February 2026:
This month in mortgages

Updates & insights from George Square Financial Management

Contents

News in brief

- Mansion Tax – this may lead to disputes and could “reshape” the housing market. The way valuations could take place could also be a concern.
- Barclays have upped maximum residential loan to value to 6 x income.

Residential news

The mortgage market reset - what's next?

In the world of mortgages, as in life, change is a constant. With the FCA reforms now beginning to take effect, it's a good time to look ahead and consider what the future of the mortgage market may hold.

Here's our perspective on what could be emerging as these changes become established.

Flexible lending meets Mansion Tax

Taxing properties valued at more than £2 million is only the start, as governments realise they can extend this tax to lower-priced properties with little kerfuffle. Most owners will pay the tax in instalments alongside their council tax, but some asset-rich, cash-poor customers will struggle. Expect innovative payment options, aka Klarna. The UK government may well turn this into a second-charge payable on death, making equity release solutions a practical way to manage these liabilities. Expect a surge in later-life lending.

Big tech and subscription mortgages

Now that the advice compulsion has been shaken off, the mortgage market won't be the exclusive domain of banks. Big Tech players could enter the fray, partnering with lenders to offer mortgages via your favourite shopping or streaming app.

Premium human services

Digital convenience will rule for mainstream borrowers, but human advice is far from dead. Clients with complex needs — specialist lending, later-life borrowing, protection, tax planning, pension planning — will pay for bespoke, adviser-led interaction.

Summary – key residential mortgage themes in the UK (January 2026)

- Mortgage rates are beginning to ease after prolonged high pricing, with major lenders like HSBC and Nationwide adjusting products. (Source: The Guardian)
- Market activity is resilient but nuanced: mortgage approvals dipped slightly, while remortgaging rose as homeowners react to pricing changes. (Source: Reuters)
- House price growth has slowed, potentially easing affordability pressures for some borrowers. (Source: The Guardian)
- Competitive dynamics are increasing, with lender pricing moves and consumer lists pointing toward improved choices for residential borrowers.

Landlord news

Landlords hit by 2% property income tax rise

The government is creating separate tax rates for property income.

From 2027 to 2028, the property basic rate will be 22%, the property higher rate will be 42%, and the property additional rate will be 47%, from April 2027.

The government is increasing the rates of income tax applicable to savings income by 2 percentage points across all bands from April 2027 and increasing the rates of Income Tax applicable to dividend income at the ordinary and the upper rate by 2 percentage points from April 2026. The dividend additional rate will remain unchanged.

Also, the government is changing Income Tax rules so that reliefs and allowances deductible at steps 2 and 3 of the Income Tax calculation will only be applied to property, savings and dividend income after they have been applied to other sources of income.

These changes will apply across England, Wales and Northern Ireland and the government will “engage” with Scotland and Wales to “provide them with the ability to set property income rates in line with their current income tax powers in their fiscal frameworks”, HM Treasury said.

This is expected to raise around £500m every year from 2028-29 onwards.

In the Autumn Budget 2025, Chancellor Rachel Reeves said a landlord with a rental income of £25,000 will pay nearly £1,200 less in tax than their tenant with the same salary.

“No National Insurance is charged on property, dividend or savings income. It’s not fair that the tax system treats different types of income so differently, and so I will increase the basic and higher rate of tax on property, savings and dividend income by two percentage points, and the additional rate of tax on property and savings income by two percentage points,” she explained.

Renters' Rights Act

What landlords need to know before 1 May 2026

The Renters' Rights Act introduces the biggest reforms to private renting in a generation. Over the next few pages, George Square shares a practical overview, including the implications for landlords from 1 May 2026, top tips on how to prepare, and a note on further changes that are likely to follow in 2027 and beyond.

What is the Renters' Rights Act?

The Renters' Rights Act, which received parliamentary approval alongside supporting guidance in late 2025, aims to improve standards and consistency across the private rented sector in England.

Rather than introducing all reforms at once, the government is rolling changes out in stages, with **the first major set of measures coming into force on 1 May 2026.**

Broadly, the Renters' Rights Act seeks to increase tenant security, simplify tenancy structures, place limits on certain charging practices and give tenants clearer routes to challenge rent increases and landlord decisions, including those relating to pets.

