Rising to the challenge

Iress mortgage efficiency survey 2021

iress

iress.com/mes2021

Lenders have expressed increased confidence because of their ability to achieve so much this year. Many have proven that they are better placed to compete in what will become a more complex market than they might previously have thought."

Foreword

The need for **efficiency hasn't changed**

Welcome to the tenth edition of the Iress mortgage efficiency survey, one of the best and most in-depth surveys into UK mortgage lending.

Since the last survey (conducted just a few weeks into the first national lockdown), few of us would have imagined that the lending industry would go on to experience record volumes of lending in the first quarter of this year. The stamp duty holiday and the government's 95% LTV guarantee scheme did much to restore confidence in mortgage lending and borrowing.

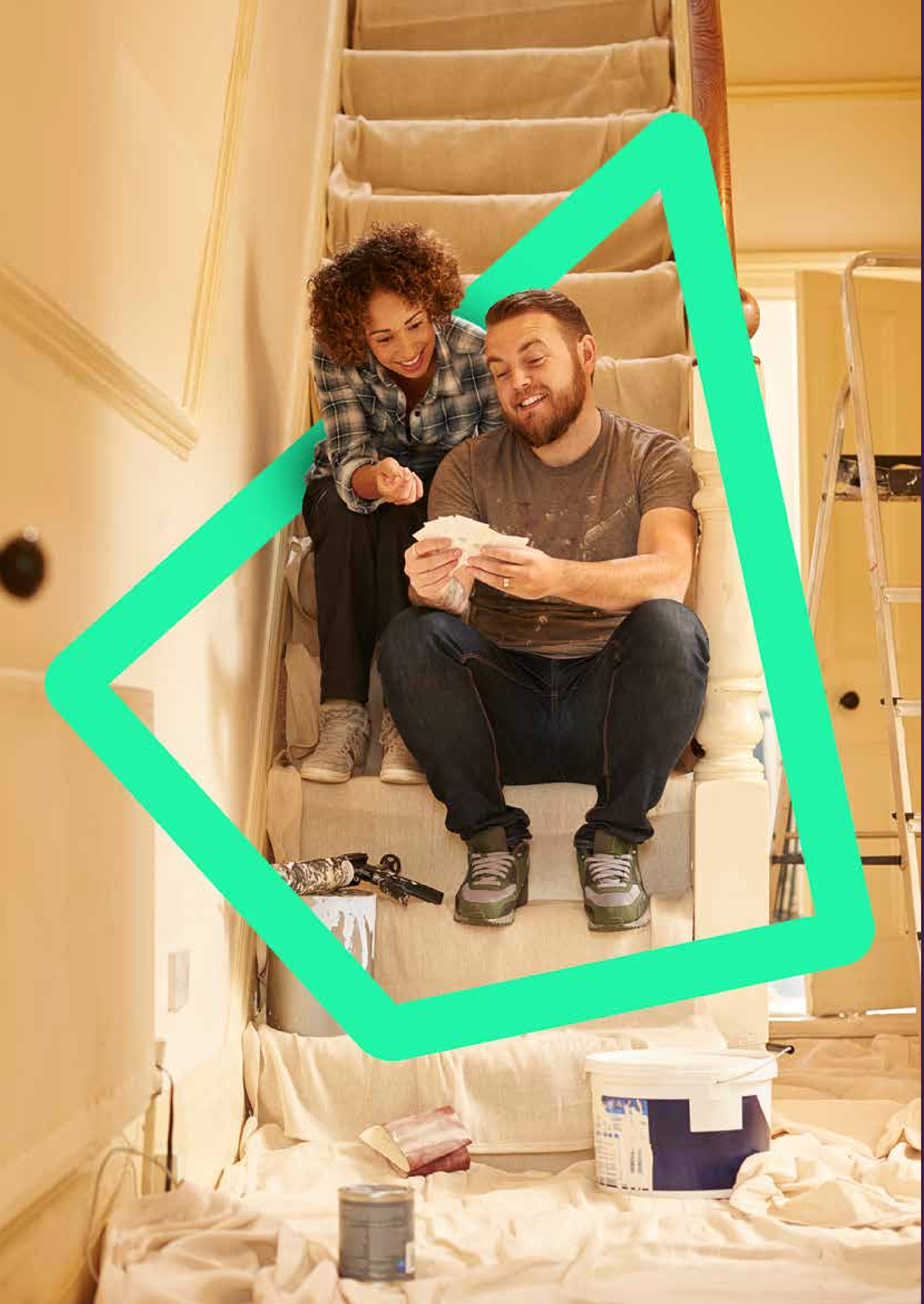
It brought much change and new challenges for lenders but the need to process business efficiently has not changed; whether because of the volatile volumes, the evolving requirements of borrowers, the risk appetites of lenders, or how business has to be serviced.

Our annual report shows how the industry's thinking and approach has evolved over the past 12 months, exploring the changing nature of efficiency and what matters now.

Thank you to all the lenders for sharing their insights to help us compile this report. I hope you get something useful out of it. Please get in touch if you'd like to talk about the findings in more detail.

Best regards,

Steve Carruthers
Head of business development



Contents

About **this report**

How do lenders use technology to support the origination and writing of mortgage business? And what issues affect and define efficient lending?

Using insight from a broad range of lenders, all with different experiences and approaches, this report explores the impact of technology on mortgage processing across pre-DiP affordability, DiP, application, offer and completion.

It gives lenders an opportunity to look beyond their businesses and contextualise their performance against their peer groups and the wider market.

Our participants and peer groupings:

High-street lenders

Typically banks lending over £4bn per annum, wholesale and retail funded, established with legacy technology.

Larger societies

Typically larger building societies with gross mortgage lending over £1bn but under £10bn per annum, retail funded only, with some legacy technology.

Challengers and specialists

Typically younger institutions with under £1.5bn of lending per annum, wholesale or retail funded, and fewer legacy technology issues.

Smaller regionals

Typically smaller building societies lending under £1bn per annum, retail funded with legacy technology issues.

For more information on our methodology see page 43.

The market that **defied expectations**

Our interviews took place a year into the pandemic. For the most part, lenders shared 2020 data, though occasionally offered rolling year data to the end of Q1 2021. In our previous survey, lenders' focus was understandably on dealing with the fall-out of the pandemic on lending decisions and processes.

Much time and effort have been invested in re-calibrating processes to deal with the new world of mortgage deferrals, furlough and working from home. Product launches, criteria changes, and product withdrawals made it a bumpy ride for all concerned. Re-underwriting cases took a lot of time and hours.

A year on, and the Chancellor's fiscal interventions and continued low-interest rates have seen the housing market out-perform almost every other asset class – something that the regulator's findings for Q1 supported.

+ 3.6%

Outstanding value of all residential mortgage loans = £1,561.8bn (end 2021). Up 3.6% vs 2020.

+ 17.3%

House purchase for owner occupation = 64.1%. Up 17.3% vs Q1 2020.

- 14.2%

Gross advances for re-mortgages for owner occupation = 18%. Down 14.2% vs Q1 2020 (lowest since 2007).

+ 26.5%

Value of gross mortgage advances in 2021 Q1 = £83.3 billion. Up 26.5% vs Q1 2020.

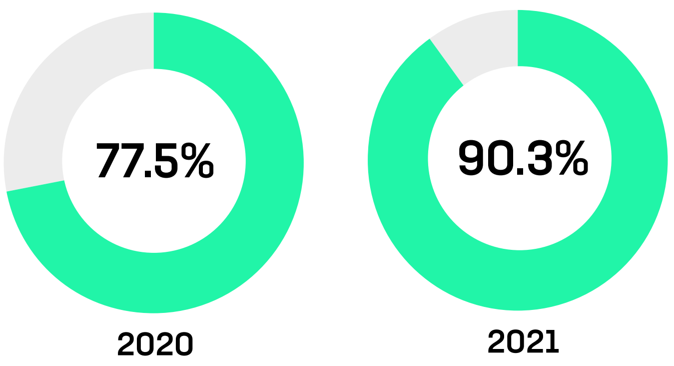
"The whole picture feels better. A year ago we had Covid and Brexit, and the foundations felt looser. The sentiment has changed."

