incentive for the banks to look after the businesses

or consumers, or to nurture them through a difficult time. The incentive is simply to push them into these bad banks, and that is when we—the taxpayer—have to take over. The situation is driven purely by the banks themselves.

Andrew Bailey said himself in a letter to the Treasury Committee: “The UK’s unique mortgage market coupled with the impact of the financial crisis has created the conditions for mortgage prisoners.” The bankers did this from start to finish. Not all bankers are bad, but people should be held to account when this kind of malpractice and mistreatment occurs. Yet, as far as I am aware only one bank has been fined and banned from the sector. Nobody else has been sanctioned for these issues, despite the fact that many people who are responsible are earning millions of pounds in jobs—still within the financial sector. Of course, we pay; the taxpayer pays. Mortgage prisoners and small businesses pay millions as taxpayers, and they are the people who pick up the tab.

The Treasury does fine work in many different areas and I have great regard for the Minister, but I cannot understand how we can suddenly decide to make things worse by selling the debts taken from the banks, putting them into a bad bank, putting them into UKAR and then selling that off to a vulture fund. These vulture funds really should be renamed vampire funds because vultures pick at the carcasses of dead animals whereas vampires suck the blood out of things. These funds are sucking the blood out of mortgage prisoners and small businesses. Many of these mortgage prisoners are not even behind with their payments. They are still managing to keep going, despite the fact that they are paying higher interest rates, yet these vampire funds are sucking the blood out of them. These are unregulated and inactive lenders, meaning that the borrower has nowhere to go.

My constituent, Mr Pearson, wrote to me to say that he was with Northern Rock. He borrowed the money in good faith, and was persuaded to take out an interest-only loan. That debt was later sold on to what is now Landmark. He has moved into my constituency but his property is in Dewsbury, and Landmark says, “No, you can’t rent that property out now.” He cannot go on a repayment mortgage, so his loan will expire in 10 years and he will have £98,000 of debts, but he has no way of dealing with the issue. He is totally locked in. How can we countenance a situation where we would allow his debt to be sold on to an unregulated entity on that basis? It is not just about money for the people in this situation. As Mr Pearson says, it is about his mental health and the stress of the situation. It is also about his life chances, because he cannot move on with his life as a consequence of the action of that institution. We look at this stuff in such a short-term way. Okay, we might have moved a problem out of the Treasury, off the taxpayers’ books and got some money back from it, but surely the problems will return in other areas of the economy, putting pressure on public services—mental health pressures, housing benefit or other things. We take a short-term view of how we should deal with these things.

It is similar with businesses. In 2008, yes many businesses were struggling, but had we supported them through a patient capital approach over the next few years, many of those businesses would have got through the recession and would still be trading today, and jobs would have been created off the back of them. It seems we cannot take the patient capital approach we need.

Why do we not tackle our banks and hold them responsible for what they do? I have asked the Treasury and the Minister about a simple requirement on business lending for banks to treat customers fairly and reasonably in that lending relationship. No such requirement exists at the moment. Business lending is not regulated to any extent. When I ask for a simple requirement for a “fair and reasonable” test in contracts between business borrowers and banks, I am told, “No, because it might stem the flow of lending”. I simply do not accept that in any shape or form. Other countries have a better relationship between their consumers and their banks and their businesses, and their

banks and their economies seem to grow fine and their business lending seems to prosper. The Government are a champion for the consumer in many areas. I would like us to be a champion for the consumer in these areas too. We must find solutions, but whatever solutions we adopt, the banks must pay for them. Yes, there should be an obligation on lenders to provide mortgage prisoners with an alternative option. Perhaps, as the Co-operative Bank has suggested, central Government should become a lender: a centralised lender in a flexible lending environment in which mortgage prisoners can move to a better deal paid for by the banks. We should surely ban the sale of debt to unregulated and inactive lenders. I cannot imagine why we would not do that. If we think it is right to regulate mortgage lending, why would we allow that debt to be sold to an unregulated lender?

Perhaps we could regulate the interest rate that companies such as Cerberus and other entities charge consumers. That is all within our capability. The FCA has said quite clearly that these changes to the relationship are a matter for Parliament, so it is down to us to deal with it. Of course, we have moved forward in terms of a resolution scheme between banks and businesses—with the dispute resolution service—and much of that I attribute to the hard work of the Minister, but there are limitations with that. Ultimately, we believe a financial services tribunal is a much better solution, but the all-party group is engaging with that process. Sooner or later, as has happened in Australia, we have got to push for a royal commission or public inquiry. I know the Minister thinks it would cost hundreds of millions of pounds and take years, but the royal commission in Australia took 15 months, cost £40 million and resulted in eight resignations of chief executives and chairs of big banks. The problems here are no less than the problems in Australia. We have to get to the bottom of what happened and hold people to account, but we cannot do that without a proper overarching investigation into what happened. I will close with the regulator. As many others have said, the FCA is far too timid. It let the Royal Bank of Scotland off the hook. Phase 2 of its inquiry into RBS's conduct was supposed to name names, but it has backed off from doing that, which is inexcusable. It is a similar story with Lloyds Bank and its disgraceful treatment of whistleblower Sally Masterton. She was discredited, constructively dismissed and prevented from working with the police in a fraud inquiry, despite being vital to that investigation. Five years later, it admits that it mistreated Sally Masterton, yet the FCA does nothing. It has not investigated that disgraceful mistreatment, and that cannot be right. I am afraid it starts with us. We must change our approach. That will change the culture of the regulator, and then we will see a change in culture in our banks.

