the Money Advice Service

Problems paying your mortgage

What you need to do now and how to get back on track

- Steps to take now
- What your options are
- Get free impartial advice

The **Money Advice Service** is independent and set up by government to help people make the most of their money by giving free, impartial advice. As well as advice about mortgages, we offer information on a wide range of other money topics.

Visit our website today for advice, tips and tools to help you make informed decisions and plan for a better future.

moneyadviceservice.org.uk

Free impartial advice
- on the web
- on the phone

Here to help you

This guide is for you if you are struggling to pay your mortgage. It will help you understand:

- what steps you can take now
- the help you can get
- what your options are, and
- where to go for more help and advice.

Act now and let us help you to get your mortgage back on track.

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Payment problems: what to do first

Your action plan

1 **Speak to your mortgage lender**
Let them know why you can't pay your mortgage. They will tell you what options are available and have procedures for dealing with cases like yours. This guide will explain these options to you.

2 **Make a budget**
List your income and your spending and prioritise your bills – keep paying what you can afford.

See *Practical budgeting advice* on page 3.

3 **Get free debt advice**
If you're worried your debt problems are getting out of control, you can get impartial advice and help from organisations that specialise in money problems.

See *Useful contacts* on page 12.

4 **Check if you have mortgage payment protection insurance**
Look at your paperwork and double check with your lender if you're not sure. If you do and your policy covers your circumstances make a claim straight away.

Top tip

Look out for companies with misleading names that sound like debt charities but are actually businesses. Never pay for debt advice services. Use one of the free services – see *Useful contacts* on page 12.

Practical budgeting advice

Start to get back on track today by listing all your income and spending. Use our online **Budget planner** at moneyadviceservice.org.uk/budgetplanner

Your top priority is your mortgage, so credit cards and any other loans not secured on your home should be paid after this.

Look at your spending and divide it into essential bills such as your utility bills, Council Tax (or Rates in Northern Ireland) and non-essential spending.

See where you can reduce the amount you spend on things you buy regularly. Use our **Quick cash finder** at moneyadviceservice.org.uk/quick-cash-finder

Update your budget regularly and work out how much you can pay your mortgage lender and other essential bills.

Remember

Paying your mortgage is a priority because if you don't keep up your payments you could lose your home.

Options for paying off your mortgage arrears

There are various ways you can tackle paying off your mortgage arrears. Talk to your lender first and see if you can agree a way forward. We've listed different options below.

Your options	Pros, cons and questions
Start repaying as soon as you can	✔ It will be cheaper in the long run ✖ Paying off arrears quickly may mean you have less money for a short time
Make extra payments	✔ Paying off a bit more each month than your monthly payments will reduce what you owe ✖ It costs you more each month – make sure you can afford it ✖ Your mortgage lender may tell you that you're not offering enough – pay the extra amount anyway and tell them why that is all you can afford
Repayment mortgage – ask to pay your mortgage for longer	✔ This will reduce monthly payments ✖ You'll have to pay for longer – possibly into retirement ✖ You'll end up paying more for your home overall

Falling behind on your payments can often lead to extra charges. This means the amount of money you owe will go up. So tackle the arrears as soon as you can.

Your options	Pros, cons and questions
Interest-only mortgage – ask to pay your mortgage for longer	✔ You may be able to reduce payments into the endowment policy or investment plan you're using to pay off the mortgage at the end of the term ✖ Extending your mortgage won't cut your interest payments to the lender ✖ You'll have to pay for longer – possibly into retirement ✖ You'll end up paying more for your home overall
Add the arrears to the total mortgage balance – capitalise the arrears	✔ This spreads the payments over the length of the mortgage ✖ Your monthly payments will increase ✖ Your mortgage will increase so you'll end up paying more for your home overall ✖ Your lender is unlikely to agree if you haven't kept to agreements in the past ✖ If the arrears and balance of the mortgage add up to more than the value of the house your lender is likely to say no
Ask to delay paying your arrears for a time	✔ If you can now meet your mortgage payments but can't afford the arrears this keeps your monthly payments level ✖ The arrears are still owing and charges on them may be increasing

It's never too late to start dealing with your debts.

Additional options for interest-only mortgage arrears

There are some additional options you can consider if you have an endowment or investment-linked mortgage.

Take a temporary break from making payments

With a mortgage linked to a savings or investment plan, such as an endowment policy, you have to make two payments:

- the interest payments on the loan, and
- the payments towards the endowment policy.

If you can't afford both you could ask the provider of your plan if you can stop making payments for a while.

