

A practical guide to helping mortgage borrowers in financial difficulty



This leaflet aims to provide practical information to assist MPs and their staff when dealing with enquiries from constituents who are having difficulty in meeting their mortgage payments.

It covers the key messages that borrowers should be aware of at each stage of the arrears and possession process, and gives details of the organisations that may be able to provide advice and assistance in different circumstances.

Getting help from the lender

Mortgage lenders are sympathetic to borrowers who are experiencing financial difficulty and will provide as much assistance as possible. Depending on the borrower's circumstances, the lender may be able to take a range of steps to help borrowers reduce or reschedule their payments for a period of time while they get back on their feet.

There are some basic messages that all borrowers facing financial difficulties can be given which will help their mortgage lender to help them.

Key messages for borrowers

- **Contact the lender** as soon as possible if they are having difficulties paying their mortgage, or think they may have difficulties in the near future – the sooner the lender becomes aware that there is a problem, the easier it is to try to resolve.
- Continue to **make regular payments** towards their mortgage, even if the borrower cannot afford to pay the full amount. Any amount, however small, paid on a regular basis, is better than nothing.
- **Don't ignore paperwork** sent by the lender, and respond to requests for information quickly.
- **Stay in touch** with the lender and keep them updated of any changes in circumstances.

Getting advice

There are various organisations which provide free, independent and confidential debt advice. They will be able to advise the borrower on how to manage their finances, and in some cases if the borrower gives their consent will even be able to negotiate directly with the mortgage lender on their behalf.

Advice UK

is a membership association for over 1,000 information and advice centres throughout the UK.

Call 020 7407 4070 or visit: www.adviceuk.org.uk

Advice NI

provides support to independent advice organisations in Northern Ireland.

Call 028 9064 5919 or visit: www.adviceni.net

Citizen advice bureaux (CAB)

are independent charities providing advice and information across the UK.

Look in the local phone book or visit: www.adviceguide.org.uk

Consumer Credit Counselling Service (CCCS)

is a charity that helps people who are over-indebted by providing free, independent, and impartial support.

Call 0800 138 1111 or visit: www.cccs.co.uk

Money Advice Scotland (MAS)

does not provide an advice service direct to the public, but has details of advice agencies throughout Scotland that provide a free, independent, impartial and confidential money advice service.

Call 0141 572 0237 or

visit: www.moneyadvicescotland.org.uk

National Debtline

provides free, confidential and independent telephone advice on how to deal with debt problems.

Call 0808 808 4000 or

visit: www.nationaldebtline.co.uk

Payplan

provides free debt management service to people with debt problems.

Call 0800 917 7823 or visit: www.payplan.com

Maximising income

There are a number of state benefits and tax credits available which the borrower may be able to claim and will help to increase income.

Jobcentre Plus

can provide information on and eligibility of income support, jobseeker's allowance, and council tax benefit.

Call 0800 055 6688 or

visit: www.jobcentreplus.gov.uk

Her Majesty's Revenue and Customs (HMRC)

administers working tax credit and child tax credit.

Call 0845 300 3900 or

visit: www.hmrc.gov.uk/taxcredits

The Pension Service

can provide information and advice on pension credit for the over 60s.

Call 0845 606 0265 or

visit: www.thepensionservice.gov.uk

If the borrower has become unemployed, had an accident or is too sick to work, they should check whether they have taken out mortgage payment protection insurance and if they can make a claim to help with their mortgage payments.

Selling the property privately

A borrower who does not think they will be able to meet their mortgage payments in the long-term, and has enough equity in their property, may consider selling their home privately so that they can clear the debt.

Key messages for borrowers

- Before going ahead, take advice from one of the organisations listed earlier under 'Getting advice'.
- Talk to the lender - the borrower may need to get the lender's permission to sell the property themselves.
- Consider where they will live once the property is sold - as the borrower is effectively making themselves 'voluntarily homeless', they may NOT be able to get help with re-housing from their local authority. Housing advice can be given by Shelter whose contact details are listed later in this leaflet under 'Getting advice on alternative housing'.
- Don't abandon the property or hand the keys back to the lender without first getting the agreement of the lender and understanding the consequences. Borrowers remain liable for shortfall debts even if they abandon their homes.

Government support schemes

The **Home-owner support scheme** allows eligible borrowers facing possession to defer part of their interest payments for up to two years. More information is available on the Directgov website at http://www.direct.gov.uk/en/NI1/Newsroom/DG_173274

Mortgage Rescue schemes are operated independently in England, Scotland, and Wales and either take the form of a shared equity or mortgage to rent scheme. For information on the different schemes and eligibility contact the local authority or citizens advice bureau.

