

What to do if you can't pay your mortgage.

Practical advice from the Building Societies Association and National Debtline.

May 2023

 **Building Societies**
Association

**NATIONAL
DEBTLINE**



Can't pay your mortgage?

Having problems paying your mortgage can be one of the most stressful financial situations that anyone has to deal with. However, contrary to popular belief, lenders don't want to repossess your home as soon as you can't meet your monthly repayments, in fact repossession is a last resort. An unexpected change in circumstances can often be the cause of someone falling behind with their payments. Lenders know this and want to help.

Right now the rising cost of living in areas like food, fuel and energy is having a significant effect on many household budgets.

Whether you are already facing a squeeze or think you are going to, help is available from your lender. Look at your lender's website as a first step, or if you don't have internet access, visit a local branch or call the number on your mortgage statement to start to get the help you need.

Get in touch with your lender as early as possible - before you miss a payment if you can - but don't worry if that has already happened.



Thank you so much! It's a huge relief and your early support has been magnificent. I am immensely grateful to you for allowing me the time and space to resolve issues and the friendly non-judgemental way in which you have maintained contact.

Cambridge Building Society, customer feedback

Six simple steps

1

Contact your lender early

As soon as you think you will have a problem with your monthly mortgage repayment; whether you can't pay anything, can't pay all of your monthly payment or can't pay it on time, get in touch with your lender straight away. The earlier you start talking to each other the more likely it is that a solution can be found. The same applies if your lender gets in touch with you – please don't ignore them, pick up the phone or make an appointment to see them. Your lender wants to help you to stay in your home.

2

Assess your situation

Have you worked out a household budget? If you haven't, creating one may make a big difference. You should work out what money you have coming in, how much you are spending and what you are spending it on. It makes sense to prioritise payment of your essential household bills like your mortgage, other loans secured on your home, council tax, fuel bills and food. There are lots of budget planners available online which you can use as the framework for your budget. Also check out the National Debtline budget online.

You may be able to reschedule your unsecured loans, credit cards and other types of credit or make offers of reduced payment to your creditors. Lenders will work with you or your debt adviser to explore these options.

Finally, check that you are getting all the help that's available to you. For example are you eligible for any government support such as benefits or tax credits that you aren't claiming? You can check this using the benefits calculator provided by the charity Turn2Us (see page 9 for details). Also have you spoken to one of the free debt advice services?

3

Keep in contact

No matter what actions you are taking, keep your lender up-to-date about your financial situation. Be honest about it, tell them what you are doing and let them know if there are further changes to your circumstances.

4

Show that you are willing to pay what you can

Your lender will offer you tailored support which may include an agreed reduced monthly payment. If they do you should make sure that you keep

paying this smaller amount regularly and on time. If something happens which means you can't pay, tell your lender immediately. When you are arranging a reduced repayment be realistic. It won't help your situation if you agree to a payment that you are unlikely to be able to pay from the start.

5 Explore all your options

Lenders take action to repossess someone's home only as a last resort. Long before they even think about this they have a range of tools which can be used to help. What is suitable for one person might not be for another – discuss your options with your lender.

If you are worried that you might not be able to afford your mortgage repayment if the interest rate goes up, talk to your lender about whether a switch to a fixed-rate mortgage would be the right option for you. Your lender will advise you.

6 Take advice from trusted sources

Make sure you take advice only from people who have the relevant expertise. Your lender will be able to help, and you can also get free, independent advice from organisations like National Debtline, Citizens Advice, Shelter and other free, independent debt advisers. A debt adviser will not judge you, or make you feel bad about your situation, they will just help you find ways to manage your debt.

Be very wary of organisations offering solutions that appear to be too good to be true – they probably are.

Be especially wary of "sale and rent back" companies that offer to sell your house very quickly for less than the market value. Under these schemes you may only get a five year tenancy and risk eviction at the end of it even if you are up to date with your rent. You may also lose housing and other benefits.

