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# The need to act quickly

If you are having difficulty in meeting your mortgage payments or you anticipate having problems in the near future, it is important to act quickly. The earlier that you can speak to your lender, the more options you are likely to have. If you delay, your options reduce and it is more likely that your lender will seek possession of your property through the court.

Before you arrange to see your lender, you need to consider how you intend to repay the arrears. Your options will depend on your personal circumstances and the type of mortgage that you have. Your lender will usually ask questions about your personal and financial circumstances so it is useful to consider the following in preparation for your appointment:

- Prepare a financial statement (personal budget). Calculate your total monthly income and expenditure and include all your other debts. Be realistic about your general outgoings but cut back on non-essential expenditure. (See factsheet on preparing a financial statement for further information on how to do this.)
- If you have other debts make sure that you pay your mortgage or any loan secured against the property before making other payments. If you have already made agreements with other creditors get advice from the CAB or other independent advisor about renegotiating the payments. Remember that your mortgage is your most important debt and must be paid before anything else.
- Check whether you are entitled to any benefits or tax credits. Contact the CAB or other independent advisor or get advice on line. A list of useful websites is included in this pack.
- Check whether you have any mortgage protection insurance and whether you can claim on it.
- Check your mortgage agreement. You may be able to reduce your payments temporarily or renegotiate the terms of your mortgage.



- Consider your circumstances. Are the problems likely to be long or short term? This will affect what options you may have.
- It is also advisable to obtain a realistic property valuation as this will also be relevant when considering your options. If you have **equity** in your property (your home has increased in value and is worth more than the mortgage or loans secured against it), then you may have more options when you negotiate with your lender.

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# Available options

The options available will depend on your individual circumstances and any agreement reached will be based on the following criteria:

- How large the arrears are and the number of months in arrears
- Your employment or financial circumstances
- Your age and expected retirement age
- How much longer the mortgage has to run (most lenders will not extend a mortgage beyond 25-30 years)
- The type of mortgage that you have and who your lender is
- Whether there is any equity in the property

Once you have completed a financial statement you should consider which of the following options would be best suited to your financial circumstances. Your choices will depend on whether you have been able to make savings or increase your disposable income. If you are unable to do this you will need to consider ways of reducing your mortgage payments, either in the short or long term.

## Increasing your monthly payments

If you are able to cover your mortgage and pay an additional amount towards the arrears, then this is generally the best option. There are no long term implications and provided you stick to any agreement reached, the lender will not take further action against you. Your lender will usually want to see a copy of your financial statement before they agree a repayment plan. Make sure that you have been realistic about your expenditure and check that you can afford the current mortgage plus the arrears payments. When making this type of agreement, most lenders will want the arrears cleared within 2 years. If you cannot afford to clear the arrears within this timescale, the lender may refer the case to court in order to obtain a suspended possession order (see factsheet on going to court). If you can pay your current mortgage plus an additional amount towards clearing the arrears, the court may consider giving you a longer period to clear the arrears.

## Adding the arrears to the mortgage (capitalising the arrears)

If you cannot afford the additional arrears payments on a monthly basis, you could ask your lender to consider adding your arrears to the mortgage. Your monthly payments would still increase but the arrears would be paid over the remaining term of the loan.



A lender is unlikely to agree to this if previous agreements have failed or if the outstanding mortgage balance and arrears exceed the value of the property.

## Extending your mortgage period

Depending on your individual circumstances, the type of mortgage that you have and the length of time left for it to run, you could ask your lender to extend your mortgage period. Most mortgages are repaid over 25 years so if you have been paying a repayment mortgage for a few years you could extend the mortgage to 25 years again. This will reduce your monthly payments but you will continue paying the mortgage for longer. If you consider this option you will need to make sure that you will be able to continue paying the mortgage until the end of the increased term. The likelihood of your lender agreeing to this will depend on:

- How large the arrears are
- Your age and expected retirement age
- Your employment circumstances
- How much longer the current mortgage has to run

If you have an interest only mortgage and are paying into an endowment or other policy to repay the capital at the end of the fixed term, this option may be more difficult to arrange. You will need to consider ways to repay the capital at the end of the increased term. This usually means taking out an additional investment policy. You should always seek independent financial advice before taking any action to change the terms of your mortgage.

