

June 2010

# Results and Recommendations: Outcomes of advice for struggling homeowners

Emma Ahmed, Catherine Davie, Nicola Hughes and Daniel Lindsay

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Since April 2009, Communities and Local Government (CLG) has funded Shelter and other providers to provide independent advice to homeowners wishing to apply for Homeowner Mortgage Support (HMS) or to seek more general advice about their mortgage debt. Shelter has set up a dedicated helpline, the Homeowner Helpline, as well as a team of designated advisers based in advice centres and courts around the country using this funding.

This report includes information about the number of clients that Shelter has advised through the HMS advice funding stream and an analysis of the cost consequences of the advice. It also reports on outcomes of 80 case files and findings from 30 follow up interviews with clients that received advice from their local Shelter service.

### **Key Findings**

- Between April 2009 and May 2010, Shelter has provided mortgage debt advice to over 7,000 households, of which more than 4,700 households were helped under Shelter's Homeowner Mortgage Support contract.
- Each mortgage debt advice case costs the state, on average, £229. This makes the provision of advice a low cost, high value option, particularly compared to the cost of repossession - repossession of a vulnerable household is estimated to cost the Exchequer £16,000.

### ***Outcomes for clients***

- In 63 per cent of cases reviewed the client was helped to stay in their home. In 18 per cent of cases reviewed, Shelter was unable to help prevent repossession but assisted the client in another way, by offering advice on alternative accommodation, for example.
- The most common form of arrears assistance was to help or advise the client to agree a new mortgage repayment plan with their lender, which was evident in 44 per cent of cases reviewed.
- In a third of cases reviewed, immediate repossession was prevented, through advocacy following receipt of a possession claim letter, representation at court or negotiation following an order for outright possession. Other assistance included help accessing government support such as the Mortgage Rescue Scheme (MRS) and help with debt management.

### ***Awareness and perceptions of support available***

- Prior to contacting Shelter, clients typically had little or no knowledge of the help available through HMS, MRS, or Support for Mortgage Interest (SMI). Some clients felt that the advice service should be better publicised.
- Client interviews highlighted several issues with the support available including delays in finding out about eligibility for government support and some perceived that support was only available as a last resort.

### ***Quality of advice received***

- In interviews following advice, clients were impressed by the professionalism of the service and said they found the advice reassuring at a time of crisis.
- Clients valued the role of court desk advisers in explaining complex legal issues, negotiating with lenders and representing them fairly during the hearing.

## Recommendations

Housing and money advice work extremely well to prevent repossession, at low public cost. This research demonstrates that advice Shelter has given through the HMS contract has helped borrowers to manage their debts, agree new repayment plans, access government schemes, or get back on their feet in other ways. Not only is this a vital lifeline to homeowners, it can also save government from the expenses of repossession, such as judicial costs and re-housing costs.

Advice has also been beneficial to households who were no longer able to maintain home ownership, but required other kinds of support to access and keep new accommodation.

Shelter recommends that:

- **Targeted government funding for homeowner advice must be maintained at the current level**, including funds for face-to-face advice. A far greater number of homeowners are eligible for advice funded through this HMS contract than through Legal Services Commission (LSC) funding. Government should be aware that if advice is to help homeowners it must be **funded in a way that allows them to access it**, with broad eligibility criteria.

The research shows that a number of clients valued advice at court, and spoke positively about the role of court desk advisers in explaining complex legal issues, negotiating with lenders and representing them fairly during the hearing. The research also shows the importance of the duty desks for onward referral to wider housing or money advice.

- We urge the LSC and CLG to **continue funding for free advice at courts**. The two funding streams could be made more cost efficient by coordinating duplicated administrative costs.
- Over the long term, advice services, including legal aid, must be put on a **steadier funding footing** so that advice is always available to people in need of help – both in and out of recession.

Absolute numbers of clients accepted onto HMS are low both in this sample and at a national level, whilst MRS and particularly SMI have been more popular with borrowers. Nonetheless, the culture of advice, forbearance and negotiation of new repayment plans embedded through all of the schemes has been effective at keeping borrowers in their homes.

- Recent initiatives to support homeowners, including HMS, MRS and reforms to SMI should continue for as long as funding allows. If no new state funding can be sourced, private finance should be leveraged into the system, including lender contributions.
- Regardless of the future of the HMS and MRS schemes, the referral systems between lenders and advice agencies, and the recognition of advice as a crucial repossession prevention tool must be an integral cornerstone of the long term safety net for struggling homeowners. In order for this to be effective, **lender forbearance must be enshrined in regulation and law** as well as good practice.

Some clients were **frustrated at the delay in getting help** due to administrative complexities of government schemes, and the fact that they felt they were unable to access

some schemes unless as a last resort. To speed up processes and encourage uptake, we recommend that minor changes are made to scheme designs, including:

- The **five month extended forbearance waiting period for HMS is scrapped** to allow people quicker access to help.
- **HMS rules around proving a temporary income reduction should be simplified**, with advisers, lenders and borrowers making a collective, tailored and informed decision about client suitability.
- Households should not have to be on the brink of eviction before accessing help. Interpretation of 'exhausting other options' should be consistently applied and communicated so that **households can access all of the government schemes before receiving an order for possession**. This is in line with the pre-action protocol which encourages full exploration of options *before* court, and will save money through reduced advice time and court costs.

Clients frequently reported a lack of public information and awareness about help available to them. This also was evident in local authorities and at Jobcentre Plus, often the first port of call for people who have lost their jobs and are struggling with debt. We recommend that:

- **Jobcentre Plus has procedures in place to signpost clients to sources of information** about mortgage help, and to advise clients about eligibility for SMI.
- **Local authority homelessness staff are continually empowered to give help and support** to struggling homeowners, and are fully trained in and equipped with information about government schemes.
- Communications campaigns promoting help available are effective but costly. We support the government in its bid to **increase awareness through other public relations activities**.

Limited job opportunities meant that clients felt bleak about their future and their ability to pay their mortgages over the long term. Unsurprisingly, job loss and debt are closely linked. If the labour market does not recover swiftly, these clients will need support in order that they can have managed exits from government schemes and, where necessary, from home ownership. This concern also underlines the need for a new, long term safety net settlement.

