

Brokers lukewarm towards Lloyds' council scheme for first-time buyers

21 March 2011 | By [Tessa Norman](#)

A scheme launched by Lloyds TSB that allows local authorities to help first-time buyers get on the property ladder with a 5% deposit has received a tepid response from brokers.

The Local Lend a Hand initiative invites councils to provide a cash-backed indemnity of up to 20% of a property's value in an extension of Lloyds TSB's existing Lend a Hand scheme, which accepts a 5% deposit from the borrower and a further 20% deposit from their parents.

Local authorities will earn interest on the indemnity from Lloyds TSB and have the power to decide in which area the scheme will be available.

But there are concerns that government budget cuts will make councils reluctant to participate in the scheme.

Aaron Strutt, head of communications at Trinity Financial Services, says: "It is a nice idea in principle, but whether it would work in practice depends on how many first-time buyers would be able to access the scheme and how generous local authorities will be when they are being forced to make huge budget cuts."

He adds he would rather see Lloyds TSB offering more 90% LTV products that are affordable for first-time buyers themselves.

David Sheppard, managing director of Perception Finance, agrees that most first-time buyers would prefer to save for a deposit on their own than participate in a scheme.

He says: "The initiative could work in theory, but local authorities will have to think about it long and hard and will need to be comfortable with what they are putting their name against."

But Andy Pratt, chief operating officer at Alexander Hall, welcomes the scheme.

He says: "I applaud Lloyds TSB for being inventive, as innovation is what the industry needs, especially in the first-time buyer market."

"While this scheme may be a little niche, it will open the door for other lenders to devise innovative deals and I hope they follow suit with some more mainstream products."

Local Lend a Hand is for loans between £25,000 and £350,000. It will be piloted with local authorities including Blackpool, Warrington, Newcastle-under-Lyme and East Lothian before being rolled out across the UK.