Overview

The growth of **intermediary business**

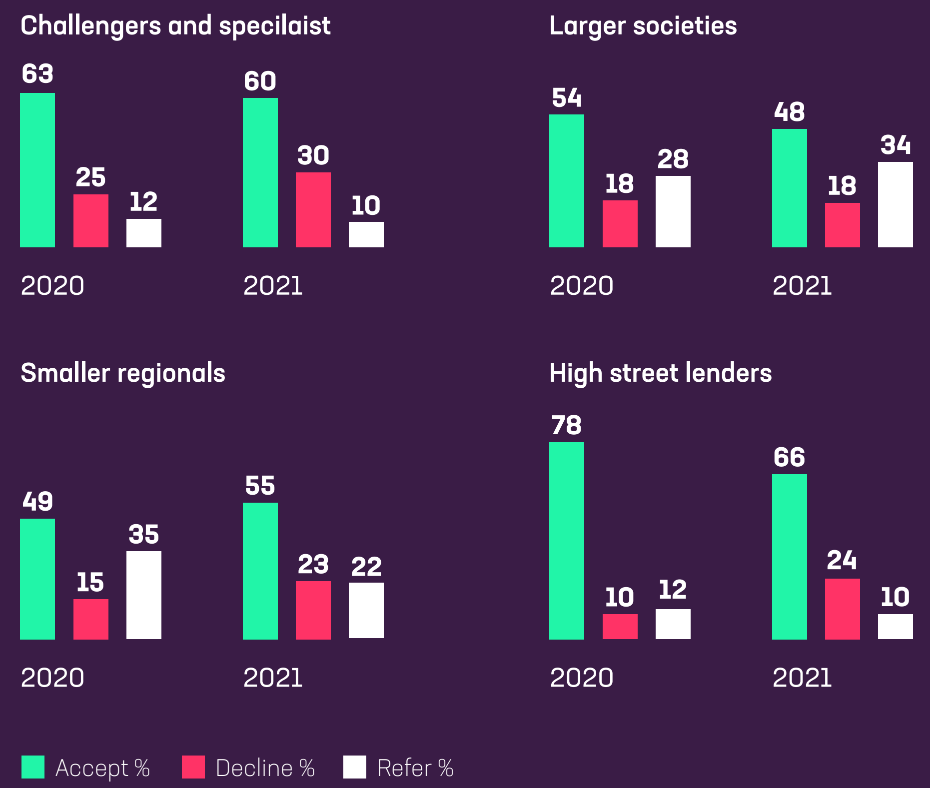
Every lender we interviewed this year leaned heavily on intermediated distribution. Across the peer groups, this reliance grew during the pandemic.

Number of intermediated applications



We have tracked last year's data against our most recent findings. The lenders surveyed are strongly represented across residential purchase, remortgage and buy-to-let lending and most reported strong growth in the residential purchase market over the last 12 months. All sectors exhibited strong retention rates of over 70% except for the challengers and specialists. Many of them do not yet have retention products or processes available for maturing loans. When it comes to processing decisions from their Decision in Principle (DiP), the four peer groups reported as follows for intermediary business.

Decision to accept, decline or refer from Decision in Principle



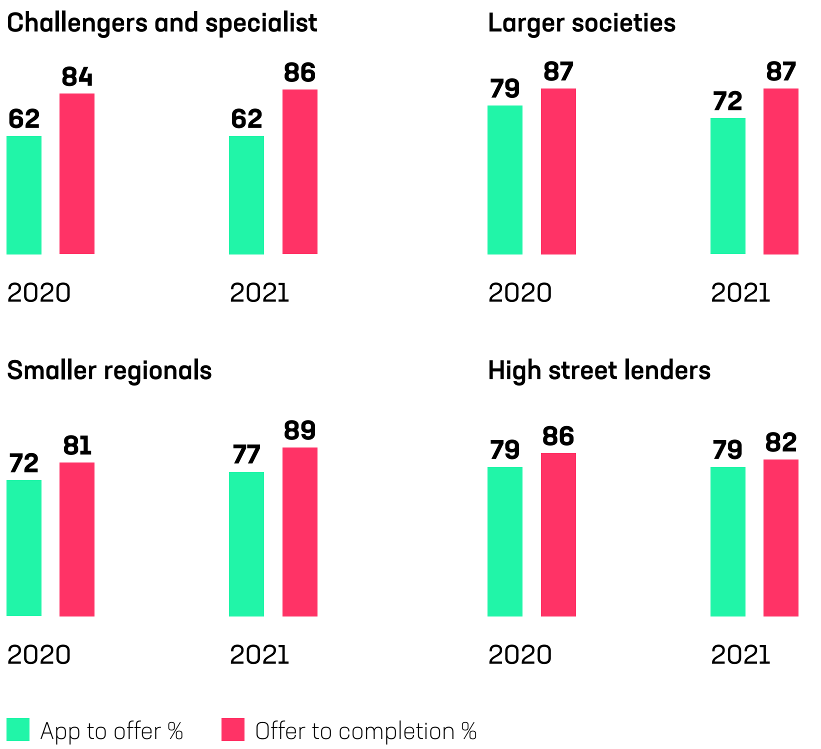
All figures are percentages reflect the volume by category, not the outcome of a case. If a referral is ultimately declined, it will record as referred.

Key takeaways

- For vanilla high-street lending, the fall in instant accepts and rise in declines is apparent as borrowers' circumstances and lending appetites changed.
- The smaller regionals saw a considerable uptick in declines and a fall in referrals – a trend which one lender explained as being symptomatic of the difficulty of underwriting remotely.
- Larger societies, by contrast, were able to refer more decisions more easily, suggesting their infrastructure coped better with the challenge.
- Challengers and specialists, which typically have newer technology, saw marginally fewer referrals than a year ago.

Overview

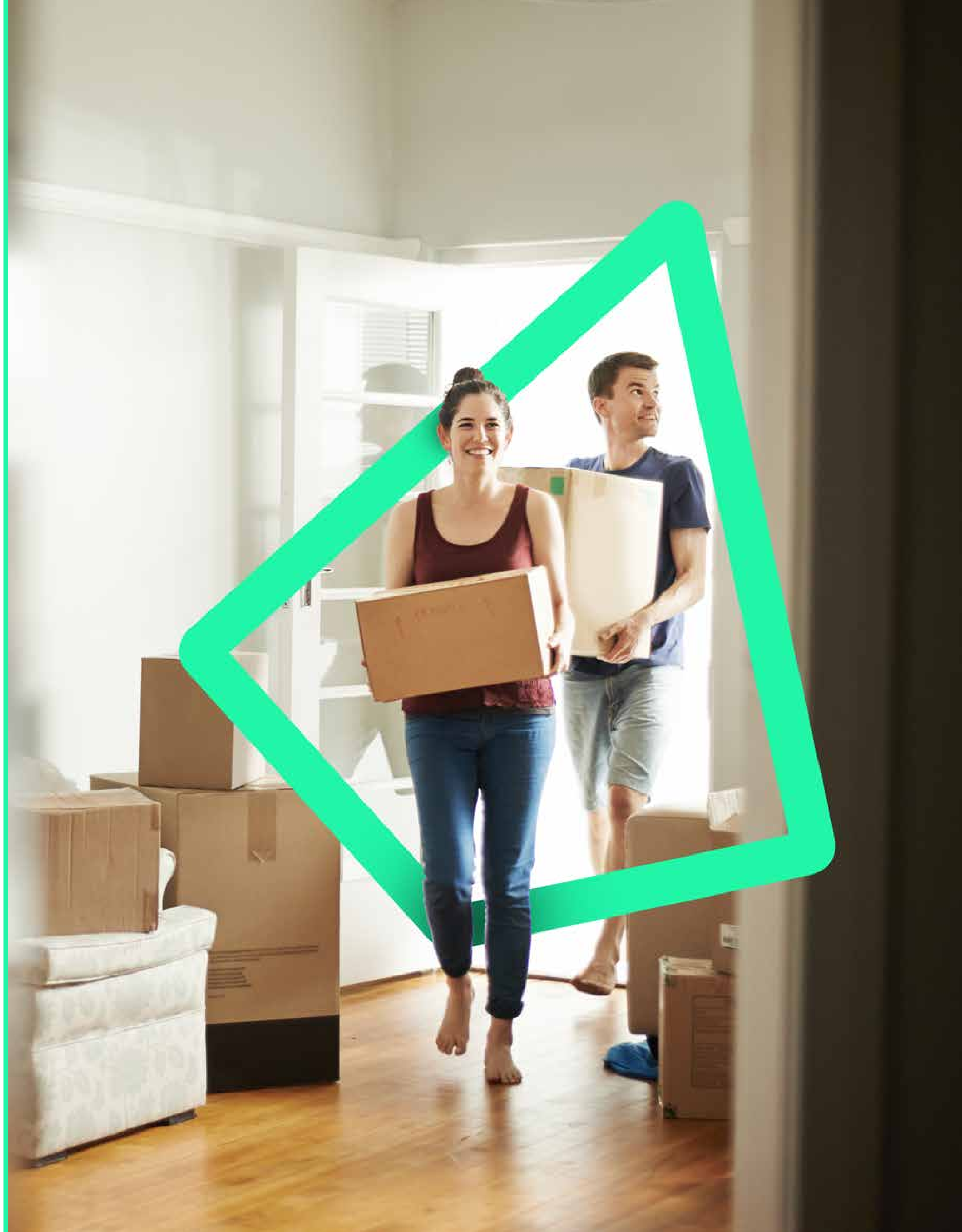
Conversion rates **remained consistent**



Key takeaways

- The fall-out rate pre-application has been impacted by Covid as well as some exceptional operating dynamics such as the withdrawal of products, changes to criteria and latterly the relaunch of products

- Smaller regionals and challengers and specialists have seen less fall out between offer and completion. One lender put this down to "reduced last minute shopping around."