- You'll have to arrange with the company how to make up the backlog of payments once you restart your policy.

Cashing in or selling your endowment policy or other investment plan

If your investment or endowment has been running for several years, it may have built up a reasonable amount that you could use to pay off your arrears. This would mean cashing in or selling the policy or plan.

You'll have to take out a repayment mortgage, or find some other way to make sure you repay the money you borrowed if you cash your policy in.

Before you cash in an endowment policy or other investment plan

- Find out what your options are by speaking to your mortgage lender and the provider.
- Think carefully before you cash in an endowment policy early as its value might be considerably reduced.
- See how much you would get from your endowment provider before you decide.

Things to avoid

Don't take out a loan to pay your debts before getting advice

- These loans can be very expensive
- They often use your home as security, which puts it at greater risk if you don't keep up your payments.

If you're thinking about getting another loan, speak to a free debt advice organisation first.

Don't cut back on essential expenses

Think carefully before you cut back or stop paying essential bills such as utility bills, Council Tax and insurance.

- Utility bills – You may be able to switch to a cheaper energy supplier.
- Insurance – With home insurance and life insurance, it's important to weigh up whether spending a small amount on the premium is better than the risk of not being able to repair your home or replace your possessions if anything happens.

See more about the options for potential savings. Search for '*money saving tips*' on **moneyadviceservice.org.uk**

Don't just hand back the keys

Think carefully before handing back the keys to your mortgage lender so they can sell the house.

- You'll still be responsible for paying the mortgage until it's sold
- If your house sells for less than you owe, your mortgage won't be fully repaid and you'll have to pay the shortfall
- The lender can ask you for this money for up six years after the sale (five years in Scotland). If you are contacted after six years about a paying back a shortfall, get advice
- It can make it harder for you to get a mortgage in future. This is because information about repossessions is kept by credit reference agencies.

Get free debt advice before you hand back any keys.

Free debt advice agencies can give you support, help you prioritise your debts and get your finances back on track.

Check if financial help is available

Government help

Check to see if you are entitled to state benefits or government schemes.

- Find out what benefits you might qualify for using a benefits calculator on **gov.uk/benefits-calculators**
- If you already get Income Support or Jobseeker's Allowance, your local Jobcentre Plus office may help with your mortgage repayments.

How much help you get and when it starts depends on when you took out your mortgage and how long you've been getting Income Support or Jobseeker's Allowance.

Help for pensioners

If you or your partner are over 60, you may be entitled to Pension Credit. You may also get an extra amount to cover your mortgage interest payments.

- See if you could be entitled to Pension Credit at **gov.uk/pension-credit-calculator**

Support for Mortgage Interest

If you're a homeowner getting certain income related benefits you might be able to get help towards interest payments on:

- your mortgage
- loans you've taken out for certain repairs and improvements to your home.

This help is paid as part of your benefit and is called Support for Mortgage Interest (SMI).

SMI is normally paid direct to your lender. You can't get help towards the amount you borrowed – only the interest.

Further information and to find out if you qualify can be found on **gov.uk/support-for-mortgage-interest**

As a last resort

If you can't afford your mortgage payments and you think this situation won't change in the long term, you may think about selling your home yourself.

Selling your home

If you keep your lender up to date and do everything you can to sell your home, your lender should delay taking any action and should give you good time to sell it.

- Check if your lender offers an Assisted Voluntary Sale scheme. It helps you sell the property and may help with the costs of selling.
- Before you sell your home think carefully about where you will live. You may not get help from your local council with finding a place to live if they think you have made yourself intentionally homeless.

Selling your home and renting it back

Some companies offer to help you if you get into financial difficulties with your mortgage payments by buying your home and renting it back to you for a fixed term. This is called a sale-and-rent-back scheme.

Selling your home like this may allow you to clear your debts and stay in your home, but watch out:

- ✖ You'll normally be paid less than the full market value of your home
- ✖ You could still have to leave after the fixed term of your rental agreement ends
- ✖ You could still be evicted if you breach the terms of your tenancy
- ✖ If the person or company buying your home gets into financial difficulties, the property could still be repossessed and you might have to leave.

Risks of sale-and-rent-back schemes

The Financial Conduct Authority (FCA) regulates firms who sell these schemes.

If you are considering sale-and-rent-back think carefully before choosing this option because of the potential risks.