## Payment holidays (interest only mortgages)

If you have an **interest only mortgage** and you have been paying an endowment or other policy that is linked to the mortgage for some time, you may be able to ask for a 'payment holiday'. This means that you stop paying either the mortgage interest or the endowment for a specified time. This will usually only be agreed if your problems are temporary and you will need to consider how you are going to make up the missed payments in addition to your ongoing monthly premiums when you restart your policy or mortgage interest payments.

You could also consider selling your **endowment/investment policy** if it has been running for several years. This can reduce the amount of the loan and so reduce monthly payments but you will need to make other financial arrangements to pay off the remainder of the capital.



**Always seek independent financial advice before pursuing this option as this could have long term implications and make it more difficult for you to cover the cost of your home at the end of the mortgage term.**

If you are unable to reduce your interest or investment payments you could consider switching to a repayment mortgage. The payments would not necessarily be cheaper but repayment mortgages are more flexible because your options are not restricted by investment policies that are linked to the mortgage. Repayment mortgages also guarantee to pay off the loan at the end of the mortgage term.

### Payment holidays (repayment mortgages)

If you have a **repayment mortgage** you could ask your lender to consider accepting interest only payments for a few months. This option is most useful if you have been paying the mortgage for some time and your monthly payments are made up primarily of capital. If you can afford your mortgage payments but cannot afford to pay anything off the arrears you could ask your lender if you can delay paying the arrears for a specified time. You will need to make up the missed payments at a later date and lenders will usually only agree to either option if the problems are short term. As with the other options mentioned, always seek advice before changing the terms of your mortgage.

### Changing your mortgage

Depending on your personal circumstances and the level of arrears, you may be able to negotiate a cheaper mortgage. For further advice about this contact the CAB. They will be able to assess whether this option may be suitable for you. You could also contact an independent advisor such as Payplan. They will take your personal details and look at whether there may be a better mortgage deal to suit you. (See factsheet on advice, information and support for details)

### Selling your property

If you are unable to pay your mortgage and your circumstances are unlikely to change in the foreseeable future, you may need to consider selling your property. This will allow you to keep any equity there may be in your property and is usually a better option than being repossessed. However, it is important to get advice from the CAB or other independent advisor before doing this, particularly if you have no other accommodation available to you.



If you become homeless, the council may not have a duty to house you and

privately rented accommodation in the area of your choice may be more expensive than your mortgage and difficult to find.

It is not advisable to hand back the keys to the lender. You will still be responsible for the mortgage and the arrears until the property is formally repossessed and it could affect your future housing options.

A number of companies and websites currently offer a variety of mortgage rescue schemes to those facing repossession. These are not generally recommended unless they are run by non profit making organisations like councils or housing associations. (See factsheet on Mortgage Rescue schemes)

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# Rights of borrower (mortgagor)

If your mortgage lender is on the Financial Services Authority's (FSA) Register, or if it has signed up to the Council of Mortgage Lenders (CML) Code of Practice it is obliged to follow certain procedures in the way your mortgage account is managed. Although individual mortgage lenders will operate different policies, they should all follow the same general principles when dealing with mortgage arrears. These are:

- Cases of financial difficulty and mortgage arrears should be treated sympathetically and positively. This will usually mean that your lender will contact you by letter or phone to discuss the arrears.
- Once contact has been established the lender will usually seek a meeting to discuss the borrower's difficulties and examine ways to clear the arrears. This may also be done over the phone.
- An agreement plan should then be drawn up which meets the needs of both the borrower and lender.
- If contact cannot be established and payments continue to be missed then the lender can start legal action to recover the arrears or take possession of the property.
- The code also advises that borrowers should let their lenders know about any financial difficulties as soon as possible.

A lender is also obliged to have a written policy on dealing with arrears. You should receive regular information about your arrears and you should not be pressurised by too many phone calls or letters. If you think you are being treated unfairly by your lender you can complain to the Financial Services Authority's (FSA) Ombudsman.

