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# Are you worried about your mortgage?



**Mortgage arrears are a priority debt. If you don't pay you could lose your home.**

Get advice straight away if your lender has applied to court to repossess your home. You can get free independent advice from a debt advice agency. You'll find contact details at the end of this guide.

You can search 'Shelter Housing Advice' to get online advice about mortgage problems.

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## **What you can expect from your lender**

Your lender must treat you fairly. They should help you find a solution to your mortgage payment problems and only take you to court as a last resort.

All mortgage lenders are regulated by the Financial Conduct Authority (FCA). The FCA sets out the rules about how lenders should treat borrowers in financial difficulty.

FCA rules say your lender should not:

- harass you about your arrears
- contact you between 9pm and 8am
- charge you large sums or a higher interest rate because you are in arrears

If you've told your lender that someone in your house is disabled or has a long-term health problem, your lender should take extra steps to help you. Tell your lender if you can't understand statements or letters they send. They must communicate with you in a way you understand.

If your payment problems started or got worse because your finances were affected by Covid-19, your lender should put extra support in place. Ask them about their tailored support package.

Ask your lender how to complain if you think they haven't treated you fairly. If you are not happy with the response to your complaint, you can ask the Financial Ombudsman to investigate. Your lender should put court action on hold while the Ombudsman deals with your case.

You'll need to have complained to your lender first. Put your complaint in writing so the Ombudsman has the details they need. Tell your lender and the Ombudsman what you want them to do to put things right.

Don't put off sorting your mortgage payment problems if you have a complaint. Try to work with your lender to reach a solution. This will help your case if you need to ask the Ombudsman to investigate a complaint.

## Prepare a budget

Think about what's causing your payment problems. If you aren't already in mortgage arrears you might be able to get a cheaper mortgage with a new lender.

Check whether you could save money on your gas, electricity and broadband. Consider asking other people in your house if they could contribute more money to the costs of running the household.

If you're paying loans and credit cards, you might need to stop. You'll need to deal with these, but your mortgage arrears take priority.

Never take out a payday loan or use a credit card to pay your mortgage. It will make your debt situation worse and could harm your credit rating.



### **Get your financial statement ready.**

Your mortgage lender is more likely to help if you can provide the information they need about your finances.

Start by writing down your income and regular expenses. Your income should include wages, benefits and contributions from other people who live in your house. Don't include irregular income like overtime you can't rely on. If you have extra money at the end of the month you can pay it towards your arrears.

You can find budget planners to fill in and save online.

Your expenses should include:

- your regular mortgage payments
- other housing costs like insurance and service charges
- council tax
- utilities, including gas, electricity, water and broadband
- food and housekeeping
- childcare costs
- essential items on hire purchase, for example, a car you use to get to work
- transport
- clothes and toiletries

Don't include payments towards unsecured loans and credit cards at this stage. Unsecured borrowing means it is not attached to what you own, usually your house or car.

Once you've prepared a budget that shows your income and priority payments, you can see how much you can afford towards your mortgage arrears. Paying your mortgage arrears is more important than keeping up with payments on unsecured debts.

If your budget shows you can't afford your mortgage payments, you'll have to consider your other options.

## **Get debt advice**

Get advice about your options to deal with debts. Free debt advice charities like Stepchange, National Debtline and Citizens Advice can help you prepare a budget. They might be able to get in touch with your lender and write to other creditors for you. Be careful if you are looking for advice online – there are companies who try to sell you services you don't need.

## **Ask for breathing space**

If you are struggling to pay your debts, you could be eligible for breathing space while you get advice about your options. Breathing space means your mortgage lender and other creditors can't contact you about your arrears for 60 days. It protects you from court enforcement action for the same period. Your creditors can't add interest over this period either. You can get a breathing space through one of the debt advice agencies listed at the end of this page.

If you are receiving specialist mental health treatment, ask your social worker or mental health nurse about a referral for a mental health crisis breathing space. This lasts for as long as you are receiving treatment.

