

# Are you worried about your mortgage?

## Get advice now

If you are struggling to pay your mortgage or are worried about an interest rate change, you need to act now to stop your situation becoming worse.



# Contents

If your circumstances have changed, for example your household income has reduced or your monthly mortgage payment has increased following a change to your mortgage interest rate, you will need to carefully consider how you will afford your monthly mortgage payments. **If you think you will struggle, get FREE independent advice, it may stop you losing your home.**

Not knowing who to talk to is half of the problem. You will be able to get FREE confidential and independent advice from the organisations listed at the back of this leaflet. **Please remember, it is best to get advice as early as possible.**

---

## 1 Don't ignore the problem



When you receive a letter or phone call from your mortgage lender about your mortgage payments or interest rate, **never ignore it.** If you don't understand the letter, don't be afraid to ask your lender or speak to an adviser from one of the independent advice agencies listed at the back of this leaflet.

Your mortgage is a priority so make sure you pay this before all other bills. **Don't panic** and don't take out another loan or use credit cards to help catch up with your mortgage payments. **Get FREE advice instead.**

## 2 Look at your situation and check what help you can get – your lender may also help you



Ask yourself the following questions:

- Are the causes of my financial difficulties temporary or long term?
- How much am I spending each month and what am I spending my money on?
- What other loans or debt do I have? (add up credit cards, store cards, bank loans, overdrafts, hire purchase loans, etc.)

- Can I get a better deal on my mortgage?
- Am I behind on any other loans secured against my home?
- Can I change the way I am paying my other debts that are not a priority, for example credit card repayments, by talking to the people I owe money to?
- Would an agreed 'payment holiday' or changing to 'interest only' payments help me pay my mortgage?
- Is my home worth more or less than the amount I borrowed to buy it?
- Can I possibly reduce my mortgage payments or extend the term of the mortgage period?
- Do I have mortgage payment protection insurance (MPPI) that I can make a claim on?
- Can I get help with paying my mortgage through the 'Support for Mortgage Interest' or a voluntary mortgage rescue scheme managed by a local authority or registered social landlord, or other financial help which may be available from my local authority?

### 3 Seek FREE independent advice



**Visit or phone a FREE independent advice agency to talk to an adviser. Always check to ensure you will not be charged for the advice.**

When you are going to speak to an adviser, have ready information about your monthly household income, your regular outgoings and bills, any benefits you receive and loan payments you are making.

The adviser will:

- check that you are getting all the money you and your family should receive
- give you advice on benefits you might be able to get to help with your housing costs
- help you tell your lender about the problems you are having and discuss what payment options you might have

- help you manage your finances
- if court action has already started, advise you about the next steps and possibly go to court with you.

## 4 Talk to your lender and find out what your options are



**If there's a problem and you cannot pay your monthly mortgage payments in full, you should tell your lender immediately.** Lenders are committed to helping homeowners who are struggling to make payments. They may be able to help if you let them know as early as possible. Be honest with them about what is causing the problems. If your lender doesn't know why you're not paying and doesn't hear from you, they are more likely to start legal action to repossess your home.

Even if possession action begins, there may still be steps you can take to stop you losing your home.

**Seek FREE independent advice** without delay by contacting one of the advice agencies listed at the back of this leaflet. They will be able to advise you on how to negotiate with your lender and assist you in putting forward your proposals for payment. They will explain the implications of what you agree to do with your lender and, if possession proceedings have already started, may come with you to court or write a letter to the court on your behalf.

**Repossession should always be a last resort for mortgage lenders.** There are strict rules that lenders must follow before and after they have started legal action against you. The rules explain how lenders are expected to help borrowers who are having money problems.

Your lender should think about what they can do to prevent you losing your home. For example, they may:

- add your debt to the amount you have borrowed. This will increase the amount you have to pay each month but it will remove any imminent threat of repossession

- reduce your monthly payments for a certain period, or cut what they charge you for being in arrears with your mortgage
- extend the time of your loan (this reduces the amount of your monthly payment but you will be making payments over a longer period and so you will be paying more for your home).

**Any changes to your mortgage can lead to penalties or charges** which may cost more to repay in the long term.

The arrangement that you reach with your lender may only be a short-term solution, so as time goes on, your lender will want to keep in regular contact with you and know about any changes in your circumstances.



If you have an **interest-only mortgage** which is either approaching the end of its term, or if you have received a letter about this from your lender, you may be worried about what will happen next. You may be anxious that you will not be able to repay the capital sum, when your mortgage comes to an end.

