

What next for mortgage payment holidays?

The views of borrowers

22 May 2020

Introduction

Over 1.8 million UK household have taken mortgage payment holidays following the Chancellor's announcement 17 March 2020. That's 1 in 7 of all UK mortgage borrowers.

What happens next? Over the past month or so, the UK's banks and building societies have been working intensively with the Government and regulators to develop the range of options that will help the vast majority households get back to regular repayments on their mortgages over the coming months; and to ensure that those who are in deeper financial difficulty are properly supported through these very difficult times.

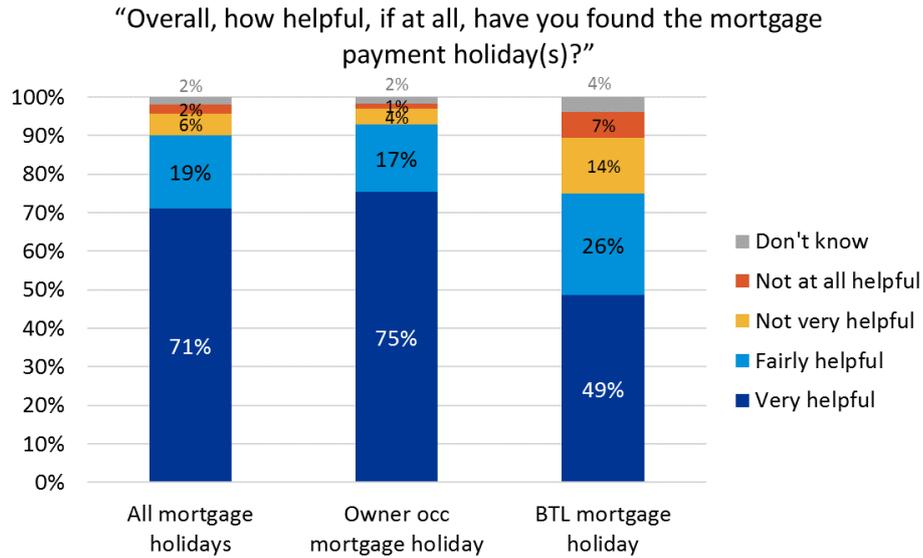
We welcome this morning's announcement by John Glen MP, Economic Secretary to the Treasury, and the publication simultaneously of draft Guidance by the Financial Conduct Authority and the accompanying statement on Capital and Accounting Treatments from the Prudential Regulation Authority. These are the essential components that will empower lenders to put the necessary range of options for borrowers in place in the coming few weeks.

This short report explores the questions and issues from the perspective of those borrowers. Based on a survey carried out by YouGov on behalf of the Building Societies Association, it looks at:

- Who has taken mortgage payment holidays
- Borrowers' preferred exit routes
- Borrowers' confidence in meeting mortgage payments after the payment holiday

Mortgage holidays have helped people in tough times

90% of home owners and buy-to-let landlords who have taken advantage of mortgage payment holidays have found them helpful in navigating the financial challenges that have accompanied the UK's response to the Covid-19 crisis.



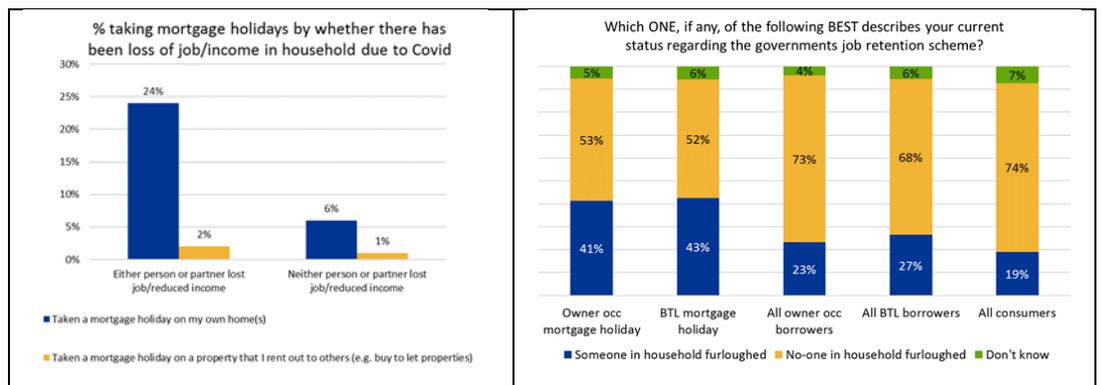
Base: All GB adults who are taking a mortgage holiday as a result of the coronavirus outbreak n=486, split between Owner occ 439, BTL 65

