COLÓQUIO INTERNACIONAL
O ENDIVIDAMENTO DOS CONSUMIDORES
ACTAS
Introduction

This paper discusses some recent developments with respect to home ownership in Britain and suggests that they have potential relevance for understanding the likely direction of development in other European countries.

The paper is organised in three sections. First, it considers the expansion of home ownership in Britain and identifies the pre-requisites of sustainable or non-problematic owner occupation. Second, it identifies a set of developments which have resulted in the fragmentation and unravelling of the relationships and prerequisites that have traditionally sustained home ownership. As a result there has been a significant increase in unsustainable home ownership in the form of a growth in the incidence of over-indebted households and households who lose their property through the judicial process. At the end of 1998, 361 000 households were in default with their mortgage payments. During 1998, 33 840 households lost their homes due to an inability to pay. As will be discussed later, these figures are much higher than was the case in the early 1980s. The recent trend in the incidence of unsustainable home ownership in Britain will be considered along with the characteristics of those who are over-indebted and some comments made on the likely future direction of developments. In the third and final section the paper will consider the relevance of the UK experience for other European countries.

1. The expansion of home ownership in the UK

Currently 68 per cent of households in Britain (16 million) own their own homes of whom almost 11 million are in the process of buying them using mortgage credit. The period since 1979 has seen substantial growth in home-ownership. There were several key influences. Housing policy was explicitly committed to the expansion of owner occupation, in particular, giving tenants of state housing the 'Right-to-Buy' their accommodation at discounts that could exceed 30 per cent of the market value. Between 1981 and 1991, 1.4 million additional homes were added to the stock of owner occupied houses through this process. At the same time, local state housing providers (local authorities) were precluded from re-investing the proceeds of such sales in further rental property. There were also fiscal incentives to enter home-ownership in the form of tax relief on the first £30 000 of mortgage interest (MIRAS), although this has been successively restricted during the 1990s and was finally abolished in the March 1999 budget.

Realisation of the preference amongst the majority of British households to own their homes had, in the late 1970s and early 1980s, often been constrained by restrictions on access to credit. Legislation to allow financial de-regulation was passed in 1995 and this made a major contribution to meeting pent-up demand for home ownership. As the credit market became more competitive, lending criteria were relaxed and more households were able to buy their homes. The number of mortgage advances to first-time buyers in 1981 was 318 000, reaching a peak in 1986 of 619 000. Much of the expansion in home ownership was achieved by drawing in borrowers from the lower socio-economic groups who often had low paid jobs. Whereas in 1978 only 9 per cent of semi and un-skilled workers were home owners, by 1991, the figures were 42 per cent and 25 per cent. Currently, almost a third of mortgagors are in the bottom income decile.

2. The prerequisites of sustainable home ownership

Historically, there are two key factors that sustain the housing market and successful owner occupation in Britain; stable employment and an adequate safety-net. In particular, the nature of mortgage credit financing sets certain conditions. Households in Britain typically borrow over a