

Can't Pay Your Mortgage?



Helpful advice from the BSA
and the Money Advice Trust

Money
Advice
Trust

 **Building Societies**
Association

Having problems paying your mortgage can be one of the most stressful and traumatic problems that anyone has to deal with. However, contrary to what some people believe, lenders are not seeking to repossess your home as soon as you have problems.

In fact, if you do have problems they are keen to work with you to help you to remain in your home – repossession really is the last resort.

There is free independent help and advice available from the organisations listed at the end of this booklet.



What to do if you are worried about paying your mortgage

There are six steps that you must take to make sure that you don't lose your home:-

1. DON'T IGNORE THE PROBLEM

If you receive a letter or telephone call from your lender, **DO NOT** ignore it. Your mortgage has to remain your number one priority, and you need to pay this before any other debts that you may have.

2. LOOK AT YOUR SITUATION

Are you getting all the help available to you? Sit down and work out a personal budget to work out what you have coming in and what you are spending your money on. You need to make sure you are paying your essential household bills like your mortgage, other loans, council tax, fuel bills etc. Then look at what other debts you have. You may be able to reschedule payments or make reduced offers of payment.

Are you claiming all of the benefits that you are entitled to? There may be additional benefits that you may be entitled to but not currently claiming.

Your building society will be happy to help you do this or alternatively they will be willing to work with other money advisers (such as the Citizens Advice Bureau) who may be able to help you.

3. KEEP IN TOUCH WITH YOUR LENDER

No matter what action you are taking, keep your lender aware of your financial situation. Be honest about it, keep them aware of what you are doing and any further changes to your circumstances.

4. SHOW THAT YOU ARE WILLING TO PAY WHAT YOU CAN

Your lender may allow you to reduce your monthly repayments. However, you should make sure that you keep repaying this reduced amount and if anything happens which means you can't, you must tell your lender immediately.

5. FIND OUT WHAT YOUR OPTIONS ARE

Lenders take possession action only as a last resort, and there are a range of measures that they can use to help you remain in your home. They will discuss these with you – make sure that you take full advantage of these discussions with your lender to ensure that you have the greatest chance of keeping your home.

Many people fall behind with payments through no fault of their own and lenders want to support you through this difficult time.

6. MAKE THE RIGHT DECISION

Make sure you take advice only from people that you trust. Your lender will be able to help, and you can also get free independent advice from organisations such as Shelter, Citizens Advice Bureaux, National Debtline and free independent money advisers.

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 buy your home and let you continue living there – you may only get a guarantee that you could live there for six months, and you may lose housing and other benefits.

So calling your lender isn't going to trigger the immediate repossession of your home. In fact, the opposite will happen - your society will work with you to do whatever it takes to try to keep you in your home. However, it is important that you call them as soon as possible to start discussions about what you are going to do.

What Happens When You Contact a Building Society?

Contact your building society and you should find that you get a sympathetic response from staff in special departments that they have to help people with repayment difficulties.

THEY WILL NOT START TO REPOSSESS YOUR HOME.

Arrears departments in building societies typically work longer hours than other staff who help customers, including at evenings and weekends. This ensures that customers can obtain advice at times suitable to themselves – no one wants to call their lender to talk about arrears from work when they could have that conversation at home in the evening or over the weekend.

Societies also ensure that staff handling arrears cases are experienced. Many of the staff handling arrears cases have over ten years experience, and some have direct experience of handling arrears cases during the recession of the early 1990s.

When you contact your society, they will look at your finances with you (and any other adviser that you wish to involve) and agree, in conjunction with you, a plan for managing your mortgage arrears.

Societies have a wide range of options for this, including:

- Creating new payment plans
- Amending payment terms – this may mean, for example, lengthening the mortgage period, moving to an interest only product or adding the arrears charges to the mortgage amount while regular repayments are being made as agreed with you
- Providing you with help finding employment
- Referring you to Government schemes that can help
- Helping you to get all of the benefits and tax credits you are entitled to
- Working with other such as debt advisers, charities or professional financial advisers

Typical of the results that this ensures are the experiences of two borrowers who had mortgages with a building society. A customer that had been made redundant was allowed to reduce his payment. When, three months later,

they got a new job, the society maintained this reduced payment arrangement until they had been paid by the new employer and sorted out their finances

Another customer with health problems was unable to work until he had tests to find out what was wrong. In that instance, the society reduced his payments from £400 per month to just £150 per month until he was back on his feet again.