- We call on the government to urgently **review the long term help available to homeowners**. A new settlement is needed that takes the best aspects of both state benefits (SMI) and private insurance, and shares risks and costs between all three parties – lenders, borrowers, and the state.

Over the long term, clients need to be empowered to tackle their own financial difficulties and have the confidence to discuss their problems with lenders. A number of clients expressed apprehension about talking to their lender or felt that their lender was unhelpful or unengaged, or simply did not understand the small print:

- We support the FSA in its work to **promote financial education and consumer engagement**. Accessible materials in plain English, such as the NHAS leaflet *Are you worried about your mortgage?* or the FSA *Money Made Clear* guides are a crucial part of this.
- Lenders and their trade bodies should work to **embed good practice communications** with struggling borrowers, and the FSA must ensure regulatory standards on this are enforced.

## 1. Mortgage related advice provided by Shelter

Between April 2009 and May 2010, Shelter provided mortgage debt advice to over 7,000 households, of which more than 4,700 households were helped under Shelter's Homeowner Mortgage Support contract, as shown in Table 1 below.<sup>1</sup> During this period 3,000 clients contacted the Homeowner Helpline to discuss HMS and over 800 received advice from their local Shelter service regarding HMS.

<b>Table 1: Breakdown of clients given mortgage related money advice</b>	
<b>Number of clients given mortgage related money advice</b>	<b>7,707</b>
<b>Number of clients where HMS is discussed on Homeowner Helpline</b>	<b>3,000</b>
<b>Number of clients where HMS is discussed at their local Shelter service</b>	<b>839</b>
<b>Number of clients referred from MRS<sup>1</sup> fast track team and advised via Homeowner Helpline</b>	<b>577</b>
<b>Number of clients referred from MRS<sup>1</sup> fast track team and advised at their local Shelter service</b>	<b>315</b>
<b>Number of clients referred from HMS Advice Direct<sup>2</sup> and advised at their local Shelter service</b>	<b>54</b>
<b>Number of clients given mortgage related money advice where a viable option is to pursue HMS with their lender(s)</b>	<b>275</b>

Following advice, HMS was identified as a viable option for 275 clients. In the case file analysis and follow up interviews we aim to explore outcomes for clients following advice received via our services.

<sup>1</sup> Since September 2009 and under the HMS advice contract, Shelter have been contracted to take on Mortgage Rescue Scheme (MRS) referrals from the CLG.

<sup>2</sup> Under the HMS contract and since January 2010, Shelter have been contracted to take on HMS Advice Direct cases, which are potential HMS cases, referred directly from lenders.

## 2. Analysis of advice service case files

Information was drawn from 80 cases that concerned clients who had approached Shelter and received advice from their local Shelter service between September 2009 and March 2010.<sup>3</sup> Clients presenting at Shelter were in a range of different circumstances regarding their arrears, some were struggling with paying their mortgage, some had fallen behind with payments, others had received possession claims or orders. Their circumstances also varied in terms of their income as well as the value of their property, with some clients in negative equity.

As shown in Tables 2 and 3, the analysis indicates that in 63 per cent of these cases (50) the client was helped to stay in their home. In 14 cases the client was unable to avoid repossession but Shelter assisted the client in another way, by offering advice on alternative accommodation or negotiating suspended possession order to allow client time to sell their property.

Table 2: Advice Case Outcomes	Number of Cases	%
Client helped to stay in home	50	63%
Client not able to stay in home	14	18%
Not known if client remained in home <sup>4</sup>	16	20%
Base: 80 cases		

As shown in Table 3, the most common form of assistance was to help or advise the client to agree a new mortgage repayment plan with their lender, which was evident in 44 per cent of cases (35). In a third of cases (33 per cent - 26), immediate repossession was prevented, through advocacy following receipt of a possession claim letter, representation at court or negotiation with lenders following an order for outright possession.

In a quarter of cases reviewed, clients were helped to apply for some form of government support. The most common was MRS (10 cases), followed by Support for Mortgage Interest (SMI) in 9 cases. In this sample, two clients were assessed as eligible for HMS, and none of the cases reviewed resulted in a successful HMS application whilst the client was still in contact with Shelter.

Other assistance included helping the client to prepare a budget and reduce expenditure to make mortgage payments more affordable, helping the client to apply for an emergency repossession loan from the local authority and advising the client to consider bankruptcy.

<sup>3</sup> As shown in Table 1, clients received advice from their local service in 839 cases between April 2009 and May 2010. Of these, 80 closed cases were selected at random for analysis. It is not possible to assess how representative these 80 cases are of all 839 local advice cases.

<sup>4</sup> In 16 cases, it was not possible to determine from case notes whether the client remained in their home following advice as no further contact was made by the client and their case was closed.

<b>Table 3: Detailed Case Outcomes</b>	<b>Number of Cases</b>	<b>%</b>
<b>Client helped to stay in home</b>	50	63%
<b>Client agreed a new mortgage payment plan with lender</b>	35	44%
<b>Immediate repossession prevented</b>	26	33%
<b>Client was unable to avoid repossession but assisted the client in another way (e.g. offering advice on alternative accommodation, negotiating suspended possession order to allow client time to sell their property)</b>	14	18%
<b>The client was either referred for, or accepted onto, MRS</b>	10	13%
<b>The client was advised on entitlement for Support for Mortgage Interest (SMI) and or successfully claimed SMI</b>	9	11%
<b>Other assistance including advice on reducing expenditure, applying for emergency repossession loan</b>	5	6%
<b>Client switched their mortgage to interest only payments</b>	2	3%
<b>Client was referred for HMS</b>	2	3%
Base: 80 cases In some cases, more than one outcome/sub-outcome was recorded - figures sum to more than 100 per cent		

### **3. Cost consequence analysis**

Analysis to assess the financial savings associated with advice provision is outlined below.

#### **3.1. Unit cost**

CLG funding for HMS advice was awarded on the basis of £294 per case. However, recent evidence from Shelter's Services Division for April and May 2010 suggests that the actual cost of providing advice is only £229<sup>5</sup>.

