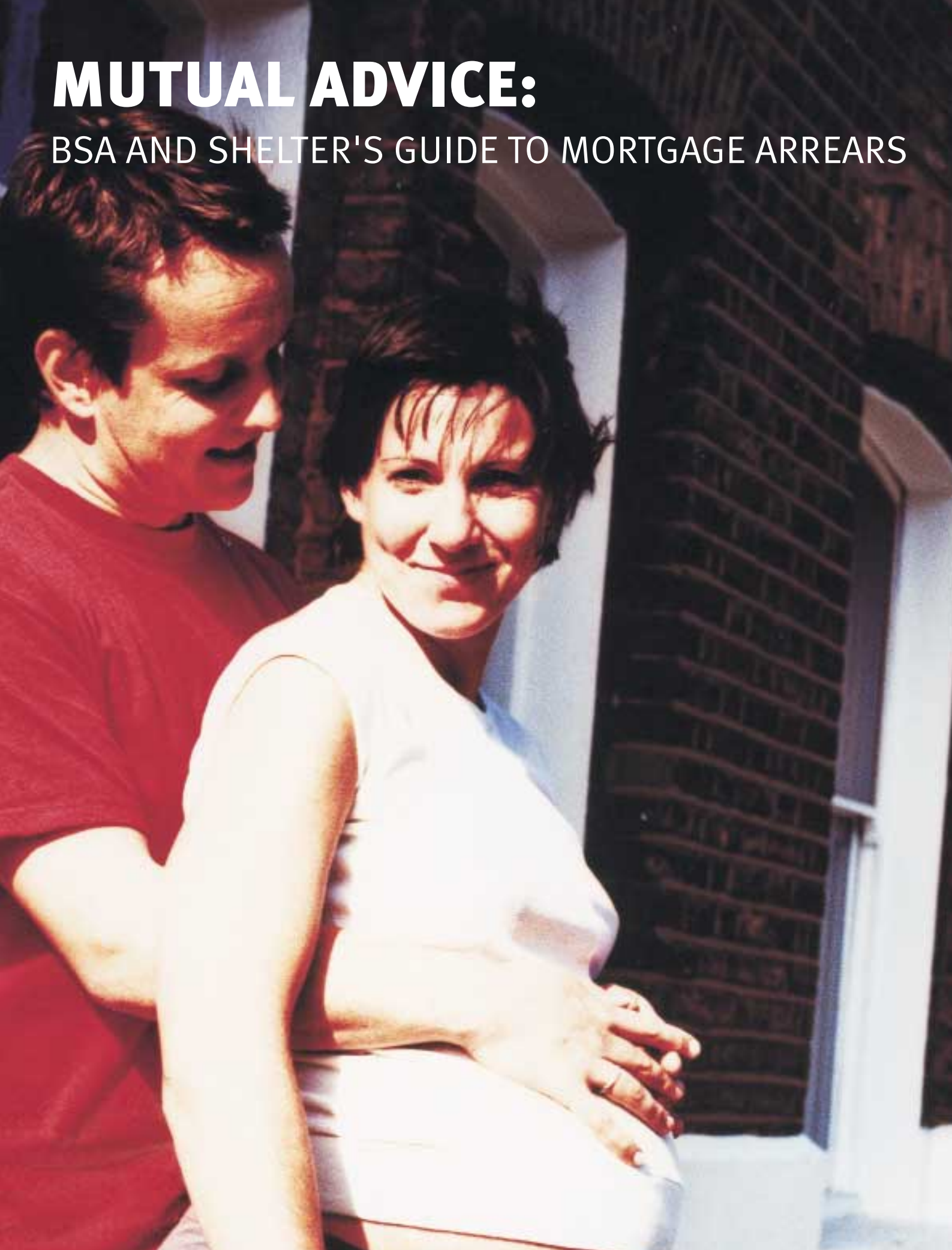


# MUTUAL ADVICE:

BSA AND SHELTER'S GUIDE TO MORTGAGE ARREARS



# INTRODUCTION

The Building Societies Association (BSA) and Shelter have a long standing partnership, which is important to both organisations. Shelter helps hundreds of people every year who are experiencing the anxiety of mortgage arrears, a problem that can ultimately lead to homelessness. The BSA, as the representative trade body for all 65 building societies in the UK, also believes that people facing problems with their mortgage payments should be given every possible assistance.