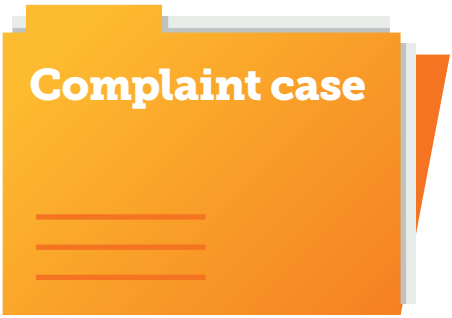
- Read our **Sale-and-rent-back scheme factsheet** to help you understand the consequences.
- Make sure you deal with a regulated firm so you can use complaints procedures if things go wrong.
- Check the FCA Register to see if a firm is regulated at **fca.org.uk/register**
- Talk to a free debt advice organisation as they may be able to suggest other options – see *Useful contacts* on page 12.

Mortgage problems: how to make a complaint

If you feel your mortgage lender or insurance company is not dealing with your case fairly, you can complain.

If you're not happy with the response, you can take the matter to the Financial Ombudsman Service who are completely independent and will investigate your complaint on your behalf, free of charge.

- Search for '*Sort out a money problem or complaint*' on **moneyadviceservice.org.uk**



If your lender takes you to court

Your mortgage lender should be keen to help you talk through your options and help you avoid losing your home before it gets to this stage. But there are still things you can do if a court hearing has been set.

Before taking you to court your lender has to show that they have:

- considered any request from you to change the way you pay your mortgage, and
- responded to any offers of payment you make.

So don't bury your head in the sand and ignore any paperwork you are sent – **it's never too late to seek advice** from the free debt agencies and get back on track.

Even if a lender starts court proceedings, you won't automatically lose your home. The lender must continue to look for ways for you to pay your mortgage, so you should carry on talking to them and paying as much as you can.

Preparing for court

If you are asked to go to court, a debt adviser from one of the organisations listed in *Useful contacts* on page 12 will be able to help you. They can help prepare your case and may be able to represent you.

- **Make sure you go to the court hearing**. If you don't, it's very likely that your lender will be given the right to evict you.
- **Work out your budget before you go to court**. The judge will want to know how much you can afford to repay. Use our **Budget planner** to help you. Find it online at **moneyadviceservice.org.uk/budgetplanner**
- **Ask to see a duty officer** if you don't have a debt adviser or solicitor with you. They can help you with your case and may be able to represent you. Their service is free.
- **Make sure you understand the consequences of any repayment arrangement offers** from your lender outside the courtroom before you agree to them.
- **Only agree to a repayment plan if you believe you can keep to it** over the rest of the term of the mortgage.

Useful contacts

Money Advice Service

The Money Advice Service is independent and set up by government to help people make the most of their money by giving free, impartial money advice to everyone across the UK – online and over the phone.

We give advice, tips and tools on a wide range of topics including day-to-day money management, savings, planning your retirement and for your future, as well as advice and help for life-changing events such as starting a family or losing your job.

For advice and to access our tools and planners visit
moneyadviceservice.org.uk

Or call our Money Advice Line on
0800 138 7777

Typetalk
1800 1 0300 500 5000

Other organisations offer free, confidential advice that can help you if you have money problems.

StepChange Debt Charity
Anonymous advice over the phone and online. Fee-free debt management plans and other debt solutions.
0800 138 1111
stepchange.org

National Debtline
Confidential, and online get a personalised action plan to help you deal with your debts.
0808 808 4000
nationaldebtline.org

Citizens Advice
Online and face-to-face help, including factsheets and template letters to send to your lender.
citizensadvice.org.uk

PayPlan.com
8am to 8pm Monday to Friday
9am to 3pm Saturday
0800 280 2816
payplan.com

Housing Rights Service
0300 323 0310
housingadviceni.org

Debt Action NI
0800 917 4607
adviceni.net/advice/debt

Once you have explored your options with the free debt advice agencies, you may want more details about some of the options. You can get more help from these sources on specific issues.

Local council

Your local council can advise you if you'll qualify for Housing Benefit if you want to sell your home and then rent.

Jobcentre Plus Office

Your local office can tell you if you are eligible for any state benefits – look in your phone book or online for details.

Debt advice locator tool

Use our **Debt advice locator** tool to find the debt advice service that's right for you.

Visit moneyadviceservice.org.uk/debt

the Money Advice Service

Problems paying your mortgage is one of the guides available from the Money Advice Service. To see our full range of guides and request copies visit **moneyadviceservice.org.uk**

Money Advice Line **0800 138 7777***
Typetalk **1800 1 0300 500 5000**

If you would like this guide in Braille, large print or audio format please contact us on the above numbers.

*Calls are free. To help us maintain and improve our service, we may record or monitor calls.

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