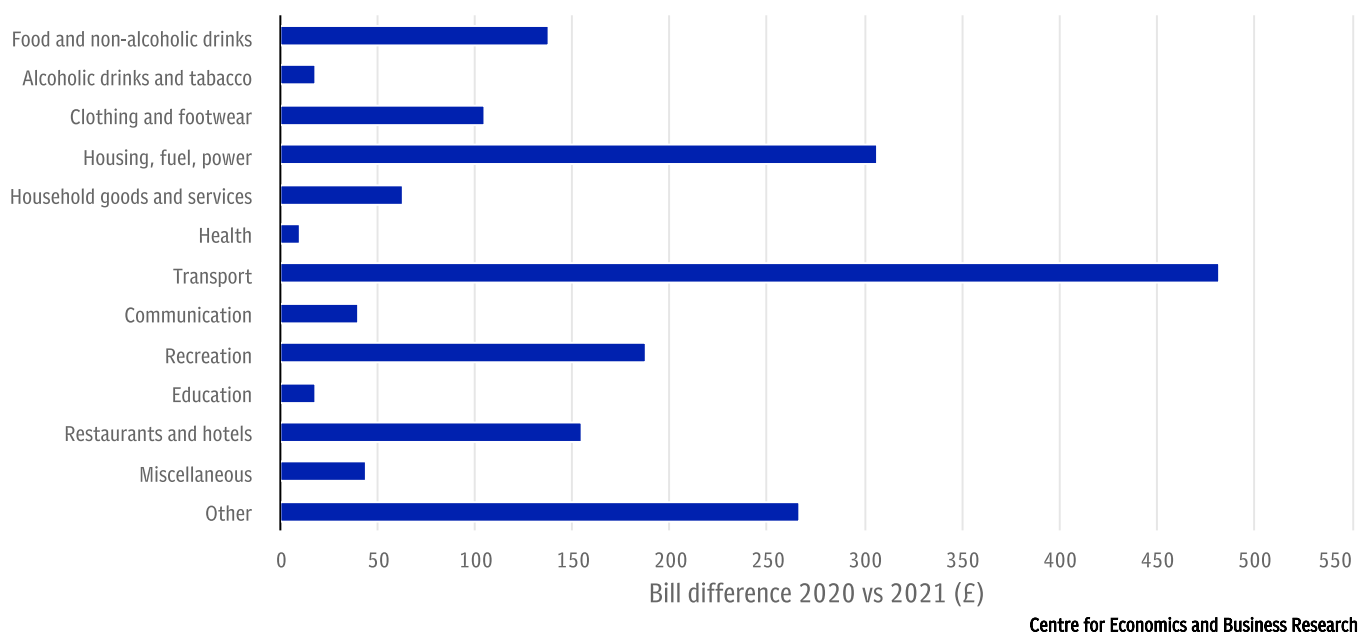


Higher outgoings spell bad news for prospective home buyers looking to secure a mortgage in the coming year, with [first-time buyers](#) especially at risk. Banks are required to take into account the soaring cost of living when [judging applications](#).

A £1,800 increase in annual household bills could reduce the amount a typical applicant can borrow by as much as £15,000, according to Heron Financial, a mortgage broker.

## The average family could see their annual household bill increase by £1,831 if inflation continues



Matt Coulson, of the firm, said: "This could mean the difference between getting the property a buyer wants and losing out.

"It is particularly a problem for anyone who is already stretching what they can borrow, which is typical of first-time buyers."

Banks and building societies heavily rely on bank statements and monthly outgoings to assess affordability.

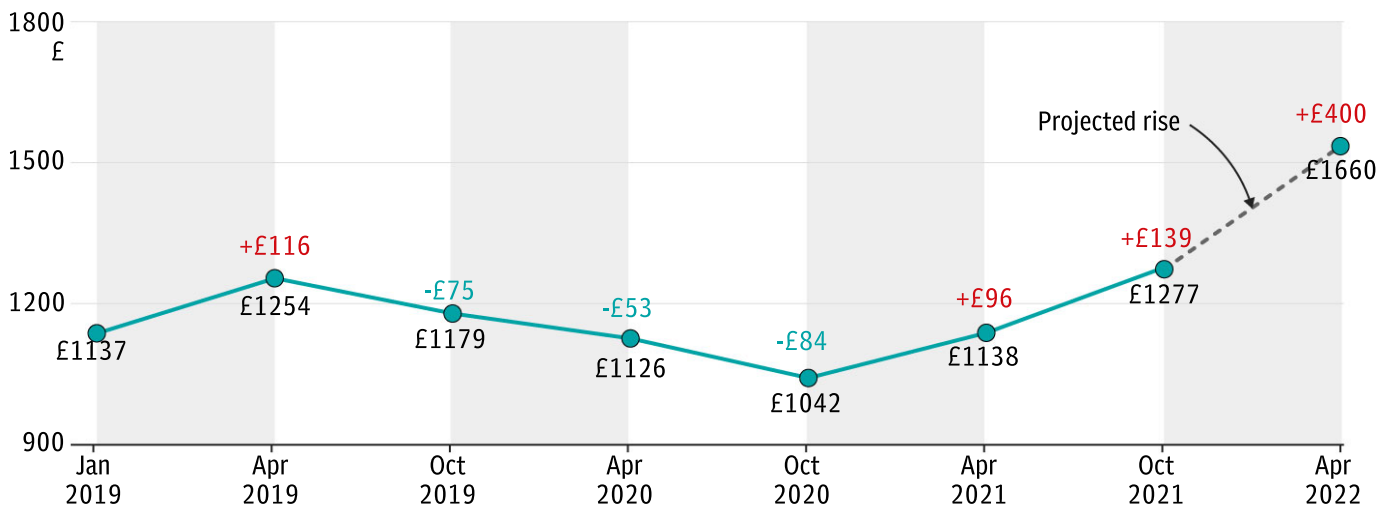
But they also use data from the Office of National Statistics to make lending decisions and calculate how much a buyer can afford to borrow.

Mr Coulson said: "If utility bills and fuel costs continue to rise to a point where it impacts ONS data and the affordability calculations that lenders run, it could reduce borrowing capacity at a time when prices are already increasing.

"It will make things very difficult for first-time buyers and borrowers with small deposits."

## How the energy price cap has changed

*Soaring energy prices mean Ofgem's price cap could surge in spring*



SOURCE: USWITCH / CORNWALL INSIGHT

This week the cost of natural gas skyrocketed [to an unprecedented high](#), with prices surging as much as 39pc to more than 400p a therm, amid an escalating supply crisis.

Millions of households face a "catastrophic" rise to their energy bills this winter thanks to these [soaring wholesale prices](#) and a record high price cap, which came into force this week.

The new cap now sits at £1,277, the highest it has ever been, but experts have warned it could increase by a further £400 by the time it is next reviewed in April 2022.

Joshua Gerstler, of mortgage advice firm The Orchard Practice, said: "Higher energy prices will mean borrowers having less disposable income and this is a key part of the calculation that lenders use to determine affordability

"One of the most common credit issues we see with mortgage applications is late payment on energy bills."

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