

STATES OF JERSEY

Health, Social Security and Housing Panel Housing Transformation Programme

THURSDAY, 5th JULY 2012

Panel:

Deputy K.L. Moore of St. Peter (Chairman)

Deputy J.G. Reed of St. Ouen

Senator A. Breckon

Deputy J.M. Le Bailly of St. Mary

Witness:

The Mortgage Shop

Also present:

Ms. F. Scott (Scrutiny Officer)

[13:29]

Deputy K.L. Moore of St. Peter (Chairman):

Good of you to come in this morning.

The Mortgage Shop:

Thank you for asking me.

The Deputy of St. Peter:

You have experienced Scrutiny Panel before, have you?

The Mortgage Shop:

Yes.

The Deputy of St. Peter:

For the record, we will get started by introducing ourselves. I am Deputy Kristina Moore, the Chairman of the panel.

Deputy J.G. Reed of St. Ouen:

Deputy James Reed, panel member.

Deputy J.M. Le Bailly of St. Mary:

Deputy John Le Bailly, St. Mary, panel member.

Senator A. Breckon:

Senator Alan Breckon, panel member.

Ms. F. Scott (Scrutiny Officer):

I am Fiona Scott, Scrutiny Officer.

The Deputy of St. Peter:

If you would be kind enough to introduce yourself as well please?

The Mortgage Shop:

Peter Seymour, I am the Managing Director of Henley Offshore Financial Services Limited, which trades as, among other things, the Mortgage Shop.

The Deputy of St. Peter:

Thank you. I believe you have some experience working in the social housing sector or in the Housing Department itself some time ago; could you be kind enough just to set the scene by describing the roles that you held there and your experience?

The Mortgage Shop:

Yes, it was probably one of the best times of my life, a great experience, and I started off in life as a conveyancer with a large legal organisation and was recruited to join Rodney Baudains and Laurie Huelin who were 2 quite famous personalities at the time, at the States Land Office, and we were commissioned by various committees, principally Housing and Island Development, to acquire sites for, among other things, social housing, and also the States' land developments and road-widening schemes. You name it, we went out and purchased it. It was a very fulfilling experience because I was responsible for assembling the sites of the old slum areas, which were described as slum areas, now they would probably be called the Vieux Quartiers of the town, and I have no joy in saying I was probably responsible for being involved

with the destruction of these Vieux Quartiers, the true heart of the town. These were in Ann Street, Providence Street, Charles Street, around that area, where Ann Court and De Quetteville Court were constructed. It is going back a while, they have since been flattened, many of them. Also in the area of Hue Street, Dumaresq Street, Old Street and areas like that, where we now see Hue Court and other developments constructed. It was very fulfilling because it gave me the opportunity of acquiring the properties and assembling the sites. Then I was invited to join Ralph Robbins, who was the then Housing Officer, Chief Executive of Jersey Housing, and my role was to manage all the properties, which were owned by the department. In those days I think we had about 4,800 units altogether spread all over the Island, houses, flats, and goodness knows what. I was then given the opportunity of producing the design brief for all new developments which was approved by the Housing and Island Development Committees, seeking the funding, a very large budget was available from the capital resources, in those days, and eventually putting everything together and presenting the final schemes to the various committees for approval. Once complete, the projects then became my responsibility to allocate, manage, maintain and so on and so forth. It became far too highly charged politically and I ran screaming from the whole setup in late 1988 and setting up the Mortgage Shop a while later. That too was a very fulfilling experience all the same because uniquely I was able to acquire sites and then see them developed and then manage them afterwards, and that is really my role, which I enjoyed for 14 years.

The Deputy of St. Peter:

It sounds like quite a dynamic time where you feel that you have achieved a lot in what is a relatively short period of time. Why do you think that was, that you were able to achieve so much? What was it about the environment at the time, political involvement?

The Mortgage Shop:

There was a very, very strong political desire to provide those members of the population who needed housing a decent roof over their head; there was an awful lot of awful accommodation, which people were being rehoused from, mainly in the private sector. Also schemes or developments, which had been acquired by the States with tenants in, and so the States were then even more responsible for rehousing them

once these people became their responsibility. Yes, there was a very, very strong political will, and also there was an awful lot of cash that was available in the coffers as well in those days, which one does not really see much of these days. So a lot of money was available. I remember at one stage I had 17 different projects under build at the same time, which was producing an awful lot of accommodation for people. The waiting list was much, much larger and I believe also that the people on the waiting list were a lot more vociferous than they perhaps are now, supported by one or 2 politicians and various other people who helped fan the flames.

The Deputy of St. Peter:

Do you remember roughly how many people would be on waiting lists at any one time?

The Mortgage Shop:

There were a couple of thousand on the list in those days, yes.

Senator A. Breckon:

Was it a political thing that, Peter, the number of people on the waiting list, do you think, to get people to make things happen; was that part of the process?

The Mortgage Shop:

I think there was an overall desire frankly for the States to come up with the goods. The buck had to stop somewhere and that buck was with the States. Combined resources predominantly of I.D.C. (Island Development Committee) and Housing were the 2 committees who were responsible for this and who grasped the nettle and went ahead and did it.