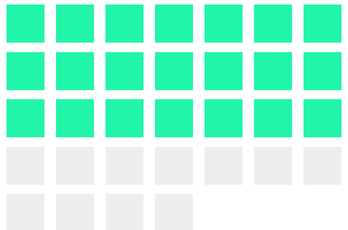


Time to process **a mortgage application**

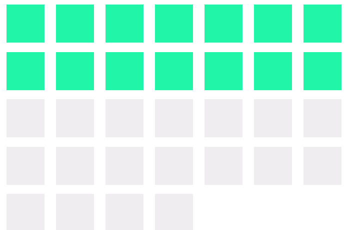
This year we asked more questions about the time it takes to complete a particular part of the process. In response to requests from lenders, we asked about the average number of days to process applications:

Average number of days to process applications

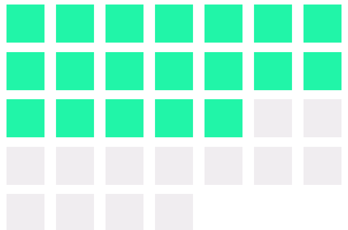
All lenders (average)
21 Days



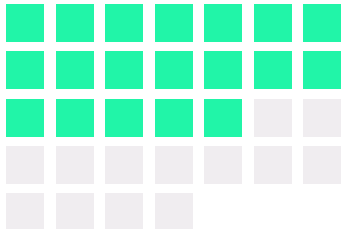
High street lenders
14 Days



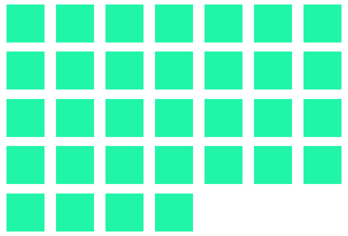
Larger societies
19 Days



Smaller regionals
19 Days



Challengers and specialist
32 Days



Increased complexity

The results reflect the complexity of the peer groups' core markets. There's a visible impact on challengers and specialists and building societies who tend to undertake more complex cases. The pandemic has made many more borrowers' circumstances 'more complex'.

Last year one high-street lender mooted the idea that manual underwriting might be a consideration for larger lenders if they wanted to maintain market share over the coming years. We heard no evidence of this in our calls this year. Still, with the withdrawal of furlough and other support mechanisms, we will watch this space as vanilla lending will undoubtedly apply to a smaller amount of the market than it had done before the pandemic.

Key takeaways

- Many lenders claimed the pandemic resulted in a delay in processing mortgage applications to offer, not least because of the delays to other parts of the value chain in addition to their challenges.

- No lenders measured the delay to offer time by individual product or borrower type. Still, all four peer groups admitted that in markets, such as ultra-high net worth or self-employed, the complexities of cases compounded more general delays around processes such as underwriting.

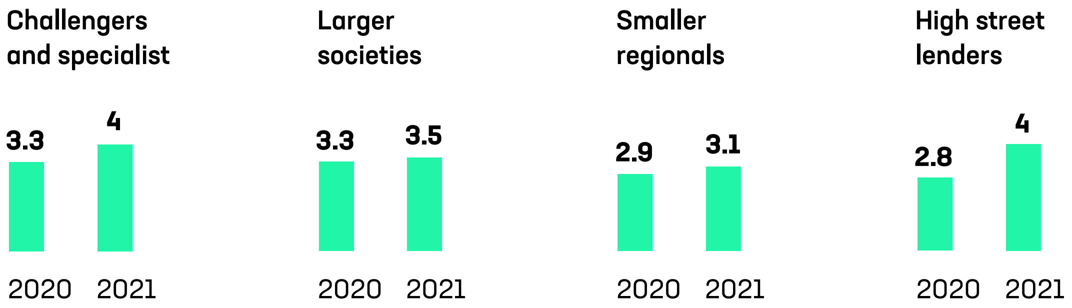
- In some cases, self-employed applications could extend the application to offer time by as much as a third.

- Lower LTV vanilla lending was not immune from the impact of the pandemic but performed much better.

Pre-DiP and **affordability**

We asked lenders about the level of automation and technology integration in their initial interaction with intermediaries and borrowers through affordability calculators and scored lenders' satisfaction with their process.

Scores by peer group (bar chart 2020 to 2021)



Overall satisfaction score across all lenders rose from 3.1 last year to 3.6.

Key takeaways

- Despite the operating environment, this is a definite change from last year's findings, where the pre-DiP affordability stage registered the lowest score in all parts of the process journey. Many lenders have made real progress in this area over the last 12 months.

- Some lenders across all peer groups reported that they had migrated their affordability models to third party systems.

- Affordability is now arguably at the leading edge of 'light touch' integration with third-party origination points like sourcing systems – something lenders talked about last year but have, to a degree, achieved over the pandemic period.

Affordability calculators: a growing trend?

The benefits are straightforward enough in terms of being 'front of mind' with one smaller lender surveyed particularly pleased with the results of being part of a better broker experience. While this is not a path for everyone, we expect this trend to grow.

The complexity of some products and propositions will mean that integration of this nature is not possible or desirable for some. Challengers and specialists, for the most part, reiterated their preference to not integrate with third parties and to provide and host their models, as products with risk-based pricing do not lend themselves to easy calculations.

Where calculators remain standalone, they stay on the lender's portal and generally cover residential repayment and buy-to-let mortgages. The calculators have not significantly changed for the most part, with client income and expenditure data taken and measured against specific affordability guidelines. ONS data continues to be the favoured external feed for calculators. However, lenders remain divided on the value of geographically sensitive ONS data feeds, which might not help affordability truly reflect the lifestyles of people moving large distances.

The most advanced models prompt other products in the event of an 'affordability fail', but this remains an exception to the rule, and they are only available on lenders' sites. Some lenders felt their calculators needed to develop to cover new product areas such as interest-only. Still, a significant number had also integrated their affordability calculators into their DiP functionality.

How soon can an affordability decision be obtained?

We asked how long, on average, it would take an intermediary who is familiar with the process to get an affordability decision from their calculator:

0-10 minutes
27 lenders

11-20 minutes
3 lenders

21-30 minutes
3 lenders

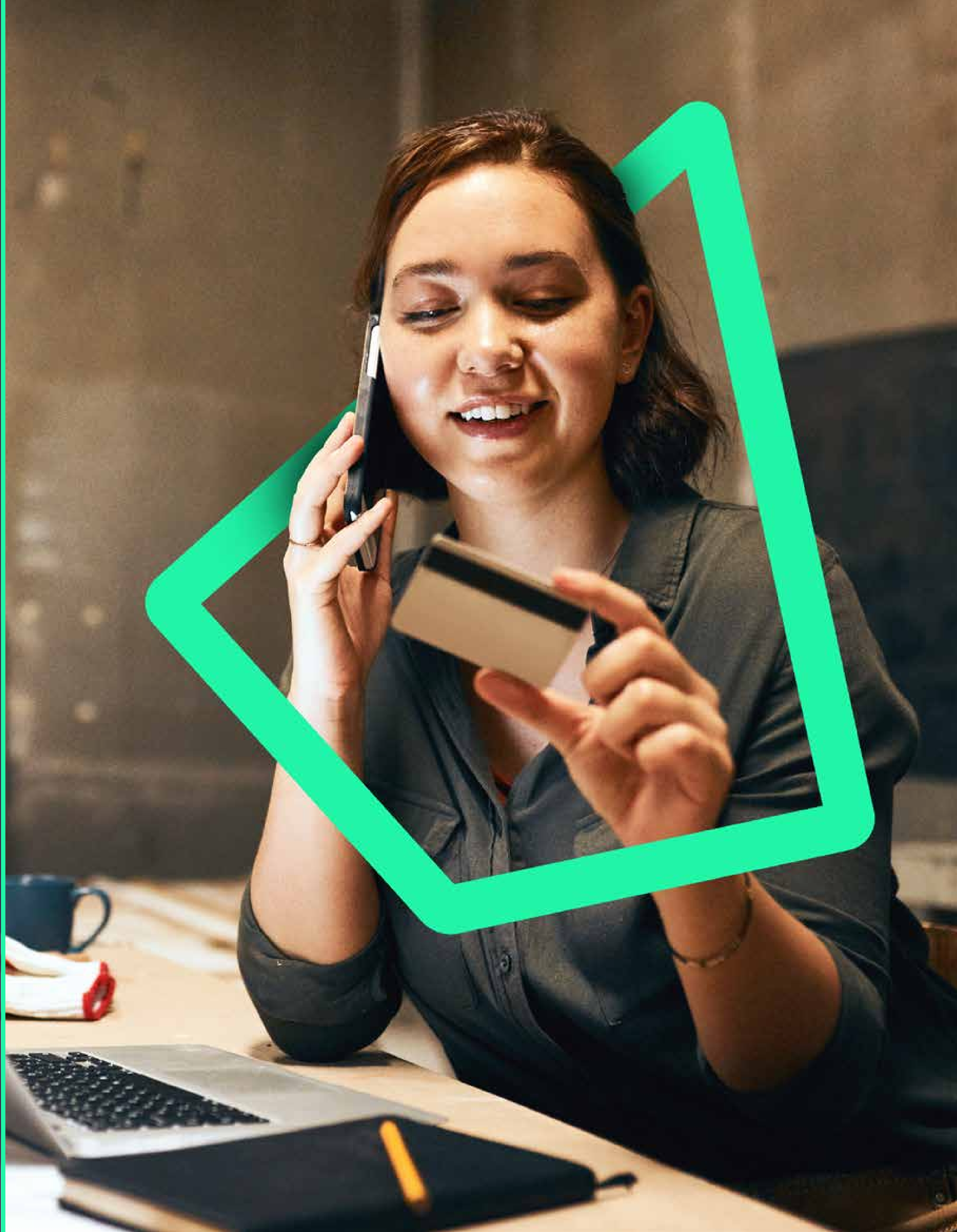
Iress asks:

Is the window for **Open Banking closing?**

Last year many lenders expressed curiosity about the benefits of Open Banking even if they were not prepared or ready to be actively involved themselves.