Note: Owner occ and BTL mortgage holiday are respondents that have made these changes to their existing mortgages as a result of Covid 19

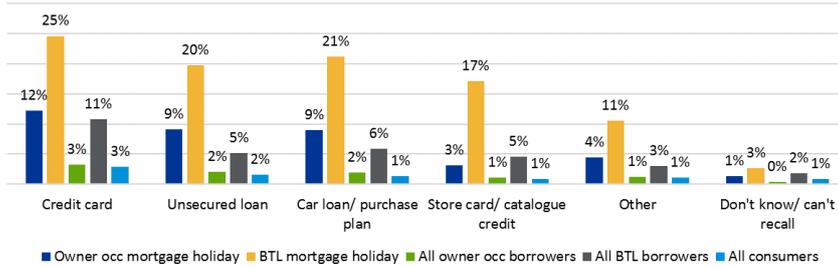
Who has taken mortgage payment holidays?

As we might expect, borrowers taking mortgage holidays are more likely to:

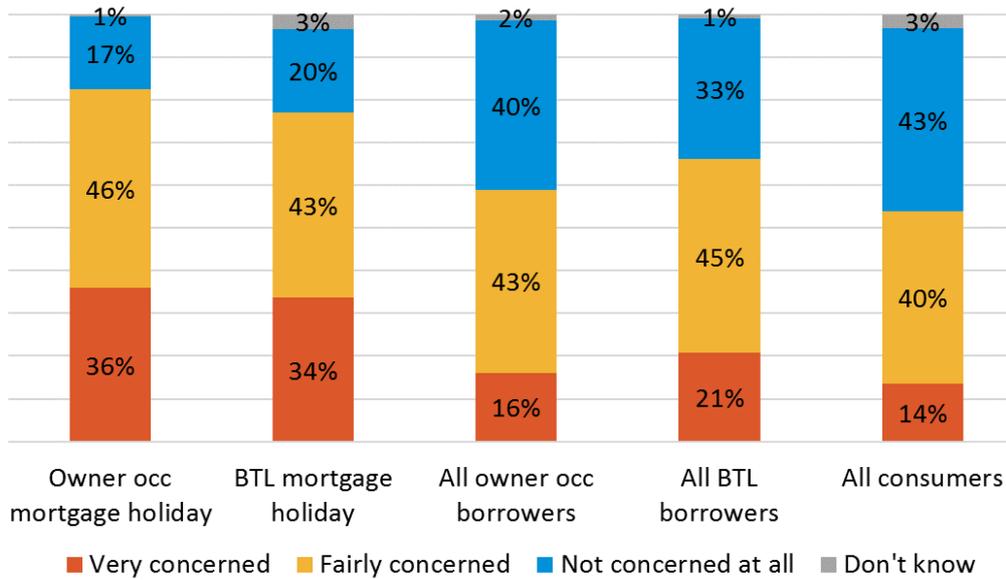
- Have experienced reduced income due to Covid-19 pandemic
- Be furloughed
- Have taken payment holidays on other credit
- Be more concerned about household finances
- Have household incomes below £50k