This report aims to allay the fears of those experiencing mortgage arrears, advise them on suitable next steps and to demystify and show the human side of the process of tackling and solving the problem.

## Foreword

**Adrian Coles**

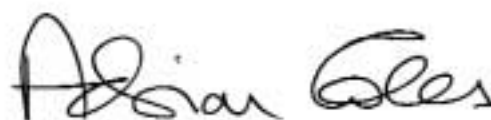
**Director-General, The Building Societies Association**

While mortgage arrears are currently very low, we cannot escape the fact that even one repossession represents personal misery and financial disaster for an individual customer.

It is clear from the research in this report that there is a disparity between what people think they would do if facing problems paying their mortgage, and what they actually do when faced with the situation for real. Building societies understand that there are many reasons for such problems arising,

and that they are usually linked to a change in personal circumstances. Divorce, separation, bereavement, unemployment, and ill health - these are all incredibly harrowing situations to go through, without the added worry of mortgage arrears.

However, it is vital that if someone does have a problem paying their mortgage, they pick up the phone straightway. The voice at the other end of the line is not just part of an institution, but also a real person, who has heard many similar experiences before. Building societies do not want to repossess people's homes, and will do everything they can to reschedule payments and help someone organise their finances. However, the longer a problem goes on without being tackled, the harder it can be to sort out. I hope this report goes some way to reassuring people that admitting there is a problem will not automatically result in the loss of their home.



**Adrian Coles**



## **Adam Sampson**

### **Director, Shelter**

Anyone who has ever had difficulty paying for their home will know the anxiety and trauma this can cause. There is a real fear that being unable to pay for your home could ultimately lead to the devastating outcome of homelessness.

At Shelter we work with over 100,000 people in housing need every year, and are only too aware of the damage that such crises can cause.

We are delighted to be working with the BSA to help alleviate many of the fears associated with mortgage arrears, through the accurate and practical advice provided in this report.

For those of you currently experiencing mortgage arrears or who may have these troubles in the future the overriding message is this - act now, contact your building society or Shelter. We will do everything we can to help you tackle the arrears and prevent the worst-case scenario of homelessness. The sooner you get in touch the easier the problem is to overcome.

I sincerely hope that the information given in this guide encourages the many people suffering the trauma of mortgage arrears to ask for help and make that all important first step on the path to keeping their home.



**Adam Sampson**



Photo: Eddie Macdonald

## WHAT DO PEOPLE DO WHEN THEY HAVE MORTGAGE ARREARS?

In a recent MORI survey 91 per cent of those with a mortgage claimed that if they had problems paying their mortgage they would contact their lender to tell them about the situation. However, overwhelming anecdotal evidence from building societies shows that the majority of customers do not, in fact, take this action.

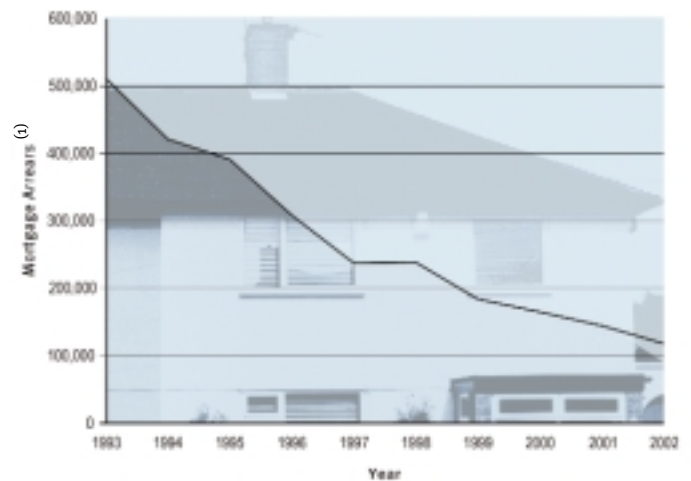
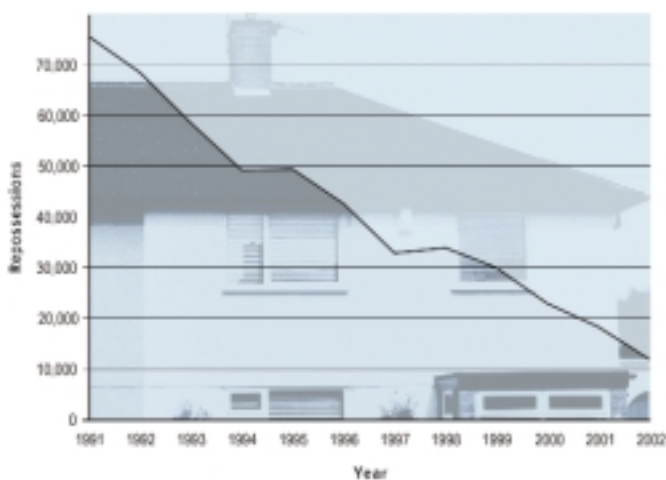
Worryingly some respondents (three per cent) claimed they would borrow money from another source if they had problems with their mortgage payments. Others (two per cent) claimed they would delay action to see if the situation improves. However, again evidence from building societies shows that in reality many more people would take this