This year our responders were categorically less interested in the potential benefits of Open Banking, citing the potential for more delays in interpreting information (such as salary, bonuses and other sources of income) and consumers' reluctance to offer their permissions for such a system.

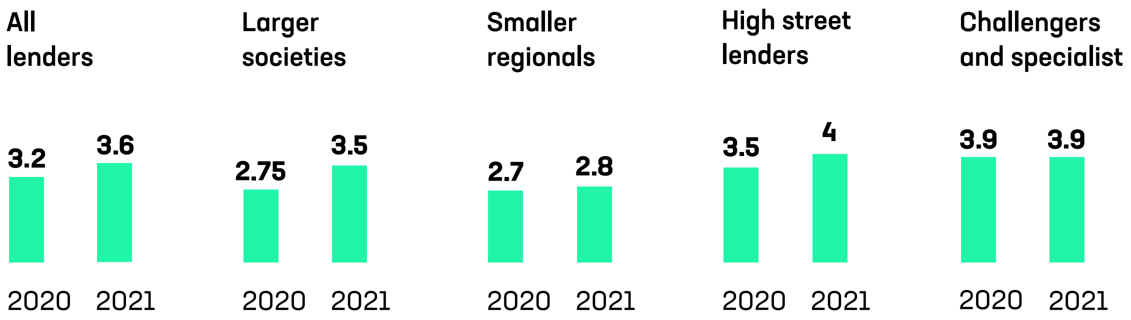
Where banking details are readily available in the lender's system, this data is still used – particularly among high-street lenders – who were among the only responders to mention Open Banking as something they were still pursuing.



Decision
in Principle

We asked lenders about the level of automation and technological integration in their Decision in Principle process and assessed lenders' satisfaction with it.

Overall satisfaction score - Decision in Principle



5 is the most satisfied and 0 the least satisfied.

Key takeaways

- The level of information requested and referenced at the DiP stage continues to vary tremendously, despite many avowed intentions to diminish it. Some felt it's destined to remain the case as the number of data sets required to make decisions and offer DiPs increases. As one lender pointed out, "how long will it be until we ask for the EPC?"

- Fewer lenders than last year are using 'hard' credit searches at the DiP stage.

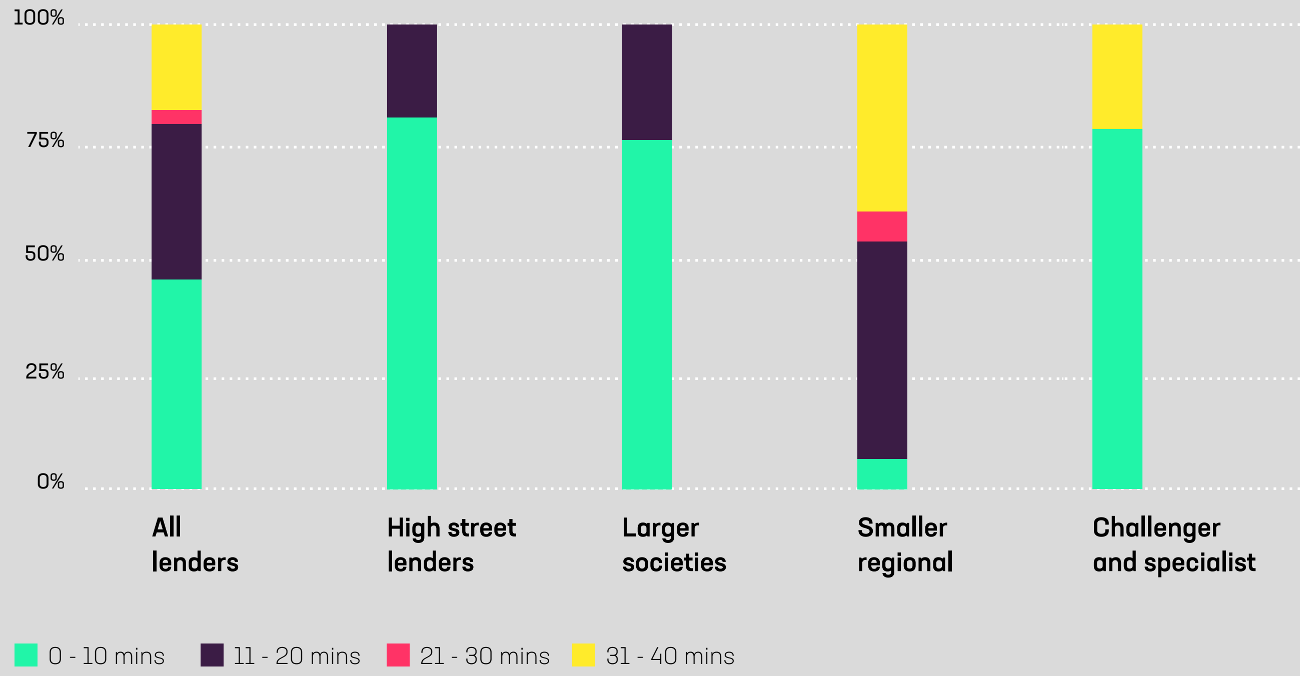
- Post DiP, we continue to see a significant reduction of rekeying across most peer groups to populate a complete mortgage application.

A growing reliance on external data sets

Where improvements have been made, it is invariably around the volume of questions being asked of intermediaries. This reflects the growing reliance on external data sets and appears to support the feedback we received. It may not be the volume of questions that is the issue but the data source and its reliability in use.

Getting third-party external data may help, but trusting the data when it conflicts with that supplied by the broker or borrower themselves remains an issue for many. It is still the case that in terms of data requests, intermediated business is lighter touch than direct for some lenders as brokers are expected to de-risk the process for lenders.

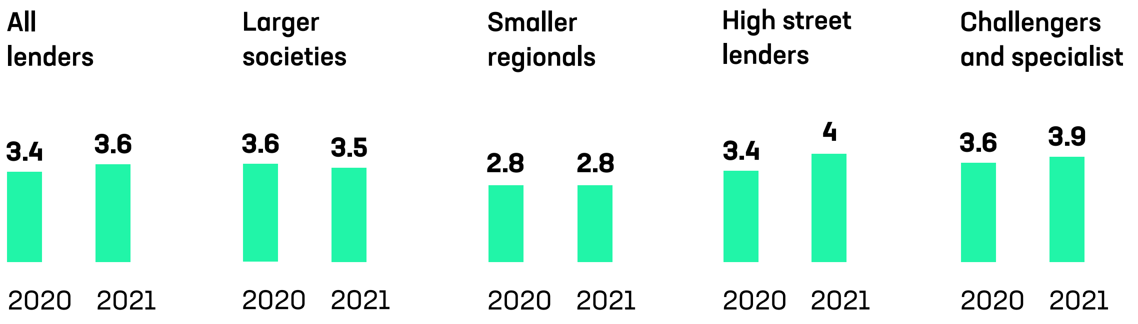
Average time to secure a DiP



Full mortgage **application**

We asked lenders about the level of automation and technology integration in their complete mortgage application process and their satisfaction with it.

Overall satisfaction score - mortgage application process



5 is the most satisfied and 0 the least satisfied.