## Options available to lenders

Cases of mortgage arrears should be looked at individually. The lender has a number of options it can consider in consultation with the borrower. Similar to the options available to borrowers, they are:

- Agreeing a repayment plan to cover the mortgage and arrears.
- Adding the arrears to the mortgage (capitalising the arrears).
- Extending the term of the mortgage.
- Agreeing to the borrower taking a 'payment holiday' for a specified amount of time.



- Changing the type of mortgage (this only refers to borrowers who want to switch from an interest only mortgage to a repayment mortgage).

In addition, lenders should also:

- Consider the borrower's financial circumstances to ensure that the repayments are affordable. This usually means checking their financial statement and personal details. If the agreement is time limited, the borrower's financial circumstances are likely to be reconsidered at the end of the agreed term.
- Try to ensure that borrowers are aware of any social benefits that might be applicable to them.
- Abide by guidelines on charging monthly or quarterly fees when an account is in arrears. These state that the fees should represent the reasonable cost for the additional administration required in order to manage the account. It is quite common for lenders to make charges that do not reflect the actual costs of administration. These 'penalty charges' can be removed by the court and should be challenged if they contravene the guidelines.

## Methods of obtaining possession

Possession of a property should only be sought by the lender as a last resort and when all other attempts to resolve the difficulties have been unsuccessful. The lender can take possession of a property in one of three ways:

- By obtaining a court order (see factsheet on going to court).
- By voluntary agreement in which the borrower has signed an agreement to this effect. Although this may result in an earlier sale than if the lender had to gain possession through the court, the borrower would still be responsible for the mortgage and arrears until the property was sold. There is little to be gained by doing this unless you have already secured alternative housing.
- By surrender or abandonment of the property. The borrower still remains liable for the mortgage and arrears plus interest until the property is sold.

A record of all repossessions is held on the Mortgage Repossessions Register which is held by the Council of Mortgage Lenders. Borrowers who have previously been repossessed should be aware of this as any



future application for a mortgage will be checked against this register in addition to other enquiries.

For more detailed information on the Council of Mortgage Lenders Code of Practice contact: [www.cml.org.uk](http://www.cml.org.uk)

## **The Pre-action protocol for those in mortgage arrears**

In November 2008, the Council of Mortgage Lenders (CML) issued new guidance that lenders should follow before starting possession proceedings against borrowers who have mortgage arrears. The aim is to reduce the number of repossessions by exploring ways to assist those who are facing financial difficulties. They include the following:

- the lender should provide the borrower with a regulated information sheet or the National Homelessness Advice Booklet on mortgage arrears.
- the lender should provide details of the arrears, the total outstanding mortgage and details of any interest or additional charges that will be added to the amount owed.
- the lender should discuss the borrower's financial circumstances, the reason for the arrears and any proposals for repayment.
- the lender should advise the borrower to contact their local housing department and should also refer the borrower to appropriate sources of independent debt advice.
- the lender should consider reasonable requests from the borrower to change the date of payment (within the same payment period) or the way payment is made. If the lender does not agree, it should explain its reasons in writing within a reasonable period.
- the lender should respond promptly to any proposal for payment. Where it does not agree it should give its reasons in writing within 10 working days.
- if the lender sets out proposals for the repayment or arrears, they should be detailed enough to allow the borrower to understand the full implications of the proposal. The borrower should also be given sufficient time to consider the proposal.
- if a borrower does not make the agreed payments, the lender should warn the borrower of its intention to start possession proceedings by giving them 15 days notice in writing. They



should not start legal proceedings if the borrower remedies the breach within the 15 day notice period.

