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Major Lenders Boost Maximum Mortgage Loans

- Halifax, Bank of Scotland & Lloyds Bank update mortgage affordability for homebuyers and remortgages
- New stress test assessment adds up to 15% to typical maximum loan amounts
- Typical household could borrow up to £48,000 more

Mortgage customers could be able to borrow more from today, 15th April, following changes to the assessment used by Halifax, Bank of Scotland and Lloyds Bank.

Adjusting Stress Rates

Stress Rates are used in affordability assessments to measure borrowers' abilities to manage a loan should rates be higher when they finish their current deal. Recently, the Financial Conduct Authority (FCA) provided fresh guidance around 'stress test' rules.

From 15th April, the rates used by the lenders in their standard affordability calculation, and the enhanced affordability offered with 5 year-plus products, will be lowered. This will apply to applications for First Time Buyers, Home movers and remortgage customers.

Customers could borrow more

The effect of these changes is that customers will, subject to affordability testing, be able to borrow more than currently. Customers may see increases of up to 15% in the maximum loan available, for a typical family, that could be £48,000.

Example:

Two adults, with two dependents. Household total income of £80,000, 25-year mortgage term, and typical credit commitments*:

75% Loan to Value	Fixed rate less than 5 years, or tracker	Fixed rate of 5 years or more
Current Maximum Loan	£ 358,710	£ 398,215
New Maximum Loan	£ 407,020	£ 416,135
Increase	£ 48,310	£ 17,920

*0.5% of gross annual income per month

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Press Release



Amanda Bryden, Head of Halifax Intermediaries and Scottish Widows Bank, said:

“This is brilliant news for many would-be homebuyers who have struggled to either get on or move up the housing ladder, or those simply looking to get a better mortgage deal.

“It is always a careful balance when calculating whether a loan is affordable both now and in the future. With the new guidance we have on the Stress Testing rules, we have been able to review and update our affordability model. This extra flexibility means a typical family could potentially borrow over £40,000 more and make it easier to turn their dream home into a reality.”

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