Key takeaways

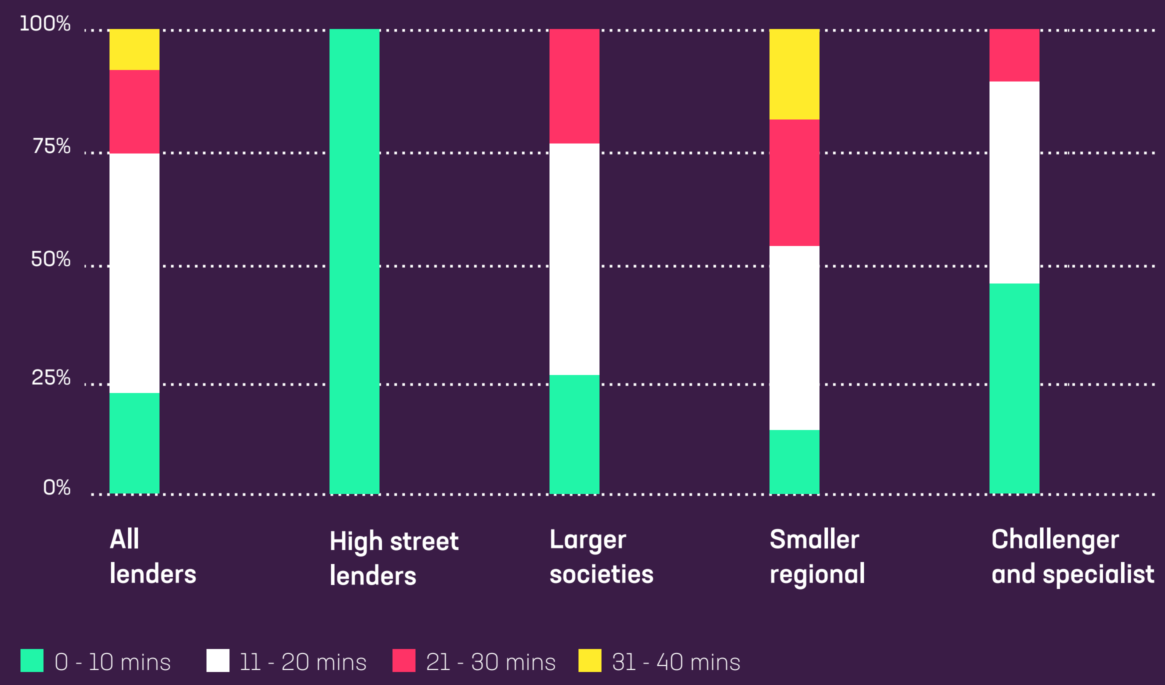
- The application stage remains relatively unchanged vs our last survey. In 2020 72% of applications converted to offers, and this year moved to 73% across the peer groups.
- Almost all ID&V data collection is now automated across the peer groups. All high street and larger societies, two-thirds of smaller regionals and three quarters of challengers and specialists now automate ID&V data collection.
- Broker portals are used to upload supporting documentation in the vast majority of cases, and become the interface for broker communications and processes after that.
- In a few cases, the process remains entirely manual, particularly if it supports the lender's proposition, though rekeying may be done internally rather than by the intermediary or borrower.

The 30-minute mortgage application

The pandemic has further exaggerated the view that underwriters still have a significant additional workload to get decisions through. There is an expectation that it needs to be addressed sooner rather than later, although it's not always about technology efficiency but credit processes.

The vast majority of challengers and specialists (over 88%) reported it takes under 20 minutes. High street-lenders all reported less than 20 minutes, larger societies (though more evenly split) were all again under 30 minutes, while smaller regionals (79%) reported delivering their complete mortgage application submission in under 30 minutes.

Estimated time to submit an application



It's clear from the responses that the vast differences in technology investment and capability across the peer groups are no real impediment to completing a mortgage application in less than 30 minutes.

Iress asks

Is there still a place for **Automated Valuation Models?**

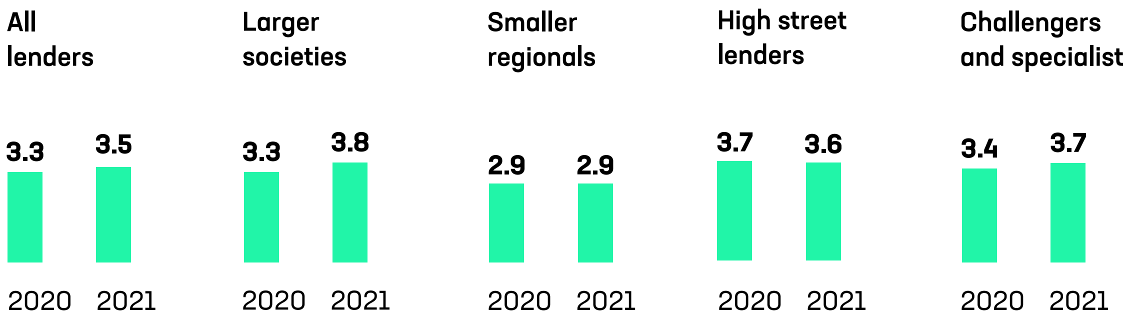
At the time of our last survey, physical inspections had become impossible, prompting some lenders to close to new business. Others embraced Automated Valutaion Models (AVMs). By the time of this survey, many lenders had stepped back from AVMs while the use of insurance backed Digital Valuations or Remote Valuations had risen.

Physical valuations remain incredibly important for wholesale funded lenders whose rating agencies and investors often prefer and want the security of a physical inspection with the asset. Lenders that have recently embraced AVM's have used LTV to manage any risk, which generally favours the more conventional lending models. But where margin demands and lending further up the risk curve prevent this strategy, understanding the property's value to support the loan is more critical. This will likely grow as environmental elements of housing become more important in the assessment of pricing.

Going **to offer**

We asked lenders about the level of automation and technological integration in their complete mortgage application process and lenders' satisfaction with it.

Overall satisfaction score - automation and technological integration in the mortgage application process



5 is the most satisfied and 0 the least satisfied.

Quick, meaningful wins

The atmosphere of the pandemic had made all we spoke to more optimistic about the challenges facing other parts of the value chain. While conveyancing remains problematic, the lenders who had changed or digitalised their processes expressed significantly more satisfaction and optimism about delivering on the volumes of completions they were handling.

It might be an overstatement to say that the operational challenges of the pandemic had focussed minds on the post-application part of the mortgage process. Still, it has undoubtedly encouraged some lenders to gain quick, meaningful wins wherever they are possible.

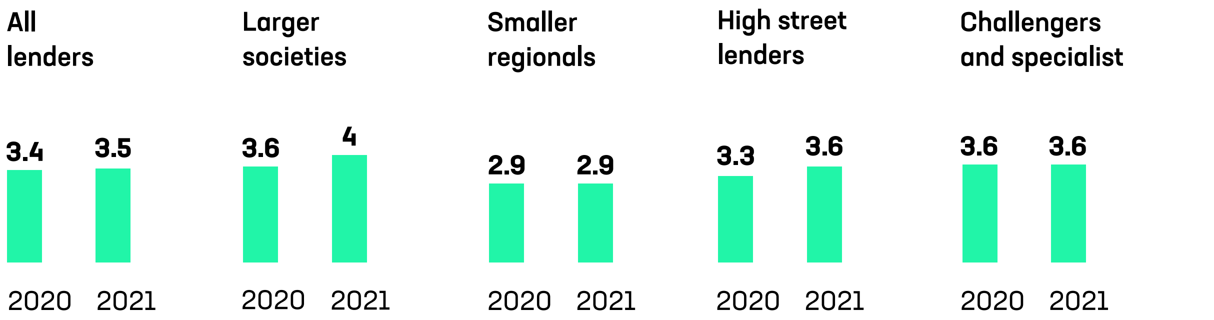
Key takeaways

- Historically the post-application parts of the process have had the least investment and caused many issues. At the time of our survey, the stamp duty holiday was still moving through the system and causing some consternation in completion dates. There were also isolated instances of offers not being delivered electronically to most parts of the value chain.
- Lenders reported that processes were often manual, but much had been done to improve this, as the scores demonstrate. In the light of the huge growth of home sales and purchases over the pandemic period, we heard many tales of parts of the post-application process being rewired to ensure greater efficiency.
- Wet signatures were no longer required for much of the documentation. Special conditions are mostly automated or put into the main body of the mortgage offer as a default option wherever possible.
- Electronic Certificates of Title were also more widely adopted by lenders. Those that had achieved this remain in the minority but were vocal advocates for the process.
- Small incremental changes have, in some cases, revealed huge savings and benefits and resulted in satisfaction scores for this part of the process that is on a par with anything at the front end.

Going to **completion**

We asked lenders about the level of automation and technology integration in their completion process and lenders' satisfaction with it.

Overall satisfaction score - level of automation and technological integration in the completion process



5 is the most satisfied and 0 the least satisfied.

A significant stress test

Completions for every lender bring together a disparate set of disciplines from releasing funds to onboarding accounts onto core banking platforms, from chasing deeds to obtaining and checking Titles. While the time to complete on a sale or purchase is not in the gift of the lender, efficiency in moments of high volume is still valuable. As some have inferred, if last year's market was a one-off event, then the processes did not break under this significant stress test.