inadvisable course of action. Another two per cent claimed they would wait until their mortgage provider contacts them if they had problems with their mortgage payments. It is clear that although people do know what they should do if they get into difficulty, when faced with the situation for real they do not take the necessary action.

## How many people have mortgage arrears?

This table shows the number of repossessions and the number of people in mortgage arrears.

Although repossessions have fallen steadily, there are still people experiencing financial crises which can ultimately result in someone losing their home. The figures show that there are still thousands of people falling behind in paying their mortgages.



Source: Council of Mortgage Lenders

1. Figures include homeowners in mortgage arrears from three months to more than 12 months.

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### MORI Polling

MORI interviewed a representative quota sample of 417 people aged 16+ throughout Great Britain who have a mortgage. All interviews were conducted via MORI's regular Telephone Omnibus survey between 14th and 16th March, 2003.

# WHAT SHOULD YOU DO?

## 10 STEPS ON THE PATH TO KEEPING YOUR HOME

1. Firstly it is vital that you face up to the problems you are having paying your mortgage
2. The next step should be to contact your building society to tell them your problem
3. Be totally honest and up front with your building society about your financial situation
4. Work out your budget and put priority debts at the top of your payment list. If you are unable to do this:
5. Contact a debt advice service such as National Debtline who can help you set up payment plans for your other debts too
6. Work out a mortgage repayment plan with your building society
7. Monitor your finances and make sure you are keeping up with the agreed plan
8. If you are having any difficulties with the agreed plan contact your building society again and see if it can be reviewed
9. Eventually you should be able to clear the mortgage arrears and gain peace of mind
10. Contact Shelter for advice and support at any stage of your mortgage arrears

Photo: jeremyrendell.com



## WHAT HAPPENS WHEN YOU CONTACT YOUR BUILDING SOCIETY?

So, you've faced the fact that you are having difficulty paying your mortgage and you decide to follow the '10 steps on the path to keeping your home' and phone your building society. What can you expect to happen?

**“It's very rewarding to work with customers who have severe payment difficulties and see them come out the other side.”**

All building societies will have a different procedure, but to give you an idea Sam, collections manager at Norwich & Peterborough Building Society, explains what happens if you phone her about any difficulties you are having meeting your repayments.

“Calls are put directly through to staff who are trained to assist customers experiencing financial difficulties and all customers are treated on an individual basis as we know that each situation is unique. Our collections officers will explore the

background and reasons for the payment difficulties. They will talk to the customer about their arrears and try and come to an amicable repayment programme.

“If the customer was unable to pay, we would go through their financial circumstances with them to look at agreeing reduced payments for a short period of time. The aim of our staff is to work out a payment arrangement that is satisfactory to both parties and will ultimately assist the customer through their difficult times.

“It's very rewarding to work with customers who have severe payment difficulties and see them come out the other side. I would advise people not to ignore the problem as it won't disappear. The sooner they contact us, the easier it is to find a solution.”

## WHAT IF YOU HAVE PROBLEMS DEALING WITH YOUR BUILDING SOCIETY?

The process of dealing with your building society may not always run smoothly. If you can't agree a repayment plan, or the building society is taking you to court, get advice from an independent agency, such as Shelter, as soon as you can. They can assist in negotiating with your lender and may be able to represent you in court. Shelter recommends that you never hand over your keys to your lender without seeking independent advice first.