- a lender should not start possession proceedings if the borrower can demonstrate that they have made a claim to an insurer under a mortgage protection policy. The borrower should have a reasonable expectation that they will be eligible for payments.
- the lender should consider postponing possession proceedings if the borrower can demonstrate that they are taking all reasonable steps to sell their property at an appropriate price. The borrower should provide the lender with all relevant information relating to the sale and instruct their estate agent to liaise with their lender during the sale process. If the lender does not agree, they should provide the borrower with reasons in writing at least 5 working days before starting possession proceedings.
- lenders should not start court action while arrears negotiations are ongoing. The court takes the view that starting a claim for possession should be a last resort so lenders may be asked to provide evidence that they have complied with this guidance.
- the lender should consider whether to postpone possession proceedings where a borrower has made a genuine complaint to the Financial Ombudsman Service (FOS). Where a lender does not agree to postpone possession proceedings it should advise the borrower in writing at least 5 working days before taking legal action.

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# Negotiating with your lender

As soon as you start having difficulty with your mortgage payments you should contact your lender. If you have not decided what to do, pay what you can and explain that you are seeking advice about your options. Consider your circumstances carefully and prepare a financial statement (personal budget) because lenders will require the following information:

- Details of your income, outgoings, debts, savings and investments.
- Your personal circumstances and details about what has caused your current difficulties.
- What steps you have taken to reduce your expenditure or increase your income.
- What changes you would like to make to your mortgage.
- Your proposals for repaying the arrears.

Most lenders will expect you to come up with your own proposals for dealing with the arrears although they are required to treat borrowers positively and sympathetically. When you have considered your options, arrange a meeting with your lender to discuss your situation. You will need to:

- Prepare a detailed financial statement.
- Show that you are prioritising your mortgage payments above other debts. Mortgage lenders are unlikely to agree to your proposals if you are paying other debts before your mortgage or secured loan payments.
- Show that you have taken steps to make savings by reducing your outgoings. Lenders will want to see that you are making every effort to cover your mortgage payments.
- Check whether you are entitled to any benefits. Contact the CAB or other independent advisor or get advice on line (see factsheet on advice, information and support).
- Consider other ways you may be able to increase your income. For example by taking in a lodger (if your circumstances permit) or asking grown up children to contribute to the household income where appropriate.



- Consider which option for dealing with the arrears would be best for you. If you intend to ask for a payment holiday or to extend the term of your mortgage, you will need to show that you will be able to maintain the payments in the long term. If you are proposing to increase your monthly payments you will need to show that you can afford to do this.
- Take proof of your income and employment details. If you are intending to start work in the near future take details of your job offer.
- If you have applied for any social security benefits or tax credits, take confirmation of the applications and details of any award.
- If you have sought advice from the CAB, a Solicitor, or other independent advisor, let your lender know.

Negotiating with your lender can be complicated if you are unsure about your options. Always seek advice from the CAB or other independent advisor. A specialist advisor can look at all the options and help you put together a realistic proposal before you meet your lender.

Once you have come to an agreement with your lender it is important to stick to it. If you miss further payments you will incur additional costs and your lender is more likely to start court proceedings.



# Going to court

If you do not contact your lender or stick to any agreed repayment plan, your lender will start court action to repossess your property. **This does not necessarily mean that you will lose your home** and if you act quickly you may be able to avoid court proceedings. Keep all your letters and notes of any telephone calls with your lender and seek advice from the CAB or other independent advisor quickly.

Your lender will usually take the following action:

- Write and advise you that your account is in arrears and ask you to contact them. If you can come to an agreement at this stage you may be able to avoid going to court.
- If you have not kept to a previous agreement they may write to you and threaten court action if the payments are not brought up to date within a specified time. They may also refer the case to their solicitor who will also write to you.
- If your lender has referred your case to their solicitor, you may receive a letter from the solicitor asking you to pay off the whole debt. This is called a '**calling in notice**' or a '**default notice**'. If this happens, you should contact the solicitor or your lender's head office and try to negotiate with them. Even if your offer is not accepted, start paying the amount you have offered. If your lender does take you to court, your case is likely to be treated more favourably if the judge can see that you have been making efforts to reach an agreement.

## Getting ready for court

Once your lender has applied to the court for possession of your home, the court will write to you and give you a date and time for the hearing. You should have at least 21 day's notice of the hearing date. You will also receive a form called '**particulars of claim**' which is the lender's case for possession and a '**defence form**' which you should complete and return to the court within 14 days. It is important to do this as it is your opportunity to give the court a full picture of your financial situation. You should give details of:

- Your income and outgoings (or include a copy of your financial statement).
- Details of what you can afford to pay.
- Details of any offers you have made.
- Any personal circumstances that are relevant to your case.
- Any details on the 'particulars of claim' that you disagree with.