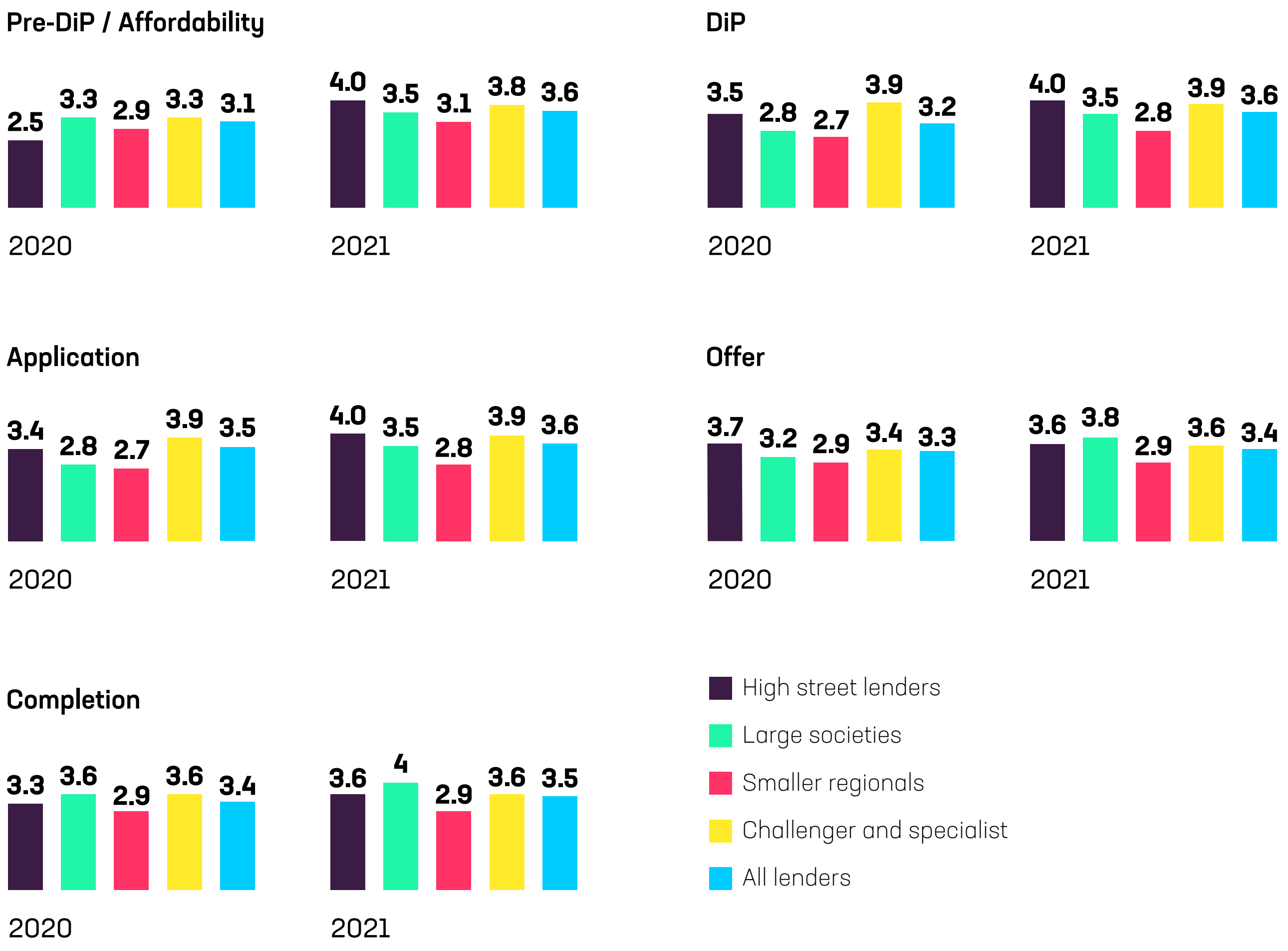
Key takeaways

- Much of the completion process remains manual. The unique sale and purchase market of the last twelve months has raised some questions about the efficiency of the process. Still, most lenders have managed, and incremental gains are being made, e.g., digital signatures throughout the process.
- Where problems do occur, they are rarely process issues but legitimate last minute concerns about boundary disputes or suspicious behaviour–late events outside the lender's control that hi-jack otherwise efficient plans.
- Once everything is in place, the time to complete is a reasonably efficient process with the lenders instructing and ready to execute the completion process within 30 minutes.
- The offer to completion ratio has remained above 80%, illustrating the unwillingness of many to pull out of an offer once received. This has probably contributed to the inertia in terms of investment in this piece of the process.

Overall, satisfaction **levels have improved**

Looking across each of the peer groups, we compared year on year levels of satisfaction with the five key stages of the sales and origination process.

Overall satisfaction scores



5 is the most satisfied and 0 the least satisfied.

Key takeaways

- Average satisfaction levels improved across each stage of the sales and origination process in 2021 vs 2020
- Challengers and specialist lenders were the most satisfied peer group with 4 out of 5 scores improving year on year and one remaining the same.
- High street lenders saw a 43% increase in satisfaction levels with the Pre-DIP/Affordability stage of the process.
- All lender peer groups saw an increase in satisfaction with their Pre-DIP/Affordability stage.
- Larger societies saw a 25% increase in satisfaction at the DIP stage year on year.
- The application stage and offer stages were the only parts of the process to drop in satisfaction, with both the high street lenders and larger societies scoring them down year on year.
- Smaller regionals appear more satisfied with the front end of the process year on year with no change in satisfaction levels from the application stage onwards.
- No lender peer-group scored a maximum satisfaction score of five.

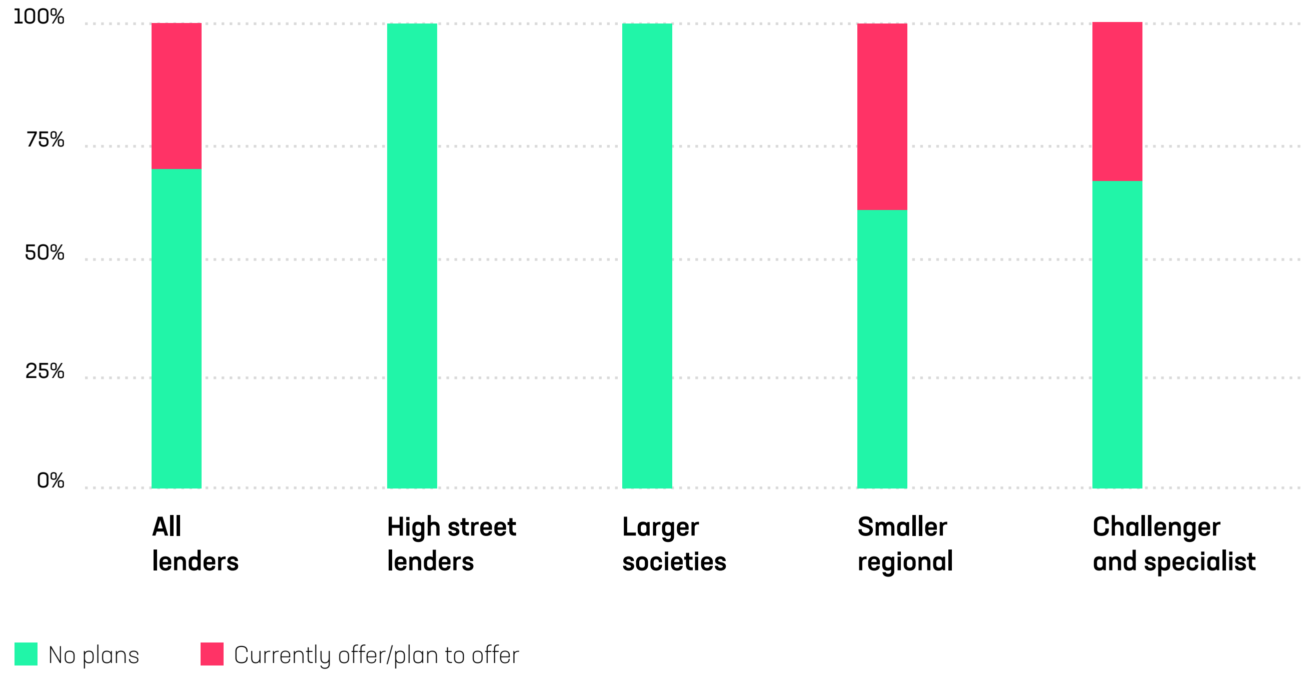
Plans for **other services**

We asked about online plans for the future and the current availability of certain services. Lenders continue to have different plans for their distribution around the need for consumer or broker facing interfaces and functionality.

All high-street lenders and larger societies reported that they are putting significant effort and resources into developing or refining functionality for consumer purchase, remortgage, and product switches.

Intermediary product switch or product transfers (PTs) appeared to be high on the agenda for most peer groups. Many lenders remarked on the rapid growth of business on Product Transfers (PTs) – a likely consequence of borrowers requiring keener rates without the scrutiny of a full-blown remortgage. One lender remarked that "we are doing as much in PTs as in new acquisitions." Those that had not developed had not done so because the levels of business did not justify it, but every lender recognised its importance.

Percentage of lenders offering or planning to offer PT functionality



Key takeaways

- There was a recognition that consumer demand for execution-only online servicing was particularly successful for PTs. For low sub 80% LTV PTs, some lenders envisaged a future where aggregators might deliver an execution-only commodity-driven process that met the consumer demand for online self-service.
- For smaller societies and challengers and specialists, further advances were less important online, and the volume did not warrant the investment.
- Consumer apps were available for retail savings customers, but few had plans to make anything other than mortgage balances available on them if they were planning anything at all.
- No lenders plan to deliver an intermediary app.