Building societies should be signed up to the 'Mortgage Code', which sets standards of good mortgage lending practice including the handling of arrears. If you feel the standards have not been met tell your building society and follow their complaints procedure. If it is still not resolved refer to the Mortgage Code section on complaints. For a copy ask your lender, visit [www.mortgagecode.org.uk](http://www.mortgagecode.org.uk) or call **01785 218200**.

# What happens when you call?

## Call



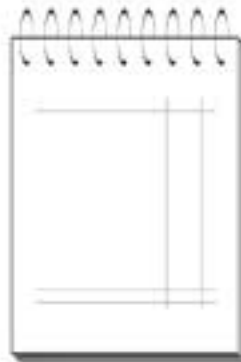
The first step is to call your building society or mortgage lender and tell them you're having a problem paying your mortgage.

## Discussion



Your call is answered by a member of staff who specialises in dealing with people who are having problems paying their mortgage. They will discuss your problem and give you advice on repayment options. Building society staff are happy to work with independent organisations such as Shelter if you prefer.

## Plan



Together you will develop a repayment plan. If Shelter is involved they will help with this process. This will help you tackle the outstanding payments and get control of your finances. Repossessions only take place as a last resort when attempts to reach alternative arrangements have been unsuccessful.

## Mutual Advice



The process of tackling outstanding payments needs to be two-way. It is vital that you are up front with your building society and are totally honest about your financial situation. Then the building society can provide advice on repayment options that is realistic for you.

## Review



It is important that you keep up the agreed repayment plan. It may be necessary to review the situation from time to time to make sure everything is still under control. If you are having further problems you must get back in touch with your building society.

**SHELTER CAN NEGOTIATE ON YOUR BEHALF. CONTACT THEM FOR FREE, INDEPENDENT AND EXPERT ADVICE ON YOUR MORTGAGE ARREARS AT ANY STAGE**

## “I was really frightened by mortgage arrears”

Mrs Mathie fell into arrears in September 2002, after being diagnosed with cancer. She tried to claim on her insurance cover, but was refused as she had claimed before on this cover after a previous illness. Mrs Mathie was two months in arrears and contacted Newcastle Building Society after receiving a second letter. After hearing her circumstances the Society was able to contact the insurers on her behalf, and sort out the problem.

Mrs Mathie was initially very anxious about her repayment difficulties: “I was really frightened by mortgage arrears, and was worried I might lose my home. In fact, the building society was really helpful and



made me feel much calmer, and eventually solved the problem with my insurer. I would recommend that anyone going through what I did should act quickly and tell them about the difficulties you're having as soon as possible.”



## GETTING HELP FROM SHELTER

All the evidence shows that people with housing problems have a much better chance of resolving their personal crisis if they seek help as soon as possible. Shelter encourages people to get advice at the outset by providing accessible, thorough,

clear and impartial housing information to anyone with a housing problem. The aim is to help prevent homelessness or the escalation of a housing problem by giving quick and immediate help and acting as a gateway to in depth advice if needed.

### How to contact Shelter

There are three ways to contact Shelter:

- 1. Call Shelterline, the free, 24 hour, national housing advice line on 0808 800 4444**
- 2. Log onto [www.shelternet.org.uk](http://www.shelternet.org.uk), a free, online, housing advice website**
- 3. Visit your nearest Shelter housing aid centre**

Ben, who has been a Shelter adviser for three years, explains what happens if you visit a Shelter housing aid centre:

“Initially we would talk through the circumstances, find out about the client's financial situation and look at all mortgage agreements and any other paperwork. I would need to ask lots of questions to make sure I had a complete grasp of the situation. Once I had full information on the problem I would advise on what sort of action was possible.

“Perhaps we would consider mortgage interest payments through income support or negotiate with the lender to try to stop repayments for a short while. The advice I give would depend on the individual circumstances of each client and what stage of the proceedings they were at. I would agree with the person whether it was something they wanted to do on their own, or if they wanted Shelter to represent them.

“It might be that negotiating with the lender is enough if the arrears are at an early stage. Or I may refer the client for specialist welfare benefits or debt advice - getting more of a grip on their finances might be what would help them most. If this is the case I would continue to help the person with the housing issue but another agency would assist them with their debt.

