

# 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.



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If you've fallen behind with your mortgage payments or you're worried you might be about to, contact your mortgage lender right away. Have information about your finances ready when you phone. **You can get free, independent advice from one of the agencies listed on the back of this leaflet if you're worried about paying your mortgage.**

Think about what is causing your payment problems. Could you get a different mortgage with another lender at a cheaper rate, or switch gas or electricity suppliers? Consider asking other people in your house if they could contribute more money to the costs of running the household. If you're paying credit cards and loans, you may need to stop. You'll need to deal with these, but your mortgage arrears take priority.

**Your lender has a responsibility to treat you fairly and should only start court action when all other steps have failed.**

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## 1 Budgeting



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.

Your expenses should include:

- Your mortgage payment
- Other housing costs such as insurance and service charges
- Council tax
- Utilities e.g. gas, electricity, water and TV/broadband
- Food and housekeeping
- Childcare costs
- Essential items on hire purchase e.g. 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.

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

You could arrange to pay other creditors a small amount each month until your circumstances improve. If you tell your creditors you have mortgage arrears they should accept lower payments and might freeze interest and charges.

If your budget shows you can afford to make your monthly mortgage payment and pay an amount towards the arrears you should contact your lender and tell them. They may ask to see a copy of the budget you have prepared or ask for the figures over the phone. Your lender is likely to agree to your proposal if your budget demonstrates you can make payments and you haven't broken arrangements in the past. If your lender doesn't agree you should seek advice from a free, independent advice agency.

If your budget shows you can't make your monthly mortgage and/or secured loan payments you can still talk to your lender about what options are available. See the section '**If you can't afford the payments**' below.

Free debt advice charities like StepChange, National Debtline and Citizens Advice can help you to prepare a budget. They may also help you get in touch with your lender and write to other creditors on your behalf. They will be able to help you prepare a Standard Financial Statement (SFS), which can help you deal with your mortgage arrears and any other debts you have. The SFS is a budgeting tool that is recognised by all major creditors and mortgage lenders, but you'll need a debt adviser to help you prepare it.

You can find budgeting tools online at:

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

<https://www.moneyadvice.service.org.uk/en/tools/budget-planner>

Advice charities will check you are getting all the benefits you are entitled to or tell you how to find out.

You can ask your lender to add the arrears to the balance of your mortgage. This means you won't be in arrears anymore, but your monthly payment will increase. Ask your lender how much the payment will go up by. Only agree to this if you can afford it.

You can change the date your mortgage payment is due or the way you make the payment. If you ask to make a change and your lender refuses, they must tell you why in writing. Ask the Financial Ombudsman to investigate if the lender has not made the changes you've asked for and hasn't given you a good reason for refusing.

It will be more difficult for your lender to agree changes to your mortgage if there is a joint borrower who hasn't given permission. If possible, try to speak to anyone else who is named on the mortgage and get their written permission to make changes to the terms and conditions. It will normally be better for the joint borrower if the house is not repossessed.



## 2 Reducing The Ongoing Payment

It will normally be difficult to remortgage if you are already in arrears. If the arrears are low, it might still be possible to find a cheaper rate with a different lender. Your lender might agree to let you borrow over a longer term, which is likely to reduce the monthly payment, but it will increase the total amount of interest you will have to pay over the life of the loan.

If your arrears are on a second mortgage you could ask your original lender for a remortgage that will cover the whole amount, possibly over a longer term. Make sure you can afford the payments and consider whether your circumstances are likely to change before the term ends.

You may have taken out payment protection insurance along with the mortgage. If your circumstances have changed you may be able to claim. If the policy wasn't suitable, or you were told you would be covered and you aren't, you could make a complaint to the lender. The Financial Ombudsman can look at complaints about insurance policies that were taken out in the last 6 years. If the Ombudsman agrees that the policy wasn't suitable they can make the lender refund the amount of the insurance and any interest you've paid on it.

Flexible mortgages allow you to take a payment holiday, normally for up to 6 months. This might not be possible if you are already in arrears. Check your mortgage contract or speak to your lender for details. In other cases, you can ask your lender for a break in payments, especially if you can show that your situation will improve. If you take a break from making payments your monthly instalment will increase once you start paying again, so make sure you can afford it before agreeing to take a payment break.