## The court hearing

You must attend the court hearing. If you do not do this it is more likely that you will lose your home. Remember that the judge will listen to both sides and then come to a decision. The court cannot reduce your monthly mortgage payments; they only have discretion over the arrears payments and the length of time it will take to clear the arrears. You therefore need to be able to show that you can pay your current mortgage and clear the arrears in a 'reasonable' period.

Before you go to court, you will need to:

- Get advice as soon as possible. The court may have the CAB or a duty solicitor you can speak to on the day but you should not rely on this as they are not always available.
- Check the '**particulars of claim**' and make sure you agree with the information. If you don't, include details on your '**defence form**'.
- Complete your '**defence form**'. It is advisable to keep a copy and take it to the court in person.
- Work out what you can afford to pay and keep making payments to your lender.
- Prepare an up to date financial statement giving details of all your income and expenditure and other debts. You should also include details of your dependants and other household members.
- Collect any relevant documents to take to court e.g. payslips and employment details, benefit notifications, bank statements and details of any other income you may be expecting. If you are intending to sell your home the court may want evidence of the steps you have taken.
- Prepare notes about what you want to say at the hearing. You may also want to arrange for an advisor, friend or relative to go with you.
- When you go to court speak to the court usher who will direct you to the court desk

## Types of court orders

Once the judge has listened to evidence from both you and your lender, he/she will make one of the following orders:

### **Adjournment**

If you are going to be able to pay all the arrears in a short space of time or if there is a discrepancy about the arrears figure or if you are in the process of selling your home, the judge may decide to adjourn the case for a specified time. This will mean that a further hearing will



be scheduled and the judge will then make a decision about what type of possession order to grant.

### **Suspended Possession Order**

If you have already reached an agreement with your lender or if the judge agrees with your offer then he/she is likely to grant a suspended possession order. This means that your lender has been granted possession of your property but you can stay provided you stick to your agreed payments. If you miss any payments, your lender can apply for an eviction warrant.

### **Possession Order**

If you do not attend the hearing or if it is not possible to come to an agreement to repay the arrears or if you cannot clear the arrears in a 'reasonable period', the judge is likely to grant a possession order to your lender. You will not be evicted on the date of the hearing but your lender can apply for an eviction warrant after the date specified on the possession order. This is usually 14, 21 or 28 days after the hearing date. Even if you are unable to afford to come to an agreement with your lender it is worth attending the hearing because the judge may give you more time to make other housing arrangements.

### **Eviction Warrant**

Once the possession order expires, your lender can apply to the court for an eviction warrant. You will receive a '**notice of eviction**' from the court which will give you the date and time that the eviction will take place. It may still be possible to prevent the eviction but you must act quickly. You will need to apply to the court for the warrant to be suspended. Take the 'notice of eviction' to the court and ask for **form N244 (application to suspend a warrant)**. You must return this to the court as soon as possible and at least 48 hours before the eviction is due to take place. You will usually have to pay a fee unless you are in receipt of certain benefits or tax credits. Ask the court if you are exempt before paying.

You can apply to suspend the warrant for the following reasons:

- You can make a new offer of payment. Make sure you are going to be able to keep up the payments and send a copy of your revised income and expenditure with the form.
- You would like more time to sell the property or find somewhere else to live.
- You are going to be able to clear the arrears in the near future (you will need to provide proof of this).



The court will then set a date for the hearing. You must attend the hearing. Remember that you have asked for the eviction warrant to be suspended. If the judge agrees with your proposal to repay the arrears, he/she will suspend the warrant and you will be able to remain in your home provided you stick to your agreement. The judge may also agree to delay the eviction to give you more time.

### **Court costs**

If your lender takes you to court you will usually have to pay the court costs. The amount will be decided by the judge at the time of the hearing and if your lender has to take you to court again you will have to pay more costs. The costs are usually added to the mortgage and you can continue to pay by instalments.