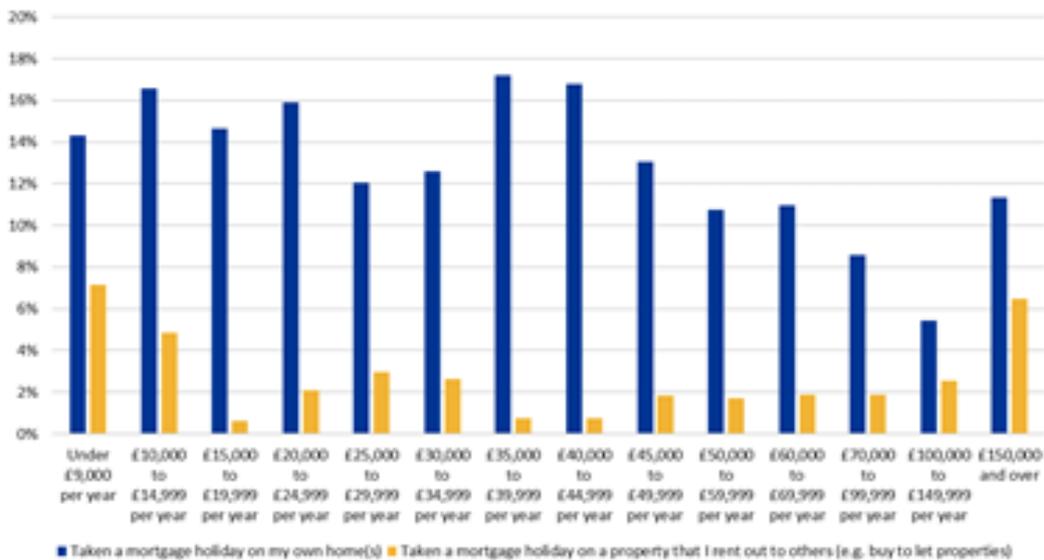
Other payment holidays taken, by product type



Overall, how concerned, if at all, are you about your households' financial situation as a result of Covid 19?



Mortgage payment holidays taken by gross household income

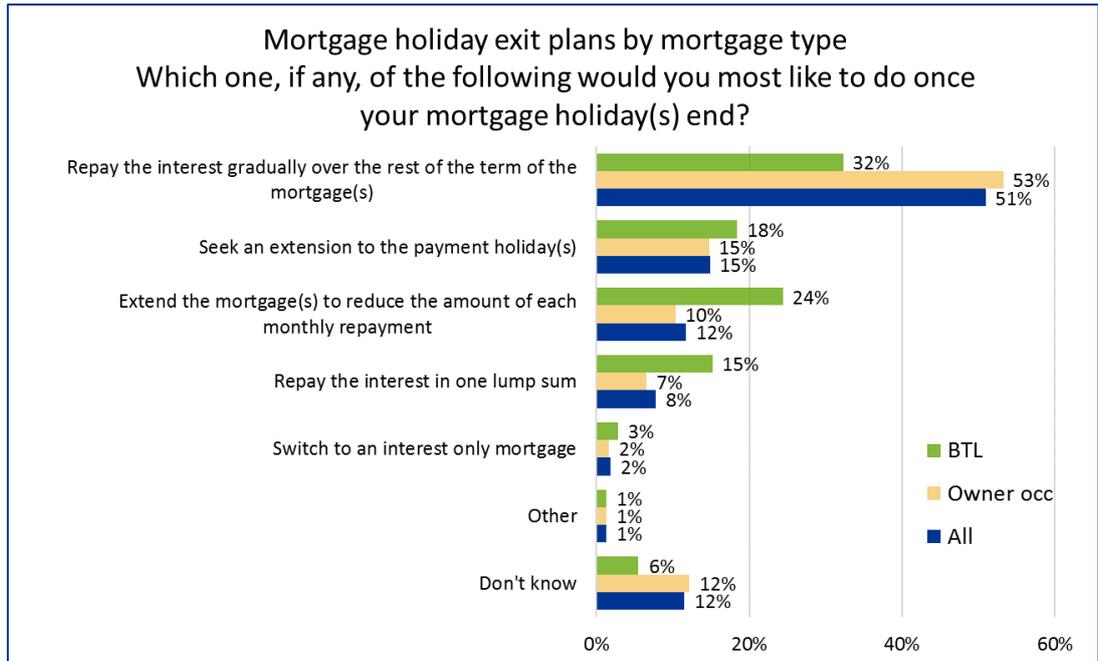


Borrower's preferred exit plans

In spite of high levels of concern about their household's financial situation (82% of home owners with mortgage payment holidays are fairly or very concerned as shown above), the significant majority (70%) prefer to get back to paying their mortgage regularly by:

- Rolling the interest costs of the holiday into the remaining term of their mortgage (53%)
- Extending their mortgage term to keep their monthly mortgage repayments at pre-crisis levels (10%)
- Repaying the interest costs of the holiday in one lump sum (7%)