#### **3.2. Financial cost savings**

The cost to the Treasury of repossession or eviction will vary considerably, depending on household circumstances and entitlement to temporary accommodation and housing benefit.

The report 'Homeowner Support Package Impact Assessment'<sup>6</sup> suggests that the average quantifiable cost to the exchequer of a repossession of a vulnerable household is £16,000. This cost largely consists of the housing benefit payments associated with re-housing this household in temporary accommodation and the social rented sector. The figure is also regionally weighted in line with data from the Ministry of Justice on court actions. These costs are measured over the 'lifetime' of the repossessed family and assume an average duration of SRS tenancy of eight years (the median duration).

Repossession costs will also be incurred by the mortgage lender and include any losses made on the sale of the property; lost interest when the mortgage repayment is not regained on the sale of the property; and other fixed costs including legal and estate agent fees. These fees are in addition to the £16,000 estimate.

#### **3.3. Other cost savings**

There are also a broad range of non-financial costs associated with repossession this may include the poor educational attainment of children living in temporary accommodation and the psychological impacts on each of the household members. These non-financial costs are not quantified in this assessment, but it must be recognised that the figure of £16,000 provides an incomplete estimate of the true costs of repossession.

#### **3.4. Return on investment**

The financial saving associated with averting repossession (at least £16,000) is significant, particularly when compared to the low cost of providing advice.

It will not be possible to avoid repossession in all cases (in 63 per cent of Shelter cases reviewed, the client was helped to stay in their home) and some clients may have remained in their homes without Shelter advice. However the potential returns to investment indicate that for the project to 'break even' in terms of government expenditure, HMS advice need only positively affect outcomes in a small proportion of cases.

On an individual basis, the three case studies provided in this report each generate a substantial return on investment. Since April 2009, Shelter has provided advice, through the HMS contract, to 4,731 clients. Given the potential cost savings of at least £16,000, the scheme would still break even if these cases included as few as 67 vulnerable families where repossession was averted as a direct consequence of the HMS advice. This is without considering the monetary costs to the mortgage lender or any of the social or monetary costs that would be incurred by the client in the absence of advice.

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<sup>5</sup> In April and May 2010, Shelter provided 1,007 advice cases at a total cost of £230,950, equating to £229 per case.

<sup>6</sup> CLG, 2008



#### **4. Follow up interviews with clients**

Semi-structured interviews were conducted with 30 clients who sought advice and support from their local Shelter HMS advice service. The research sample was drawn from a database of clients who had used this service between September 2009 and March 2010. Interviews were conducted in April and May 2010. Interviews were conducted over the telephone, and took between 30 minutes and one hour.<sup>7</sup>

Interviewees were asked about the difficulties they had faced with their mortgage situation and about the role of Shelter in dealing with these issues. They were asked about the outcomes of the advice they had received and to extent to which they thought they were sustainable. Interviewees were also invited to comment on the quality of the advice provided, and to offer their views on the government assistance available to them.

Findings from the interviews are reported in the following sections:

- Accessing advice and support
- Outcomes for clients
- Issues affecting outcomes
- Clients' employment and financial circumstances
- Client perceptions of government support

##### **4.1. Accessing advice and support**

Clients were referred by friends, family, solicitors, housing associations and local authorities; one client was referred by a local MP; another by the National Debt Line. Although a few did know of Shelter already, and thought to approach the organisation themselves, others felt that the service might benefit from wider publicity, and clarification that Shelter undertook preventative work as well as work with people already experiencing homelessness.

The first port of call on experiencing difficulties for several clients had been the local authority. Clients expressed disappointment that the local authority did not provide information about the Mortgage Rescue schemes directly, and in some cases, were not referred by the local authority to Shelter. Other clients commented on the potential for providing information on these schemes through the Department for Work and Pensions (DWP).

There is limited evidence of self referral. One client reported looking on the internet for advice on her mortgage situation and reading about the schemes to help homeowners. The client had already been to Job Centre Plus and found that she was not eligible for support with mortgage payments through SMI, and so was looking for alternative solutions.

Typically clients had little or no knowledge of the help available through HMS or MRS, or of SMI before telephoning Shelter. Clients rang seeking general advice and guidance. A few clients had heard of the schemes and rang specifically to find out whether or not they would be eligible for assistance.

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<sup>7</sup> Clients interviewed had visited advice centres in the following areas: Bristol, Dorset, Herefordshire, Greater Manchester, Kent, Milton Keynes, North East, Sussex and Surrey, the West Midlands and West Yorkshire. The sample of 30 interviewees included 9 women. Most of the participants, 20, defined their ethnic background as White British, 4 as White Other, 3 described themselves as Asian and 3 as Black British or African. All of the clients interviewed were aged between 26 and 64 years: 3 were under 35, 7 were between 36 and 45, 13 were between 46 and 55, and 6 were over 64 years.

### **First point of contact with Shelter**

Clients contacted Shelter at different stages of experiencing difficulties with their mortgage payments. At the earliest stage, some clients sought advice and support because they predicted that they would have difficulties in making mortgage payments within the near future. Others contacted Shelter after a few months of struggling or failing to make their mortgage payments. Others sought assistance on receiving a verbal threat or a letter indicating court action to take repossession of their home. Others met the Shelter adviser for the first time on arrival at the court hearing on the repossession of their home, and some were referred by the court once a repossession order had been granted to the mortgage provider.

For those making contact before they had built up arrears, Shelter was able to provide information about possible courses of action, assistance with how to approach and negotiate with lenders, and at what stage an application might be made for access to government support. However, some clients contacting Shelter before they had actually built up arrears, with concerns about their future ability to pay, were frustrated by the lack of support available to them. In several cases, clients were advised, correctly, that they could not apply for the Mortgage Rescue scheme until they had exhausted all possible options, and were facing repossession. Clients commented that they felt that this was not an ideal situation, and that earlier access to support would be beneficial.

For some clients contacting Shelter within the first few months of building up mortgage arrears, negotiation with lenders was facilitated, through advocacy or support to clients wishing to make direct contact with their lenders. Some lenders however refused to negotiate terms either with the client or a Shelter advocate.

