

Are you worried about your mortgage?

A guide to mortgage problems from Shelter in partnership with the Department for Levelling up, Housing and Communities.

This guide covers:

- rules mortgage lenders must follow
- how to deal with financial problems
- what to do if your lender starts court action to repossess your home.



Get advice straight away if your lender has applied to court to repossess your home. You can get free independent advice from a debt advice agency. You'll find contact details at the end of this guide.

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What you can expect from your lender

This section covers government and FCA rules, and how to complain.

Your lender must treat you fairly. They should help you find a solution to your mortgage payment problems and only take you to court as a last resort.

The government mortgage charter

In June 2023, the UK's largest mortgage lenders and the Financial Conduct Authority agreed to commit to a new charter for mortgage borrowers. The charter states that borrowers will not be repossessed within 12 months of their first missed payment.

Borrowers who are up to date with payments can take a six-month payment break, or extend their mortgage term to reduce their payments.




Read the full mortgage charter at:

www.gov.uk/government/publications/mortgage-charter/mortgage-charter

FCA rules for mortgage lenders

All mortgage lenders are regulated by the Financial Conduct Authority (FCA). The FCA sets out the rules about how lenders should treat borrowers in financial difficulty.

FCA rules say your lender must not:

-  harass you about your arrears
-  charge you large sums or a higher interest rate because you are in arrears
-  contact you at an unreasonable time

It is normally unreasonable for a lender to contact you at night between 9pm and 8am.

If you have told your lender that someone in your household 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 the statements or letters they send. They must communicate with you in a way you understand.



How to complain about a mortgage lender

Ask your lender how to complain if you think they haven't treated you fairly. If you are not happy with the response to your complaint, you can ask the Financial Ombudsman to investigate. Your lender should put any court action on hold while the Financial Ombudsman deals with your case.

You must complain to your lender first. Put your complaint in writing so the Financial Ombudsman has all the details they need. Tell your lender and the Ombudsman what you want them to do to put things right.

Don't put off sorting out your payment problems if you have a complaint. Try to work with your lender to reach a solution. This will help your case if you need to ask the Ombudsman to investigate a complaint.

Go to the Financial Ombudsman Service website for more information about making a complaint about a mortgage lender: **www.financial-ombudsman.org.uk**



Get help with financial problems

This section covers financial problems and debt advice.

Think about what is causing your payment problems. If you are up to date with your mortgage payments, you might be able to get a cheaper mortgage with a new lender.

Check whether you could save money on your gas, electricity and broadband. Consider asking other people in your house if they could contribute more money to the household bills.

If you are paying unsecured loans and credit cards, you might need to stop. You'll need to deal with these, but your mortgage payments take priority.

Don't use a credit card or take out a payday loan to pay your mortgage. It will make your debt situation worse and could harm your credit rating. Some lenders have a policy of not granting a mortgage to people who have taken out a payday loan in the past.













Get your financial statement ready

Your lender is more likely to help if you can provide the information they need about your finances.

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. Don't include irregular income like overtime you can't rely on. If you have extra money at the end of the month you can pay it towards any arrears.

You can find a budget planner to fill in and save on the Moneyhelper website.

Your expenses should include your:

-  regular mortgage payments
-  payments towards a second mortgage or secured loan if you have one
-  other housing costs like insurance and service charges
-  council tax
-  utilities, including gas, electricity, water, phone, and broadband
-  food and housekeeping
-  childcare costs
-  essential items on hire purchase, for example, 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. Unsecured borrowing means it is not attached to what you own, usually your house or car.

Once you've prepared a budget that shows your income and priority payments, you can see how much you can afford towards your mortgage arrears.

If your budget shows you can't afford your mortgage payments, you'll have to consider your other options. You can ask your lender if you need more time to do this.



Get debt advice

Get advice about your options to deal with debts. Free debt advice charities like Stepchange, National Debtline and Citizens Advice can help you prepare a budget. They might be able to get in touch with your lender and write to other creditors for you.