Information on **mortgage rescue schemes in England** can be found on the Directgov website at http://www.direct.gov.uk/en/HomeAndCommunity/Keepingyourhomeevictionsandhomelessness/LosingYourHome/DG_174005

Information on the **mortgage-to-rent scheme in Scotland** can be found on the Scottish Government website at <http://www.scotland.gov.uk/Publications/2008/06/26091514/1>

Information on the **mortgage-to-rent or shared equity schemes in Wales** can be found on the Welsh Assembly website at <http://wales.gov.uk/topics/housingandcommunity/housing/private/buyingandselling/mortgagerescue/?lang=en>.

Some independent companies also offer to help borrowers by buying their home and then renting it back to them for a fixed period of time. They are sometimes called 'sale-and-rentback' or 'sale-and-leaseback' or 'mortgage rescue' or 'sale-to-let' schemes. The FSA has regulated sale-and-rentback firms under an interim regime since July 2009. The FSA is now working towards putting a full regime in place from 30 June 2010.

If a borrower is thinking of signing up to one of these schemes, is it important that they fully understand the terms and conditions they will be agreeing to and should get advice from one of the organisations listed earlier under 'Getting advice'.

Receiving a court summons for possession

A mortgage lender will only start proceedings to repossess a property when all other attempts to resolve the position with the borrower have failed.

Key messages for borrowers

- Don't panic – just because a lender has started court proceedings does not mean that the borrower will automatically lose their home.
- Don't ignore correspondence - if anything isn't clear check with the lender or ask an advice agency.
- Get advice – either from one of the organisations listed earlier under 'Getting advice', or those listed opposite.
- Attend the court hearing – if not, the court will not have a chance to consider your circumstances.

The organisations below may be able to provide help and advice on the court process.

Community Legal Advice

provides free, independent and confidential advice in England and Wales paid for by legal aid. Call 0845 345 4345 or visit: www.clsdirect.org.uk

Law centres

are independent, and employ lawyers and specialist advisers to assist and represent clients in court. Look in the local phone book or visit: www.lawcentres.org.uk

Court advice desks

provide last minute advice to home-owners at risk of repossession. Look in the local phone book or visit: www.hmcourts-service.gov.uk for court details in England and Wales, www.scotcourts.gov.uk for Scotland, or www.courtsni.gov.uk for Northern Ireland.

Getting advice on alternative housing

Should the courts allow the lender to take possession of a property, the borrower will need to consider where they will live once possession has taken place.

The following organisations maybe able to help with alternative housing:

Shelter

is a charity that gives advice and help to people in housing need. Call 0808 800 4444 or visit: www.shelter.org.uk

Local councils

may be able to provide advice on emergency accommodation and longer-term

Mortgage regulation and complaints

All mortgage lenders are regulated by the Financial Services Authority (FSA). Lenders must follow a regulatory framework set out in the FSA's Mortgage Conduct of Business, which includes rules on the procedures that should be adopted when handling arrears and possession cases (see <http://fsahandbook.info/FSA/html/handbook/MCOB/13>). In addition, the FSA requires lenders to treat their customers fairly

Financial Services Authority (FSA)

provides a consumer telephone helpline and the consumer guide, *What to do if you can't pay your mortgage*.
Call 0845 606 1234 or visit: www.moneymadeclear.fsa.gov.uk

If a borrower feels they have not been treated fairly by their lender, the Financial Ombudsman Service (FOS) provides a free and independent redress service for consumers who would like to make a complaint.

Financial Ombudsman Service (FOS)

Call 0845 080 1800 or visit: www.financial-ombudsman.org.uk

Council of Mortgage Lenders

The Council of Mortgage Lenders (CML) is a trade association for the first charge residential mortgage lending industry (lenders which provide the main mortgage on a property).

Our members include banks, building societies and other lenders, and account for around 98% of residential mortgage lending in the UK.

We cannot give advice to borrowers who may be having difficulty paying their mortgage, or who may have a complaint against their lender. But we do provide a range of consumer information on our website (<http://www.cml.org.uk/cml/consumers>) which may be helpful, including:

- *Worried about your mortgage*
- *Mortgage insurance*
- *Debt following mortgage possession*
- *Mortgage indemnity: a borrower's guide*
- *Mortgage complaints*

We hold regular informal briefing lunches for MPs in the House of Commons on current market issues.

If you would be interested in attending, or would like information on the CML's work, contact Michelle Vosper on 020 7438 8926 or at michelle.vosper@cml.org.uk