

Shaking up the mortgage process

Esther Dijkstra, Managing Director, Intermediaries, at Lloyds Banking Group, discusses the potential of blockchain technology in the mortgage and property markets

Blockchain is a form of distributed ledger technology. It is immutable, can record and track transactions securely and the storage of information is decentralised. Importantly, it can be accessed only by those who have permission to see it. All of that makes blockchain of great interest to the mortgage and property market.

With blockchain, the conveyancer, estate agent, broker, lender and buyer in a mortgage process could all have secure access to the same information in real time. Imagine if everyone could see the moment the searches are back, for example. There are clear savings in time and money from using blockchain to store all the information and reduce duplication. Additional savings could come from so-called 'smart contracts'. With these, once certain conditions have been met on the blockchain, the contract is automatically issued.

The benefit of blockchain for buying a home and getting a mortgage comes down to having a single source of truth, which will simplify the process for all parties. We're not necessarily looking at a full end-to-end process immediately. Blockchain could first be used for certain parts of the process, such as ID verification. With blockchain, the consumer would only need to provide their ID once and all the parties then have access to it.

Ultimately, everything in the process could happen within a blockchain. We could create shared copies of legal agreements and a full electronic audit trail of changes, reduce the complexity and speed up the release of funds. It could cut conveyancing timescales, in particular, by enabling automatic identity checks and property surveys. It could also speed up the searches on databases such as the land registry.

Property transactions are an obvious use case for blockchain, because they're multi-layered, with numerous stages and parties involved. It could be a real game-changer for the mortgage industry too, because it can speed up transactions and make record creation more accurate.

The main drawbacks are that legislation and regulation need to catch up with the pace of change. There has to be a regulatory framework around it, and we're not there yet. We need to look carefully at any technology that enables data flow with an eye to the protections for consumers. If someone adds something incorrect to the data or there is a breach, what happens? Accuracy depends on the correct information being entered

at the start. I'm confident that blockchain will become a mass market technology. It's now about the work of improving and testing it to meet the needs of the market.

Blockchain is often mentioned in the same breath as crypto currencies and it is the technology that enables Bitcoin. However, blockchain in the mortgage and home buying process doesn't need to use cryptocurrencies. What it offers

“*The benefit of blockchain for getting a mortgage comes down to having a single source of truth for all*”

that would be really beneficial is that all parties would know straight away that the money has been sent. In fact, the transfer could happen automatically when all prerequisites in the chain had been met, using smart contracts.

Because of the advantages blockchain offers, there's lots of work on putting it to use in the mortgage process. For example, tech firm [PropTech](#) already connects existing systems within the purchase process using blockchain technology. It enables the conveyancers, solicitors and lenders to see a joined-up view of the whole transaction, speeding up the process and removing fraud risks. [Acre Software](#) – used by Sesame Bankhall uses blockchain to create one unchangeable “record of transaction” for the mortgage advice process. This puts brokers back in control and offers a seamless fast journey for customers.

We'll start to see more of this as the market uses blockchain more to improve both speed and security in the mortgage and buying process.

Is Halifax planning to use blockchain technology? Of course we're looking at it. We definitely support the idea that the housing market needs to be shaken up, and blockchain is a really interesting concept to help us achieve that. ■



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