Future themes

The priorities **for lenders**

Our final questions focused on the issues front of mind for lenders and how they impact their businesses. When we ran this survey last year, we specifically asked about the lenders' technology and climate concerns. This year we opened up the debate to look at other elements in lenders' collective thoughts.

Continuing **to adapt**

What defines efficiency has evolved – the number of days to offer has increased, but this is not in and of itself problematic if the transaction still takes place within the timescale of the borrower. The transaction's drag has been in conveyancing and valuing (though less so as remote valuations have come to the fore).

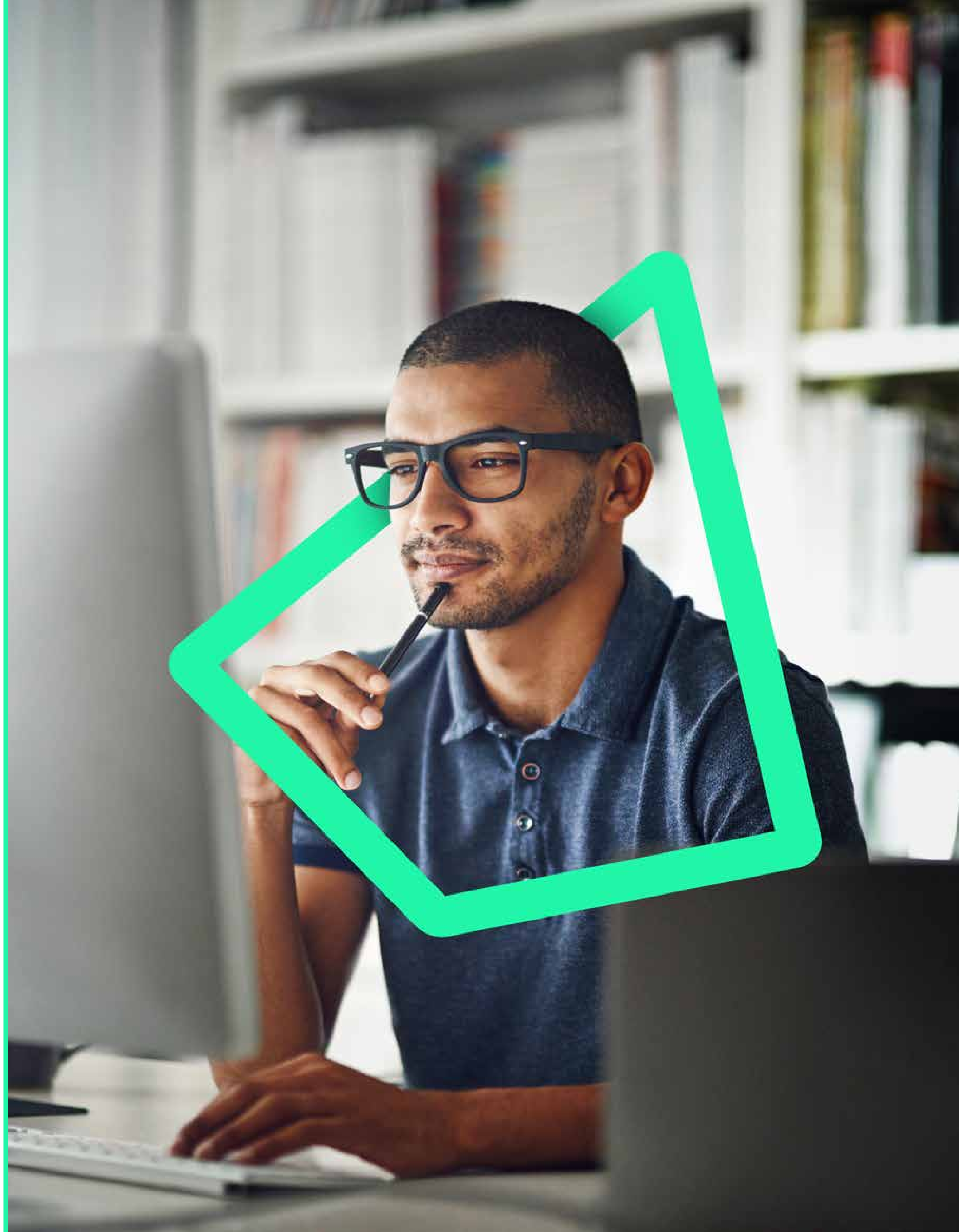
Consequently, efficiency has been more about the successful transition of current processes built for another age to a new working from home environment. Indeed, a lot of the confidence we detected in lenders' faith in their change management is now feeding its way into their thinking about undertaking new ways of doing things.

Perceptions have shifted. Businesses have performed well over the past eighteen months, and, we believe, this has fed into the survey scores offered by lenders. In instances where little has changed, many lenders have been 'pleasantly surprised' at how well processes and systems have coped with the seismic shift to working from home and have scored processes slightly higher.

Being **alert to fraud**

Data security procedures and the home working environment cause less concern for lenders as they did at the outset of the pandemic. Problems about systems and data protection have been largely overcome with multiple authentication security as well as training.

However, some did report greater levels of attempted fraud. Phishing and scams are increasing and represent a real and present threat to financial institutions and their customers. Identity fraud was a common concern – mainly when it is possible to never meet a customer face to face during an AVM remortgage. Of course, the risk is more significant in smaller lenders, but everyone we spoke to was more alive to this than last year.



Greener **practice**

If there was one area where there was a palpable change in attitudes across the board, it was in recognition of greener practices.

Wholesale funded lenders are acutely aware of the pressure from investors, and retail funded lenders are grappling with Prudential Regulation Authority (PRA) demands for managing climate risk in operations and on back books.

Regulatory compliance (for example, understanding the ramifications of negative interest rates) already consumes huge amounts of lender capacity. Still, the environmental scrutiny of regulators is being heeded even if some of the ramifications are not yet fully understood.

Many expect Energy Performance Certificates (EPCs) to be the starting point of the greener product journey, but few expect it to be the final destination. For those lenders dealing in buy-to-let, this is already well established in their thinking. For others, creating a new generation of mortgage prisoners who cannot afford to upgrade their properties remains a genuine concern. Older properties that cannot be easily upgraded and require a physical inspection are likely in current thinking to be penalised.

Lower emissions may well be a natural by-product of more remote or digital valuations, but smaller lenders are reluctant to forego prudent property risk management for the environment.

Carbon-neutral is on everyone's agenda, but there is less understanding of how this will be achieved except that more technology has fast-forwarded the ability to deliver a greener agenda.

Future themes

Client and **broker experience**

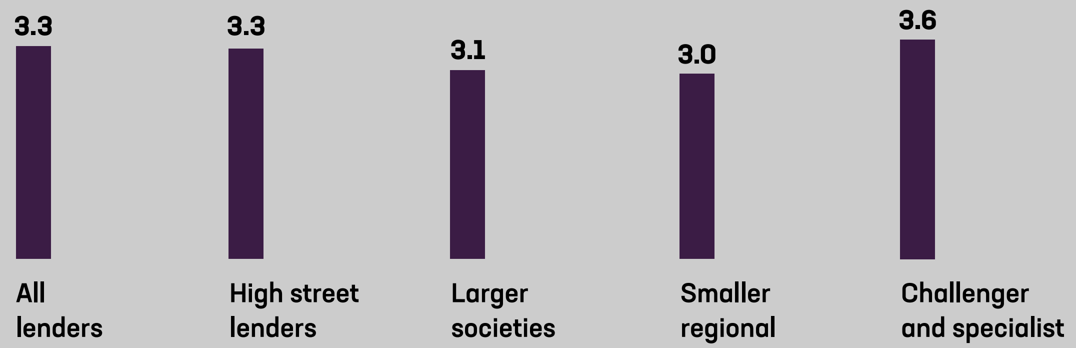
We asked about the effectiveness of product launches, withdrawals, and criteria changes during the pandemic. Previously much had been made of the difficulty some lenders found communicating each with the market.

Service levels with product search platforms are not instantaneous, but it was imperative to execute these decisions quickly. Some had spoken about how they had been advising brokers at the beginning of the pandemic to use only their websites for up to the minute product information.

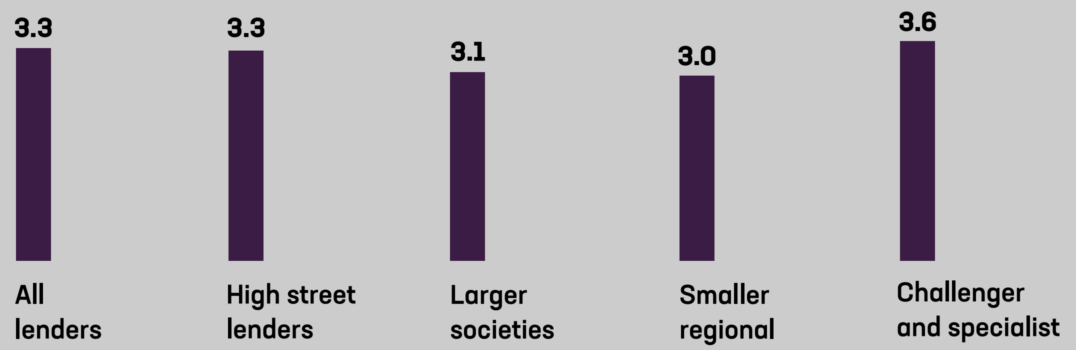
Over the period, most lenders felt they had got to grips with these issues though none believed they were without fault.