Senator A. Breckon:

You say there was a lot of cash; could you give us some idea of the sort of money you were paying for sites; can you remember any of that or not?

The Mortgage Shop:

Paying for sites; I think it would be very misleading to give any indication of what we were paying. Remember, many of the sites were not brownfield sites or anything like

that, except obviously for States loan dwellings, obviously, which were a completely different part of the equation, but much of the property, which we were purchasing, was old shops and houses and little 2-ups and 2-downs, tumbledown properties, courtyards with lockup garages in, courtyard developments with cottages all gathered around 2 sides and 2 toilets at the bottom and a pump in the middle. There was some very, very rough accommodation in those days that many people, who I think are currently on the waiting list, do not know they are born in relation to what people were suffering from in those days.

Senator A. Breckon:

Would you say the climate was better for getting deals together, because obviously you were able to buy up what it was? Was the States seen as preferred buyer or did you have to use compulsory purchase orders?

The Mortgage Shop:

The climate was totally different. Many of the people who owned property, which we wanted to purchase, were very willing to get rid of it because it was in such a parlous state, and anything that people did not want to part with then we exercised compulsory purchase laws very, very easily and very, very readily. These were, I recall, exercised by the I.D.C. of the day; they were the ones who were the acquiring committee.

The Deputy of St. Peter:

What do you think has changed today? You mentioned already the financial climate.

The Mortgage Shop:

I think that it was a sad mistake on the part of the States to sell off the family plate. I feel that it will cause an ongoing problem having the occasional owned property sitting in the middle of what is essentially tenanted housing estates. The classic examples, I guess, are Grasett Park and the old Elysee, Oak Gardens and Oak Walk I think, but there are 8 out of I do not know how many hundred units, which have so far been sold off. This does cause issues on both sides, resentment on the part of the owner/occupiers who do not like to see dumped cars outside their doorsteps and have the sound of screaming children, misbehaved and unsupervised, outside in the streets

until late at night. That is one classic example I think of Oak Walk. At Grasset, probably the same applies; very few houses have been sold down there. It does cause a major social issue. Not only that, also it causes a major issue from an administrative and a legal point of view. The Law Officers of the Crown who are responsible for drawing up the draft deeds of sale had an absolute nightmare because, if you have one house in the centre there, surrounded by everything else which remains in public ownership, to create a title to that is unbelievably difficult. One has also to ensure that all servitudes are created, rights of access and things, they have to run services and things there, it causes an absolute nightmare and I really do not think it is working. However, having said that, when the Housing Committee undertook the development and the sale of houses down at Le Squez, one section, which is in the north-eastern corner of the development, and I think there probably must be about 45 to 50 houses there; we did just about every single mortgage on those. That has been an unqualified success because one has created a totally new environment where people all have similar interests and have bought up what was previously an absolutely awful estate into something where people show a lot of pride, and certainly the pride of ownership, which is fundamental to the success of any project like that, has washed off on to the tenants in the areas around, who also have been moved into newly refurbished or newly built properties. Down there that has been very successful. Piecemeal sale though I do not think works and I think also that, rather than selling off properties on the estates I have mentioned, it would be far better to retain them to try to satisfy the demands of the waiting list.

The Deputy of St. Peter:

How else would you see the Island satisfying the demands of the waiting list? Would you, for example, propose that we carry on with building more social housing?

The Mortgage Shop:

Clearly more social housing does have to be constructed. I do not believe that an answer is relying upon the private sector to provide accommodation; because all one is doing is allowing landlords to talk up rents; that achieves nothing, absolutely nothing at all. Although, by the same token, those landlords are also charged with the responsibility of maintaining those properties, and something that the States as a very large landlord will always find a most difficult task. We attempted to overcome it by

building to the highest possible quality and highest possible standard, using the best-quality materials wherever we could, but that still did not prevent the very sad loss of many of the units in places like Clos Gosset, Les Cinq Chenes, some of the rows of houses at Le Squez, which were all built very much on a shoestring before we were able to introduce much higher standards of build and finish. So, yes, I believe that the way forward is for the States to grasp the nettle and to provide accommodation, but for God's sake stop selling it off as soon as it has been built. There will always be a demand for social rented housing; it is inevitable there will be. Hang on to it.

The Deputy of St. Mary:

Do you feel that we lack regulation with regard to the social and private sector in rental?