Those accessing Shelter at the point of arrival at court hearings found the advice and guidance useful, and were happy to have trained professionals representing them in court. Some felt that this had made the difference between them losing or keeping their home. Others felt that they would have been able to represent themselves and to keep their home, but felt relieved to have professional support at a time of stress.

In a few cases Shelter was able to negotiate with the lender following the court hearing to prevent the lender from enforcing the order they had obtained. It is possible in these cases that earlier contact could have averted court action.

Some clients made contact with Shelter at later stages in their mortgage difficulties, where court proceedings and repossession had already taken place. These clients reported many months of stress, anxiety and sometimes depression. Other clients felt that the support from Shelter may have averted the strain caused by continued pressure from lenders. It was common for clients to comment that they wished they had contacted Shelter sooner in the process.

### **Quality of Advice Service**

Overall, clients were impressed by the professionalism of Shelter's service, which they found to be reassuring in a time of crisis. Typical comments included:

*'Shelter is fantastic. They spelt out the options... helped us present all the information ... and looked at the budget. And that made the lenders accept that it was a serious issue not like we were not paying our mortgage and we were living it up. They explained all the options available to us, and what Mortgage Rescue (MRS) was and what it would look like if we made ourselves homeless, and what support we would get from the council. There was a lot of professional detail there. I was very surprised and can't thank them enough..'*

A small number of clients felt that there could have been improvements in the service, although this was atypical. One client suggested that an easier telephone number which does not take up phone credit or a text option may benefit the service. Another client who was facing eviction since losing SMI payments on taking a part time job, tried to call Shelter in one local branch and reports having left several messages with no response. A further client did not feel that the advice covered all options available to her, namely her eligibility for SMI.

### **Face to Face Support**

Overall, once aware of the service, clients found the telephone line and system to gain a face to face appointment to be highly efficient. They felt they were given appointments promptly and at convenient times. Being able to speak to an adviser face to face was useful to clients. This facilitated the practical hand over of information (such as mortgage documents) and also made clients feel at ease. Typically, clients reported feeling relieved to be able to pass the complex details of their situation to someone capable of making sense of them, and to have information explained to them in a way that they could understand. Clients also welcomed the non-judgemental approach taken by Shelter advisers. Comments included:

*'We preferred .. that (it) was a face to face meeting, we felt we could get more done there and then.'*

*'It was brilliant. I was not treated like a second class citizen, a debtor. In some places if you owe money, they only seem interested in the property and what they can make out of it.'*

## **4.2. Outcomes for Clients**

Shelter's advice and support has lead to a range of positive outcomes for the clients interviewed, including those who were and were not eligible for the different government schemes on offer. For some clients, it was not possible to avoid repossession, particularly when they approached Shelter at later stages, when threatened with eviction.

Many clients wished they had contacted Shelter earlier. A few clients felt that they did not benefit from the service as they already knew how to deal with their mortgage provider, and were not eligible for any of the schemes on offer. More details of clients' outcomes are provided in the sections that follow.

### **Negotiating new mortgage payment plan**

Shelter helped some clients to avoid court action by enabling them to negotiate with mortgage lenders more effectively, or by advocating on their behalf. Some clients had been negotiating with their lender constructively before coming to Shelter for support. Some lenders were described as supportive and understanding. The client who made the following comment felt that she had good relations with the lender:

*'The lenders were brilliant. I latched onto one person there, because the direct debit had stopped and we were paying by card every month. When it got paid, we got friendly over the phone. She advised me what could happen through all of this. She was very helpful. There were the usual letters, but every time I would contact them. I would say always contact your mortgage lender.'*

Other clients had more difficult relationships with lenders that caused them to feel stressed, harassed or confused. These clients felt that they could negotiate more effectively with Shelter's support, knowing what to say and having clear income and expenditure workings.

Typically clients who had support in negotiating with lenders expressed relief. For example, one client described the difference between his own experience of speaking to the mortgage lender and that of Shelter as follows:

*'The mortgage company were very unhelpful. They did not want to negotiate. I tried to speak to them by email, to write to them. I faxed information to them and they said that they didn't get it. I always spoke to different people. Every time we spoke they had different notes from the previous time. Shelter spoke to them on my behalf. They managed to halt the repossession order. Subsequently we came to an arrangement. We were not repossessed. The (Shelter adviser) was very helpful. He knew what to say. He knew the procedure, how to deal with mortgage companies.'*

### **Case study 1: Advice helped to negotiate new mortgage payment plan**

John had worked as an auditor and accountant and became unemployed for the first time. Shelter enabled John and his family to maintain their mortgage repayments by negotiating with the lender who responded more positively to Shelter. Shelter negotiated a three month period over which John could make reduced payments. At the end of this period, he had not managed to find work and agreed with the lender that he would try to sell his property. The process of putting the house on the market took a little time, and he did eventually find employment. Although this was at almost half of his previous salary, he is managing to keep his home, and feels that things will become stable within the next year. John said:

*'The lenders were OK at first. But as things got more progressed they were less willing to continue. The lenders were more willing when (the Shelter adviser) liaised. We were running out of options, we agreed to sell the house, but it gave us some time. It delayed the issue. I eventually found a job. We are still in the same house. Things are OK. We still have some arrears to pay off. (Advice from Shelter) was very useful, it is not something we could have done ourselves. It could have all gone pear shaped. We wouldn't have known what to do. We could have lost the house. The quality was great.'*

### **Preventing immediate repossession**

Some clients felt that representation and advice from Shelter may have helped them to avoid an outright possession order. In one case, Shelter offered free advice to the client at court. Without help from Shelter, the client would have represented herself, having been unable to afford a solicitor:

*'I went to court for a repossession order and the (adviser) approached me and asked me if I would like her to represent me in court. I was going to do it myself, because I didn't know any different. I didn't know there would be anyone to help there. I think it's an excellent idea to have someone there in the court to help, because it doesn't cost anything. A solicitor would cost a lot of money. I wasn't thinking about getting a solicitor, I couldn't afford it.'*

*'We went into a separate room and discussed it before the case. I was there a bit early, but she just sort of said to come and speak to her first.... If I had done it myself I probably would have (messed) it up. The woman from Shelter was so good, she said about the right to support yourself in your situation ... (if you could) not afford it.'*

*She ... spoke for me in court. She was trained to speak the proper words. I was in such a state that I wouldn't have been able to explain the situation like she did.'*

### **Case study: Advice helped to avert court proceedings**

Clara is a childminder, who ran into difficulties when she lost three of her clients when they themselves were made redundant. She lives with her 18 year old son, who is a labourer but is currently out of work, and her younger daughter. She has lived in the property for 27 years and this was the first time that she had had problems affording the mortgage.

