

The UK's FCA Consults on a More Flexible Mortgage Lending Regime

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On 9 July 2026, the UK's Financial Conduct Authority (**FCA**) released [Consultation Paper 26/18 \(CP 26/18\)](#) on the "Mortgage Rule Review: supporting first-time buyers and underserved consumers".

CP 26/18 looks at the ways the regulatory regime can assist other initiatives in meeting the challenges of achieving home ownership in an increasingly difficult landscape, which difficulties particularly affect first-time buyers, the self-employed and older borrowers. Its proposals include:

1. Changes to the provisions on allowing interest-only mortgages, including: removing the requirement for the lender to obtain a credible repayment plan when the interest-only portion of the loan amounts to less than 25% of its total value per the lender's valuation; adapting requirements for when a credible repayment strategy is needed involving sale of the property and purchase of a cheaper alternative; and adding further examples of credible repayment strategy options to include follow-on mortgage products and conversion to repayment within a reasonable time.
2. Retirement interest-only mortgages: Here, the proposal is that the affordability assessment should be the same as for other (non-retirement) interest-only mortgages and not include a default assessment of whether a sole borrower could afford repayments should the joint borrower pass away.
3. Encouraging lenders to accommodate borrowers on variable or irregular incomes: While this is already permitted by the rules, the FCA believes that by adding to its Handbook example to include non-monthly payments and expanding definitions to cover "regular contractual payments" (rather than monthly payments), underserved customers may be better accommodated.
4. Bridging loan terms: In order to avoid borrowers having to take out a second bridging loan (a common practice), the FCA is proposing to amend its definition of bridging loans which are regulated mortgage contracts to include terms of up to 24 months – the current definition caps the term at 12 months.

Comments are due by 28 June 2026.