The Mortgage Shop:

I think that there is an awful lot of abuse of the system in all areas, especially in regards to the provision of subsidies. Certainly in my experience as States landlord for 14 years is that many people were really taking the rise out of the States and continue to do so. I knew this especially because when I became gamekeeper turned poacher and set up my own mortgage brokerage, I was inundated with droves of tenants who came to see me who had suddenly miraculously found £50,000 or £75,000 under the bed and were wanting to buy investment properties principally in Spain and France. It was something that even I was very surprised about, I did not realise the scale of abuse was to that extent. I am probably approaching this from a bit of a machinegun pace, because I am thinking probably faster than I am speaking at the present moment, but the other area I think that is very, very important is that as long as the States provide not a private sector but a public sector rebate scheme, this acts as a disincentive to States tenants to get out and get a proper job, something that I have always been very keen on, and while the husbands will probably work at a full-time job, if overtime is offered to them they probably cannot be bothered, and certainly with the women, they will just go out and pay lip-service to working part time rather than full time, because they know damn well that if they work full time or take overtime that the cost of their rent is going to go up. So they are really just adjusting their incomes to the minimum that they need to survive on the lowest possible subsidised rent in the public sector.

The Deputy of St. Peter:

How would you change that provision of rebates, because surely some assistance has to be given in some way; because that is the point of social housing?

The Mortgage Shop:

Police it far more strongly; Social Security I think have introduced their own officers to police the system, and I really believe that the States, with housing, rather than pussy-footing around with these, should really grasp it by the nettle. Terry Le Main was very keen to do so, but I do not think he had the staff who really had the desire or necessarily the time to go out and do this, but it is very easy, once you get into an estate and once you start getting the confidence of the people living there, to soon pick up all the gossip that is going on and you soon realise what is going on.

[13:45]

If you keep a close eye on the quality of cars and the way people dress and their habits and things like that, it is snooping, but let us face it, it is taxpayers' money. Taxpayers' money is at a premium and it needs to be safeguarded at all costs.

The Deputy of St. Mary:

Do you think, if we were to remove the unqualified category from the rental housing, that would balance rents more fairly, in respect that there would not be such a demand, so the landlords could not charge over the top?

The Mortgage Shop:

In reality it would appear, however, that unqualified and qualified rental accommodation, if the accommodation is good, there is not a massive difference between the 2. It is only really the serviced accommodation in lodging houses and things like that where there is obviously quite an abuse. But in answer to your question, yes, if one could achieve that then certainly it would result in there being a far more even level, a far more standard level of rents being charged. How on earth one could achieve that is another matter because, in doing so, one would presumably be discouraging the arrival of new labour into the Island at a time when the Island

should really be encouraging businesses to expand to overcome the recession. You do not necessarily overcome a recession by achieving savings; you overcome a recession by encouraging growth, and this is something I think many governments are probably having difficulty in getting their heads around. Certainly for those businesses that are able to grow freely without restraints and without too much interference from States bodies, which is currently what is happening, then the Island would be in a far better position to offer more jobs to local people. The people taking those jobs should really be initially the States tenants who are currently underworked and underemployed. There is a huge resource of labour in the Island, which is completely untapped as a consequence, because as a result one is seeing an awful lot of people coming from outside the Island who do not really need to do so.

The Deputy of St. Ouen:

Previously you seemed to agree that more social housing should be constructed but who do you think should qualify for social housing?

The Mortgage Shop:

It has to be on a means test, and that means test is either financial or through health. Financial, health or numbers in the family, those really are the 3 basic requirements.

The Deputy of St. Ouen:

What supports your view that we need more social housing?

The Mortgage Shop:

That would support my view that we need more social housing, yes, because not everybody enjoys the benefits or the advantages of full-time employment or good health.

The Deputy of St. Ouen:

What role do you see the housing trusts playing in provision of social housing into the future?

The Mortgage Shop:

Providing exactly the same role as currently provided by the States of Jersey through the Housing Department and the trusts, but in a far more efficient manner and by adopting a far stronger attitude in the policing, initial allocation of accommodation, and the subsequent policing. I hate to use the word “policing”, it sounds draconian, but if people are abusing the system to the extent, which I think we all agree they are, then something has to be done about it.

The Deputy of St. Ouen:

So you are saying that the housing trusts need to become tougher?

The Mortgage Shop:

Yes.

The Deputy of St. Mary:

So basically we are back to lack of regulation.

The Mortgage Shop:

Yes.

The Deputy of St. Mary:

That seems to be the consensus of everyone so far.

The Deputy of St. Peter:

Would you generally support the structure that is put forward in the White Paper?

The Mortgage Shop:

I do indeed, yes. The thing is not working at the present moment and it needs to be completely reinvented and start all over again with some very great leadership and some very proactive members of the team.

The Deputy of St. Peter:

It is interesting you mention leadership there because the previous person we spoke to insisted that we need to keep a Minister at strategy level to make sure that there is due importance given to housing strategy and housing Islanders, which is essentially one

of our main priorities in the Strategic Plan as well. So what would you say about that? Would you say that leadership should come from a Minister or from an officer or an independent body?