Also be wary of IVA companies who offer to make your debts disappear. An Individual Voluntary Arrangement (IVA) can be the right approach for some people, but for others can prove to be very expensive. Always discuss this approach with an independent debt adviser before taking action.

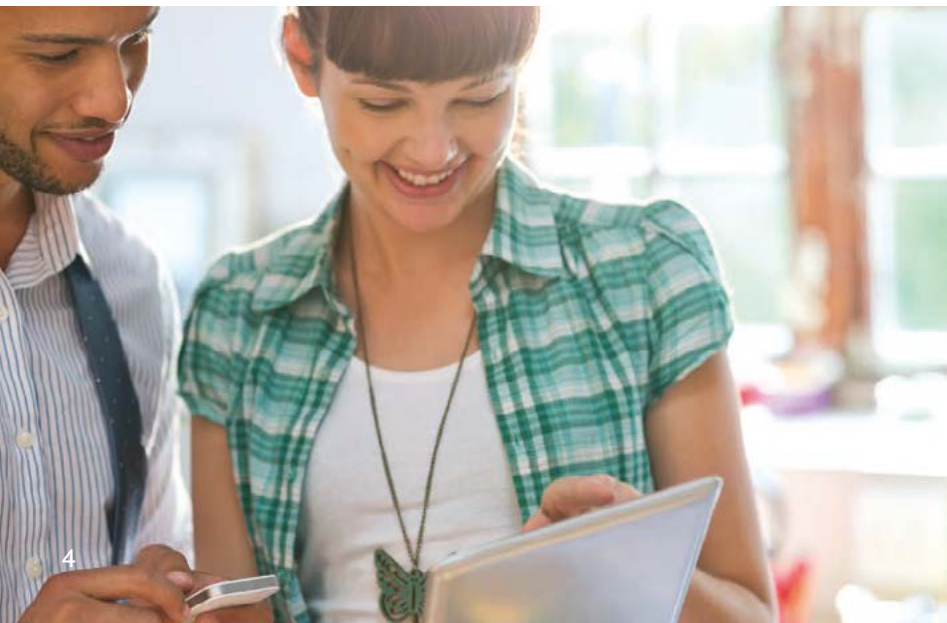
So, calling your lender isn't going to trigger the repossession of your home. In fact, quite the opposite – your lender will work with you to do whatever they can to keep you in your home.

Contacting your lender

When contacting your lender you should find that you get a helpful response from the people who work in dedicated teams, often called arrears departments. These people have been trained to help people with repayment difficulties.

Lenders' mortgage arrears departments are often open for longer hours than other teams, sometimes including evenings and weekends. This means that customers can get advice when it suits them – no one wants to call their lender to talk about mortgage payment difficulties from work when they could have that conversation at home, in the evening or over the weekend.

When you contact your lender, they will look at your household budget – what money is coming in and what is going out – and try to agree a plan with you for managing your mortgage payments going forward. If you are also working with an independent debt adviser they can be involved in this process too.



Lenders have a range of options available to give you tailored support, possible actions include:

- Creating a new repayment plan.
- Reducing your monthly payments by increasing the term of the loan.
- Temporarily moving a repayment mortgage on to an interest-only basis.
- Adding the arrears to the outstanding mortgage amount rather than asking for immediate payment.
- Accepting reduced payments for a limited time until you are able to start making your full payments again and put a plan in place to repay any arrears.
- Changing the way you make your payments, or the date you make them.

The options used will depend on your individual circumstances and not every option will be suitable for you.

The Financial Conduct Authority, the body which regulates all mortgage lenders, states that lenders must treat customers in financial difficulty fairly and this is exactly what you can expect from your lender. Lenders are also required to pay special attention to those in vulnerable circumstances.

Who are the debt advisers?

They are organisations that give consumers independent, impartial debt advice. Debt advice is available free-of-charge and may be available face-to-face or through telephone helplines and online. Expert advisers can help to put you back in control of your finances.