Stephen Kerr (Stirling) (Con)

I pay tribute to my hon. Friend the Member for Thirsk and Malton (Kevin Hollinrake) for all the hard, unstinting work he has put into highlighting this issue and bringing light to what is, I fear, a grave injustice that must be put right. I also pay tribute to my hon. and gallant Friend the Member for Beckenham (Bob Stewart) for—[Interruption.] He says that he does not think I should, but I think so, because the opening lines of his speech will be etched in many of our memories on this day of all days. I would like also to pay a compliment to the Prime Minister, who spoke movingly, and inspirationally for all of us, this morning.

I congratulate my hon. Friend the Member for Dover (Charlie Elphicke) and the hon. Member for East Lothian (Martin Whitfield) on securing this debate. In my capacity as vice-chair of the APPG on fair business banking, I have seen at first hand the damage done by vulture funds. Reference has been made to the impact on mental health, which is absolutely an issue that damages families and, as my hon. Friend the Member for Thirsk and Malton said, the life chances of the people affected. In the commercial lending space, RBS, Lloyds, Ulster Bank and AIB have sold off tranches of their books to vulture funds. Most notoriously, Clydesdale and Yorkshire Bank sold off its entire commercial real estate book to the vulture fund Cerberus, leaving thousands of businesses with unregulated contracts

at the mercy of an unregulated fund with a rapacious appetite. I doubt that many business people realised that when they walked into their high street branch asking for a loan to build their dream or grow their business, they could be moved, without their permission and at the stroke of a pen, completely outside the regulatory perimeter to become no more than fodder for the vultures. Asset-stripping of companies is startlingly easy in the face of one-sided contracts and no regulatory protection. The FCA, UKAR and the Treasury will argue that they have insisted that the company sitting between the investors and the customer is regulated and that that has guaranteed that customers will be treated fairly, but this is no better than putting a wolf in sheep's clothing. The APPG can say with certainty that the experience of businesses from constituencies all over the UK is that these funds certainly have the appetite and character of a wolf.

I would like to say at this point how much confidence I have in the Economic Secretary to the Treasury, who is, in my own experience, a very fair and good man. I enjoyed a visit he paid to Stirling not so long ago, when I discovered through first-hand contact his commitment to principles of justice. He has integrity. That is why, when I raise these issues with him this afternoon, I feel confident that he is facing in the right direction and will wish to do something about the specific cases that have been mentioned and the overall issue that needs to be rectified. I want to refer to something that has particular relevance to Scotland. CYBG has recently acquired Virgin Money and is rebranding itself as a fresh-faced challenger bank while its former customers battle for their homes and livelihoods in the clutches of Cerberus. Let us be in no doubt: CYBG's "clean start" and "fresh face" is at the expense of the thousands of hard-working, ordinary citizens who are battling, to this day, because of what has happened to them on account of the actions of Clydesdale and Yorkshire Bank.

I am frankly astounded that Clydesdale is evading its responsibility for the customers whom it sold down the river because it, as a bank, no longer wanted them. I was particularly astounded that it took one of its former customers, John Guidi, to go on hunger strike outside its Glasgow office before it would so much as give him the time of day to discuss his situation. Fortunately, a combination of regulatory pressure and a high press profile has resulted in discussions, but two months on we are still to hear that John Guidi's situation has been resolved. On 19 March, in response to an urgent question from the hon. Member for Lanark and Hamilton East (Angela Crawley) about Clydesdale Bank and John Guidi's situation, my hon. Friend the Economic Secretary to the Treasury said: "I am pleased that the sale of loan portfolios to third parties is now covered by the standards of lending practice—overseen by the Lending Standards Board—to which Clydesdale is a signatory. That means that it is now committed to ensuring that third parties that buy loans have demonstrated that customers will be treated fairly, and to allowing customers to complain to the original lender if there is a dispute that cannot be resolved."—[Official Report, 19 March 2019; Vol. 656, c. 943.]

Unfortunately, for all the many victims, some of whom are in the Gallery, that will be too late. Does my hon. Friend agree that if CYBG, soon to be Virgin Money, is so sure that it conducted itself with impunity when it decided to offload these loans—many where payments were up to date—to Cerberus, it should review those historical cases in line with the new standards of lending practice? That would be the act of a model litigant providing equality of arms. The four largest banks in Australia—including National Australia Bank, CYBG's parent company at the time—have recently signed up to that code of conduct, as have the Australian Government. Being a model litigant is in part defined by not relying on a merely technical defence against a claim and considering alternative dispute resolution options. CYBG is at a turning point, and I encourage it to face up to its responsibilities and demonstrate to the public that it really has changed. Otherwise, it too will sadly be shown, in the minds of many people, to be no better than a wolf in sheep's clothing.

