

4. Urgent oral question to the Minister for Housing

28th April 2009

Deputy S. Pitman:

I do ask this question because there are 69 potential first-time buyers who have been asked to find a mortgage within a very short period of time and the risks that are involved in that. Would the Minister advise whether people who have expressed an interest in the purchase of properties under the Homebuy Scheme at La Providence have been told that they must set up a mortgage by 1st May 2009, and if so would he confirm that only one bank has so far expressed an interest in the scheme. If so, advise why the scheme is still going ahead.

Senator T.J. Le Main (The Minister for Housing):

First of all I would like to thank my Assistant Minister who has done a tremendous amount of work, many, many hours of negotiating, working with officers in bringing this scheme virtually to fruition, so I would like to thank him publicly for all the work he has done. In answer to the Deputy, it is not correct that the 69 people who have expressed an interest in purchasing a Jersey Homebuy home at La Providence have been told they must have mortgages in place by 1st May. All buyers were written to last week to advise them of the prices of the homes, the allocation process and the likely timeline. In practice, while most banks will give in principle advice, mortgages cannot be confirmed until such time as the specific property being bought has been identified, and that cannot happen until the allocation process has commenced and each individual buyer has been allocated a property. The allocation process is set to run from 1st May until 30th May. In regard to the second part of the question, we are well aware that there is one bank that has agreed to loan on several of these properties but we are in an unprecedented time as far as the economy is concerned. It is fair to say that some banks are not lending and those that are are being more prudent in respect of what they lend and who they lend to. My department has been working behind the scenes on this and there have been numerous meetings of lenders and with the Jersey Bankers Association. Further meetings are planned for the next 2 weeks with specific lenders who have indicated a willingness to lend on the Homebuyers Scheme, not predominantly one bank but several others.

4.1 Deputy S. Pitman:

As there are 69 potential buyers and only 46 homes, there is a lottery that will be held on Thursday, I believe, and in the letter that has been sent to these people the department asked for confirmation from a lender of borrowing potential by 1st May. We are talking about 69 families with hopes of owning their own home. Is it not highly risky to ask these people with 5 days' notice, because they got a letter just on Saturday, to go out and get confirmation of a potential mortgage when all, bar one bank, has expressed that they do not want to be part of the scheme and this one bank has only expressed an interest. Is it not nonsensical and irresponsible on the part of the Minister for Housing that most of these people will find that their bank will not give them a mortgage? Bearing this in mind, why has the department asked these families to do so?

Senator T.J. Le Main:

All these persons that have indicated they would like to purchase Homebuyer have already sought financial advice from lenders on mortgages. They have still all indicated that they are willing to proceed on the prices indicated. There may be, and there probably will be, one or 2 that may drop out for one reason or another. But this is a fair process. It will be drawn as we did years ago with a lot of other developments we did in a fair and transparent manner by the Greffier, and those who are lucky to be in the 46 will then be able to look at the properties and then firm-up their mortgages. It is high time this development ... we have people who have sold properties living with parents desperately waiting for these homes.

4.2 Senator S.C. Ferguson:

Could the Minister with regard to the Homebuyers Scheme clarify the position regarding the warranties on these new-build houses? It seems to me that the States are buying a new house and then reselling them from the description we had. The Minister can correct me if I have understood incorrectly, because where does the liability for the warranty fall?

The Deputy Bailiff:

I am not entirely clear that arises out of the question, Senator.

Senator T.J. Le Main:

Perhaps my Assistant Minister could answer that point if that was ... as far as I am concerned ...

The Deputy Bailiff:

I think, Minister, it does not, in my opinion, arising out of the question. No doubt you can take it up privately and ask a further question.

Senator T.J. Le Main:

I am very happy to speak with the Deputy after, but as far as I am concerned we are not purchasing the properties.

4.3 Deputy R.G. Le Hérissier:

I wonder could the Minister tell the House, if these clients, notwithstanding the excellent programme, were to find difficulties in getting finance and there were to be a number, what contingency plan does the department have in place?

Senator T.J. Le Main:

There would be no contingency plan. The 46 homes will be sold to the first 46 that come up with the mortgages and we are very, very confident among the 300 we have on our waiting list for a homebuyer, that if we could not find 46 out of the 69 that we will find others to take their place.

4.4 Deputy G.P. Southern:

Will the Minister please answer the question; does he not consider it negligent of his department or, at the very least, careless to leave it to 5 days' notice to seek confirmation of such a major thing as the potential for a mortgage?

Senator T.J. Le Main:

No, all the prospective purchasers have known for months the criteria and the gateway and what was expected of them. This letter that went out last week, which I have circulated to all Members, so they will understand it, was a clarification of what they already know.

4.5 Deputy G.P. Southern:

Can the Minister then either confirm or deny that there is only one bank interested in participating in this scheme?

Senator T.J. Le Main:

No, that is not true at all. The Deputy was either out of the Chamber or not listening. There is one bank that seems to be quite dominant but there are several other lenders involved in the 49 number of people.

4.6 Deputy S. Pitman:

The information I have received is from a reputable mortgage agency and several constituents who have received this letter. He has not answered my question; is it not highly irresponsible that there is only bank who has only expressed an interest in this. All other banks have said no, they do not want it, and yet you are asking people to go out and get a mortgage.

Senator T.J. Le Main:

Surely the Deputy is not listening. I have said there is one bank willing to lend, quite dominant at the moment. There are other lenders in the marketplace and, as I said 5 minutes ago, the officers are meeting again with the Jersey Bankers Association and several other lenders within a fortnight have said they are very interested in coming on board for Homebuyers Schemes. These 46 homes can be well accommodated by 2 and 3 and 4 mortgage lenders.

4.7 Deputy G.P. Southern:

Can I ask the Minister to consider carefully his answer? He appears to be very categorical that there is more than one bank. Is he confirming that there is more than one bank interested in the scheme and willing to lend?

Senator T.J. Le Main:

The answer to that is yes. The advice by my officers is yes.

4.8 The Deputy of St. John:

Could the Minister tell Members what the latest state of play is with the States loan system within the Island? Is it no longer in play for first-time buyers to have a home?

Senator T.J. Le Main:

I do not know what that has got to do with Homebuyers; it is in play and the maximum to borrow is £120,000.