The Mortgage Shop:

There is a role for politicians to play and there is a role for senior civil servants or directors to play as well. I always remember a classic example, when I was a civil servant, the most successful department that ever seemed to run in those days was the Education Department, headed up by the Chief Officer, a chap called John Rodhouse, and the committee were terrified of him. He ruled the committee and they just rubberstamped everything and he fortunately was a very astute individual who knew what was needed for the department and they went along with it. But it does show that you do not necessarily need to have a Minister involved in the day-to-day running of things. I remember in the past, certain chairmen of various committees take it upon themselves, once they have their feet under the table, to visit their departments and get involved in opening the mail every day, and this is absolutely ridiculous. Civil servants are there to run everything up to a very high level and the politicians and Ministers are there to rubberstamp everything, so long as it is being done properly and astutely and correctly and within financial guidelines and things like that. They should not be involved in the day-to-day running and, if things are being run properly, they should only perhaps meet their Chief Officer once a month or something like that, unless it is necessary to start changing or implementing a strategy or new regulations or something like that.

The Deputy of St. Ouen:

So what importance do you place on having a Minister that is directly responsible for housing and housing associated matters?

The Mortgage Shop:

The Minister for Housing has to be very involved at the outset because he is the one who is going to be obtaining the funding and opening the doors for his new department or trust to operate and work and thrive.

The Deputy of St. Ouen:

So you would not necessarily support a proposal to move the responsibility for housing to the Chief Minister's Department?

The Mortgage Shop:

No, I would not.

The Deputy of St. Ouen:

What are your views on the Strategic Housing Unit that is proposed within the White Paper?

The Mortgage Shop:

I have not spent too much time looking at that, but I think that, if it is given enough responsibility and enough autonomy, it has to be the way forward.

The Deputy of St. Ouen:

I would tend to agree with you, but it seems that presently we have had all sorts of different groups created in the past to deliver different subsidies policies and they have not worked. What is your view?

The Mortgage Shop:

Why have they not worked? Is it because maybe the senior Minister, who did not exist in the past, maybe it is because the senior politician either is not briefed sufficiently or did not have sufficient interest or was too involved maybe with other responsibilities. It does need initially a very hands-on approach from all parties right the way through the whole of the hierarchy of the organisation.

The Deputy of St. Ouen:

Just picking up the issue of having some form of independent regulator, which again is another key proposal that is contained within the White Paper, what are your thoughts on that?

The Mortgage Shop:

I believe that the independence is very important because, I will have to be careful what I am saying, there is a mindset within the public sector employees, civil

servants, a mindset that has probably become even more apparent in the 22 years since I left the States myself, and I do not really believe that the Civil Service is as dynamic as it should be, perhaps it never should be, civil servants employed to make decisions or just employed to work, I do not know. But more decision-making and more proactivity has to be seen, and I think that probably one could only achieve that through an independent body.

The Deputy of St. Ouen:

Presumably then the independent body is, in your view, designed to implement regulation, not create it?

The Mortgage Shop:

Implement, yes, but obviously provide the Minister for Housing with the ammunition to enable him to get the regulation through in the first place. That requires expertise. Where does that expertise come from? Does it exist already within the Island or does it mean importing more people from the outside?

The Deputy of St. Ouen:

It seems to be suggesting in the White Paper that there could be a considerable cost that is required to deliver that form of regulation. Are you basically saying that within reasonable levels that independent regulator would give us a greater benefit than trying to manage something more in-house?

The Mortgage Shop:

I think you have summed it up, trying to manage something in-house. This has to be reinvented completely; it has to be reinvented to work. The numbers are big enough; the stakes are big enough; the expenditure is going to be sufficiently large to make sure that not a penny of that expenditure is frittered away.

Senator A. Breckon:

From your former life, how do you say an A.L.M.O. (arm's length management organisation) being better than a Housing Department for managing States property for value for money and for tenant benefits and expansion in the community; how do you think the A.L.M.O. could be better?

The Mortgage Shop:

That is a very difficult question because you have to give people an incentive and the incentive is either a financial incentive or something where they feel they are getting great fulfilment out of the job they are doing. I do not think that many civil servants get a huge amount of fulfilment and, as a consequence, that is another reason perhaps why one should be considering stepping outside of the norm and creating something else. But the fulfilment, the job satisfaction, the job return, has to be very great, and therefore one would be needing to bring in a team of people who would be very committed.

Senator A. Breckon:

How would you see the accountability then? What would you see as the line of accountability if, for example, the States own the property, they have a management agency, call it what you will, how is that then accountable to the public of the Island and the tenants and everybody else? This structure would readily fit that?

The Mortgage Shop:

The accountability would in fact manifest itself over the years in respect of the savings that hopefully would be achieved as a result of more astutely managing the subsidies that were handed out to people, and also on the savings that should be achieved on the overall maintenance of the stock of properties that were being managed.

Senator A. Breckon:

What about the finances; do you see that raising money privately would be easily done?

The Mortgage Shop:

In the current climate raising money privately is probably the only way forward, and certainly about 5 years ago I had discussions with the Housing Department and committee bringing over a group of building society directors and they were talking about forming a consortium to bring funding would come into the Island, and there was a great deal of very positive talk that resulted. Nothing came of it obviously

because we then had the recession and the whole lot was abandoned. But private funding rather than funding by the States I think is fundamental to the success of this. A cancer has set in in the housing stock in the Island because so much of it badly needs to be repaired or replaced. It has to be done now and waiting for funds to become available when the States can afford it in a few years' time is a mistake.