Clara was in arrears for eight months, during which time she tried to negotiate with her lenders by calling them regularly and complying with their requests, borrowing from her brother and trying to sustain interest only payments.

*'(The lenders) weren't listening. They wanted to wipe their hands of me. They didn't want to help me in anyway. I stuck with what I said I would do, I did everything they asked. They wanted to take me to court...I've done everything asked and sent back statements, sent tax papers, self assessments sent special delivery and I'd phone them and they said they haven't received it, then I said I'd sent special delivery and they managed to find it. I'd come off the phone feeling really anxious. I did all the steps they asked me to do. They (the lender) said you could be lying about how much you earn. So I got the parents of the child (I child mind for) to write a letter, and they said I could have got anyone to write a letter. I offered to give them my parent's number to contact them they said they can't do that.'*

She approached Shelter when her mortgage providers sent her a court order for repossession:

*'They did send me court papers and out of desperation I turned to Shelter. I have no one else to turn to. ... It had to be quite fast because of the court case I told them the date and they gave me an appointment really fast. At time wanted, in the day time. (The Shelter adviser) asked questions, I gave him as much information as I could. He gave them my offer. He said he wanted their answer back by 4pm that day. He said he was prepared to go to court with me. I got phone call the next morning. I didn't have to go to court. I wish I had gone earlier and hadn't left it. But you know what it's like when you're in trouble. It all worked out. He made sure I didn't have to go to court and contacted the court and made sure that the mortgage company had contacted the court and dropped the claim.'*

By negotiating with the lender, Shelter managed to avert the court proceedings. Clara is managing to get on top of her finances as her childminding has picked up. She is hopeful for a more stable future and said:

*'I felt confident the way (the adviser) spoke to (the lender). He had all the information. He knew what he was talking about he had read the information and he was straight. He knew what to say. He was very professional. I feel confident in him. I walked out of that appointment and felt like things were going to work out. Luckily I am back on track with more (work), more stable. I have no problems with money and the pay's bit more too. I am keeping up with all my debts. I can see the light at the end of the tunnel. I have to keep going. They gave me hope.'*



## Accessing Government Schemes

For clients who could access government support, explanation and clarification of the schemes was critical in helping them to keep their homes. One client, who is now awaiting entry onto the Mortgage Rescue Scheme, commented:

*'The advice (Shelter) gave was more around the options that were available, writing to lenders letting them know of the change in the situation and liaising with lenders. They listened to our problems. The lenders realised after the contact from Shelter that it was in their own interest to co-operate. The help we are getting we did not need to contact the lenders as we felt confident that we had the right help. The adviser contacted the lender for us .. we were happy for this to happen ..it meant that the lender had very little contact with us, which put us at ease. Advice from Shelter was great because they were able to put us at ease about our situation we felt that it is a very professional service. If we had not been in touch with this service we would have lost our property.'*

### Case Study: Advice helped access to the Mortgage Rescue Scheme

Maggie and Alan fell into arrears with their mortgage when Alan was made redundant. After months of constructive negotiation with their lender, they reached the stage where they were considering voluntarily selling their home and live in private rented accommodation.

Maggie decided to telephone Shelter for advice and was told about the Mortgage Rescue Scheme. Shelter confirmed eligibility for the scheme and worked with the local authority to initiate the process. The couple were relieved at being able to stay in their home, as they are both nearing the age of 60, Maggie works long hours, and both suffer from health problems. The couple feel that this solution will offer them a stable future and Maggie said:

*'I contacted Shelter and they said there was the Mortgage Rescue Scheme. I dealt with Shelter and they sent me back to the council, and between the council and Shelter they sorted it out. I had a couple of interviews with them. They told me I was eligible, we went through everything. That's when the ball started rolling, it's a blur. They made phone calls to the lender, and they said, yes, it can go through.'*

*'There are a lot of effects. There is the relationship with your partner. You are trying to sit at work listening to people who have mortgages and who are able to cope. You are working for existence, not able to go out. It got to the stage where we could either voluntarily sell our home, or go for a Mortgage Support (MRS) scheme.'*

*'If not for the (MRS) scheme, I would have voluntarily sold the property, in which case, the mortgage lender said I would have had to open up another account to pay for a deposit (on a rental property). So we would have rented privately. I can't tell you how relieved both my husband and I are. We are not in very good health and we have been given another lease of life. My husband is 60, I'm 58 and it does have an impact if you have to move. There is no shame in being a council tenant. '*

Another client described how she had accessed the Mortgage Rescue Scheme through Shelter and found their ongoing support a comfort during a stressful time:

*'(Shelter) recommended the Mortgage Rescue Scheme. We applied for it and they told us what it meant and what we could apply for. I had no idea about the Mortgage*

*Rescue. I hope I am keeping my home, but I don't know. It could take weeks by the time the mortgage company and the different loan companies go through all the different stages of applying. Shelter is keeping in contact and they are keeping me informed. It is most definitely a bit of comfort knowing that they are still there. They did all the Mortgage Rescue for me. I didn't even know how to start. They took my details and I left it with them.'*

### **Assistance with other financial matters**

Shelter assisted clients with a range of financial matters, including help with debt management and referral to other agencies to make sure that the client was maximising their potential income through Income Support and claiming tax credits.