## **Reduce your monthly mortgage payment**

If you are not in arrears yet you might be able to find a better rate with a different mortgage lender. A mortgage broker or financial adviser can help you find a better mortgage.

Don't reduce the monthly payment by amending your direct debit or standing order. If you pay less than you've agreed in your mortgage contract, you will fall into arrears.

You can ask your lender to:

- **extend the term** of your loan so you can pay over a longer period
- change your mortgage to **interest only**

Both those changes have consequences. Your lender should explain what will happen as a result. It could mean you pay more interest overall, or you might have a lump sum to pay later.

If you have **payment protection insurance** (PPI), check if you can claim. If the policy wasn't suitable you could be eligible for a refund. The Financial Ombudsman can look at complaints about policies that were taken out in the last six years.

A **flexible mortgage** allows you to take a payment holiday. This might not be possible if you are already in arrears. Ask your lender for information if you have a flexible mortgage.

People over the age of 55 could consider **equity release** or a **lifetime mortgage**. Get independent financial advice first.

## Claim benefits you are entitled to

Check you are getting all the help you are entitled to. Find more information at [turn2Us.org.uk](http://turn2Us.org.uk).

You might be able to get a mortgage support loan from the government if you are entitled to certain benefits. The loan will help with interest payments but won't reduce the balance you owe.

To qualify for the loan, you must be entitled to one of the following:

- Universal Credit
- Pension Credit
- Income Support
- Income based Jobseekers Allowance
- Income related Employment Support Allowance

You'll have to wait 39 weeks before any payments are made, unless you are getting Pension Credit.

The loan will pay a set amount towards your mortgage interest each month. Find the current rate at [gov.uk/support-for-mortgage-interest](http://gov.uk/support-for-mortgage-interest). You'll have to agree to have the loan secured on your home, so it's a good idea to get independent financial advice to help you decide if it's right for you.

## **If you can't afford to pay your mortgage**

If you have claimed the benefits you are entitled to and taken other steps to reduce your expenses and you still can't afford the payments, you will need to think about your other options.

You could consider selling your home and moving to somewhere cheaper or renting privately. If you need to apply for homelessness help from your council, get specialist housing advice before you make plans to move out.



**Your council might not house you if they think you didn't do everything you could to keep your home.**

Your lender can give you time to sell. Ask for details of their assisted sale scheme. They are more likely to agree if you can pay something towards your mortgage. Discuss your budget with your lender even if you can't make the full payment.

Don't hand the keys back to your lender without getting specialist advice first. You'll still be responsible for the mortgage payments, plus other bills like council tax and the water charge.

If you need to apply to the council as homeless, they might decide you made yourself *intentionally homeless* if you gave the keys to the lender. They can use this as a reason not to provide you with long term help.

## **Going to court**

Always attend your possession hearing. Your hearing will take place at a County Court near to the property the case is about. The court will tell you where and when your hearing is due to take place.

For most court hearings you need to turn up in person. Sometimes the hearing is remote, meaning it will take place over the phone or video. Tell the court in advance if you can't use a phone or computer for your hearing.

Advice and representation from duty solicitors is always available for possession cases, whatever your circumstances. The duty solicitor is a legal expert and can make sure you understand all your rights.



**Get advice even if you think you don't need it.**

Arrive at court in plenty of time to find the court usher and ask for help from the duty solicitor. Take your court papers and other relevant paperwork, including:

- your personal budget or financial statement
- evidence your finances are about to improve, for example a job offer letter
- proof that you've put your house up for sale, or an offer if you have one
- a recent reliable valuation of your property
- proof you've applied for a government loan or insurance payment
- a copy of a complaint you've asked the Ombudsman to deal with
- proof of payments you've made in the days before the hearing

Dress smartly and be polite to the judge and the lender's solicitor. The hearing will normally take place in the judge's office. Call the judge Sir or Madam. The duty solicitor can do most of the talking for you but be ready to answer questions. It will be over quickly – most possession hearings take less than 10 minutes. If your case will take more time the court will normally set a date for you to come back.