Senator A. Breckon:

Do you think now we have moved on, because you mentioned earlier that cash was not a problem when you were in your heyday, but now, if Housing had been competing with Education and Health and Magistrates' Court and prison and things like that, do you think that has been to their detriment?

The Mortgage Shop:

To Housing's detriment, very much so, yes. Also, Housing has not been shouting loud enough or long enough or hard enough I think in respect of getting a bigger allocation of the handouts every year.

Senator A. Breckon:

Do you think anything you have seen shows that the maintenance budget has gone to the subsidy budget? Has it gone around the doors, money coming in from rental income has gone out into subsidies into the private sector rather than to maintain the property, have you any knowledge of that?

The Mortgage Shop:

I was not aware that was the situation. But I think that what a private landlord does is that landlord generates income from rents and takes some of it out as his profit and ploughs the rest back into refurbishing his properties, maintaining them and the like. That is how landlords should work and there is no reason why the public sector landlord should not adopt the same focus.

[14:00]

Senator A. Breckon:

But it is probably true to say that we have not done that, and therefore that is reflected on the things like rents moving on. If you want to go to 90 per cent of market rents then you cannot do it on properties that need serious work done to them.

The Mortgage Shop:

Of course you cannot, no.

Senator A. Breckon:

Do you see many States properties these days in the work that you do?

The Mortgage Shop:

No.

Senator A. Breckon:

You do not; so it is ...

The Mortgage Shop:

No, very rarely indeed.

The Deputy of St. Peter:

What do you think of the concept of 90 per cent fair rent; do you think that is right?

The Mortgage Shop:

100 per cent as fair rent is obviously too great because you cannot compare a unit of accommodation in a private location to one where there is an awful lot of people living in a fairly close community, so one has to see an element of discounting. Some might say that 90 per cent is too high, but then, as is quite rightly identified in this paper, 90 per cent is already a 10 per cent subsidy in many respects. If you start reducing it down to 70 per cent then the current tenants are benefiting from a 30 per cent discount and then they get their public sector rent rebate on top of that as well.

The Deputy of St. Peter:

But it could be said that if the rents were lower there would be less people falling into the income support component, so fewer people would actually be receiving ...

The Mortgage Shop:

It is a catch-22, is it not? Are the States there to make a profit? Well, a profit of some sort has to be achieved to ensure that the stock is being maintained to a certain extent and is washing its own face.

The Deputy of St. Peter:

Do they need enough money coming in in rents that they have the income to pay off a loan if they do borrow?

The Mortgage Shop:

That is the perfect situation, but whether that situation will ever exist is another matter. There will have to be a certain element of subsidy I am sure right the way across the board. We are just talking about subsidy in the current climate where there are no loans in place, but once large loans are taken on board, if this is something in which the States have an appetite, then that is an additional cost, is it not, to the Exchequer; someone has to find it.

The Deputy of St. Ouen:

But the suggestion is with the fair rents policy, as I understand it in the White Paper, is that they bring up the rents to 90 per cent fair rental level; that increases the income straight away by, I think, some £11.5 million let us say, however there is an immediate opposite effect that the income subsidy level, the housing component, goes up an additional £7.5 million; that literally leaves £3.75 million net benefit. There is also the suggestion that the additional income that they raise, the extra £7.5 million needs to be returned back to Treasury. So in that sort of scenario, do you believe that is one sustainable for any standalone business?

The Mortgage Shop:

Of course it is not, no.

The Deputy of St. Ouen:

So what model would you believe to be the most acceptable if you are constructing or reorganising the Housing Department?

The Mortgage Shop:

It would be very useful to do some figures to establish how much of a shortfall there would be once the States had agreed to allow the housing authority to retain all its profits and take it from there, but you would need more than £3.5 million a year to maintain a stock of 6,000 or 5,000 units.

The Deputy of St. Ouen:

Why do you think it is that, recognising that there is an acceptable model that was agreed by the States around the housing trust situation, that the States have not made an exception and allowed the Housing Department to borrow money?

The Mortgage Shop:

It is a fundamental desire that has existed for ever for the States never to borrow money.

The Deputy of St. Ouen:

You think that is an acceptable position to take?

The Mortgage Shop:

No, I do not think it is acceptable at all. I believe that the States will have to grasp the nettle some time and actually acknowledge that they are going to have to borrow money for certain schemes. Now, there are ways in which one could do this. The rainy day fund, for example, is sitting there, earning precious little in the way of interest or returns, and borrow from that, but make sure that there is a very strong culture in place to ensure that the funds are repaid.

The Deputy of St. Ouen:

Yes, so you treat it as a commercial arrangement.

The Mortgage Shop:

Yes, exactly. No point; why go outside the States when one has it sitting on one's own doorstep? But once again there would be a great deal of opposition to that, I believe.

The Deputy of St. Ouen:

Do you believe it would be beneficial if we just transferred all States housing into the trust, into the existing trust setup?

The Mortgage Shop:

I have been out of the system too long to know anything about the performance of the trusts, therefore I think it would be inappropriate to ... you do understand, do you not?