Alison Thewliss (Glasgow Central) (SNP)

I thank the hon. Member for Stirling (Stephen Kerr) for setting out the situation that so many people face, with no recourse in the system. One of the first cases that I took on as an MP and, I regret, was unable to resolve was that of a former Northern Rock mortgage holder. It was incredibly difficult to get anywhere with the case, because I hit a wall all the way through it. That seems to have been the experience of many Members who have spoken today. The Government must look urgently at that lack of any means to resolve the situation, because without any recourse, nobody will be able to get out of this situation and get their lives back on track. I pay tribute to the hon. Members for Dover (Charlie Elphicke) and for East Lothian (Martin Whitfield) for bringing this debate to the Chamber and to all those who have contributed. I note the work of the Treasury Committee, which I will be joining soon; its members can look forward to that. The APPGs on fair business banking and on mortgage prisoners have also done a huge amount of work in this area.

The examples given by the hon. Member for Dover show the scandal of this situation, the deep and real web that has been created and the need for the Government to act. There is no doubt that irresponsible borrowing occurred in the early 2000s, with people taking out loans that they could hardly afford. The starkest example of mortgage prisoners is those who were let down during the 2008 financial crash, but we cannot forget the role of the banks, which offered people higher and higher loans with fewer checks and balances and led customers into a sense of security that nothing could go wrong. The hon. Member for Thirsk and Malton (Kevin Hollinrake) set out how those who caused that problem began to compound the issue further down the line. One hundred per cent. loan-to-value mortgages were not unusual, and sometimes even higher value loans were offered for home improvements or debt consolidation, which seems unthinkable now, knowing what we know in a post-2008 landscape. A primary example was Northern Rock's Together mortgage, which was offered to customers covering between 95% and 125% of the value of their home. When the regulations were tightened after the crash, many people were trapped with higher loans and higher-than-average interest rate payments. The self-same banks that lent them higher amounts than they could afford then refused to give them smaller loans because they failed the lending criteria for borrowing.

Those people were forced to keep their current mortgage and to pay lenders the standard variable rate, which was between 2% and 5% higher they would have paid on a market-leading mortgage. This does not sound like a high percentage, but even if people took out a mortgage of £100,000—much lower than the UK average, including in Scotland—in 2008 before the crash, it is conceivable that they could have paid between £2,000 and £5,000 a year on top of what they would have paid on a normal competitive-rate mortgage. Over 11 years, a bank could have been paid between £22,000 and £55,000 more by exactly the same customers who were told that they could not afford a cheaper mortgage. The hon. Member for Bethnal Green and Bow (Rushanara Ali) laid that out quite well. Even on the most conservative estimates, we are dealing with substantial and possibly life-changing amounts of money, which could have gone some way to paying off the balance of a mortgage. It is clear that this lack of access to competitive financial products is bad for individual customers, but there is clearly also a wider negative macroeconomic effect. Hon. Members have mentioned the issues for business customers as well. Businesses going bust is of course bad for the economy, but businesses being forced to go bust is an even wider concern. The hon. Member for Camborne and Redruth (George Eustice) mentioned commercial repossessions, and it is a really deep worry that those in the commercial sector do not have the same rights as those in the consumer sector.

The hon. Member for Thirsk and Malton talked about what is fair and reasonable, and the gaps in business lending. The Government really ought to look into closing these gaps and loopholes to give business customers the reassurance that, when they want to take out a loan, they will not lose everything. The risk of losing everything, as so many people have done in these circumstances, does

not give people the confidence to start up small businesses, and it will put others off. It has certainly had a life-changing impact on those who have suffered as a result so far. When interest rates were slashed to 0.5% by the Bank of England in the aftermath of the 2008 crash to encourage borrowing, the effect this mechanism had on the wider economy was hampered by banks not passing on the cuts in interest rates to their customers. The economy could have been a bit more resilient if the economic levers were able to work in the way intended, so it is vital that we correct this for the future of our economy and make sure that such gaps do not emerge should this ever happen again.

The regulatory tightening following the financial crash is of course to be welcomed and the mortgage credit directive's affordability checks protect the market from irresponsible lending, but we should not throw the baby out with the bathwater. Regulation should provide a framework for improving consumers' experiences and for increasing competition in the market, not tying consumers to one onerous regime of payments. The FCA has committed to changing its interpretation of the mortgage credit directive to a relative test rather than an absolute one, which will be helpful and is to be welcomed. However, as others have mentioned, its own analysis suggests that this help will be extended to only 20,000 of the at least 150,000 people who have been identified. I understand that some lenders are outwith the regulatory remit of the FCA, and the Government should be looking at extending its remit so it is better able to address this issue. The phenomenon of mortgage prisoners has been wrongly looked on as a legacy issue, but it actually provides a very real threat for the future. The UK Government must change regulations to stop vulture firms exploiting people to make a quick profit. The regulatory framework at present means that, instead of being able to switch to a better deal, UK mortgage prisoners had their loans sold to vulture firms looking to make such a profit. As hon. Members have mentioned, that has had a very real impact on those trapped within that system, and it is of course the customers who lose out. These firms pack up, move on and do something else, in a very shady way quite often. As Members have said, the practice in relation to SME loans has also forced many into bankruptcy. My hon. and learned Friend the Member for Edinburgh South West (Joanna Cherry) has on a number of occasions raised the cases of her constituents who have been affected.