“Potentially, the client may have to go to court, if the lender has issued a possession order. Shelter can represent clients in court or we may refer them to a local solicitor. It may be that in court we can work out a plan to clear some of the arrears and then plan for future repayments. This may be enough to prevent the lender going ahead with the possession.

“At Shelter we would always do our best to help someone keep their home, but we would also consider and advise on all other future housing options in case of the worst possible outcome and the client loses their home.”

## “I almost lost my home. The mortgage arrears were like having a rope around my neck”

Mary (55), who worked part-time as a special needs assistant in a local school, fell into mortgage arrears when she separated from her husband and he no longer contributed to mortgage repayments.

They gradually reached a maximum of £1,800. Mary found it difficult to cope and ended up being hospitalised five times with stomach ulcers due to the stress and worry of how to manage and keep a roof over the head of her children. *“My mortgage was like a rope around my neck, receiving constant demand letters and a notice of possession was devastating.”*

Her mortgage arrears began to mount and she received a possession notice. Threatened with homelessness Mary contacted Shelter for advice. Shelter's advice worker went through the financial position

and worked out a plan for tackling the mounting arrears. Mary says this was vital to tackling the problem. “There is no doubt that if it had not been for Shelter I would have lost my house with the knock on effects for my family.”

Following negotiations with Shelter the lender agreed to suspend the arrears so her house would no longer be at risk of repossession. The arrears were absorbed into the overall mortgage. This was agreed providing she could keep payments up for six months.

Mary then had to find additional work to provide a stable income and due to her training in special needs applied and trained to be a foster carer. Over the last five years she has fostered 23 children and is now long-term fostering two children, both aged 12.

**“The amazing thing is that by fighting to keep the house I am now able to provide a home for other children.”**

### Number of people with mortgage arrears helped by Shelter during 2002

England	1314
East	107
South East	307
North West	185
North East	22
South West	230
East Midlands	146
West Midlands	72
Yorkshire & the Humber	130
London	115

## **About Shelter**

Shelter is the leading provider of independent housing advice in the country and each year it works with over 100,000 homeless or badly housed people through its network of over 50 advice centres. It also runs Shelterline, supported by Bradford & Bingley, the UK's free, 24 hour, national housing advice line on 0808 800 4444, and Shelternet, a free, online, housing advice website at [www.shelternet.org.uk](http://www.shelternet.org.uk). For more information about Shelter visit [www.shelter.org.uk](http://www.shelter.org.uk).

## **About the BSA**

The Building Societies Association is the trade association for the UK's building societies. There are 65 building societies in the UK with total assets of over £185 billion. About 15 million adults have building society saving accounts and over two and a half million adults are currently buying their own homes with the help of building society loans.

## **Working together**

The Building Societies Association and Shelter have enjoyed a long-standing relationship. The BSA was a founder funder of one of the charity's key services, Shelterline, in 1998. More recently the BSA had one of the largest running teams in the 2002 Flora London Marathon, when Shelter was the official charity. The team, consisting of 66 runners from 23 different building societies raised funds for Shelter's work with the thousands of homeless children and families across the country.

It is an important and meaningful partnership for both organisations. Shelter helps hundreds of people every year who are experiencing the anxiety of mortgage arrears, a problem that can ultimately lead to homelessness, and one that is central to the work of the BSA.

**For a copy of this report phone Shelter's Supporter Helpdesk on 020 7505 4699 or visit [www.shelter.org.uk](http://www.shelter.org.uk) or [www.bsa.org.uk](http://www.bsa.org.uk)**

Written by Shelter and BSA

First published in August 2003 by Shelter

Photographs by Nick David except where indicated

To protect the identity of individuals, photographic models have been used and names have been changed

Shelter produces a wide range of informative publications about housing and homelessness. For a catalogue please email [keytitles@shelter.org.uk](mailto:keytitles@shelter.org.uk) or visit our website at [www.shelter.org.uk/publications](http://www.shelter.org.uk/publications)

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Registered charity number 263710

**Shelterline**

0808 800 4444

Freephone. Translation service and textphone available

**Shelternet**

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

The home of housing advice

**Shelter**