The Deputy of St. Ouen:

Absolutely.

The Deputy of St. Peter:

What is your view of the private rental market currently?

The Mortgage Shop:

It is flourishing. Flourishing, why? Because many people who should be buying are not and many small landlords or small speculators, rather than keeping their money in the post office, are spending it on buying buy-to-let accommodation for letting out to the very people who should be buying it. So as a consequence the first-time buyer market has virtually ground to a halt because the first-time buyers are not buying, but the landlords are buying the same type of property and letting it out at realistic rentals, which many tenants are prepared to pay. But the trouble is it does mean that those tenants, looking into the future, will probably never be able to purchase, because they will never be able to save up enough or accumulate enough in the way of a deposit when things get better, if things get better. My glass is three-quarters full, I hasten to add.

The Deputy of St. Ouen:

You speak about fair rental values, indeed the White Paper talks about fair rental values, how would you go about defining what a fair rental value is for say a one-bedroom or 2-bedroom flat?

The Mortgage Shop:

Housing used to achieve it by using a couple of laypeople, one was a chap called Mike Vibert and another one was Peter Bridle, and both of them former estate agents, who had a great deal of experience in the private sector, and who were brought in to travel around the estates and blocks of flats to assess fair rentals. So experts, laypeople from the outside, from the private sector, were brought in. That has to be the only way to do it I believe; you have to have somebody who has a very close handle on what is going on in the big wide open world in the private sector to be able to ...

The Deputy of St. Ouen:

So if you were to obviously follow the proposals contained in the White Paper, what sort of group or arrangement would you make to address that? You would encourage people from estate agents to be involved in some form of forum?

The Mortgage Shop:

I believe that, if this is going to be done properly, one needs to employ professionals, in other words qualified individuals, associates or fellows of the Royal Institute of Chartered Surveyors, rather than estate agents. I am not denigrating estate agents but they are not professionally qualified and one does need to employ professionals to do this. It should be pretty simple to bring in a group, a small panel of professionals, to undertake this work quite quickly, I would have thought.

The Deputy of St. Mary:

If you had a panel of people to do this kind of work, you would be looking at 2 categories of rental: qualified and unqualified, so if you had 2 identical properties or units, they would command a different rental.

The Mortgage Shop:

Yes, but obviously these private sector experts would be the ones who would be best positioned to comment on those areas.

The Deputy of St. Mary:

So it would still be beneficial to have the 2 categories, rather than making it into one?

The Mortgage Shop:

I think it is inevitable, because of housing regulations, to have the 2 categories, whether one likes it or not. It is a monster of one's own creation really, is it not, or the Island's own creation?

The Deputy of St. Mary:

Not to apply to the purchasing side of it, but just on the rental side, you would still think that was quite important?

The Mortgage Shop:

I think so, yes.

Senator A. Breckon:

In your experience, people who are buying properties to let, are they taking a short-term view or a longer-term view, any idea?

The Mortgage Shop:

I talk to many of them, because I provide the funding for many of them, and we all adopt the attitude I think that one of the best investments in life currently, apart from vintage cars, would appear to be property. But while vintage cars probably go up in value at a ridiculous rate, the value of property is not climbing at all, but, if one takes a long-term view, then I believe that investment in bricks and mortar is still a very prudent form of investment to take. Gone are the days when people would purchase a property as an investment and to live in at the same time. Many people have benefited very well in the past. The past is gone, it will never be repeated I am sure, which is a bit of a shame in some respects. But people are now buying properties to live in, and not with a view to speculating. But those who are speculating and not living in are taking a long-term view without a doubt. I illustrate it particularly because the classic way of buying a property for investment from the small landlord's or small speculator's point of view is that they will take the mortgage on an interest-only basis, without paying back any capital, and the original concept was that after 5 years you would have accumulated maybe half a dozen houses or a couple of blocks of flats. You would then sell them on, taking your profit from the purchase 5 or 6 years ago, and that profit then enabled you to go off and do other things or to start all

over again. You did not need to pay back any capital. But now there is absolutely no point in taking interest-only on these buy-to-let mortgages, and as a result many landlords are showing great prudence and are purchasing on a repayment mortgage rather than an interest-only. So there has been a complete change of mindset in the whole culture of property acquisition in the last couple of years.

Senator A. Breckon:

But the rental return is able to service the mortgage.

The Mortgage Shop:

Yes.

Senator A. Breckon:

With an element of ...

The Mortgage Shop:

The banks, the building societies, have a built-in very robust underwriting criteria to ensure that affordability is there.

Senator A. Breckon:

So they would only lend, say, 75 per cent.

The Mortgage Shop:

Yes, that is the concept.

The Deputy of St. Ouen:

Do you think that enforcing a fair rent level, as is described in the White Paper, in the socially rented sector, would have a knock-on impact on the private rented sector?

The Mortgage Shop:

I do not see how it can do and obviously the aim is to move more wealthy tenants out into the private sector, so creating vacancies for people who really do genuinely need to be housed. That basically is what it is all about. Tenants start at this level, move their way up, and hopefully after 10 or 15 years, if they have been successful in their

lives and their jobs, then they move on and out, creating vacancies for more needy occupants.