### **Possible defences**

You may have a defence against court proceedings if any of the following apply:

- You disagree with your lender over the amount of arrears owed. Take evidence to the hearing to support your case.
- You have repaid the arrears before the hearing. Take proof if the money has not yet cleared on your account.
- The 'particulars of claim' completed by your lender are incorrect. In these cases the judge may strike out the lender's claim and they will have to start fresh court proceedings against you.
- You were given bad advice when you took out the loan or mortgage. This is called 'undue influence and misrepresentation' and you should always seek advice from the CAB, a solicitor or other independent advisor if you think this could apply to you.

### **What to do if you are evicted**

If it is not possible to avoid being repossessed, and you have not been able to find suitable alternative housing, you should seek advice from your local council immediately. They will be able to offer advice and support and they may be able to assist you to find suitable housing.



# Mortgage rescue schemes

## What are they?

Mortgage rescue schemes are run by local authorities (councils) or housing associations, as well as some mortgage lenders and other private companies. They can assist homeowners facing repossession by buying all or part of their property and allowing them to rent it back. You should always seek independent financial or legal advice before signing up to a mortgage rescue scheme. Some schemes are better than others and there can be considerable financial risks, particularly if the scheme is run by a private company.

## Mortgage rescue schemes run by housing associations, co-ordinated by local authorities

Mortgage rescue schemes run by local authorities and Housing Associations have recently been extended to help households who are facing financial difficulty or who are at risk of repossession.

There are 2 main options:

- **Shared Equity:** to sell a share of your home to a Housing Association, by way of an equity loan, in order to reduce your mortgage payments and clear priority debts. You would then own your home on a shared ownership basis and would be liable for rent on the sold share.
- **Government mortgage to rent:** to sell your property to the Housing Association outright to clear the mortgage and arrears and then rent it back at an affordable rent.

All mortgage rescue schemes run by local authorities and Housing Associations are subject to the following eligibility criteria:

- the household must include someone with a 'priority need' as defined by homelessness legislation. This includes people with children, expectant mothers, and those who are vulnerable because of old age or ill health.
- The lender's support in principle to the scheme must be obtained
- all owners of the property must agree to be considered for the scheme.
- the property must have sufficient equity to cover all priority debts and living in the property must be sustainable after the



mortgage rescue. Note: all applicants will have to undergo a financial assessment before a mortgage rescue will be agreed.

- there must be a clear need to remain in the area.
- the property must be suitable for the needs of the household e.g. not overcrowded.
- owners must have sought debt advice and agree to debt rescheduling (where appropriate) and have discussed alternative options with their mortgage lender before they will be considered for the scheme.
- properties must not exceed a certain value ( usually £195,000 in the South West).
- A household income of no more than £60,000 will also apply.

The advantages of this scheme are:

- You will be able to sell a share of your home (usually 50%) to the housing association and continue to own the remaining share.
- Any profit from the sale can be used to pay outstanding debts.
- You will be able to rent the remaining share on an **assured tenancy**. This will give you more tenancy rights.
- You will have the opportunity of buying back shares if your circumstances improve. This is called 'staircasing' and you will have to pay the current market price at the time you buy.

The disadvantages are:

- You will have to make mortgage and rent payments every month. This may be as much as your original mortgage although you may be eligible for housing benefit on the rented share.
- You remain responsible for all repairs and maintenance to the property.

If you wish to apply for a mortgage rescue, you should contact the Housing Advice Team at your local authority council office (see yellow factsheet on 'Sources of advice, information and support').

If you become a shared owner, your rent and mortgage payments are equally important. If you fall behind with your rent, your landlord will usually contact your mortgage lender and ask for the arrears to be paid. This will accrue mortgage arrears. If you are having difficulties paying your rent, you should contact your landlord and try to reach an agreement with them.



## Mortgage schemes run by private companies

Mortgage rescue schemes run by private companies have been increasing in recent years. They often target homeowners who are facing mortgage difficulties with leaflets, internet and TV advertising. Always seek advice before signing up with a scheme run by a private company. Remember they are in it to make profit and any agreement may not be in your best interests. They usually offer to buy the property outright at below the market value and then rent it back to you.

