

Economic policy cannot be built on words alone

THE suspension of sterling from the ERM and the sterling crisis should be used by the Government as an opportunity to breath life into the British economy and encourage

economic revival. The housing market is likely to be critical to this process.

During the last few years many home owners have been encouraged onto the first rung of the housing market by attractive discounts offered by building societies and other lenders. Many of these home buyers are now unable to sell their homes and face large losses. In many instances the shortfall is likely to be over £10,000 below the mortgage price.

There are very limited options for such borrowers. Whilst lenders continue to encourage more first-time buyers, with up to 2.5 per cent discounts, the only 'help' offered to existing borrowers is a personal loan at interest rates of around 25 per cent to make up for the shortfall! Such high interest rates are likely to generate profits for the lender, but not the discontented borrower who has already struggled for several years to repay their mortgage. Faced with rented accommodation and a large loan for many years, it would seem to be in the Government's interest to push interest rates down and thus encourage lenders to lower their interest rates for both mortgage holders and those seeking loans to make up their mortgage shortfalls.

The availability of cheaper loans and mortgages would help revive the housing market by encouraging new buyers and current buyers back onto the market and subsequently assist the building industry. At the same time it would also help existing mortgage holders who have paid substantial commis-

sions on various insurance policies and dutifully paid their mortgages on time!

Paresh Motla.
Oxford.