Be careful if you are looking for advice online – there are companies that make money by selling you services you don't need.

Ask for breathing space

If you are struggling to pay your debts, you could be eligible for breathing space while you get advice about your options.

Breathing space means your mortgage lender and other creditors can't contact you about your arrears for 60 days. It protects you from court enforcement action for the same period. Your creditors can't add interest over this period either. You can get breathing space through one of the debt advice agencies listed at the end of this page.

If you are receiving specialist mental health treatment, ask your social worker or mental health nurse about a referral for a mental health crisis breathing space. This lasts for as long as you are receiving treatment.



Reduce your monthly payments

This section covers remortgaging and insurance.

You might be able to get a better rate with another lender if you haven't fallen behind with your payments. People with arrears can find it more difficult to get a good deal.

A mortgage broker or financial adviser can help you to find a better mortgage.

Don't reduce your monthly payment by amending your direct debit or standing order. If you pay less than you've agreed in your mortgage contract, you will fall into arrears.

You can ask your lender to:

- extend the term of your loan so you can pay over a longer period

- change the mortgage to interest only

Both those changes have consequences. Your lender should explain what will happen as a result. It could mean you pay more interest overall, or you might have a lump sum to pay later.

A flexible mortgage allows you to take a payment holiday. This might not be possible if you already have arrears. Ask your lender for information if you have a flexible mortgage.

People over the age of 55 could consider equity release or a lifetime mortgage. Get independent financial advice first.

Check your insurance policy

If you have payment protection insurance (PPI), check if you can claim against it. If the policy wasn't suitable you could be eligible for a refund. The Financial Ombudsman can look at complaints about policies that were taken out in the last six years.

Check for other insurance, like income protection, that could help you pay your mortgage.








Claim financial help you are entitled to

This section covers benefits and support for mortgage interest.

Check you are getting all the help you are entitled to. You can check what benefits you could claim at turn2us.org.uk.

You might be able to get a mortgage support loan from the government if you are entitled to certain benefits. The loan will help with interest payment but it won't reduce the balance you owe.

To qualify for the loan, you must be entitled to one of:

-  universal credit
-  pension credit
-  income support
-  income-related jobseekers allowance
-  income-related employment support allowance

You can get help straight away if you are getting pension credit.

You'll have to wait for three months if you get universal credit.

For all the other benefits, you'll have to wait 39 weeks before you get the loan.

The loan will pay a set amount towards your mortgage interest each month. You'll have to agree to have the loan secured on your home, so it is a good idea to get independent financial advice to help you decide if it's right for you.

Find the current rate that the government will pay at:
www.gov.uk/support-for-mortgage-interest/what-youll-get



If you can't afford your mortgage

This section covers getting time to sell and moving out.

If you have claimed all the benefits you are entitled to and reduced your expenses as much as you can and you still can't afford the mortgage payments, you will need to think about your other options.

You could consider selling your home and moving somewhere cheaper or renting privately. If you need to apply for homeless help from your council, get specialist housing advice before you make plans to move out.

Your council might not house you if they think you didn't do everything you could to keep your home.

Get time to sell

Your lender can give you time to sell. Ask for details of their assisted sale scheme. They are more likely to agree if you can pay something towards your mortgage. Discuss your budget with your lender even if you can't make the full payment.

Don't hand back your keys

Don't hand the keys back to your lender without getting specialist advice first. You'll still be responsible for the mortgage payments, plus other bills like council tax and the water charge.

If you need to apply to the council as homeless, they might decide you made yourself intentionally homeless if you gave the keys back to the lender. They can use this as a reason not to provide you with long term help.



If your lender takes you to court

This section covers what to do if you get a claim form from your lender.

Always attend court if you get an appointment in the post.

Your court hearing will take place at a County Court near to the property the case is about. The court will write to you to tell you where and when your hearing is due to take place.

For most court hearings you need to turn up in person.