**You should contact your lender as soon as possible to discuss your situation and also seek independent advice to discuss the options that may be available to you.**

If at any time you are unhappy with how your lender has been dealing with you, including if you think your lender is ignoring the rules, you can complain to the **Financial Ombudsman Service (FOS)**. You can contact the FOS using the details given on their website at:

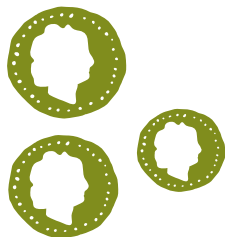
[www.financial-ombudsman.org.uk/consumer/complaints.htm](http://www.financial-ombudsman.org.uk/consumer/complaints.htm)

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

or by phone on **0300 123 9123** or **0800 023 4567**.

An independent advice agency will be able to help you with your complaint.

## 5 Show that you are willing to pay what you can



To keep your home, you must keep paying your mortgage. If you are having problems, work out your budget and look at ways of making savings or increasing the amount of money you have coming in so that you can pay the mortgage or secured loan payments. Mortgage payments are a priority and if you are having temporary problems, it is better to pay something, rather than nothing. Contact your lender and let them know. If your lender knows you are trying your best to pay, they should give you more time to sort out your money problems.

There are online budgeting tools you can use please go to:

[http://england.shelter.org.uk/get\\_advice/downloads\\_and\\_tools/budget\\_calculator](http://england.shelter.org.uk/get_advice/downloads_and_tools/budget_calculator)

[https://www.nationaldebtline.org/EW/steps/step2/Pages/Step\\_2\\_11.aspx](https://www.nationaldebtline.org/EW/steps/step2/Pages/Step_2_11.aspx)

<https://www.businessdebtline.org/EW/steps/step2/Pages/default.aspx>

If you have mortgage arrears, but after looking at your budget and making changes to your spending, you are now able to pay your mortgage and reduce your arrears, contact your lender and explain that you can pay the 'normal monthly instalment' and a regular monthly amount to pay off any outstanding arrears.

It is important that the payment to the arrears is an amount that you can afford to pay regularly. If you can't pay now, but will be able to at a later date, let your lender know. If your lender does not immediately agree to your plan, don't panic! **Tell them you will be getting help from an independent advice agency, and start making the payments you have offered.**

If you can't afford your current monthly instalment, or if you can now pay your mortgage but can't pay off the arrears, make payments that you know you can afford and write to your lender to let them know why you are only able to afford this much.

If there are ever times when you cannot pay at all, for example if you lose your job or become ill, don't panic! Speak to your lender and get **FREE independent** advice straightaway.

**Never hand back your keys without getting advice first, you will still be responsible for paying your mortgage and insurance until you or the lender sells your home. You will also be liable for any shortfall in the amount you owe after your property is sold.**



## 6 Make the right decision for you and your family's future

Before you and your lender agree any change to your mortgage, ask about any future implications, for example increased payments in the longer term, or additional charges. You need to find a solution your lender agrees to, but you know you can afford.

You may also be able to speak to other mortgage lenders to see if there is a better interest rate or mortgage package that could be available to you by '**remortgaging**'. You are more likely to be able to remortgage if you apply before you get into arrears so don't delay in getting FREE independent mortgage advice.

You may like to visit:

<http://mortgageadvisers.which.co.uk/>

<https://www.moneyadvice.service.org.uk/en/articles/remortgaging-to-cut-costs>

Contact your lender to find out if they can help with selling your home. Some lenders provide support through **Assisted Voluntary Sales (AVS)** or **Voluntary Sales**. You may be able to get help with some of the costs of selling your property, or your lender may help you market your home or give you more time to sell it. Some lenders can even help you with finding alternative accommodation. For more information, see the AVS Good Practice Guide on the NHAS website at <http://nhas.org.uk/homeowners>.





There are some companies that offer to help if you are in financial difficulty by buying your home and allowing you to carry on living there as a rent-paying tenant for a fixed term. This is called **sale-and-rent-back, rent-back or sell-to-let**. Only think about sale-and-rent-back schemes as a last resort. Make sure you have looked at all the other options first. If you do need to consider this type of scheme, make sure the company you use is regulated by the Financial Conduct Authority (FCA) before entering into any agreement. An FCA regulated company must meet certain standards. Its advertising must be clear, fair and not misleading, and you must be given a tenancy agreement for at least five years.