### The risks associated with these schemes are:

- You usually have to sell the property outright so you lose all control over your property.
- Although they usually offer a quick sale, private companies typically offer 80% of the current market value of the property.
- Your home will be rented back to you under the terms of an **assured shorthold tenancy**. This gives you very limited tenancy rights. Although the mortgage company may tell you that you can stay in the property on a permanent basis, they can evict you for no reason after 6 months.
- You will have no control over the level of rent you pay. This can be increased every 6 months.
- Companies offering these schemes are not normally regulated by the Financial Services Authority and are not obliged to follow any codes of practice.

### Before you consider any mortgage rescue scheme:

- Get general mortgage and debt advice from the CAB or other independent advisor.
- Explore all other options available to you.

Always seek independent legal advice from a solicitor before you agree to a private mortgage rescue scheme

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## Secured loans

If you have taken out a second mortgage or secured loan against your property and you are facing financial difficulties you must treat this debt with the same priority as your original mortgage. Contact the lender as soon as possible and try to negotiate a repayment plan. Even if you are paying your mortgage in full, you will face repossession if you do not keep up with secured loan payments.

Negotiating repayment of second mortgages or secured loans can be more difficult because lenders often charge higher interest than first mortgages and they are less flexible. The loans often need to be repaid within a shorter time, usually 5 or 10 years and this makes the monthly payments more expensive.

If you fall behind with your secured loan payments, consider whether any of the following apply to you:

- If your home is worth more than the mortgage, you could ask your first lender whether they would be willing to offer you a re-mortgage. This would mean taking out a new mortgage on agreed terms to cover both the debts. If you can afford to do this it may be a good option because the new monthly payment should be cheaper than the two previous payments added together.
- If you are on Income Support or Job Seeker's Allowance you may be able to claim benefit to cover the interest on a secured loan if it was for certain home improvements. The rules are quite complex so seek advice to see whether you might qualify.
- If the lender is charging you higher interest because you have missed some payments, you may be able to argue against this. Keep a record of all your correspondence and bank statements and get advice from the CAB or other independent advisor.
- If you are in **negative equity** (your home is worth less than the outstanding loans/mortgages combined) your options are more limited but you may still be able to come to an agreement. Seek advice quickly.

## Time orders

If your lender takes you to court, you should prepare yourself in the same way i.e. prepare a financial statement, seek advice and attend the hearing (see factsheet on going to court).



With some secured loans you can apply to the court for a **time order**.

A time order can fix the payments at a more affordable level for a specified time.

The options available to the court include:

- Reducing the monthly payments (usually for a temporary period).
- Extending the term of the loan.
- Changing the rate of interest (usually for a temporary period).

There are certain criteria and the court will only consider making a time order if:

- The amount you borrowed is less than £15,000 (for loans taken out **before** 1 May 1998) or £25,000 (for loans taken out **after** 1 May 1998) **and** the lender has 'called in' the loan (i.e. issued a **default notice**).

## Companies offering "debt relief schemes"

There are a number of private companies who offer to take over all your debts in exchange for a monthly fee. They advertise on TV, the internet and by dropping leaflets and knocking on people's doors. They target homeowners with financial difficulties by offering to solve their debt problems by paying off all the people they owe money to in exchange for a single monthly payment.

Many of these debts may be credit debts (credit cards, store cards, and non-secured bank debts) and your home is not at risk if you fall behind with these payments; however, **most of these companies will only offer to clear your debts if their loan is secured against your property**. This means that if you do not keep up with your monthly payments to the loan company they can repossess your home.

If you have a lot of different debts and you are unsure about how to deal with them, seek advice from the CAB or other independent debt adviser. The 'debt relief schemes' run by private companies are not recommended and there are often much better ways of dealing with your debts.



# Can I get any help with my mortgage payments?

If you have lost your job, you may be able to claim benefits to help with your mortgage payments. It is worth checking whether you may be entitled to any of these before negotiating with your lender.

