

3 June 2009

Sir Christopher Kelly KCB

Chairman

Committee on Standards in Public Life

35 Great Smith Street

London SW1P 3BQ

Dear Sir Christopher,

Review of MPs' Expenses

Thank you for your letter of April 24 and helpful consultation paper.

In my view, far and away the most important recommendation that I earnestly hope your Committee will make is to end taxpayer funded mortgages for MPs on their second homes.

The availability of taxpayer funded mortgages for most MPs has had disastrous consequences for the public confidence and trust in MPs generally, and it will continue to do so. Under the present system, MPs get the mortgage interest on their second home reimbursed to them by the taxpayer. They then get the great benefit of living in that home with the major outgoings like council tax, gas and electricity charges etc. also being paid for them by the taxpayer. Finally, when they come to sell their home, they pocket the whole of the capital gain less any capital gain tax that may be payable. Over the years a significant number of MPs – only a few have so far been reported in the press – have made hundreds of thousands of pounds, net of capital gains tax, over and above their parliamentary salaries in this way. This is a potential windfall capital gain for MPs of truly huge proportions that the public, absolutely rightly in my view, will never accept is justified.

It was very disappointing that the party leaders, according to the Speaker's Statement on May 19 (Official Report Cols 1421-2), have agreed that MPs should continue to have taxpayer funded mortgages on their second homes. However, this was stated to be "pending the decisions of Sir Christopher Kelly's Committee on Standards in Public Life".

I hope therefore that your Committee will feel it has a free hand to recommend the abolition of taxpayer funded mortgages for MPs which have done so much damage to the reputation not only of MPs but to that of the British Parliament both here in the UK and around the world. There will need to be fair transitional provisions for those MPs locked into existing mortgage contracts, but taxpayer funded mortgages for MPs' second homes must be ended.

Having said that, I am in no doubt that MPs outside London – or perhaps even outside Inner London – need a second home if they are to meet the ever growing demands on them from constituents and others efficiently and effectively. Whether MPs have bought or rent a second home it is necessary and entirely reasonable that essential non-capital outgoings on that home, which they would not otherwise have to incur if they were not an MP, should be reimbursed to them. This needs to include market level rent for modest accommodation reasonably close to Westminster. The rent level cap of £1,250 per month announced in the Speaker's Statement on May 19 is below that level. I declare an interest as I have deliberately chosen to rent my second home, and not to buy one with a taxpayer funded mortgage from the taxpayer.

Yours sincerely,

The Rt Hon Sir John Stanley MP