To find out more about regulated companies, contact the FCA Helpline on 0800 111 6768. The danger of using a company that is not regulated by the FCA is that you won't be able to use complaints and compensation procedures if you have any disagreement or are unhappy with the way the scheme was sold to you. Read the Money Advice Service's free sale-and-rent-back factsheet on their website at <https://www.moneyadviceservice.org.uk/en/articles/sale-and-rent-back-schemes>.



Any company operating the scheme should give you a copy of the Financial Conduct Authority (FCA) sale-and-rent factsheet when you approach them. It tells you:

- what to consider when choosing a scheme
- what risks are involved in the scheme
- what you should expect from companies offering these schemes.

Make sure you understand what will happen before you agree to this type of scheme. For instance, find out about any help with your rent payments once you become a tenant.

You can find details about how these companies must operate on the FCA website: <http://www.fca.org.uk/firms/financial-services-products/mortgages/sale-and-rent-back>

You should also be wary of companies offering **quick house sales which are often referred to as 'flash sales'**. The company will offer to buy your home quickly, perhaps within a week, although more often it takes about three to four weeks. Sale-and-rent-back schemes are regulated, but quick house sales are not and you will not be able to get any compensation if the sale goes wrong.

**Avoid signing up to any schemes that appear too good to be true, because they probably are. Always get advice first.**

If, after taking advice and finding out about all the help that is available, you realise you will not be able to afford to keep your home, you may decide that selling it on the open market is a better option. You will need to find alternative accommodation, but if you stay in your house and sell it yourself, you will usually get a higher price than if your lender sells it later when it is empty. If you are in negative equity (owe more than the house is worth) you will need to discuss any sale with the lender first. You must check for any extra costs with your mortgage deal and consider whether or not you will get the right price for your home to cover your financial needs (for example, the costs of moving) as well as paying off the mortgage.



**Before taking steps to sell, always get advice. This is very important because if you contact the council later on for help to find alternative accommodation, they may decide you have made yourself 'intentionally homeless' if you sold your home and the authority thinks it could have been saved.**

## 7 Other help for homeowners facing repossession



There is some government support to help homeowners facing repossession. Talk to your lender, your local authority housing department, or ask at an advice agency to see whether you could get this type of help.

### **i | Support for Mortgage Interest (SMI) (UK wide)**

You will be entitled to Support for Mortgage Interest (SMI) if your income and capital are low enough and you are out of work or in paid work of less than 16 hours a week, or your partner is in paid work of less than 24 hours a week and you have a mortgage or other loans secured on your property. SMI is paid as part of Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance or Pension Credit and so only households in receipt of these benefits will qualify for SMI.

SMI makes a contribution towards the interest on eligible loans. Payments are calculated based on a published set rate which is currently 3.63% but this might change.

SMI can be paid on loans of up to £200,000 and is paid after 13 weeks for most people making a new claim who are of working age. SMI is also paid directly to your lender. If you receive Pension Credit, you do not have to wait before getting help with your mortgage, and SMI can be paid on loans of up to £100,000.

### **ii | Universal Credit claimants**

Over time a new benefit called Universal Credit will be rolled out across the country for all new benefit claimants. If you are claiming Universal Credit, it is important you find out how your housing costs may be covered - get FREE independent advice on this from one of the agencies listed at the end of this booklet.





### **iii | Getting help in court if you are facing repossession (England only)**

You can get help if your case goes to court. Most County Courts in England have a free court desk adviser who will be able to offer support to anybody attending a possession hearing.

You should always go to a repossession court hearing. You should never ignore court forms or hearings and you should try to get advice before your hearing, or go to court in plenty of time so that you can talk to the court desk adviser. When you arrive at court you should ask the court usher to show you where the court desk adviser is. The adviser will come into the hearing with you to support you and speak to the judge. We know that many people are often worried about going to court, but just attending the hearing can make a real difference to your chances of keeping your home. If there are strong reasons why you can't go to the hearing, you should let the court know and they may agree to adjourn (put off) the hearing to a later date.