Go to court even if you haven't had time to prepare. If you don't turn up, the court will normally do what the mortgage lender's solicitor asks. It's hard to change a court order once it has been made.

## **Outcomes at court**

The court will normally allow you to stay in your home if you can show you can afford:

- your monthly mortgage payment
- regular payments towards the arrears



How long you have to repay the arrears depends on how long is left on your mortgage. If you have 10 years left, you can pay your arrears over that time. If you have three years left, you'll have to pay more each month as you have less time to clear the debt.

Work out how many months you have left on your mortgage. Then divide the sum of your arrears by the number of months remaining. This is likely to be the minimum payment the court will accept.

*For example, the arrears are £2000.*

*3 years left: 3 years is 36 months. That means you divide £2000 arrears by 36 months.*

- *minimum repayment £55.55 per month*

*10 years left: 10 years is 120 months. Divide £2000 arrears by 120 months*

- *minimum repayment £16.67 per month*

In some cases, the court can order that you pay less than the monthly instalment. This is more common for second mortgages. You'll need specialist advice to apply for this type of order.

Get advice straight away if your mortgage term has ended and your lender says you can no longer pay by monthly instalments. You might not be able to get an order to stay in your home long term if your mortgage has ended.

Write down what order is made and ask the judge to repeat instructions about when to make a payment and how much to pay. You must follow the instructions on the order, or the lender can apply for an eviction warrant. The court will send you a copy of the order, but you might not receive it until after the first payment is due.

If the court is not satisfied you can pay the arrears, the judge will set a date for possession. You can ask for longer if you need time to pack and move. Your duty solicitor can help you ask for this. If you don't leave by the date on the order your lender must apply for an eviction warrant.

You can go back to court if your circumstances change before you are evicted, especially if you are able to pay the arrears.

## Useful organisations for information and advice

### **Citizens Advice**

Helps you to deal with any legal, money, welfare benefits issues or other problems. Find your nearest local Citizens Advice at [citizensadvice.org.uk](http://citizensadvice.org.uk) or under 'C' in your local phone book.

For England call 03444 111 444

For Wales call 03444 77 20 20

(Landline calls typically cost up to 9p per minute and calls from mobiles between 8p and 40p per minute)

### **Money Advice Service**

Money Advice Line on 0800 138 7777

(English) or 0800 138 1111 (Welsh)

[moneyadviceservice.org.uk](http://moneyadviceservice.org.uk)

### **Financial Ombudsman**

Helps resolve complaints between consumers and businesses that provide financial services.

Get in touch at: [financial-ombudsman.org.uk/consumers/how-to-complain](http://financial-ombudsman.org.uk/consumers/how-to-complain)

By email to [complaint.info@financial-ombudsman.org.uk](mailto:complaint.info@financial-ombudsman.org.uk)

Call 0300 123 9123 or 0800 023 4567

### **The Financial Conduct Authority**

issued the Mortgage Conduct of Business (MCOB) rules, find them at [handbook.fca.org.uk/handbook](http://handbook.fca.org.uk/handbook)

### **Shelter**

Offers help with housing, mortgage debt or problems with welfare benefits. You can get further advice from [shelter.org.uk](http://shelter.org.uk), or a local Shelter advice service. If you have nowhere to sleep tonight, are at risk of harm or losing your home within the next 2 months, call Shelter Helpline on 0808 800 4444 for advice and information on your options.

### **National Debtline & My Money Steps**

Helps you to deal with debt problems. Phone 0808 808 4000 or visit [nationaldebtline.org](http://nationaldebtline.org)

### **Business Debtline**

Specialises in helping the self-employed deal with debt problems. Phone 0800 197 6026 or visit [businessdebtline.org](http://businessdebtline.org)

### **Payplan**

Gives you advice on your debts. Phone 0800 280 2816 or visit [payplan.com](http://payplan.com)

### **StepChange Advice**

Offers you help to deal with several debts. Phone 0800 138 1111 or visit [stepchange.org](http://stepchange.org)