One client was assisted to pay less council tax for example. Although this client was still struggling to pay his mortgage, the small reductions made in this payment were valued:

*'I spoke to (the Shelter Adviser) about the council tax, my wife ... has been paying £170 a month to pay back the council tax. They asked me to fill a form in and now we will pay it off by January by paying £130 a month.'*

Some clients that approached Shelter because of their concerns and distress at potentially losing their home in the near future, but had not yet got into mortgage arrears. These clients found it helpful to have clarification of their position with regards to the different government schemes available to them, and valued guidance on the best course of action to take to avert potential homelessness.

### **Clients unable to stay in their home**

As noted earlier, for some clients, it was not possible to avoid repossession, particularly when they approached Shelter at later stages, when threatened with eviction. Some were ineligible for HMS, MRS and SMI, and selling up or eviction were their only options. For some of these clients, Shelter provided support through the process; and for others support was provided after the repossession had taken place.

Shelter assisted one client to complain to the mortgage lender that his personal property had been damaged by the bailiffs who evicted him. The client is still trying to claim compensation for this loss. He feels that Shelter have been supportive through a time of difficulty in which he lost his home, and found little other support.

In several cases, miscommunication and misunderstanding between the different agencies dealing with a case, and around intentional homelessness status was causing concern to the clients. One client commented:

*'We had already registered through the Home Choice scheme. We had an offer on the house and we needed advice on whether if we sold our home, we would be making ourselves intentionally homeless. (The local authority referred us to Shelter).'*

Shelter assisted some clients in understanding how to find appropriate accommodation in the private rented sector. Shelter assisted one client's family with finding a home in the private rented sector following eviction from her home. The client was having difficulty in finding accommodation due to having two dogs which had been a part of the family for a long time. She also felt that the fact that she was on benefits made it hard for her to find a landlord who would accept her:

*'I spoke to the local authority about finding a house. They could put us in a hostel, but they won't take the dogs. One of them has arthritis in his knees and is going blind. They would never understand. The local authority told us to find a private rental'*

*sector let, I have been trying since we got evicted, but not everyone will take you when you have got dogs, also people don't want to take you if you are on benefits.'*

Some clients were advised, or decided for themselves, that selling was their only option, and for most this was unpalatable, a last resort for a range of reasons. They were holding on as long as possible before taking this option, some were trying to sustain themselves and hoping for better things (such as employment opportunities), but very unsure as to whether they would manage. Others were waiting to reach the point where they might be eligible for a government scheme. For some, the advice did not make a difference at all, although largely thought to be sound and appreciated. For others, the advice had helped initially to delay the outcome, but as their circumstances changed it was no longer of use, and they were in a position where selling was the only option.

#### **4.3. Issues affecting outcomes**

Clients highlighted several issues with the nature of the support available. The interviews also identified other issues affecting client outcomes including their perceptions of lenders, the lack of mortgage insurance cover and barriers to moving on.

##### ***Issues with Support for Mortgage Interest***

Some clients experienced long delays in finding out about their eligibility for SMI payments. Whether eligible or not, the clients felt that the delay in finding out how much they would receive from this scheme caused them to build up arrears.

One client explained that he thought that on becoming seriously ill due to the effects of cancer treatment combined with other health problems; and having made an application for SMI, he would receive help for 12 months. He reports a delay of four months in finding out that only one third of his mortgage payments would be covered. Previously a very high earner, with salaries between £50,000 and £150,000, the client experienced a sudden drop in income and could not afford legal assistance. He was left with a shortfall of £1,000 per month on his mortgage payments. The client felt that the person processing his claim should have been able to inform him after asking a few simple questions that he would not be entitled to the full amount of support. He felt this led him to many months of avoidable stress at a time when he was already experiencing ill health:

*'I had gone into arrears. Last year I became very ill, I was on Employment Support Allowance. .... I was under the impression that the government would help(through SMI) for 12 months. I was pursuing that line. It took four to five months for them to let me know that they weren't going to pay the full amount, only a third of it. They said it was because I had remortgaged, that they can't pay on rebuilding work done through remortgaging. So it was calculated on that basis....There is no way I can afford the extra £1,000.'*

A self-employed client within the building trade who became ill and registered for income support felt that the failure of the Job Centre Plus to inform him of the help payments available through SMI, and the fact that he did not receive backdated payment of this support on application, entrenched his financial difficulties:

*A while ago I had a .. tennis elbow operation. I lost time at work. I was self employed and had to sign on incapacity (benefit). At no point did anyone tell me that I could claim for mortgage repayment after a certain amount of time. I went back to work but was in and out of work the economy collapsed (especially) the building industry. I went onto income support and (job seeker's allowance) JSA and incapacity at different times. At no point did anyone say that... (I) could get help towards (my)*



*mortgage... When I put the (SML) claim (in).. the form says don't send without all the information, ... don't send it or we won't process it. But they only pay from the point then they get the form in. I think that's illegal it should be from the point of the claim... We went into major arrears.'*

A client who had lost her job and applied for income support, was annoyed that she had not been told at the point of signing on that she might be eligible for support with her mortgage payments after 13 weeks. While she is happy that she now has her mortgage payments covered while she looks for work, she feels that much stress could have been avoided if she had been informed straight away:

*'If I had been told at the beginning that after 13 weeks I would get assistance (SML)....it would have saved me all this stress.'*

Another client had her SML payments suspended on taking up part time work. She is now struggling to make mortgage payments and is expecting a letter of eviction following a phone call from her the mortgage lender:

*'I applied for (SML) in September when I started to work, they suspended it. They were paying £112 for the mortgage interest, I got a job, and it was worse. I wanted to work, I was desperate to. I am not ill, not unhealthy at home. I worked in the hospital lab... I have a job here as a ... a personal carer. I could work more hours, but I cannot find (extra)... I thought the mortgage company would stop, while they found a solution (while awaiting the SML application) but they never stopped...I work in a part time job. I get £400 a month to pay my food and bills. I am waiting to be evicted. (The lenders) say they will take legal action.'*

### **Issues with HMS and MRS**

Several clients felt that their lenders were not interested in the schemes suggested to them. One client commented:

*'I tried to apply for the Mortgage Protection (MRS) scheme, but the bank didn't look at it. They were going through the motions. I can't understand why. I am a prime example of the sort of person that scheme is trying to help.'*