As we have heard, many of the mortgages have been sold to a subsidiary of the US equity firm Cerberus, Landmark Mortgages. The BBC website states: "BBC Panorama has discovered Cerberus told the government it was planning to offer homeowners better mortgage deals before its £13bn purchase of former Northern Rock mortgages in 2016. But the company hasn't provided any new mortgages and 65,000 homeowners are still trapped on high interest rates."

Cerberus denies that allegation, but it seems pretty clear from the evidence given that that is exactly what took place.

The hon. Member for Hazel Grove (Mr Wragg) laid out well the difficulties faced by his constituents in getting justice through legal aid and other means. This is not a criminal issue, but it is within the civil court system and there is a problem getting any redress—that goes to the other point raised about redress within the system. If someone cannot get legal aid for this issue, and they have no money because they have become bankrupt as a result of the system, how can they go about seeking justice? The SNP agrees with the all-party group on fair business banking and finance that: "The practice of selling mortgage books to lenders who are unregulated and/or do not offer new business ought to be stopped." We also support its demand for an independent tribunal service, so that customers who have been treated unfairly by Cerberus, or any other firm, can more easily secure the service they deserve—particularly giving recourse to support in cases where people have been subject to the strong-arm tactics described by hon. Members.

Mortgage prisoners are not a phenomenon that is restricted to the 2008 era, and there are a growing number of mortgage prisoners today. With house prices increasing faster than wage growth, there is a trend of creeping back towards those higher loan-to-value mortgages in the market, which is storing up problems for the future. We must learn from the mistakes made in 2008, and stop that in its tracks before more people become trapped. As well as taking regulatory steps to free mortgage prisoners who are currently in a difficult situation, action must be taken to ensure that existing mortgage customers do not find themselves in a similar position. Tesco Bank, which has substantial operations in my constituency, recently announced its intention to sell its mortgage portfolio, citing “challenging market conditions” that have constrained its opportunities to grow profitably. I was happy to sign a letter that was organised by the hon. Member for Feltham and Heston (Seema Malhotra), but in its response Tesco gave no real concrete assurances that those mortgages will be sold to active lenders, and said that things are at an early stage. That leaves many of its customers at risk of being stuck with the same kind of deal that they cannot switch out of. We must do what we can to discourage and disincentivise companies from contributing to what is a failure in the market. I will meet representatives from Tesco Bank soon and put those concerns to them in person. I am worried for customers who currently have mortgages. Many of us in this room will have mortgages, and we cannot say for certain that the mortgages we have today will be the ones we will have tomorrow or in a few years’ time.

As we head through the chaos of Brexit, and potentially to a catastrophic no-deal scenario later in the year, the wider context could not be more serious. The livelihoods of many across these islands could be put at risk, with the inevitable strain on people’s ability to pay their mortgage and on the wider financial system. Some have predicted that a no-deal Brexit would have a similar effect to the 2008 crash, with the difference being that the UK Government appear to be hurtling towards it almost deliberately. I see no upside to putting my constituents and the remain-voting nation of Scotland through that risk by even threatening to go for no deal, never mind enthusing about it as some Tory leadership candidates have been doing. I and my SNP colleagues have repeatedly called on the UK Government and the Minister to undertake a strategic review of the culture within the banking and financial services industry. For mortgages, the sector should focus on providing patient, long-term investment that supports the economy and promotes productivity, not just making a quick buck. The measures taken following the crash must not be unwound due either to Brexit or to other things in the economy, and we need to see what the protections will be for consumers—both businesses and private individuals. Those vultures who prey on the most vulnerable—the hon. Member for Thirsk and Malton more appropriately called them “vampires”—should be chased out of this industry once and for all.

Peter Dowd (Bootle) (Lab)

I thank the hon. Member for Dover (Charlie Elphicke) for securing this debate, and for his comments about his constituents, who he described as real people with real lives and terrible fears about already high interest rates increasing further. He spoke about the need to move from a computer-driven affordability test to a reality test, so that we can say yes to people and there will be better protections. He also said that capitalism must be tempered by responsibility and fairness, and that the interests of the consumer must be put before corporate interests. I agree with him. My hon. Friend the Member for Blackpool South (Gordon Marsden) said that he was drawn in by the real-life experiences of his constituents, and that what the Government and the FCA have done so far is inadequate. He paid tribute to those journalists who exposed the role of lenders, and said there has been insufficient due diligence in the process. He said that we have a moral duty to act, and called for a formal inquiry.