Building societies genuinely want to keep their customers in their homes, and will work to identify ways to achieve this. A successful outcome can happen only if you contact your society as soon as possible.

Mortgage Difficulties Urban Myths

Although friends and family can be an excellent source of help and support, a number of inaccurate "urban myths" have developed about what to do if you can't pay your mortgage. Some of the most common are:

- **The only way I can pay off my arrears is to pay off the whole amount I owe**

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

- **I could take a loan out to pay off my arrears**

Many companies claim to be able to consolidate debts or to offer low payment loans to overcome arrears problems. However, the interest charged on such arrangements can often be horrendously high, and you should always take independent advice before thinking about taking out a new loan.

- **I could send my keys to the lender and walk away?**

Doing this does not end the mortgage. In such a situation you would remain liable for any money that you owed your society that it was unable to make from the sale of the property. Remember that you will need somewhere to live and your local authority may view you as having made yourself voluntarily homeless and so decide you are ineligible for help.

The Role of Money Advisers

WHO ARE THE MONEY ADVISERS?

Money advice is given free of charge by Citizens Advice Bureaux, local authority offices, independent advice centres, and independent telephone helplines such as National Debtline. Some are generalist agencies offering money advice alongside a range of other support. Other agencies offer money advice exclusively. Some money advisers are paid employees, others are volunteers. Advice can be given face to face or by telephone – whichever way you prefer.

“ *National debtline was extremely understanding, non-judgmental and helpful with a very professional touch* ”

Client evaluation, National Debtline 2008, Money Advice Trust



A MONEY ADVISOR CAN:

- Help you work out your income and expenditure and complete a personal budget
To overcome any repayment difficulties, it is important that you get a good understanding of what your actual financial situation is. This allows you to draw up a budget to ensure that your finances don't get any worse while you sort your problems out
- Look at options on how to deal with your debts and work out how much money is left over to pay your debts
Once the adviser has worked out what your financial situation is, they can work out how much you can afford to pay off your debts each month
- Find out whether you are entitled to extra income such as benefits, tax credits or tax allowances
The adviser will be able to investigate if you are entitled to any extra income that can help to repay your debts
- Check whether you are responsible for the debts you are being asked to pay
Other people may be responsible for the debts that you are repaying
- Make sure that the most important debts are paid first
Some debts incur greater interest charges than others, while the consequences of not paying debts secured against your home are greater than not repaying other loans
- Help you to negotiate repayment plans with the people you owe money to
Getting help from a money adviser tells the people that you owe money to that you are serious about overcoming the problem and repaying what you owe. They may be willing to renegotiate your repayment arrangements to reduce the monthly payment
- Offer advice on where to get help with other problems such as redundancy or divorce
Few people are in financial trouble because they want to be – it is almost always the consequence of something else that is happening to them. A money adviser will be able to help you get help with the underlying cause of your financial problems

Further Help and Advice

Can be obtained from:

Advice UK 020 7469 5700, visit www.adviceuk.org.uk or look in the Yellow Pages under 'Counselling and advice'.

Advice NI 028 9064 5919 or visit www.adviceni.net (only in Northern Ireland)

Business Debtline 0800 197 6026 or visit www.bdl.org.uk

Citizens Advice Bureaux details of individual CABx are available at www.citizensadvice.org.uk for England and Wales, www.cas.org.uk for Scotland, and www.citizensadvice.co.uk for Northern Ireland

Community Legal Advice 0845 345 4 345
or visit www.communitylegaladvice.org.uk

Consumer Credit Counselling Service 0800 138 1111 or visit www.cccs.co.uk

Financial Services Authority (FSA) provides several guides on how to manage money available online at www.moneymadeclear.fsa.gov.uk

Local Authorities – some offer in-house money advice services.

Money Advice Scotland www.moneyadvicescotland.org.uk

Money Advice Trust 020 7489 7796 or visit www.moneyadvicetrust.org

National Debtline 0808 808 4000 or visit www.nationaldebtline.co.uk

Payplan 0800 085 4298 or visit www.payplan.com.

Shelter 0808 800 4444 or www.shelter.org.uk/adviceonline



The Building Societies Association represents all 55 building societies in the UK.

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The Money Advice Trust (MAT) is a charity formed in 1991 to increase the quality and availability of free, independent money advice in the UK.