### **Perceptions of lenders**

One barrier to engaging with lenders was the perception of some clients that revealing a vulnerability to the mortgage lender would leave them open to repossession. Where a client did not wish to explore the option of negotiation with the mortgage lender, there was limited potential for Shelter to assist them in this respect. One client preferred to try to hide his situation from the lender for fear that he would be treated differently and become more at risk of losing his home:

*'I don't want to negotiate with the lender. People who have no credit, they get a no credit rating. They don't have anything to lose. The last the thing I want to do is to tell the lender. They will treat me differently, and change towards me. The credit card payments... I missed some of those and I am paying now, but my credit limit is reduced. If I keep paying, it will go up again. There have been all these stories in the media about people not paying, and people say they are being lenient, but they are not, and they start moving things against you, and they are not as friendly as they say they are. I am able to pay. I have not approached the lender at all. I am hoping to get something towards it, some help to bide my time.'*

Other clients expressed the belief that some mortgage lenders, struggling financially themselves in the wake of the 'toxic mortgage situation', were inclined to try to repossess

properties as quickly as possible, and may be looking out for people struggling to pay in order to recoup their potential losses. One client felt that his mortgage lender did not want to listen to him:

*'The mortgage company are part of (a large company) that crashed, and they stopped giving mortgages out. Now they are sitting on the fence waiting to grab anyone who is vulnerable. Because of the toxic mortgage situation, the government did try to say, 'don't jump on them' but I felt that they were very ruthless in trying to gain the property. They gave me a letter, not an offer, a possession order, saying that in 30 days they would take me to court. I was £5,000 and five months in arrears at the time. ... Some are understanding but some are ruthless, fighting for every penny they can get. They should give everyone the opportunity to try to pay.'*

### **Lack of insurance cover**

Clients gave a range of reasons for not having had insurance cover on their mortgage. Some clients had not taken insurance cover because they perceived themselves to be resilient people who would be prepared to take any job available in order to keep up their mortgage payments should their main employment end. In several of these cases, clients had tried to find jobs to fill the gap, only to find there were no vacancies:

*'I didn't have insurance. Because before the recession, if I lost my job, I would go out and get any old job. Now, I couldn't get a job in the supermarket, they were not giving out applications anymore.'*

One client had taken out insurance but had not renewed it as his finances had worsened and he had tried to cut costs, including his own salary in order to keep his business afloat. Another client who was self employed client felt that he would not be able to claim on insurance cover due to his employment status and therefore did not take it out:

*'.. I had been caught out on a loan they forced me to take out insurance when I couldn't claim because I was self employed so when I took the mortgage out I didn't get the insurance.'*

### **Barriers to moving on**

Some clients found the idea of selling and renting back their own home, in order to stay, a positive solution resulting in less stress. For other clients the idea of losing the a home they had worked so far to keep and improve was distressing. Several clients were concerned about a potential shortfall between the selling price and their outstanding mortgage and one client also felt that current property prices in his area prevented him from downsizing to a smaller property:

*'(My property is) on a main road. It isn't the best property. I haven't a hope in selling it. I know in theory I should sell it and rent, but after 30 years of struggling to pay the mortgage, you don't want to give it up that easily. You'd like to think you haven't wasted all that time and money. I wouldn't mind selling and buying a smaller property, but you can't drop the value too much or you wouldn't clear the mortgage, the mortgage is 75 per cent of the value. If you sold at auction, you would knock off 20 per cent.'*

Some clients were also concerned about being able to become homeowners again in the future, given the current borrowing situation:

*'It would be a good solution if we can (arrange with lenders) to stay a homeowner. To become a homeowner again would be impossible if you slipped off it. I have owned this house since 1998, and I did own houses previously.'*

#### 4.4. Clients' employment and financial circumstances

The clients interviewed were in a wide range of financial circumstances and employment backgrounds. Clients, prior to job loss or circumstance change ranged from those earning around £150 per week to those earning over £50,000 per year. Many of the clients had variable incomes: either business owners, self employed contractors, or agency workers. Others had suffered or were waiting pending redundancies resulting from the response of their employer to the economic downturn.

Clients, regardless of income, faced common barriers, such as the impact of the recession on availability of work. A number of clients also faced barriers to employment such as age, illness and disability. One client commented:

*'I am worried about it. If I don't find a job, or sales don't pick up, then the situation will get worse. I am 55 years old and people don't want to employ someone who is 55. The last job I applied for was as a toilet attendant, so it has come to that. I have a wife and two children and the whole situation affects them.'*

Clients that had variable incomes due to contract working experienced difficulties in negotiating with mortgage lenders. These borrowers felt that their inability to show a constant income stream put them in a weaker position to negotiate.

A number of clients had experienced the situation of a very sudden drop from a relatively high income, within the top tax bracket, at risk of losing houses within the highest council tax bands. For some of these clients, the previously high income level had enabled them to accommodate high mortgage repayments with ease, and to remortgage for building work. The sudden drop in income left them with a considerable shortfall. Also, the high value of their homes rendered them ineligible for government support.

Of these clients, some felt that the system of support, and of advice, was not prepared to deal with people in their circumstances who had experienced a sudden sharp drop. Typically, these clients had put into place a range of strategies to try to salvage their situation.

One client for example, was a draughtsman who lost contracts with the recession in the construction industry. The proportion of the client's salary spent on his mortgage went from 20 per cent to 100 per cent, almost overnight. He was managing by working in four different jobs:

*'Shelter asked about housing benefit, and they worked out my earnings. I have part time jobs, and I am not earning enough that I can claim income support. I don't want to go down to zero; I don't get tax credits, because I earned too much in the previous tax year. They had not realised that they are dealing with people with a variable income. The tax year that has just gone I earned about £5,000. Before that it was about £17,000 and before that it was about £50,000.'*

Another client commented that his income looked high, but his outgoings were relatively high, and therefore he did not qualify for any assistance. His salary had reduced from £5,000 per month to £2,000 per month. On paper, it looked as though he had ready income however he was struggling to meet his outgoing expenses on debts incurred. He commented that cash work was one way he was finding his current income in order to weather the recession in the construction industry. Shelter had asked for a court adjournment for this client and they managed to put off the hearing until he could find enough income to pay the lender. He does not wish to take income support as he prefers to work and finds it too difficult to sign off and on when his work is piecemeal. The client remains worried about whether he will manage to keep his home:

*'I am one of these people who have always worked six or seven days a week and will always do it... You get £69 a week if you sign on. If you get any work, you have to sign off again. Otherwise you are committing fraud. I don't need the hassle, it's not worth claiming.'*

#### **4.5. Client perceptions of government support**

Clients also offered their views on the support available. This included comments on the need for earlier intervention, the eligibility requirements and application process for government schemes, perceptions of the legal system, credit availability and responsible lending.