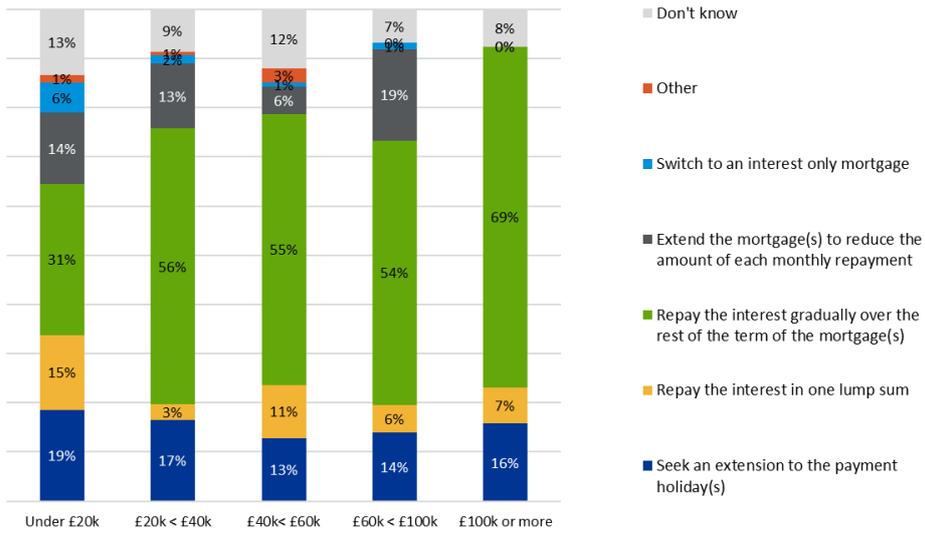
A further 16% say that they would like a further payment holiday or switch to an interest only mortgage for at least a period of time.



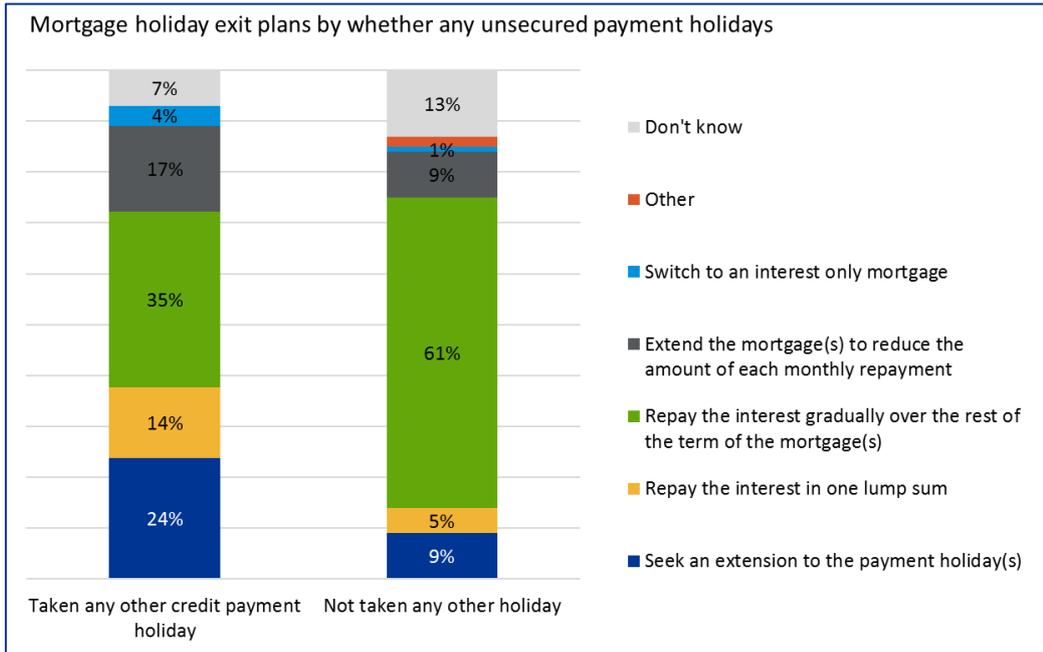
Base: All GB adults who are taking a mortgage holiday as a result of the coronavirus outbreak n=486, split between Owner occ 439, Buy To Let (BTL) 65

Those preferences are reasonably consistent among the main income groups (from £20,000 to £100,000 annual household income), whereas almost 70% of highest earners favour paying the interest over the remainder of the existing mortgage term.

