To: All Conservative MPs

Dear Colleagues,

**Government support on Cost of Living, Inflation and Mortgage Charter**

High inflation is bad for individuals, households, and the economy. It destroys the value of hard-earned pay, deters investment and negatively impacts on households cost of living.

That is why the Government has made it a priority to halve inflation this year, on the path back to the target of 2% CPI. Because if we're going to help families and relieve the pressure on people with mortgages, as well as businesses, we need to squeeze every last drop of high inflation out of the economy.

The IMF has already credited the UK for taking "decisive and responsible” action to bear down on inflation through combining independent monetary policy, responsible fiscal decisions supporting the most vulnerable and supporting the supply side of the economy. As we focus on getting inflation down, we will continue to ensure that fiscal policy remains aligned to monetary policy by controlling public sector borrowing. This will require continued discipline on public spending and tax policy.

High inflation is also shared challenge facing many economies around the world, and not just something the UK is facing. UK inflation was lower than in 9 EU countries in May, and over half (14) of EU countries have higher core inflation. However, given the inflation context, we have taken concrete action to bring inflation down by:

* Maintaining our constant support for the independent Monetary Policy Committee at the Bank of England as it takes action to return inflation to the 2% target.
* Active policy decisions that reduce inflation this year, including extending the Energy Price Guarantee and maintaining the 5p cut in fuel duty.
* Ministers are regularly discussing with food producers and supermarkets about the cost of food, and closely following the ongoing Competition and Markets Authority reviews of the groceries sector.
* Making responsible fiscal decisions that do not add to inflation and make the problem worse, including ensuring that medium-term fiscal policies such as public sector pay awards, be based on the expectation of full achievement of the inflation target. Increased borrowing would add to inflationary pressures and risk prolonging higher inflation.

We are keenly aware of the worries that mortgage borrowers may have about rises in their mortgage payments. In December 2022, I met with leaders of the UK’s major mortgage lenders, the Chair of the Financial Conduct Authority (FCA), and Martin Lewis of Money Saving Expert to discuss how lenders provide support for those who encounter problems paying their mortgage.

Since December the government has delivered its commitments, including:

* Making Support for Mortgage Interest easier to access – if you are on Universal Credit you can now receive help with your mortgage interest payments after three months of claiming the benefit
* Record levels of funding for the Money and Pensions Service to provide debt advice in England, bringing their debt advice budget to £92.7 million in 2023/24.

Last Friday I met again with the leaders of the UK’s major mortgage lenders, and the Chief Executive of the FCA. Following this meeting, lenders, including the nation’s largest, the FCA, UK Finance, the Government and others including the Building Societies’ Association have come together to provide borrowers with a new Mortgage Charter to give borrowers the necessary reassurance and support through these difficult times. The Charter provides that:

All lenders have agreed:

* Anyone worried about their mortgage repayments can contact their lender for help and guidance, without any impact on their credit file and we would encourage you to contact your bank who are there to help.
* Support for customers who are up-to-date with payments to switch to a new mortgage deal at the end of their existing fixed rate deal without another affordability check.
* Lenders will provide well-timed information to help customers plan ahead should their current rate be due to end.
* Lenders will offer tailored support for anyone struggling and deploy highly trained staff to help customers. This could mean extending their term to reduce their payments, offering a switch to interest only payments, but also a range of other options like a temporary payment deferral or part interest-part repayment. The right option will depend on the customer’s circumstances.

Signatories to this Charter have agreed:

* From 26th June, a borrower will not be forced to leave their home without their consent unless in exceptional circumstances, in less than a year from their first missed payment.
* With effect from 10th July customers approaching the end of a fixed rate deal have the chance to lock in a deal up to six months ahead. They will also be able to manage their new deal and request a better like for like deal with their lender right up until their new term starts, if one is available.
* A new deal between lenders, the FCA and the government permitting customers who are up to date with their payments to:
* Switch to interest-only payments for six months or
* extend their mortgage term to reduce their monthly payments and give customers the option to revert to their original term within 6 months by contacting their lender

These options can be taken by customers who are up to date with their payments without a new affordability check or affecting their credit score. Customers who are currently in arrears should continue to work with their lender for the support that they need.

In addition, UK Finance, the trade association for mortgage lenders, will be introducing a communications campaign to ensure customers know what to expect when they need support from their lender.

We have also recognised the impact of inflation on households cost of living. The government has taken action to protect struggling families by announcing one of the largest support packages in Europe, supporting households with help for higher bills totals £94 billion, or £3,300 per household on average, across 2022/23 and 2023/24.

The government has also targeted support at the most vulnerable, including renters:

* This year and last, direct cash payments were made to more than 8 million UK households on eligible means tested benefits, 8 million pensioner households and 6 million people across the UK on eligible disability benefits.
* We have also extended the Household Support Fund, bringing total funding for this support to £2.5 billion. This allowed Local Authorities to provide crisis support to vulnerable households, such as through supermarket and food bank vouchers.
* This comes on top of uprated benefits and pensions by 10.1%, in line with inflation. This £11 billion increase in welfare payments has helped protect those relying on the state for their income.

While we have been taking this decisive action to support households – Labour’s policies would simply harm the economy. Keir Starmer and the Labour Party’s plans to borrow £28bn a year, ban new oil and gas licenses and agree inflation-busting pay settlements with the unions would simply make inflation worse and put pressure on the Bank of England to raise interest rates further.

We need to stick to our plan to get inflation down and help to ease the pressures people are facing.



**RT HON JEREMY HUNT MP**

Chancellor of the Exchequer