Procedures for product launches were generally felt to have scored 3.2 out of 5. Withdrawals fared slightly better with 3.9 and criteria changes 3.4. Challengers and specialists consistently scored themselves highest in these categories, while smaller regionals consistently scored themselves lowest.

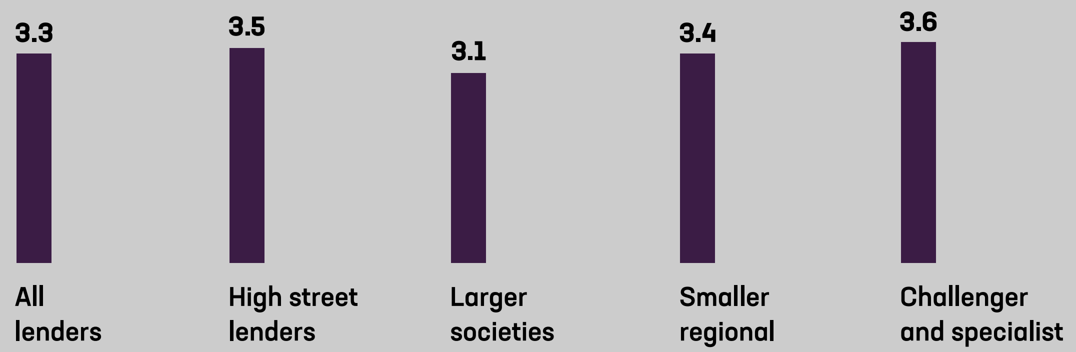
Effectiveness of lender product launches



Effectiveness of lender product withdrawals



Effectiveness of lender criteria and policy changes



5 is the most satisfied and 0 the least satisfied.

Consumers continue to want to interact digitally and lenders are keen to aid this trend to more cost-effective self-service. While many lenders have policies for vulnerable customers, it was interesting that in conversation only one offered this a serious area of focus over the coming months and years in light of the impact of the public health crisis on customers' well-being.

Technology and the **lending proposition**

Much of the feedback this year underpinned the system bias to the front end of the process. No sooner has the operational impact of the new environment been absorbed and accommodated, minds inevitably turned to acquisition for next year. Integration, APIs and distribution partners are once again leading the digital ecosystem agenda.

While technology is an integral part of consumers' and lenders' futures, it continues to raise a familiar concern about differentiation for many smaller lenders. The personal touch is still essential for many lenders. There is a concern that continually commoditising the product and the service experience means the value of smaller lenders will get lost in pricing.

Distribution **and de-risking**

We have seen how the intermediated business sector has added value to the lender model during the pandemic. Brokers remain the pre-eminent source of new and repeat business. They often know lender systems and processes well, which makes that channel even more efficient if cases are correctly packaged. But they also play another role.

Lenders are quick to point out that brokers also offer a valuable line of defence de-risking the process, even if some did raise a concern about the virtual nature of all customer contact and whether that should persist in the longer term.

Proprietary technology **and outsourcing**

Several smaller lenders confirmed that they were approaching new technology partners, illustrating the growing confidence in the sector. This was not present twelve months ago.

The business case and funding for such investments are now in place because of last year's lending volumes which have heralded new confidence to build for the future. Lenders appear to have moved quickly to a more expansive and confident mindset.

The pandemic has buoyed lenders' confidence in their ability to deliver change management at short notice and scale. Many are sourcing new solutions, including robotic solutions (e.g. Optical Character Recognition) to age-old processing issues.

Going in-house or out-source technology solutions continue to vex some lenders, and there is still some trepidation around which distribution partners to back with integrations.

This probably explains why the 'light touch quick wins' of putting affordability calculators on sourcing systems has stood out as the new integration of the last year. Technology integrations that win are low-risk steps with significant impacts.

Conclusion

A new confidence **for the future**

Last year, while all lenders faced the same issue, their responses and level of response varied tremendously according to their scale, funding models, and markets. This remains the case.

Though individuals may have scored their institutions from their perspective when we compare the peer groups, a larger balance sheet or little legacy technology hugely affect lenders' views of themselves and their satisfaction with the level of automation they achieve. This year they all expressed increased confidence because of their ability to achieve so much over the period.

> A larger balance sheet or little legacy technology hugely affect lenders' view of themselves."

Future thinking and ambition

We use peer groups to address the imbalances in legacy, heritage, ambition and remit of the lenders we interviewed. The pandemic highlighted that even within peer groups, individual lender experiences could be very different. What is clear is that all lenders came through the experience of the last year and a half and, for the most part, enjoyed record lending in the first quarter of this year. This has improved confidence going forward. It's easy to dismiss the effect of these successes on the sector and the broader economy, but it is shaping future thinking and ambition. Margins improved, and the increased volumes were a relief to many.

Many have proven that they are better placed to compete in what will become a more complex market than they might previously have thought.

What counts for efficiency has evolved. The focus continues to be speed and accuracy, but the context for what is good has fundamentally changed.

Efficiency is now more critical

The survey scores have improved or stayed the same across most of the five parts of the mortgage journey. There is nothing self-congratulatory about this, but it is grounded in a well-founded realisation that the sector has dealt well with the extraordinary circumstances it has faced.

Efficiency in the face of more complex lending decisions is now more critical, and this will remain the case as we await new patterns of borrower behaviour to emerge.

Supply-side dynamics have driven lending over the last 20 years; liquidity and funding, fiscal policy events, and regulation. Arguably, the fiscal interventions of the previous year have supported the results we have seen in the market to date. Still, lenders have been canny in the way they have embraced technology to deliver on the Chancellor's interventions.

> Efficiency in the face of more complex lending decisions is now critical."

Scoring experiences **and expectations**

We interviewed 33 lenders representing every type of institution, whether by organisation type, balance-sheet size, lending market, or business model.

The 45-minute video-conference interviews were qualitative, and this approach allowed for a more open dialogue. To get a frank appraisal of lenders' positions, thoughts and views, interviews were conducted upon the strict condition of anonymity.

Scores reflected not only the perceived firm's experience but crucially the experience and expectations of the individuals who participated. While we were delighted to see some familiar faces during our second survey, we also had the privilege of speaking to some new respondents. Interpretations and perceptions of a lender's performance over the period sometimes may have differed when it came to scoring individual processes according to their first-hand experience, for example, of certain parts of the process. Many interviews included more than one respondent while other single, more senior respondents often 'spoke for' colleagues with specific responsibilities for areas such as operations or underwriting.

Occasionally some who scored their organisations lower were in firms that were comparatively further ahead of their peers but had higher expectations of automation. Nevertheless, the same areas of everyday experience and frustration were raised even if responses, priorities and solutions were more specific at an organisation level.

Participants

33 lenders with a combined gross lending of circa £101bn*, and a market share of 42%*, participated in the 2021 survey. They represent a cross section of the UK mortgage market from challenger banks, specialist lenders, large national and small regional building societies and high street banks.

With thanks to:

Aldermore; Atom Bank; Bluestone; Buckinghamshire Building Society; Cambridge Building Society; Coventry Building Society; Cumberland Building Society; Darlington Building Society; Dudley Building Society; Fleet Mortgages; Foundation Home Loans; Furness Building Society; Harpenden Building Society; Hinckley & Rugby Building Society; Kensington Mortgages; Leeds Building Society; Marsden Building Society; Masthaven; Monmouthshire Building Society; Natwest Bank; Newcastle Building Society; Nottingham Building Society; Principality Building Society; Santander; Scottish Building Society; Shawbrook Bank; The Co-operative Bank; The Mortgage Lender; Tipton & Coseley Building Society; TSB; Virgin Money; West Bromwich Building Society; Yorkshire Building Society;

Disclaimer

(*Based on 2020 figures taken from UK Finance Largest Mortgage Lenders Table MM10G and lenders most recent annual trading accounts)

Iress has taken all reasonable care to provide clear and accurate statistics based on the data provided by each participant. Please note that the data provided by the participants has not been independently verified.

While this report has been prepared in good faith, no representation or warranty, express or implied, is or will be made and no responsibility or liability is or will be accepted by Iress or any member of Iress' group of companies or by any of their respective officers, employees or agents in relation to the accuracy or completeness of this review or the use that is made of this review by third parties.

A better mortgage **experience**

Our strategic commitment is to make the mortgage process easier for everyone. Our software helps lenders and intermediaries give their clients the best mortgage experience through an efficient, connected journey from sourcing to completion.

Powering lenders who process one in three mortgages in the UK, and recognised as the most advanced end-to-end system of its kind, our mortgage sales and originations software reduces the constraints of legacy systems and is transforming the way lenders of all sizes do business.

iress.com/mso

iress