The Deputy of St. Ouen:

Are you aware that there are quite a significant number of tenants being housed in the private rental sector that are receiving financial support through income support?

The Mortgage Shop:

I am not surprised that they are, yes.

The Deputy of St. Ouen:

Do you believe that financial support obviously at the moment is based on a varying rental value, as described by Housing? Do you not believe that there could be a relationship between increasing the States housing rents and obviously a corresponding increase in private sector rental?

The Mortgage Shop:

It is inevitable there will be a knock-on effect eventually, yes. It is interesting that Duncan Gibaut and his team at the States Statistical Unit have now introduced a comment in their quarterly review of Jersey House Price Index. They also have a Jersey Rental Index as well, and they are looking at the increase, and there is an increase, a regular increase in rentals even if there has not been a commensurate increase in the last 3 or 4 years in respect to house prices. I think it is inevitable that there will be a knock-on effect if the private sector is made aware of what the public sector is asking for in respect of the unsubsidised rent for their accommodation. I do not know. It depends on how much of this information goes into the public domain.

[14:15]

The Deputy of St. Ouen:

At the moment, you are not aware of investors who are purchasing property to let to the local market, taking into account the underwriting that the Government does in relation to the payment of the rental value, regardless, dependent on the circumstances?

The Mortgage Shop:

Most of the landlords that we know are letting to people who I am pretty certain are young professionals and who I think generally speaking are not even thinking of taking a private sector subsidy. Many probably are not even aware that it exists. It is only when children and redundancy and that sort of thing creep in that hardship occurs and people start scouting around to look at what else they might be able to do to help themselves.

The Deputy of St. Ouen:

Do you not believe that the private sector should contribute to supporting the social housing market?

The Mortgage Shop:

Supporting the local housing market; do you mean by helping to provide accommodation? This happens in the U.K. an awful lot, does it not, where private sector is frequently able to let houses and flats to the local council, and unfortunately the story there is that they would prefer to do that because they get a far higher return than they would by letting to private tenants. So therefore that shows the system is broken over there, does it not? You do not want to achieve that over here.

The Deputy of St. Ouen:

But it would be beneficial, would it not, to encourage the private sector to help accommodate local population?

The Mortgage Shop:

It could, because ...

The Deputy of St. Ouen:

Rather than necessarily invest significant sums of capital in social housing.

The Mortgage Shop:

Yes, certainly. It would certainly result in there being less capital funding required to create new builds. However, if that is going to happen, it could conceivably create a

shortage of private sector units for people who can afford them, and therefore rent is going to go up in the private sector, and therefore more people will find they cannot afford to live in the private sector, and then come back to the ... it is a vicious circle, is it not?

The Deputy of St. Ouen:

Do you think the balance is about right now, currently?

The Mortgage Shop:

I think it is, yes, but the Island is surrounded by sea and therefore, whatever one does, you have to be very careful not to create an imbalance, very careful. This has happened in the last couple of years with the activities of a couple of large developers in the Island who have been selling flats and houses and has created a complete imbalance in the housing market, the selling market, a complete imbalance.

The Deputy of St. Peter:

Earlier, you mentioned social housing tenants; that they could start off in that sector, but if they are successful in their careers they are able to progress and move into the private sector. Do you feel that there is enough affordable housing so that enough people are able to do that and make that change, because, if you leave social rented accommodation and try and purchase an average house, it is a massive leap and you have an enormous deposit to fund in order to be able to do that.

The Mortgage Shop:

There are 2 issues there: first of all there is the mindset. The tenants of Le Squez who were given the opportunity of purchasing the newly constructed houses there did not have deposits. Why did they not have deposits? Because they had been brought up in the culture of being tenants for the whole of their lives. They were suddenly confronted with the opportunity of buying but needing a deposit, so this did cause a problem. It is all down to education, is it not, and if one is going to start reinventing the wheel, one has to start also with the way in which the new tenants are indoctrinated and so looking at it as a temporary thing: "We are here to help you out now but we do not expect to see you for the rest of your lives." One has to create that sort of mindset I think. Affordable housing for first-time buyers does not exist at the

present moment; it has not existed for a very long time. The Jersey Homebuyers' Scheme has not been a success; we have one house, which has become available and has been allocated to clients of ours at Oak Tree Walk or Elysee, it is the first sale that has happened for a couple of years, and I cannot find a single bank or building society willing to lend against it because the lenders are so suspicious and so fed up with the constant changes in the setup of the Homebuy scheme that nobody wants to know about it. That is just a classic example of how these schemes, set up with the best will and intentions, just do not work. The States Loan Scheme was an absolutely brilliant concept, but it needs to be completely reinvented for it to work. But again I believe it was the subsidies that were being introduced by the States on the Homebuy scheme are in many respects a mistake, and we have seen this happen where one party who has purchased dies, or they divorce, and all hell breaks loose after that because then the States come back to these people expecting them to repay the full amount. If, for example, people have bought a house for £300,000, enjoying a £100,000 subsidy on a property whose true value would be £400,000, we have to insure their lives for £400,000 rather than £300,000, or the value of the mortgage, just in case they die, because otherwise there is no question of there being any succession or inheritance or anything like that kicking in. They are causing a lot of major difficulties, I think. So what you are speaking about here, social housing, the proposals need to go hand-in-hand with providing some affordable housing in the private sector for first-time buyers. I regret that statements in the press suggesting that houses can be built for £200,000 are totally and utterly misleading and do nothing but cause a great deal of upset, which then turns to resentment on the part of young first-time buyers, potential buyers.