Find out if your County Court has a court desk adviser, or get advice from your local council's housing department, a local Citizens Advice Bureau (CAB) or other independent advice agency listed at the back of this leaflet. You can find contact details and information about courts and tribunals at:

[www.gov.uk/find-court-tribunal](http://www.gov.uk/find-court-tribunal)

**If you think you might lose your home, you should always contact your council's housing department to find out how they can help.**



### **The Pre-Action Protocol (England and Wales only)**

Under the Pre-Action Protocol your lender must prove they have considered all other options before trying to repossess your property. Your lender must give you information about how much money you owe on your mortgage, the balance you have left and any interest or charges that you have to pay because you owe them money.

Your lender must consider any reasonable request from you to change the date you pay your mortgage or how you pay and must respond quickly to any proposal of payment you make. If your home is up for sale and you are doing everything you can to sell it, your lender must consider delaying taking any action and give you time to sell your home.

If you have tried to come to an agreement about changes with your lender and they have refused, they must let you know in writing why this is. Your lender must give you their reasons for not accepting your proposal within 10 working days.

If you have made an agreement with your lender and you have not kept to it, your lender must warn you, in writing, that they plan to start court action. They must send you a letter that gives you 15 working days' notice of the action they plan to take.

Remember, if you feel that your lender has treated you unfairly when dealing with your mortgage arrears, you may be able to complain to the Financial Ombudsman Service (FOS). See above for more information on how to complain.



The court will want to be clear that losing your home is a last resort and all other options have been looked into first. Your lender will need to show they have followed the Pre-Action Protocol. If they haven't, the court might suspend your lender's legal action against you until they comply with the Protocol's rules. If the lender has not followed the protocol correctly the court may even, in some cases, throw out your lender's possession claim all together and order them to pay all your legal costs.

# Useful organisations for information and advice

## Government schemes

For more information about help which may be available to you, you can visit [www.gov.uk](http://www.gov.uk). If you live in Wales, Scotland or Northern Ireland, you should visit [www.wales.gov.uk](http://www.wales.gov.uk), [www.scotland.gov.uk](http://www.scotland.gov.uk), or [www.nidirect.gov.uk](http://www.nidirect.gov.uk) respectively.

## To help you with your mortgage and debt problems

### Citizens Advice

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

For England call **03444 111 444**

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

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)

### StepChange Advice

Offers you help to deal with several debts. Phone **0800 138 1111** or visit

[www.stepchange.org](http://www.stepchange.org)

### Money Advice Service

Money Advice Line on **0300 500 5000**

(English) or **0300 500 5555** (Welsh)

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

### National Debtline and My Money Steps

Helps you to deal with debt problems.

Phone **0808 808 4000** or visit

[www.nationaldebtline.org](http://www.nationaldebtline.org)

### Business Debtline

Specialises in helping the self-employed deal with debt problems.

**0800 197 6026**

[www.businessdebtline.org](http://www.businessdebtline.org)

### Payplan

Gives you advice on your debts. Phone

**0800 280 2816** or visit [www.payplan.com](http://www.payplan.com)

(Calls are chargeable)

### Shelter

Offers you help with housing, mortgage debt or problems with welfare benefits.

Phone the free housing advice helpline

**0808 800 4444**, open 8am–8pm Mon–Fri

or 8am–5pm Sat–Sun, (calls are free from UK landlines and main mobile networks).

Or, for advice online, you can visit:

[http://england.shelter.org.uk/get\\_advice/downloads\\_and\\_tools](http://england.shelter.org.uk/get_advice/downloads_and_tools)

## To check you are getting all the support you are entitled to:

### Council Tax Support

To see if you're eligible for help with your Council Tax bills, contact your local council.

### Jobseeker's Allowance, Income Support, Incapacity Benefit or Employment and Support Allowance

For information and advice, or to make a claim for benefit if you are under state pension age, phone Jobcentre Plus on **0345 608 8545** or visit [www.gov.uk](http://www.gov.uk)

(Calls may be charged for mobile and non BT providers)

### Pension Credit

For information and advice, or to make a claim for Pension Credit if you are over state pension age, phone the Pension Service on **0345 606 0265** or visit [www.gov.uk/pension-credit](http://www.gov.uk/pension-credit)

### Working Tax Credit and Child Tax Credit

For more information about Tax Credits, phone **0345 300 3900** or visit [www.hmrc.gov.uk/taxcredits](http://www.hmrc.gov.uk/taxcredits)

Please note: If you want advice on employment and training opportunities or benefits, contact Jobcentre Plus. Advisers can give you information on the range of organisations that can give you free financial and debt advice.

A Shelter and Citizens Advice service.

This leaflet has been funded by the Department of Communities and Local Government, a Government department.

