

Finalised Guidance

FG26/11 The Financial Policy Committee's recommendation on loan to income ratios in mortgage lending: General Guidance

October 2026

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THE FINANCIAL POLICY COMMITTEE'S RECOMMENDATION ON LOAN TO INCOME RATIOS IN MORTGAGE LENDING:

GENERAL GUIDANCE

A. Application and interpretation

Status of guidance

1. This is general guidance given under section 139A(1) of the Financial Services and Markets Act 2000.
2. The implementation of the Financial Policy Committee's (FPC) new recommendation on loan to income ratios continues to advance the *FCA's* market integrity objective as it continues to lead to macroeconomic stability by reducing the chance of an unsustainable credit boom, which in turn leads to a more sound, stable and resilient financial system. Doing so is also compatible with the *FCA's* strategic objective to ensure that the relevant markets function well.
3. This guidance sets out the *FCA's* expectations to implement the FPC's high LTI (Loan to Income) recommendation published on 9 July 2025. The FPC made

the recommendation that the PRA and FCA amend implementation of its LTI flow limit to allow individual lenders to increase their share of lending at high LTIs while aiming to ensure the aggregate flow remained consistent with the limit of 15%.

4. The guidance initially issued on 1 October 2014 (FG14/8) and revised on 27 February 2017 (FG17/2) and 11 July 2025 (FG25/4) is revoked and replaced by this guidance.

Application

5. This guidance applies to a *firm* with *Part 4A permission* that includes *entering into a regulated mortgage contract* as lender, except if it is:
 - (1) a *bank*;
 - (2) a *building society*;
 - (3) a *subsidiary undertaking* of a *bank* or *building society* with *Part 4A permission* that includes *entering into a regulated mortgage contract* as lender;
 - (4) an *insurer*;
 - (5) a *friendly society*; or
 - (6) a *credit union*.
6. This guidance applies to an *overseas firm* only in relation to activities carried on from an establishment in the *United Kingdom*.

Exclusions

7. The following are excluded from the expectation on high loan to income lending set out in this guidance:
 - (1) *further advances*;
 - (2) *lifetime mortgages*;
 - (3) *regulated mortgage contracts* that are not a *first charge legal mortgage*;
 - (4) *re-mortgages with no change to the principal sum outstanding*; and
 - (5) *retirement interest-only mortgages*.

Interpretation

8. Interpretative provisions (including definitions in the *Glossary*) of the *Handbook* apply to this guidance in the same way they apply to the *Handbook*, except where a definition is otherwise provided in paragraph 10 that definition applies for the purpose of this guidance.
9. Where an expression in italics is not defined in the *Glossary*, it has the meaning given in paragraph 10.

Glossary of terms defined in this guidance

10. For the purpose of this guidance, the following definitions apply:

<i>aggregate flow</i>	the market aggregate <i>high LTI flow</i> figure as calculated by the <i>PRA</i> and <i>FCA</i> , and published by the <i>PRA</i> on its website each quarter.
<i>credit</i>	the cash loan provided by a <i>firm</i> under a <i>regulated mortgage contract</i> : (a) at the time the <i>regulated mortgage contract</i> is entered into; or (b) drawn down at a later date.
<i>de minimis threshold</i>	entering into, during both of the two most recent consecutive sets of four <i>quarters</i> : (a) <i>regulated mortgage contracts</i> under which the total <i>credit</i> provided was less than £150 million; or (b) fewer than 300 <i>regulated mortgage contracts</i>.
<i>further advance</i>	a further loan to an existing borrower of the <i>firm</i> and which is secured on the same property, whether under a new <i>regulated mortgage contract</i> , or by variation to an existing <i>regulated mortgage contract</i> .
<i>high LTI flow</i>	the percentage share of new <i>regulated mortgage contracts</i> within scope of this guidance that constitutes <i>high LTI lending</i> in a given set of four consecutive <i>quarters</i> .
<i>high LTI lending</i>	the <i>high LTI mortgage contracts</i> which a firm enters into.
<i>high LTI limit provisions</i>	Paragraphs 17 to 23 of this guidance.
<i>high LTI mortgage contract</i>	a <i>regulated mortgage contract</i> under which the <i>credit</i> provided by a <i>firm</i> to an individual, or individuals jointly, is at, or exceeds, the <i>LTI ratio</i> .
<i>income</i>	the gross annual income, before tax and other deductions, of an individual taken into account by a <i>firm</i> to calculate the <i>credit</i> it will provide under a <i>regulated mortgage contract</i> .

<i>legal mortgage</i>	includes a legal charge, and in Scotland, a heritable security.
<i>LTI</i>	Loan to <i>income</i> .
<i>LTI ratio</i>	a multiple of 4.5 times an individual's <i>income</i> or individuals' joint <i>income</i> , at the time at which that <i>income</i> is assessed by a <i>firm</i> for the purpose of entering into a <i>regulated mortgage contract</i> with the individual or individuals.
<i>quarter</i>	any of the four calendar quarters of each calendar year.
<i>regulated mortgage lending</i>	the <i>regulated mortgage contracts</i> which a <i>firm</i> enters into.
<i>re-mortgage with no change to the principal sum outstanding</i>	a <i>regulated mortgage contract</i> in respect of which the following conditions are met: (a) the amount of <i>credit</i> provided under the <i>regulated mortgage contract</i> does not exceed that outstanding to: (i) the <i>firm</i>; or (ii) a different lender, under a previous <i>regulated mortgage contract</i>, or any other type of contract under which the obligation to repay the <i>credit</i> provided is secured by a <i>legal mortgage</i> on <i>land</i>; and (b) in determining the amount of <i>credit</i> provided, no account is taken of: (i) arrangement fees; (ii) professional fees and costs; and (iii) administration costs.