The Deputy of St. Ouen:

How do you define affordable housing?

The Mortgage Shop:

Affordable housing is really dictated I think by the banks rather than anything else, and also what is available in the market. It is an almost impossible situation, which the Island finds itself in, because of the demand over supply will inevitably always carry a much higher value than in another environment where, if you cannot buy in Jersey you can just sort of go to the council next door, the Parish next door, and buy

in the borough of Guernsey or something like that, just by driving down or catching a train or a bus. So you cannot do that in Jersey, so inevitably there will always be a very high cost applied to housing. I believe frankly that, rather than first-time buyers aspiring to knock all the bottom rungs off the housing ladder, starting with a one-bed flat, then a 2-bed flat, then a 2-bed house, then a 3-bed house, many of them aspire to move straight into a 3-bed house whether they need those 3 bedrooms or not. Those days are gone and I really believe that first-time buyers are going to have to condition themselves to acknowledging they are probably going to become flat dwellers for the rest of their lives, albeit flats that they own. In that way you are therefore reducing the overall costs that people are having to find to become homeowners.

The Deputy of St. Mary:

You say that building first-time buyers' homes for £200,000 is not achievable. It is not achievable with our current method of building, but it is achievable if we were all allowed to alter the method of build.

The Mortgage Shop:

That is a planning control, a planning situation, and planning I know over many years, because I was involved in the original Jersey Design Guide with Senator John Le Marquand and others, many years ago, and this resulted in a number of estates being constructed, classic examples being Gorey Village, which was all constructed under the Jersey Design Guide, and there one had certain basic principles one applied to include very good quality fittings in regard to door furniture, hinges, kitchen units, bathroom furniture, windows, insulation, and also adding maybe a porch or a dummy chimney stack or something like that, just to give the house a bit of character. But that fundamental concept has continued through and I know that Freddie Cohen was very keen on adding even more embellishments and very fundamental alterations. But the fact still remains that planning are going to be the biggest stumbling block I think in those proposals. From what I can understand, the £200,000 houses are certainly self-assembly, Swedish style or Scandinavian style, but with very limited facilities in regard to kitchens and bathrooms and one has to be careful one is not creating the slums of the future. I do not support the concept that housing should be more expensive in Jersey just because there is a patch of sea between us and the suppliers. I do not support that concept at all and know full well that many of my

clients are able to build perfectly adequate 3-bedroom houses for £180,000 to £200,000 when they act as the contractors and subcontract work out to friends and relatives and take advantage of trade accounts at Normans and Pentagon and so on and so forth. Not everyone is in that position and what this does not take into account is the very high cost of land acquisition and in many of these cases people are gifted plots by their parents or build in the back garden or inherit something from an aunt and uncle or build in the corner of the farmyard or something like that. That is the only way they are able to achieve these great reductions.

The Deputy of St. Mary:

That is at the moment, but nevertheless if we were to change the category of build into prefabricated for a certain band at the bottom end of the market only that would get the people off the social housing and give them a chance to buy at that stage.

The Mortgage Shop:

Yes, being very careful, as I say, that one does not create slums or ghettos in the future as a consequence. Although prefabs, classic examples I think are Grasset Park down at Georgetown, and there were 2 types of construction there, built under the trade name of Airey and Neave, these houses were essentially 4 metal posts sunk into concrete foundations and they formed the 4 corners of the house, and you just slotted in building blocks like Lego or something like that – BAKO was the method - and they just slapped a roof on. These things were only meant to last for 20 years but they were built in the very early 1950s and are still up and being sold now as a going concern, so it does prove that prefabs can survive for longer than intended.

The Deputy of St. Mary:

Well a classic example of that is the German Second World War billeting huts.

The Mortgage Shop:

There are not many of them left now though, are there? But they did last.

The Deputy of St. Mary:

Basically because you cannot recognise them. A lot of them have had mesh put on the outside and rendered and they look like perfect little bungalows with tiles on, but they are still there 70 years later.

The Deputy of St. Peter:

I think we are going a little off pitch. It is probably a good place to end it if everybody is satisfied that their questions have been answered. Thank you very much for coming to see us.

The Mortgage Shop:

Thank you for treating me so kindly. I hope you did not mind my being a little bit too forthright, but it is necessary about income.

The Deputy of St. Peter:

You have been very clear and very interesting. Thank you. I close the meeting.

[14:28]