The hon. Member for Camborne and Redruth (George Eustice) talked about the need for a statutory obligation to permit a switch to more affordable products if necessary, and a powerful presumption, if that is not allowed, for non-possession where the switch has been refused. I think that that is a perfectly reasonable position to take. My hon. Friend the Member for Bethnal Green and Bow (Rushanara Ali) talked about the enormous hardship placed on customers, who are being punished because they have been caught up in the middle of regulatory change. She said that selling off to Cerberus was a major policy failure and that UK Assets Ltd was misled. She also said that the FCA has been complacent, and that Ministers should do something about that particular issue. The hon. Member for Ayr, Carrick and Cumnock (Bill Grant) was surprised to see regulated mortgages sold off to unregulated companies. The impact on his constituents was to put them in terribly stressful situations and he said that that experience remains raw. As he said, "See it, say it, sorted."

My hon. Friend the Member for East Lothian (Martin Whitfield) asked why, when we have a land of home ownership, we are allowing such a threat to that home ownership by the practices of unregulated lenders that can be accessed via an email. He said that there are 300 to 400 people affected in each constituency. The hon. Member for Hazel Grove (Mr Wragg) talked about people trapped by large exit fees or the rigidity of new lending criteria, leading in some cases to the loss of homes and assets transferred to vulture funds. He reminded us that behind each broken product is a person and a home. My hon. Friend the Member for Glasgow North East (Mr Sweeney) said that part of the legacy of the crash was banks seeking to benefit from the turmoil, with people trapped in purgatory. Let us hope it is purgatory, because you can get out of purgatory. It is very difficult to get out of hell.

The hon. Member for Sutton and Cheam (Paul Scully) gave an example of how his constituents, like so many people, were affected by the transfer to Cerberus and how they are locked in to a poor product, with the consequential impact on their lives and finances of having to pay three or maybe four times the usual interest rate. The hon. Member for Strangford (Jim Shannon) called for an urgent inquiry into the issue. He wanted to add his support to addressing this particular subject. He referred to the grooming of customers in order to rip them off even more and how banks have little interest in customers whose mortgages they have sold on, and said that that is not acceptable.

The hon. and gallant Member for Beckenham (Bob Stewart) paid tribute to troops on D-day. I think we all support and give our full commitment to that. He then asked why this matter had not been sorted out. He did so in his usual wishy-washy way by skirting around the issue: he simply said that it is wrong for the people we represent and he is right. The hon. Member for Thirsk and Malton (Kevin Hollinrake) gave an excellent speech. It was a very considered, thoughtful and forensic speech which asked the question: why on earth do we let them get away with it? Why did we let them get away with it before the crash? They created the conditions and the process, and then they went back to consumers and businesses and said that their businesses, houses or mortgages were no longer sustainable. The impact is on families. The bankers created the conditions for mortgage prisoners and it is really up to us to do something about it.

The hon. Member for Stirling (Stephen Kerr) talked about the damage to people's life chances. The selling off to vulture funds has led to thousands of people being caught up in unregulated systems, with a lot of asset-stripping going on. Finally, the hon. Member for Glasgow Central (Alison Thewliss) set out the cost of higher interest rates as a result of the lack of access to more competitive rates and the impact on businesses. She made the point that this is not just a legacy issue, but a threat to the future. I understand that this is the seventh debate that we have held on banking in a year. I have to say that it is a sad state of affairs when we are having a debate entitled "Mortgage Prisoners and Vulture Funds". There is something wrong with that and it speaks volumes. I was at a meeting today

with about 25 people who are either affected by the issue or who are helping and supporting those who are affected. I suspect that many are in the Public Gallery today and I welcome them. Some are in despair and feel completely powerless against powerful bodies that simply ignore them, and they feel let down by us. Lenders have an approach to their customers that is simply take it or leave it. Since the global financial crisis, we have heard many voices in this House speaking about the cost of that disastrous period, born out of rapacity, as the hon. Member for Thirsk and Malton said. In some quarters, that rapacity continues. I am sorry to say that UK Asset Resolution Limited, which is owned by the state, has not helped in the curtailment of that culture and has potentially encouraged it, even if by default. As many people have asked, why, for example, has it sold off mortgages to companies that are not regulated? In effect, they have been left at the mercy of those companies by the state and the Government. That is not acceptable. A Government company selling off assets to unregulated companies—it is difficult to believe.

My first question to the Minister is this: why has the Government allowed UK Asset Resolution Limited to do that? What is he going to do about that, and about the 200,000 people financially imprisoned by this scam? I do not accept in any way the Government's argument that this is a question of being at arm's length from these matters. How can the Government take such an approach when their citizens are being ripped off? They are in danger of aiding and abetting that ripping off. How can they continue to allow people who pay their mortgages and bills, and who carry on with their daily living against the odds, to be penalised? People are in a position where the inequality of bargaining is causing no end of hardship, worry, familial dislocation and, in some cases, attempts at suicide and perhaps loss of life. Millions of people have suffered from not just the recession caused by the rapacity of banks, but the cuts to social security and public spending that followed. I remind Members that in one fashion or another, the banking bail-out cost £1.5 trillion to put right, according to the Office for National Statistics. We are hearing today about one group who have particularly suffered as a result of the financial meltdown and the decisions that have been taken since. For many Members of this House—and members of the public—who have mortgages, it seems unconscionable that we have not been able to refinance them at more competitive rates. The ability to do so is part of a healthy mortgage market that does not allow lenders to abuse their positions. The reality of those locked into interest rates that are sometimes three times the going rate can be horrendous, as we have heard time and again today from the 14 or 15 Members who spoke. How can it be possible that people are ineligible for a mortgage when they will be paying less? That question has been asked so many times today. What a bizarre state of affairs. It will cost people less than their current mortgage so they cannot have it. Did we bail out the system only to allow the system to continue to penalise people who have not failed to keep up payments? These consumers, despite being up-to-date with their mortgage payments and seeking to move to a more affordable deal without borrowing more, are being held back by inactive lenders and entities not authorised for mortgage lending.