Renters' Rights Act

Key changes taking effect on 1 May 2026

1. Tenancies
Fixed-term assured shorthold tenancies (ASTs) will largely be phased out and replaced with a single system of assured periodic tenancies. These will run on a rolling basis rather than for a fixed term.

In practice, this means landlords will not be able to depend on an automatic end date to regain possession and will need to plan more carefully around how and when tenancies can be brought to an end.

2. No-fault evictions (Section 21)
Section 21 "no-fault" evictions are set to be abolished from 1 May 2026. Instead, landlords will need to rely on specific, defined possession grounds if they wish a tenant to leave, similar to an expanded and reformed Section 8 process.

This change is designed to give tenants greater stability, but it also means landlords will need to ensure they keep clear records and understand which grounds apply in different circumstances.

3. Charging and rent rules
As of 1 May 2026, the Renters' Rights Act will restrict what landlords can ask for upfront in rent. Specifically, landlords can no longer request more than one month's rent in advance. In addition, rental bidding — where prospective tenants are encouraged to offer more than the advertised rent — will be banned.

4. A formal process for increasing rent
There will also be tighter rules around how often rent can be increased, with increases more than once a year likely to be prevented. The only valid way to increase rent will be by following the section 13 process; landlords will be required to give prescribed notice, and tenants will have the right to challenge increases they believe are unreasonable, potentially through a tribunal or similar mechanism. As a result, landlords should expect more formal documentation and set timescales around rent reviews.

5. Increased tenant rights and anti-discrimination protections
Under the new framework, it is likely to become unlawful to refuse tenants in certain circumstances, such as because they receive benefits or have children. Tenants will also have stronger rights to challenge poor property standards and unfair charges, placing greater emphasis on compliance and good record-keeping.

6. Pets
Landlords will no longer be able to unreasonably refuse reasonable requests from tenants to keep pets. A formal pet request process is expected, requiring landlords to consider each request and provide a reasoned response. Further guidance is due on tenancy wording, insurance considerations and how disputes will be handled.

Renters’ Rights Act

Top tips for landlords preparing for the changes

If a landlord or letting agent tries to get around these rules by, for instance, telling a tenant they are bound by a fixed term period, or serving a new section 21 notice on or after 1 May, the local authority may impose a civil penalty of up to £7,000 for a single breach.

While there is still time before the first phase takes effect, we'd recommend taking action sooner rather than later to avoid any penalties. There are a number of steps you can take now to put yourself in a strong position:

Review your tenancy documentation: It could be worth checking any clauses that rely on fixed end dates, break clauses or rent review mechanisms, and considering how these will operate once tenancies move to a rolling basis.

Rethink your possession strategy: With Section 21 being removed, it may be helpful to familiarise yourself with the new possession grounds and ensure you keep clear records of rent payments, breaches or future plans for the property.

Audit your charging and rent practices: Reviewing upfront payment requests, removing any bidding processes and modelling the impact of less frequent rent increases could help you avoid issues later on.

Review your pet policy and property suitability: Checking your insurance cover and preparing a fair, consistent. pet request process may help you respond confidently to tenant requests.

Train and document: Ensuring your agents or staff understand the new notice requirements and rent procedures, and keeping written evidence of decisions, may reduce the risk of disputes.

Check your finance and lending arrangements: If you have a buy-to-let mortgage, it could be worth speaking to your lender or adviser to understand whether changes to tenancy length or rental income patterns might affect your borrowing.

Looking ahead to 2027 and beyond
Further reforms are expected to follow after 2026. These may include a Private Rented Sector Database, stronger local authority enforcement powers and additional regulation around property standards and landlord responsibilities.

Some changes affecting specific landlord groups or the wider housing system may also be introduced from 2027 onwards, making it sensible to keep an eye on future guidance as it emerges.

If you would like support getting ready for these changes, or would like to review how they may affect your buy-to-let finance, please speak to George Square. Our advisers can help you understand the potential implications and plan with confidence.

Mortgage tip of the month 🏠

Divide your monthly mortgage payment by 12 and overpay that amount every 2 weeks.

On a £300,000 mortgage over 30 years, you'd save around £73,665 in interest and pay off your loan 5 years and 5 months early.

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