##### ***Earlier intervention***

Several clients felt that some government schemes were only available as a last resort, at the point of receiving a repossession order. They felt that earlier intervention would be more constructive. One client described how he felt about not being able to apply to the scheme at an earlier point in his difficulties:

*'If I was able to go on the scheme that would help. Shelter said the government would sell it for 98 per cent of its market value, and then I can rent it back at the commercial rate less 20 per cent. But it's getting to that point. Why does it have to go to court? The scheme basically means you have to be on the streets first. (Shelter's) hands are tied by rules and regulations. I wanted to go apply for the Mortgage Rescue (Scheme), but Shelter said that I would have to go through all sorts of things before I could get to that stage. My only option is to wait for legal action. It is very upsetting. Then I will be in a position to look at other alternatives (schemes). Basically I will have to be on the streets first.'*

Another client, who had successfully been accepted onto MRS, expressed the typical view that she could have been saved a great deal of stress if she had known of and applied for the scheme at an earlier time. The client, who cares for an adult daughter with serious health needs, her grandson and her sister who has learning difficulties, commented:

*'The pressure has lifted..... We could've got out ages ago. If they told us we could go through the Mortgage Rescue Scheme.'*

##### ***Eligibility and application for HMS and MRS***

Clients expressed frustration and surprise at the limited availability of HMS and MRS and the lack of flexibility on the eligibility criteria. That is, they felt they were excluded because they were just above the income threshold, for example. Some clients were unable to take up MRS, because it was not available in their area. One client commented:

*'The government could make the process easier. Easier to understand and become aware of. We spoke to Dartford through Mortgage Rescue and she explained the avenues but the first thing she said was that a lot of local authorities are not doing it.'*

Another client felt that the months of processing time for MRS applications had caused additional stress:

*'The process of applying for the mortgage rescue was very long and drawn out; it spans such a long period of time. Over the past three-to-six-month period we got a letter. We had to request that the council wrote to us, because we were worried about what the mortgage company would say. When the outcome was negative, it all seemed like too much trouble...'*

### **Perceptions of the legal system**

Several clients commented that they felt the courts were not willing to consider their wider circumstances, or to take account of issues such as ill health, or possible solutions proposed by the clients. One client commented:

*'They don't care about you at court. It's all very black and white. They don't try to give you time. I feel that if I said I was dying and couldn't pay my mortgage, they would say 'good go on and die then' so they could have the house.'*

### **Credit availability and responsible lending**

Clients offered their thoughts on additional support that could be offered to people struggling with mortgage payments. The most common suggestion was increasing availability of credit to people to tide them over difficult periods.

*'I suppose everyone thinks their business is the best thing and they want the banks to tide them over. Perhaps I had too high borrowings for my turn over. The banks were very unhelpful. The restrictions and the loops are useless.'*

In contrast, one client, who felt that he had taken his mortgage out with a disreputable mortgage lender, suggested that Shelter may be able to help clients to change their mortgage provider. He felt that the government should increase regulation and insist on clear and legible 'small print' from mortgage providers; and that people taking out a mortgage should be assisted by trained professionals to understand the financial implications of different mortgage packages in simple, day to day language. He commented:

*'These private companies don't run by the government rules. They should make more rules, because they are ripping us off. If you have say £50,000, then in 20 years, you are paying for your house four times over. It's daylight robbery. The government should help people to make sense of them. They should change the small print to bigger letters and put it at the front, with solicitors to go through all of the different options. Shelter could help people to change their mortgage company, and to get them a proper mortgage company. I need a lot of help.'*

## **5. Government initiatives to reduce the number of possessions<sup>8</sup>**

### **Homeowners Mortgage Support (HMS)**

HMS, launched in April 2009, is available to households who have experienced a temporary loss of income and who are not eligible for SMI. At the discretion of the lender, a proportion of the mortgage interest is deferred for up to two years (with a review after one year), being added to the overall mortgage loan to be repaid in the future. Borrowers must have an interest-only mortgage (or convert to one), have received money advice, and maintained regular payments for the past five months (although these can be partial – even zero payments as long as they were agreed by the lender). Lenders should have exhausted routine forbearance approaches. Lenders are guaranteed 80 per cent of the interest due if borrowers default. The scheme excludes borrowers with buy-to-let mortgages.

### **Mortgage Rescue Scheme (MRS)**

MRS is available to borrowers who have exhausted forbearance options and who would be in priority need for accommodation under statutory homelessness provisions if they lose their home. Two forms of MRS are available: sale of the property to a registered social landlord with the borrower becoming a tenant, or sale of an equity share to lenders with the borrower/tenant leasing this share back as shared owners. Subsequent to the scheme's launch in January 2009, the scheme has been opened up to borrowers with loans from second charge lenders and borrowers in negative equity. The scheme excludes borrowers with buy-to-let mortgages.

### **Support for Mortgage Interest (SMI)**

SMI is available to borrowers in receipt of income support or jobseeker's allowance. From January 2009, SMI is paid direct to the lender, after a waiting period of 13 weeks since claiming, on mortgage capital up to £200,000 at a standard interest rate of 6.08 per cent. Only new claimants will benefit from the £200,000 limit.

## **Acknowledgements**

Shelter would like to thank Claire Heggadon for conducting the case file analysis, Alison Wallace for her advice on developing the topic guide and Becky Rice, Emma Ahmed and Andrew Campbell from Accendo Research for conducting the interviews with clients.

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<sup>8</sup> Extracted from *Uncharted Territory*, Shelter 2009