The practice of selling mortgages and unregulated commercial loans to unregulated funds has been creating mortgage prisoners, exposes businesses to asset stripping and threatens to continue to create further mortgage prisoners and risks to businesses, as laid out in the motion. Yet we seem to be seeing a curious case of blame-shifting. The chief executive of the Financial Conduct Authority referred in evidence to the Treasury Committee last year to a “peculiarity” of EU law. A peculiarity—is that it? Others seem to have suggested that the UK's interpretation of the law is at fault. At any rate, the directive was brought into UK law in 2016, so the Government of the time and the Government of today have a responsibility to deal with the problem, wherever and whenever it originates. As I said earlier, its origins lie in the reckless behaviour of those in the banking sector in the years running up to the crash. They were not reckless in lending to so many individuals, but they were reckless in their general approach to risk and exposure to little-understood derivatives. As a result of their

behaviour, the aggressive downsizing of balance sheets meant that people with no history of default were put into high-risk groups and, ultimately, had their mortgages transferred to vulture funds, becoming de facto credit risks despite impeccable credit histories. Many of these funds are outside the purview of standard regulation, and the FCA may in some cases legitimately claim that as a result there is little it can do. However, it must come forward with proposals, rather than just sitting on the sidelines. That is its responsibility.

I pay tribute to all the campaigners who have brought this matter to the attention of the House, including the hon. Member for Thirsk and Malton and the all-party parliamentary group on fair business banking. They have been absolute stalwarts in pursuing the matter. I urge the Government to move as quickly as possible to establish whether the problem lies in EU regulation or in its interpretation, and to address it as swiftly as possible. I am glad that the hon. Member for Hazel Grove referred to Cerberus, which features in Greek mythology. This particular three-headed dog, however, locked victims not just in hell but in negativity, repetition and hopelessness. This dog is symbolic of the inability of people to leave because they are trapped in an expensive mortgage hell. The Government must now put it on a leash, and sort out the rules.

Madam Deputy Speaker (Dame Eleanor Laing)

Before I call the Minister, let me echo the words of the hon. Member for Bootle (Peter Dowd) in welcoming to the Public Gallery a great many people who are interested and involved in this subject, and who, I gather, have met Members this afternoon. I see Members assenting to that. I draw attention to this because we so often hear criticism of what happens in the Chamber, and hear it described as a circus or a bear pit. It is delightful for once to be able to show the people who care about this subject that when matters are debated properly, thoughtfully, forensically and collaboratively here in the Chamber, it makes a difference.

The Economic Secretary to the Treasury (John Glen)

I am grateful for the opportunity to speak on behalf of the Government about an issue which I know has caused widespread concern throughout the House. A range of matters have been raised in the 13 Back-Bench speeches that we have heard today. I will do my best to respond to the points that have been raised, but if I am unable to respond to all of them, I will write to the Members concerned. I thank my hon. Friend the Member for Dover (Charlie Elphicke) for securing this important debate. He has worked tirelessly to raise awareness, both as a founder member of the all-party parliamentary group on mortgage prisoners and through his recent ten-minute rule Bill, the Banking (Consumer and Small Business Protection) Bill.

It may be helpful if I begin by briefly reminding the House of the background to this matter, and, in particular, the reasons why the Government have sought to tighten mortgage lending regulations in recent years. In the aftermath of the banking crisis, there was a consensus that the prevailing regulatory framework at that time had left UK borrowers exposed to lax lending practices, with lenders providing mortgages without adequately checking borrowers' ability to repay them. That enabled some to secure self-certified mortgages, or mortgages with loan-to-income ratios of 120% or more. The Government and regulators therefore substantially strengthened mortgage lending regulations to ensure that borrowers would be better protected in the future. The new regulations, resulting from the 2014 mortgage market review, require lenders to conduct thorough affordability assessments to consider evidence of customers' income and expenditure before agreeing to a new loan. I believe that was the right thing to do. It ensures that consumers can only borrow what they can be reasonably

expected to pay back, and in doing so it protects borrowers and lenders alike against future economic shocks.

