

Written Submission 2.12

Reference: States Home Loan Deposit Scheme

Submission

Dear Sir/Madam

Over the past 20 years housing and its affordability has never been far from political comment it is a guaranteed vote winner when a sitting politician or prospective candidate brings forward “new” proposals that bring hope to many low income families. The reality of the housing market is very different to perceived expectations; state’s policy along with life style choice is a major factor in people’s inability or ability to save a substantial deposit for a home.

It is not the states responsibility to provide taxpayer’s money as a deposit to buy accommodation. It is the responsibility of the purchaser to save. In many cases taxpayer’s themselves have saved for 10 years or more to put down the necessary deposit to purchase a property and have made many financial sacrifices along the way. If a deposit scheme is approved by the states it will be the same person having to pay for their own mortgage whilst subsidising someone else who may not have had the same drive and financial commit to save a deposit. They are now expected to provide the deposit for their own home as well as other people’s in the form of increased taxation. This is a ludicrous proposal.

The reality is that some people will never be able to afford to buy a house or even an apartment. The problem Jersey faces is not unique in the world; the cost of living is high here just as it is in London where the price of property is on par with and in many cases higher than Jersey. That is the effect of a free market. And something the states should not interfere with.

The idea that hard earned taxpayer’s money should be used to subsidise the huge profits of the construction industry is extremely distasteful and an insult to the many hundreds of taxpayers that have saved up a deposit and made financial sacrifices to achieve their own aims of buying a home in the private sector. With many being forced into this position many years ago when the housing department removed all single Jersey born people on the then housing list.

It must also be noted that we do not live in a communist society whereby everyone works for the greater good of the government and everyone else for that matter. Although some people would think this is now the case in Jersey. People make choices in life on what they spend money on; it would be naïve to think that people who have not bothered to save a deposit have done so due to financial circumstance beyond their control. Many have had new cars, holidays, i-phones, etc and then expect to be given a house to live in. People need to be told the facts of life, nobody owes them a living and if they want something they must make sacrifices work hard and save for it.

The States of Jersey should not be encouraging the social attitude that someone else should be paying for them; under no circumstances should taxpayer’s money be used for this purpose. This seems to be the main thrust of all states policies at the moment, the taxpayer must pay for everything. People are always expecting to use taxpayer’s money for purposes that it was not intended for.

States Borrowing Money

The idea that the government should borrow money to pay for social housing or to give loans for housing is preposterous. It is exactly this sort of thinking that produced the collapse of the sub prime market in Florida in 2008. People were sold homes that they could not afford and given mortgages that they never had a hope of repaying. This is exactly what Senator Ozouf is trying to do with this proposal.

It is ironic that it is Senator Ozouf supporting this proposal when it is his tax policies that have produced this situation in the first place. If taxes were reduced people would have money to save for a deposit, as our present Treasury Minister Senator Ozouf has systematically increased taxation to an unacceptable and unsustainable level over the past 8 years he has caused the present situation Jersey is now in.

Why is the Treasury Minister trying to lend taxpayers money to people who do not fulfil the criteria for a mortgage from professionals such as the banks? The idea that government should provide money towards over priced property is being pushed by the many empty over priced apartment's and houses that we now see on the property market. It was the states themselves that encouraged the building of supposedly "low cost affordable" accommodation and invited these companies to Jersey. They then started to build "luxury apartments" on our waterfront instead of affordable homes for people.

Affordable being the average wage multiple. If these properties gave good value for money and were affordable to people on an average wage they would all be sold. The fact is they are not. Why was this situation allowed to happen in the first place? States policies have caused this situation and now want taxpayers to pay for it. These companies have done nothing but push up prices over the past 10 years. Whilst everywhere else in the world property prices have dropped considerably and are now stabilising to an affordable level for people to buy again.

It is states policy that has caused the present situation in the housing market, why should taxpayer's money be used to prop up a housing market that has been over inflated for years and does not give the purchaser value for money. In many case parking spaces have not been included in the purchase price of apartments and have been sold as an "extra" at an additional cost of anything up to £20,000. The cost for many people is far too high; along with this additional cost is the maintenance charges that can range from £2,500 per annum up to £4,500. This must also be factored into any purchase price when buying a property.

The states shared equity scheme has done nothing but keep prices up when it is the lowering of prices that should be the states fore most concern. The states should not be lending money to keep prices up at an unsustainable level and artificially inflating prices.

First Time Buyers

For years first time buyers have been given preferential treatment over and above that of the private sector.

One of the worst loop holes that has still not been stopped and has been going on for decades is the ability of a supposedly first time buyer (the criteria was changed to allow people who had owned share transfer and flying freehold) to buy a freehold property for an extremely low figure of say £275,000 they would then be able to sell it on to another first time buyer for £475,000 making an extortionate profit. For many people that is the overriding factor in buying a cheap property in the first place.

The builder having been forced by states policy to sell it cheaper than market value only for the purchaser to make a huge profit on it. This on going policy is unacceptable. Life style choice is a major factor in people's inability to save a substantial deposit for a home. It is not the states responsibility to provide taxpayer's money and provide this deposit for them. The reality is that some people will never be able to afford to buy a house as has always been the case.

Social Housing

Having spoken to many people who have bought property as first time buyers, the danger of creating an underlying resentment to people in subsidised social housing is very real. This is not a fault on either party but that of states policy. It could be perceived that to have a mixed quota of heavily subsidised social rented and/or purchased housing living alongside first time buyers who have saved and purchased privately will create a degree of financial resentment.

States policy is such that you could have one family living next door to someone who is heavily subsidised with taxpayer's money whilst they are struggling to pay their own mortgage. This is also holding builder's back when deciding to build first time buyer accommodation.

Conclusion

I would like to make it very clear to the scrutiny process that I do not under any circumstances support the introduction of a “**deposit loan scheme**” using taxpayer’s or borrowed money and would like to recommend the following proposals instead:

1. A states loan scheme that should be open to eligible genuine “first time buyers”. Using the £5 million earmarked for the economic development fund would provide the seed capital for this. This would be considered a low risk investment rather than high risk as presently proposed.
2. States loan scheme should be available to all available properties flying freehold, share transfer, freehold.
3. Prospective purchasers may fall into the following categories: single person, married couple, civil partnership, or co-habit.
4. Purchasers who qualify may not have previously owned property in the UK, Jersey or the rest of the world.
5. Deposits are required to secure all states loans. This is the responsibility of the purchaser not the states.
6. Purchasers may only sell back to first time buyers with cost of living increases applied to the property. This will stop massive profits being made out of taxpayer subsidised mortgages. And is accepted as part of the “affordable criteria” for lending.
7. The percentage for art scheme should be scrapped and builder’s encouraged to take on apprentices instead.
8. Future social housing should be separate from states loan housing developments.

Yours Sincerely

Roy Travert