Advice and representation from duty solicitors is always available for possession cases, whatever your financial circumstances. The duty solicitor is a legal expert and can make sure you understand all your rights.

Get advice even if you think you don't need it.

How to get advice

Once your lender has started a court claim, you can contact a duty adviser through the Housing Loss Prevention Advice Service.

Gov.uk has a tool to find a legal aid adviser in your area at:
[find-legal-advice.justice.gov.uk](https://www.gov.uk/find-legal-advice)

Tick Housing Loss Prevention Advice Service.



Duty advice at court

Arrive at court in plenty of time to see the court usher and ask for help from the duty solicitor. Take your court papers and other relevant paperwork if you have it, including:

- your personal budget or financial statement
- evidence your financial circumstances will improve, for example a job offer
- proof you've put your house up for sale, or an offer if you have one
- a recent reliable valuation of the property
- proof you've applied for a government loan or insurance payment
- a copy of any complain you've asked the Financial Ombudsman to deal with
- proof of any payments you've made in the days before the hearing

Dress smartly and be polite to the judge and the lender's solicitor. The hearing will normally take place in the judge's office, called chambers. Call the judge 'Judge'. The duty adviser can do most of the talking for you but be ready to answer any questions.

The hearing will be over quickly. Most possession hearings take less than 10 minutes. If your case will take more time the court will normally set a date for you to come back.

Go to court even if you haven't had time to prepare. If you don't turn up, the court will normally do what the lender's solicitor asks. It is hard to change a court order once it has been made.



Outcomes at court

This section covers what orders the court might make.

The court will normally allow you to stay in your home if you can show you can afford both:

- your monthly mortgage payment
- regular payments towards the arrears

How long you have left to repay the arrears depends on how long is left on your mortgage. If you have ten years left, you can pay your arrears over that time. If you have three years left, you'll have to pay more each month as you have less time to clear the debt.

Work out how many months you have left on your mortgage. Then divide the sum of your arrears by the number of months remaining. This is likely to be the minimum payment the court will accept towards your arrears.

Example

In this example, the arrears are £2000 and there are three years left on the mortgage.

Three years is 36 months. That means you divide £2000 arrears by 36 months.

The minimum repayment is £55.55 per month.

If there were ten years left, the arrears would be divided by 120 months.

The minimum payment would be £16.67 per month.

In some cases, the court can order that you pay less than the monthly instalment. This is more common for second mortgages. You'll need specialist advice to apply for this type of order.

Get advice straight away if your mortgage term has ended and your lender says you can no longer pay by monthly instalments. You might not be able to get an order to stay in your home long term if your mortgage has ended.



What happens next

Write down what order is made and ask the judge to repeat instructions about when to make a payment and how much to pay. You must follow the instructions on the order or the lender can apply for an eviction warrant.

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 sets a date for possession

If the court is not satisfied you can pay the arrears, the judge will normally set a date for possession. You can ask for longer if you need time to pack and move. Your duty adviser can help you to ask for this. If you don't leave by the date on the order your lender must apply to an eviction warrant.

Only court bailiffs can evict you from your property.

What to do if your circumstances change

You can go back to court if your circumstances change before you are evicted, especially if it means you are able to pay back your arrears.



Further information and advice

This section covers organisations that can help with housing and money problems.

National legal aid advice

If your lender has started court action you can get help from a legal aid adviser through the Housing Loss Prevention Advice Service.

Find a legal adviser on gov.uk.

Go to: **find-legal-advice.justice.gov.uk/**

Shelter

Shelter has online advice about housing and money problems.

Go to: **www.shelter.org.uk**

Money Advice Service

Find a budget planner and information about mortgages and pensions on the MoneyHelper website.

Go to: **www.moneyhelper.org.uk**

Citizens Advice

Help with housing, debt and benefits issues and other problems.

For England call 0344 111 444

For Wales call 0344 772 020.

Find your nearest local Citizens Advice on their website.

Go to: **www.citizensadvice.org.uk/**