A number of colleagues across the House have raised individual cases that they have encountered and meetings they have had with constituents who are looking in on proceedings today. It is undoubtedly the case that these strengthened regulations made switching to a new provider more challenging. That left some borrowers unable to switch even when they were up to date with repayments and had an unbroken repayments record. That has been mentioned a number of times in this debate. I recognise that this is a hugely stressful and difficult situation for the individuals concerned, and it is clear to me that they face an unfair regulatory barrier. Therefore, it has been my priority as Economic Secretary to find a solution. That is why I instructed—not reluctantly or grudgingly, but determinedly and assuredly—Treasury officials to work with the FCA, which is ultimately responsible for regulations, to consider ways of helping trapped borrowers switch more easily in future. I recognise the frustration about the rapidity of the changes and I want to set out now where they are at and what we can expect in the coming weeks.

The FCA's proposed changes will see its affordability test move from being absolute to relative. Questions have been asked about what that will mean but I cannot set that out today because the work is ongoing. However, I will say a little more about what is going to happen. It will enable lenders to accept switching consumers, providing they are up to date with repayments and are not borrowing more. The consultation for these changes will run until the end of this month and I then expect the FCA to implement these changes rapidly—later this year. Let me give the House a practical example of the difference this will make for consumers. A borrower might have taken out a mortgage under the previous lighter touch regulations but their fixed rate deal has run its course and they are currently repaying their mortgage on a standard variable rate, in keeping with the terms of their existing mortgage contract—although I accept that these are terms that they never thought would lead to them being locked into that higher rate. If they are looking to switch to a new deal, the current affordability assessments may prevent them from doing so—and clearly they do—perhaps because the difference between their income and expenditure leaves little room for margin. However, under the new rules there will be no such regulatory barrier; instead a good repayment history can be used as the reasonable basis for a lender to offer them a new deal. While I recognise that lenders will want to consider their commercial risk appetite to take on these borrowers, and I recognise and hear the calls from various colleagues across the House about assurances over who will provide these mortgages, I would like to take this opportunity to encourage the lenders to think hard about how they might best support those looking to remortgage to a more affordable deal. I have had conversations about that with chief executives and industry representatives in recent months and I see plenty of innovation across the mortgage market.

Gordon Marsden

The Minister is giving some fairly strong details about what he hopes may come out of the consultation, but that does not alter two facts. First, this will simply be an option, not an obligation. Secondly, given the track record of Cerberus, can the Minister give the House today any assurance that such companies will sign up to this?

John Glen

On the hon. Gentleman's first point, the regulator is not making up these rules in isolation in an ivory tower. It is working with industry representatives to ensure that the changes it delivers will create an environment with an effective outcome. There is no point having a solution that does not solve the

problem. I cannot set out the range of options that will exist, but I am confident that the work being undertaken by the FCA will lead to an effective outcome. I will come to the hon. Gentleman's second point later when I talk about the points that he and others made about Cerberus.

Martin Whitfield

Did I hear the Minister correctly when he said that this will not extend to any sum beyond the existing loan, and that there will therefore be no facility to enter any of the equity that has accumulated, in some cases?

John Glen

As I have tried to set out, I am not the arbiter of this specific issue, and it would be wrong for me to be drawn into the outcome before the consultation has concluded. That is imminent, however, as is the implementation of the solution.

Peter Dowd

I completely understand where the Minister is coming from, but it would be helpful if, at some point—not today; I accept that—he could set out the catalogue of metrics that will be used to ensure that these regulations, this interpretation, whatever it is, are operating practically within six, 12 or 18 months.

John Glen

That is a reasonable point to make. This intervention has to be meaningful and it has to deal with the problem of mortgage prisoners. I am very clear about that, and we in the Treasury will need to look carefully at how we evaluate this. As I was saying, I see plenty of innovation across the mortgage market and I look forward to seeing what affordable options lenders can offer to mortgage prisoners who are looking to switch. Let me turn to the Government's sales of mortgage books to purchasers that are not active lenders. Much of this afternoon's debate has focused on the firms that purchase these mortgage books. It is regrettable that the Government have not received any reasonable bids from active lenders, with feedback suggesting that they have limited appetite for these loans. However, I would like to make it clear to the House that the administrators of these mortgage books must be FCA-regulated, regardless of whether they are active lenders. Any consumer whose mortgage is held by one of these firms has full recourse to FCA protections, including treatment in accordance with the FCA's "treating customers fairly" principles, and the ability to complain to the Financial Ombudsman Service

I have heard the comments about borrowers having their reversion rates drastically increased. To safeguard against this during asset sales, the Government have put in place contractual protections that have been enhanced to ensure that the terms and conditions of the original loans are honoured and, in the latest asset sale, to ensure that future rate rises are in line with the rates charged by the largest active lenders. This means that a customer will be treated broadly the same as if their mortgage was with an active lender, with payments in accordance with their original contract terms.

Kevin Hollinrake

Will the Minister give way?

John Glen

I am running short of time, but I will give way to the chair of the APPG

Kevin Hollinrake

The FCA's own consultation on this states that where firms sit outside the FCA's regulatory remit, the solution is more challenging. So whatever the Minister says, the FCA believes that we will be making the situation in which a debt is sold on to an unregulated inactive lender more challenging.

