

11 May 2023

[REDACTED]

BY EMAIL

Dear [REDACTED]

Private Shareholder Relations
 Barclays Corporate Secretariat
 Barclays, Level 25,
 1 Churchill Place, London,
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barclays.com

Thank you for your questions, regarding Barclays' position on mortgage lending on flats affected by building safety issues, that were put to the Barclays Board at Barclays PLC AGM on 3 May.

Our Chairman, Nigel Higgins, agreed that we would follow up with you after the meeting to provide a detailed response to your questions. These responses are set out below.

<p>Q1</p>	<p>Barclays' special assumptions state that – even where a lease qualifies for remediation funding- a valuer should assume works 'may have a material impact on value'. Can the Board explain why, and by how much, a qualifying leaseholder's property value will be impaired, and if there is any disadvantage in the mortgage products being offered?</p>	<p>The valuation of properties impacted by cladding concerns is supported by the RICS guidance note that was published in December 2022. This lays down the principles and matters to consider. The judgement of a valuer will be influenced by factors such as the current status of the remediation works, the level of disruption and the market in which they are valuing.</p> <p>Barclays have added an additional special assumption that requests that valuers reflect the actual situation faced by any one building. The impact on the value of the building will vary as particular circumstances change and dependent on the timeline and scope of remediation required. We ask that this is adequately reflected in the valuation in order to protect our purchasing customer and ensure that the price they are paying fully reflects the current status of the building. It is important that we consider our customers and ensure they are fully aware of the issues potentially faced in purchasing the property.</p> <p>Impacted customers applying for a mortgage will be offered the same range of products as all other customers - they are not disadvantaged because of the status of the building.</p>
<p>Q2</p>	<p>There are over 1m leasehold flats under 11 metres in height, which are out of scope of the guidance. Many are still being told there is no point trying to sell or re-mortgage without an EWS1 form, which they usually cannot get. Can the Board please outline what action is needed to effectively unblock the market for low-rise flats?</p>	<p>By low rise we understand you mean flats under 11m high (mid-rise flats of 11-18m are supported by a government funding scheme). In this sector of the market we anticipate that confidence will start to return as buyers begin to understand the lower risk nature of these flats. Very few low rise flats require any remediation work.</p> <p>In asking for an EWS1 form our valuation partners will follow the guidance published by RICS. Very few buildings under 11m come into scope for an EWS1 and, where one is requested, it is because there is a particular concern that has been noted by the valuer.</p> <p>Buyer confidence is key to the unblocking of the market for low rise flats. This will return as the market starts to transact. We expect the market for impacted flats to continue to evolve and will continue to support impacted customers.</p>

Q3	<p>Around 400,000 flat are owned by 'non qualifying leaseholders, who can face uncapped costs because they own more than three properties, or their building is enfranchised. Even if they were able to sell to cash buyers at distressed prices, the 'non-qualifying' status passes on to the next buyer. These leases are excluded by your special assumptions. Can the Board explain how 'non qualifying' leaseholders will ever be able to re-mortgage or sell, and what impact it will have if a large number default on their mortgage because they cannot pay massive remediation bills within 28 days?</p>	<p>The non-qualifying status is generally only relevant where government funding is applied for. Where a developer has committed to pay in full for remediation, the status of the leaseholder has no impact. Our Barclays specific special assumptions do not exclude non-qualifying leaseholders, but are aimed at addressing the impact that protracted remediation works would have on an occupier or customer.</p> <p>In the event of default each case is handled on an individual basis, taking in to account the particular circumstances of the customer. Barclays will look to support existing customers who face financial distress and also have specific policies to assist those who are seeking funding to help them with the cost of remediation.</p>
Q4	<p>Can the Board outline how it is using its influence to affect government policy on this issue?</p>	<p>Barclays, alongside the industry, UK Finance and the Building Society Association continues to work constructively with the Government (and the wider housing ecosystem) on the implementation of the Building Safety Act.</p>

Thank you again for your interest and engagement on this important issue.

Yours sincerely,

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Barclays Corporate Secretariat

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