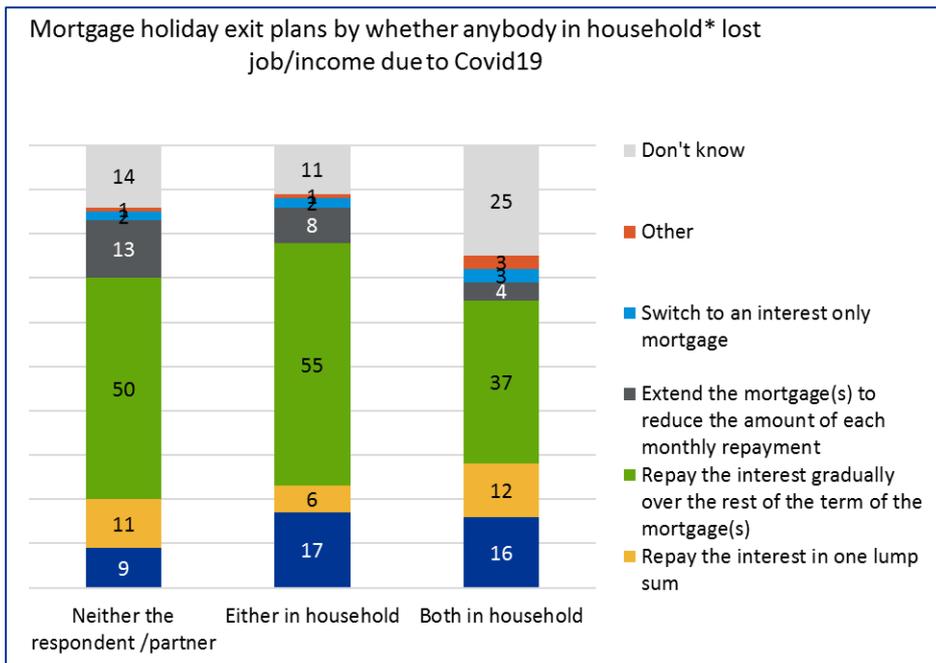
Mortgage holiday exit plans by income group



But it is clear that those who have taken more than one type of payment holiday are less likely to want to roll up the interest into the remaining term of their mortgage:

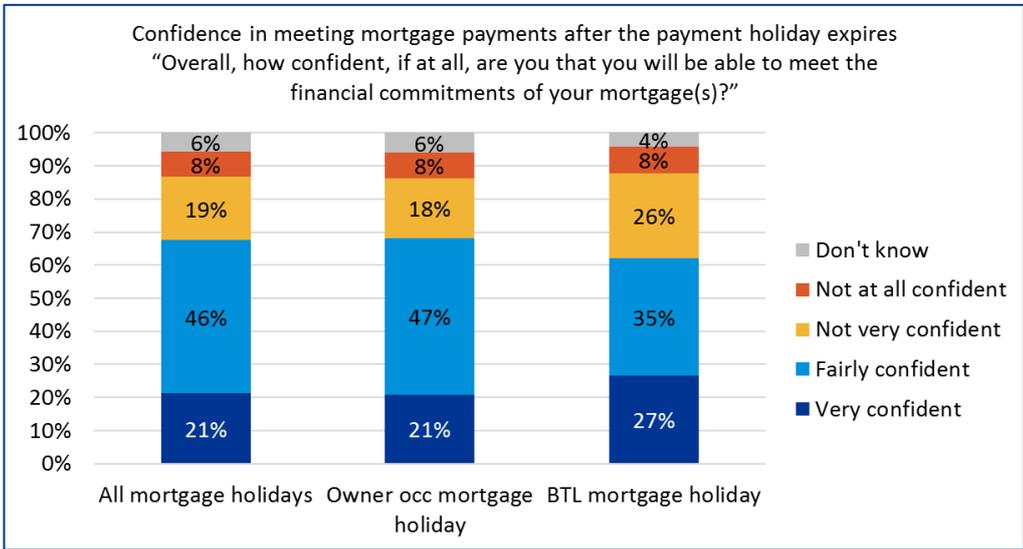


And, unsurprisingly, the same seems to be true for households that have suffered a double income hit:



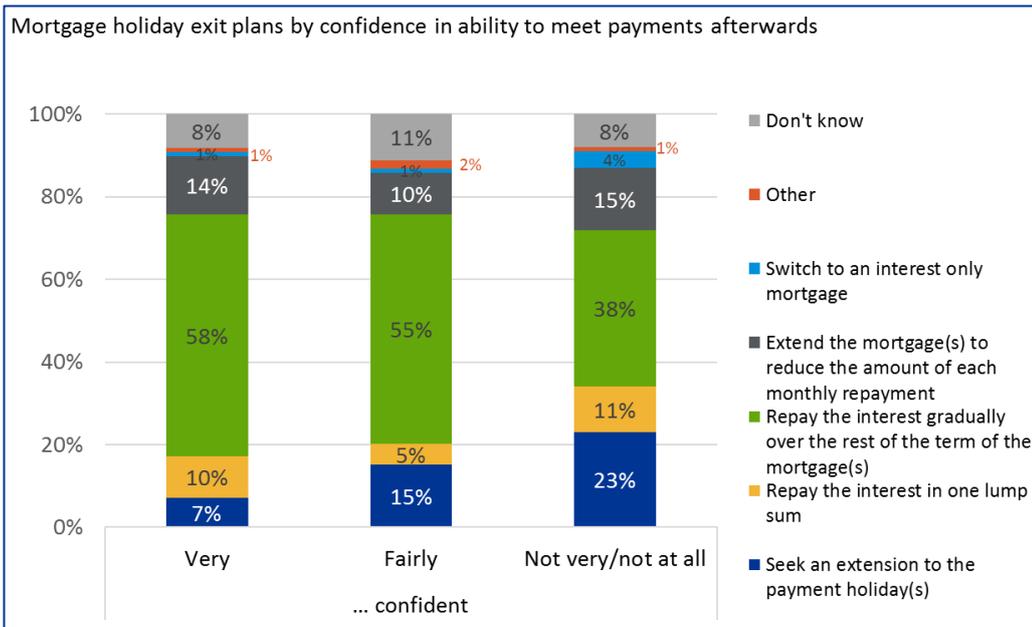
How confident are households in meeting mortgage payments after the payment holiday?

68% of homeowners and 62% of buy-to-let landlords are very or reasonably confident that they will be able to meet their mortgage commitments at the end of the mortgage payment holiday period.



8% are not at all confident and may, therefore, need significant assistance from their lenders in agreeing an appropriate way forward. Any borrowers that are not confident they will cope are strongly encouraged to contact their lenders at the earliest opportunity so that they can understand the range of options that are available to them to help them get back on an even keel.

What is clear, though, is that even among those less confident in their ability to meet repayments, almost two thirds (64%) want to get back to normal mortgage repayments by repaying the accrued holiday period interest over the remaining term of their mortgage (38%); extending their mortgage term (15%) or repaying the accrued interest immediately (11%).



The survey

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 11,657 adults. Of these, 486 reported having taken mortgage payment holidays as a result of the coronavirus outbreak (439 owner occupied, 65 BTL, such that 18 had both).

Fieldwork was undertaken between 7 May and 15 May 2020. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

About the Building Societies Association

Founded in 1869, the Building Societies Association (BSA) represents all 43 UK building societies, as well as 6 credit unions. Building societies have total assets of £420 billion and, together with their subsidiaries, hold residential mortgages over £330 billion, 23% of the total outstanding in the UK. They hold over £290 billion of retail deposits, accounting for 19% of all such deposits in the UK. Building societies account for 38% of all cash ISA balances. They employ approximately 42,500 full and part-time staff and operate through approximately 1,470 branches.

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The Building Societies Association (BSA) is the voice of the UK's building societies and also represents a number of credit unions.

We fulfil two key roles. We provide our members with information to help them run their businesses. We also represent their interests to audiences including the Financial Conduct Authority, Prudential Regulation Authority and other regulators, the Government and Parliament, the Bank of England, the media and other opinion formers, and the general public.

Our members have total assets of over £420 billion, and account for 23% of the UK mortgage market and 19% of the UK savings market.