B. Guidance to firms

The de minimis threshold

11. Firms should determine (on an ongoing basis) whether their *regulated mortgage lending* levels exceed the *de minimis threshold*.
12. In this guidance, two consecutive sets of four *quarters* is computed as follows:
 - a) a new set of four *quarters* starts at the beginning of each new *quarter*; and
 - b) the four *quarters* in each set run consecutively.

13. The *high LTI limit provisions* apply to *firms* whose *regulated mortgage lending* levels exceed the *de minimis threshold*.
14. Where a *firm* exceeds the *de minimis threshold*, the *high LTI limit provisions* apply from the start of the second *quarter* following the end of the final *quarter* relevant to the determination that the *firm* exceeds the *de minimis threshold*.
15. Once applicable, the *high LTI limit provisions* will cease to apply if the *firm's regulated mortgage lending* levels fall below the *de minimis threshold*. The *firm* should then continue to monitor *regulated mortgage lending* levels in accordance with paragraphs 11 and 13.
16. Where more than one *firm* within a *group* exceeds the *de minimis threshold*, references to 'a *firm*' in the *high LTI limit provisions* should be interpreted as applying to the *group*. Only *firms* above the *de minimis threshold* would contribute to the *high LTI flow* calculation of the *group*.

High LTI limit provisions

17. *Firms* should not operate on the basis that they can permanently maintain a *high LTI flow* of more than 15%. *Firms* should act in accordance with and have regard to the *FCA's* expectations set out in this guidance. Temporary supplemental *LTI* guidance may also be issued by the *FCA*.
18. A *firm* should:
 - a) notify the *FCA* if it intends to change its lending strategy in order to increase its *high LTI flow* above 15%;
 - b) monitor its own *high LTI flow*;
 - c) monitor the *aggregate flow*;
 - d) monitor for the publication of *FCA* temporary supplemental *LTI* guidance; and
 - e) ensure:
 - i. it is able to make adjustments to reduce its *high LTI flow* if the *FCA* issues temporary supplemental *LTI* guidance; and
 - ii. its governing body approves and has effective oversight of the *firm's* strategy for ensuring compliance with subparagraph (i).
19. If, at any point, the *FCA* and *PRA* judge that:
 - a) the *aggregate flow* is at a level inconsistent with the *FPC's* 15% limit; and
 - b) adjustments are necessary in order to ensure the *aggregate flow* becomes consistent with the *FPC's* 15% limit; thenthe *FCA* will set out (via temporary supplemental *LTI* guidance) how it expects *firms* with a current *high LTI flow* above 15% to gradually reduce their *high LTI lending*.

20. The rate at which firms are expected to reduce their *high LTI flow* by will be expressed as a fraction, to be applied to the amount their individual *high LTI flow* exceeded 15% in the data available prior to announcement. The fractional reduction will be calculated at the point of announcement and will apply for each successive future quarter, until such time the FCA considers no further adjustment is necessary. The expected adjustment each quarter is based on the reduced excess above 15% expected in the previous quarter, so the percentage size of each adjustment decreases over time. In determining the fractional rate of adjustment, consideration will be given to the latest available data, supervisory intelligence and any known external market factors. For example, the announcement may communicate:

The PRA and FCA expect that any firm, or group where applicable, that has most recently measured high LTI flow in excess of 15% on a four-quarter basis should take action to reduce its future high LTI flow, initially measured at the end of [a given quarter], by [e.g. one fifth] of the amount its most recent measure exceeds 15% and again by [e.g. one fifth] in each consecutive quarter until its flow measure is equal to or less than 15%, or these expectations are amended or withdrawn, whichever occurs sooner.

21. A firm subject to FCA temporary supplemental LTI guidance should take the necessary steps to reduce their individual future *high LTI flow* in accordance with that guidance. This adjustment expectation applies only to future lending decisions; firms will not be expected to withdraw existing approved mortgage offers.
22. While temporary supplemental LTI guidance has effect, firms with a current *high LTI flow* at or below 15% are expected not to increase their flow above 15%.
23. When the FCA and PRA consider that the *aggregate flow* has returned to being consistent with the 15% limit, the FCA will set out that firms are no longer expected to make adjustments and withdraw the temporary supplemental LTI guidance.

C. Calculation and publication of aggregate flow

24. The PRA and FCA will calculate the *aggregate flow* which the PRA will publish on its website each quarter.
25. This *aggregate flow* figure will be calculated using the FCA's Product Sales Data (PSD). The PSD reporting periods are the four calendar *quarters* of each year beginning on 1 January. The *aggregate flow* figure will be calculated on a quarterly basis and updated on the webpage within a reasonable time following the submission of the data.
26. The calculation of the *aggregate flow* will be based on *regulated mortgage contracts* (subject to the exclusions set out at paragraph 7) originated by firms above the *de minimis threshold*.
27. If the reported data is revised and there is a material change to the *aggregate flow*, the PRA will update the figure. The FCA will consider whether any changes are required as a result of the revision and, if so, update any temporary supplemental LTI guidance.

D. Monitoring

28. The *FCA* will use product sales data returns to monitor which *firms* exceed the *de minimis* threshold.
29. The *FCA* will use product sales data to monitor the *aggregate flow* and individual *firm high LTI flows*, and this will form part of considerations for supervisory engagement.
30. The *FCA* will monitor a *firm's* compliance with the expectations set out in this guidance and any temporary supplemental *LTI* guidance.
31. Where a *firm* is subject to, but has not acted in accordance with the expectations set out in this guidance and/or any temporary supplemental *LTI* guidance, the *FCA* may consider using its supervisory powers. It could, for example, exercise its powers under section 55L of the *Act* to require a *firm* to cease entering into *high LTI mortgage contracts*.