If you are over 55 you could consider equity release or a lifetime mortgage. You'll need independent financial advice. See the Money Advice Service factsheet on equity release:

[moneyadvice.service.org.uk/en/articles/equity-release](https://moneyadvice.service.org.uk/en/articles/equity-release)

## 3 Support For Mortgage Interest

You may be able to get a loan from the Department for Work and Pensions if you are entitled to certain benefits. The loan will help with interest payments but it won't reduce the capital you owe. To qualify you have to be entitled to one of the following:

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



You will have to wait 39 weeks before you can receive any payments unless you are entitled to Pension Credit. Tell your lender if you have applied. Go to [www.turn2us.org.uk](http://www.turn2us.org.uk) for more information about what help you could be entitled to.

The loan will pay a set amount towards your interest each month. You can 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.

There's no limit to how long you can have the loan for, but it will reduce the equity in your home over time. The loan is repaid when you sell, transfer the house to someone else or if you die. If the money you get from a sale doesn't cover the whole loan you won't normally have to pay the rest if you got a fair price.

## 4 Your Lender's Responsibilities



All mortgage lenders are regulated by the Financial Conduct Authority (FCA), who publish rules about how lenders should treat borrowers facing financial difficulties. The section of the rules that applies to mortgage lenders is the Mortgage Conduct of Business Rules. The rules say that at least once every 3 months your lender should send your details of any charges they are adding. They must also send an annual statement showing your balance and payments. You can request copies of these statements at any time.

The rules say the lender shouldn't harass you about your arrears, and they shouldn't contact you between 9pm and 8am. They shouldn't 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, as they are required to take account of your needs.

Ask your lender how to complain if they breach any of their responsibilities. If your complaint is not resolved to your satisfaction you can ask the Financial Ombudsman to investigate it for you. If your lender starts court action while you are waiting for your complaint to be dealt with you can ask the court to grant time to allow the Ombudsman to make a decision.

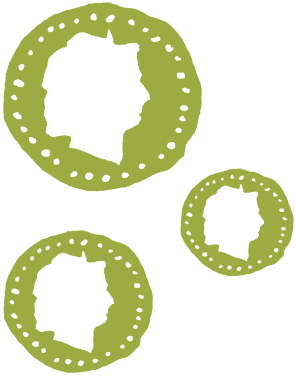
You can get in touch with the Financial Ombudsman in the following ways:

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

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**.

They will normally require you to have made a complaint to your lender and received a final response. Try to do this in writing so you have all the details available. An independent advice agency may be able to help you with your complaint.



## 5 If You Can't Afford The Payments

If your budget shows the mortgage is not affordable you should make a plan for the future and tell your lender about it. They may grant you more time to sell and find somewhere else to live. If you do decide to sell you can ask your lender for details of their Assisted Voluntary Sale scheme – this means they help you to market the house and may contribute to the cost of selling.

Ask for the Shelter factsheet on Assisted Sales for more information.

Your lender is more likely to give you time to sell if you can pay something towards the 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 paying the mortgage as well as other bills such as water and council tax. The council might decide you have made yourself intentionally homeless if you gave the keys to the lender. They may use this as a reason not to provide you with accommodation.

If your mortgage is interest only and you don't have a way to repay the capital, you may have to think about what will happen when your mortgage term comes to an end. Speak to your lender about your options. It might be possible to extend the term or change the type of mortgage you have so that your payments clear the balance over time. This is likely to mean a higher monthly payment. Get independent financial advice if you don't know what you will do when your mortgage term ends.

## 6 Sale And Rent Back



Some companies 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. This is called sale-and-rent-back or sell-to-let. Only think about sale-and-rent-back schemes as a last resort. Look 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.

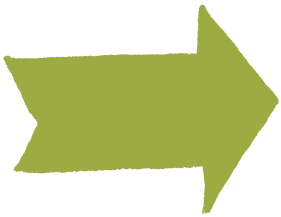
Read the Money Advice Service's sale-and-rent-back factsheet on their website at [moneyadvice.service.org.uk/en/articles/sale-and-rent-back-schemes](https://moneyadvice.service.org.uk/en/articles/sale-and-rent-back-schemes).

## 7 If The Lender Takes You To Court



Your lender must get a court order if they want to repossess and sell your house. There are certain steps the lender needs to take before they can take you to court. If the lender issues a claim in the court when you've made a formal complaint, or if you think the Financial Ombudsman would investigate your complaint, you can ask the court for more time for the Ombudsman to decide. It is normally better to ask the court before the hearing if you can. You could write your request on the defence form.