John Glen

My hon. Friend made reference in his speech to the distinction between business debts and mortgage debts, but I will clarify my remarks on that specific point to him in writing. In these sales, the Government also stipulate that there must be no financial barriers put in place to harm a consumer's ability to switch to a new deal with another lender. Once this FCA rule change is implemented, consumers will be in a better position to change their mortgage, provided that they are up to date with their payments and meet lenders' risk appetites. Let me also address the point that was raised regarding the sale of commercial loan portfolios to third parties. Since the financial crisis, it has been clear that the standards of behaviour across the financial sector must improve—I have said it in all the debates that we have held in the 17 months that I have been in office—and that banks must work to restore the trust that businesses have in their institutions.

I concede that I have some differences with my hon. Friend the Member for Thirsk and Malton (Kevin Hollinrake) over some of his assertions about what would be the best solution, but we have tried to work co-operatively where there is common ground, and that work is going forward. I am pleased that banks are now committed, through the standards of lending practice, to ensuring that third parties who buy loans have demonstrated that customers will be treated fairly, and to allowing customers to complain to the original lender if there is a dispute that cannot be resolved. That will help to ensure that all businesses can resolve disputes if they arise. I thank my hon. Friend the Member for Dover for calling this debate. I have tried to address the points that have been raised. I believe it is right that the Government and the regulator introduced more stringent rules after the financial crisis. Rigorous affordability assessments are an important factor in ensuring that a borrower has the means to pay back their loan, as well as maintaining the financial stability of the UK. Unfortunately, however, a minority of borrowers have since found that they can no longer pass those strengthened affordability assessments, despite being up-to-date with their repayments. That is why the Treasury did act, and is working with the FCA to remove the regulatory barrier.

I recognise the urgency associated with securing this solution, and I am urgently working to ensure that the FCA delivers on both what it wants to deliver and what we have asked it to deliver.

Rushanara Ali

Will the Minister give way?

John Glen

No; I shall continue. Borrowers who would like to switch lenders, who are currently up-to-date with payments and not looking to borrow more, can expect to find switching to a new, cheaper deal easier once the FCA changes are implemented later this year and are adopted by lenders. That will apply to all borrowers, regardless of whether they are with an active or inactive lender. In the meantime, those borrowers whose mortgages are sold to a purchaser that does not offer new mortgage deals will continue to be protected by the FCA principles of "treating customers fairly". I hope that that is a full

response. I will look carefully over the points raised and write to individuals on any that have not been addressed.

Charlie Elphicke

This has been a really positive and wide-ranging debate. I thank colleagues in all parts of the House, especially the hon. Member for East Lothian (Martin Whitfield), who helped me secure the debate from the Backbench Business Committee. I thank the all-party parliamentary group on fair business banking, which has worked tirelessly on this, and the all-party parliamentary group on mortgage prisoners, which has also worked very hard. I thank all the members of the public in the gallery today, many of whom have come from far away to make their representations. It has been incredibly positive debate—a wide-ranging discussion on the ways in which the behaviours of the banks are unacceptable. Colleagues have asked: “Why have we let them get away with it? How can people not afford to pay less?” Colleagues have also said that unregulated vulture funds such as Cerberus should not be allowed to hold mortgages. The case was made for mortgages to be regulated and for small business borrowers to be better protected. It is time for a new covenant of fairness for borrowers. My hon. Friend the Member for Camborne and Redruth (George Eustice) advocated better protection from repossession. Finally, I welcome the comments of my hon. Friend the Economic Secretary. He has asked the Treasury and the FCA to help mortgage prisoners, including those with a good repayment history and who have made repayments over many years, to get early parole—to enable them to switch to new mortgages. That is a positive step. Nevertheless, the mood of the House suggests that the behaviour of some of these vulture funds is such that the protections that my hon. Friend claims are in place are not necessarily good enough and that a full mortgage regulation should be held by the Government as a backstop, to be brought forward should the industry not mend its ways and give freedom to the mortgage prisoners.

Question put and agreed to.

Resolved,

That this House notes that the practice of selling mortgages and unregulated commercial loans to unregulated funds has been creating mortgage prisoners, exposes businesses to asset stripping and threatens to continue to create further mortgage prisoners and risks to businesses; is concerned that mortgage prisoners are being exploited by such unregulated funds by being kept on high standard variable interest rates and therefore denied the opportunity to take advantage of historically low interest rates or fix their mortgage interest payments to gain certainty over their mortgage payments; is further concerned that businesses continue to be exposed to asset stripping; further notes that many of those unregulated funds pay little or no UK tax while depriving citizens of opportunities and in many cases their homes; believes that HM Treasury should immediately require that HM Treasury and the Bank of England should take all possible measures to ensure that mortgage prisoners are given access to new deals and fixed interest rates, and that banks cease discriminating against mortgage prisoners by offering them less favourable mortgage terms; further considers that the Government should expand the scope of FCA regulation to include all mortgages and all unregulated purchasers of mortgages; and calls on HM Treasury and the Bank of England to hold an urgent inquiry into the sale of mortgage and commercial debt by any financial institution to any unregulated entity, with the findings of such inquiry to be published.