Some are generalist agencies offering debt advice alongside a range of other support services. Other agencies only offer debt advice. Some debt advisers are paid employees, others are volunteers.

Here are a few examples:

- Face-to-face services, like your local Citizens Advice and local authorities.
- Independent telephone helplines, such as National Debtline (0800 808 4000), and Business Debtline for the self-employed and small businesses (0800 197 6026).
- Comprehensive online and webchat services, such as www.nationaldebtline.org and www.businessdebtline.org.
- Other charities like StepChange Debt Charity.
- MoneyHelper has an online search tool which helps locate free debt advice in your area: www.moneyhelper.org.uk/en/money-troubles/dealing-with-debt/debt-advice-locator.



Your staff were non-judgemental,
knowledgeable and very helpful.
I can sleep at night now.

Client feedback, National Debtline, Money Advice Trust

What can a debt adviser do for you?

They can:

- Help you work out your income and expenditure and complete your personal/household budget.
- Find out whether you are entitled to extra income such as benefits, tax credits or tax allowances – extra income to help you pay your bills.
- Look at options to deal with your debts and work out how much money you have available to pay them each month.
- Check whether you are actually responsible for the debts you are being asked to pay. Is the debt in your name? Do you owe the amount that is being asked for?
- Make sure that the most important debts are paid first – some debts are more important than others. The law gives different creditors different ways of getting their money back. These are called priority debts. It is important to make offers of payment on priority debts such as mortgages and secured loans first.

A number of inaccurate 'urban myths' have developed about what to do if you can't pay your mortgage.

Here are some of the most common ones:

Myth The only way I can pay off my arrears is to pay off the whole amount I owe.

Fact Your lender will offer you a range of options to repay your arrears, and you won't be expected to do it all in one go.

Myth I could take a loan out to pay off my arrears.

Fact Many companies claim to be able to consolidate debts or to offer low payment loans to deal with your arrears. However, the interest charged on such arrangements can often be high. You should always take independent advice before thinking about taking out a new loan. Don't forget that if the loan is secured on your home, it will put your house at risk if you cannot keep up the payments.

Myth I could send my keys back to the lender and walk away.

Fact Doing this does not end the mortgage as the monthly payments, interest and charges will keep being added to the debt until the house is sold. You would also still be liable for any money that you owed your lender after the house was sold. Also, don't forget that you will need somewhere to live, and your local authority may view you as having made yourself voluntarily homeless and may decide they are unable to help you.

Further advice and help

Business Debtline

For the self-employed and small businesses
0800 197 6026 or visit www.businessdebtline.org

Citizens Advice

Details of local Citizens Advice across the UK are available through www.citizensadvice.org.uk

Civil Legal Advice

0345 345 4 345 or visit www.gov.uk/civil-legal-advice

Debt Advice Foundation

0800 043 40 50 or visit www.debtadvicefoundation.org

Local authorities

Some offer an in-house debt advice service.

Money Advice Scotland

www.moneyadvicescotland.org.uk

E: info@moneyadvicescotland.org.uk

MoneyHelper

0800 138 7777 or visit www.moneyhelper.org.uk

National Debtline (England, Wales and Scotland)

0808 808 4000 or visit www.nationaldebtline.org

Payplan

0800 280 2816 or visit www.payplan.com

StepChange Debt Charity

0800 138 1111 or visit www.stepchange.org

Turn2Us

Welfare benefits and grants information

www.turn2us.org.uk

Some example budget planners can be found at:

<https://tools.nationaldebtline.org/yourbudget/>

<https://www.moneyhelper.org.uk/en/everyday-money/budgeting/budget-planner>

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

bsa.org.uk

Run by national charity the Money Advice Trust, National Debtline provides free advice and resources to help people deal with their debts, by phone, online and via webchat.

nationaldebtline.org

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