## 8 Pre-Action Protocol



Lenders must follow rules set down in the pre-action protocol before they can take you to court for mortgage arrears. The protocol says lenders and customers should act fairly and reasonably in their dealings with each other. This means the lender must:

- Take steps to make sure information is provided to you in a way you understand
- Tell you to seek advice from your local authority about your housing situation
- Discuss your financial circumstances with you and try to come to an arrangement to repay the arrears
- Tell you whether they accept your proposal within 10 days
- Give you 15 working days' notice of starting a possession claim

The lender should give you more time if you have shown that you can make the payments needed to bring the arrears up to date, or that you will be able to in the near future. They should not start a possession claim if you have told them you are waiting for a Support for Mortgage Interest loan.

The lender should consider whether to make changes to the terms of your mortgage so you can manage the payments. They should consider putting off the claim if you have taken reasonable steps to sell your property.

Tell the judge if you think your lender has not followed the protocol. The judge might adjourn (put off) the hearing or make the lender pay the costs of the claim instead of adding them to what you owe.

## 9 Going To Court



Always attend the possession hearing, even if you've already made an arrangement with your lender. It can be difficult to put mistakes right once the court has made a decision.





Most County Court hearing centres have a free housing possession duty scheme, so you'll be able to speak to an adviser or solicitor with experience of dealing with court procedures. The duty solicitor will talk to the lender's solicitor for you and will speak on your behalf in court. Arrive in plenty of time to introduce yourself to the court usher and get advice from the duty solicitor.

The hearing will normally take a few minutes and will take place in the judge's private office, called 'chambers'.

Take your court papers and other relevant paperwork with you. Other documents that might be useful include:

- Your personal budget or financial statement
- Evidence that your finances are about to improve, for example a job offer
- Proof that you've put your house up for sale, or an offer if you have one
- A recent valuation of your property
- Proof that you've applied for a Support for Mortgage Interest loan or an insurance payment
- A copy of any complaint you've asked the Financial Ombudsman to deal with
- Proof of any payments you've made in the days before the hearing just in case the lender has not updated the records

If you can show the court that you can afford the monthly mortgage payment and something towards the arrears, the court will normally allow you to stay in your home. Your lender may ask for the arrears to be paid off over 2 or 3 years, but a reasonable period might be the length of time you have left on your mortgage. If you need time to sell or pay off your mortgage in full the court can give you more time if you can show this is likely to happen.



In some cases the court can make an order that you pay less than the monthly instalment. This is more common for second mortgages. You'll need specialist advice if you are offering to pay less than your agreed amount.

Write down what order is made and ask the judge to repeat any instructions about when to make a payment. You must follow the instructions on the order, or the lender may issue an eviction warrant. You can ask your solicitor or adviser to explain more about what the order means when the hearing is over. 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 has granted possession of your home to your lender and you don't leave by the date on the order your lender will have to apply for a bailiffs warrant to evict you. This means you have more time before you have to leave, but the lender will add the costs of getting the warrant to what you owe.

You can apply to court to suspend the warrant on payments. Speak to one of the advice agencies on the back of this leaflet if you want to find out how to suspend the warrant.

## 10 Dealing With A Shortfall



If you or your lender sell your house and there isn't enough money to pay the mortgage you will still be responsible for the shortfall. You might not hear from your lender straight away, but they should contact you to make an arrangement to pay within 6 years of the sale. Get advice if you are worried about paying your shortfall debt.

You might have made a one-off payment called an 'indemnity guarantee' or high lending charge when you took out the mortgage. This payment insures your lender if there is still a debt when the house is sold. You are not insured against the shortfall, so the insurance company will be able to claim the money they pay from you.

# Useful organisations for information and advice

## Government Schemes

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

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## 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 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)

### StepChange Advice

Offers you help to deal with several debts.

Phone **0800 138 1111**

or visit [stepchange.org](http://stepchange.org)

### Money Advice Service

Money Advice Line on **0800 138 7777**

(English) or **0800 138 1111** (Welsh)

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

### 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)

## Shelter

Offers you 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.

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## 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.

### Benefits

For information and advice, or to make a claim for benefit if you are under state pension age, phone Jobcentre Plus on **0800 055 6688** or visit [gov.uk](http://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 Credit claim line on **0800 99 1234** or visit [gov.uk/pension-credit](http://gov.uk/pension-credit)

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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.

Shelter

Registered charity in England and Wales (263710) and in Scotland (SC002327)