## Help with mortgage interest payments

If you are claiming **Income Support** or **Income-Based Job Seeker's Allowance** or **Pension Credit Guarantee**, you may be entitled to help with your mortgage interest payments ("support mortgage interest"). The amount you receive will depend on the type of mortgage you have and when you took it out. The following rules apply:

- You can only get help to cover the interest payments, not the original capital you borrowed. If you have a repayment mortgage, your monthly mortgage payments will be made up of capital and interest so the amount of help you receive will be based on the proportion that is interest. If you have an interest only mortgage, you cannot get help to cover the endowment policy.
- Any payments will only be given in respect of your original loan, not on any subsequent remortgages.
- You can only get mortgage interest payments on the first £200,000 of your mortgage. There are some exceptions, for example, you borrowed extra to make disabled adaptations to your property.
- The amount of mortgage interest that is paid is usually based on the Bank of England's base rate, not the rate you may be paying. This could mean that it will not cover all your interest payments.
- As from 5 January 2009, you will generally get no help for the first 13 weeks. This is because the government expects borrowers to have taken out mortgage payment protection insurance, or have some savings.
- Any mortgage interest payments that are awarded are usually paid direct to your mortgage lender by the Department of Work and Pensions (DWP).



## Exceptions to the 13 week waiting period

- If you or your partner are aged 60 or over and claiming Pension Credit Guarantee, you can get help immediately.

If any of the following apply, you may be able to get some help after 8 weeks but you will not get your full entitlement for 13 weeks:

- You are claiming Income Support and caring for someone with an illness or disability.
- You have been denied mortgage payment protection insurance because of a pre-existing illness.
- Your partner has died or left and is not providing financial support (you need to have a child living with you and be eligible for Income Support).
- You are a prisoner on remand.

### You may also be able to get help if:

- You are liable for other costs, for example ground rent or service charges. Not all of these costs are eligible so get advice if this applies to you.
- The mortgage is in someone else's name. In these cases the DWP will decide if it is 'reasonable' for you to pay the mortgage in order to keep your home.
- You cannot usually get help to cover the interest payments on a second mortgage or secured loan unless it was used for certain improvements, e.g. disabled adaptations. Get advice if you think this could apply to you.

The rules surrounding mortgage interest payments can be complex. If you are unsure about whether you would be eligible or how much you are likely to receive, get advice from the CAB or other independent advisor. Remember that even if you do qualify, you are still likely to have to contribute towards your mortgage. The amount you will have to pay will depend on the type of mortgage that you have and the current interest rate.



## The Homeowner Mortgage Support Scheme

The government recently announced measures to assist some homeowners who suffer a temporary drop in income. The scheme will allow borrowers to reduce their monthly payments until their circumstances improve, up to a maximum of 2 years. The arrears would then be added to their mortgage to be repaid at a later date. The scheme is voluntary to lenders and is subject to the following eligibility criteria. To qualify, borrowers will need to demonstrate that they:

- have suffered a loss in income from employment which makes mortgage payments difficult, but which is not expected to be a permanent loss of income.
- have been negotiating with their lender and making some level of regular payment.
- have taken out a mortgage of up to £400,000.
- have savings below £16,000.
- are not in receipt of benefits to help with mortgage payments or other mortgage rescue assistance.
- have been assessed as being able to pay a certain amount on a regular basis.
- have received financial advice from a party other than their lender to determine their eligibility for the scheme, including an assessment of their financial position, and their ability to resume full payments once their income increases.
- have fallen into arrears for a number of months during which their lender has exercised forbearance (restraint).

Not all lenders have agreed to participate in the scheme. For further information visit [www.direct.gov.uk](http://www.direct.gov.uk)

Updated Apl 09



# What to do if you lose your job

If you become unemployed or have a reduction in the household income, it is important to apply for any benefits or tax credits you may be eligible for immediately. You will usually only be paid from the date of your claim and some means tested benefits will entitle you to help with your mortgage payments (Support Mortgage Interest or SMI) after 13 weeks. (See also the green sheet entitled "Can I get any help towards my mortgage payments")

To register your claim for benefit you should telephone Jobcentre Plus on 0845 603 6095. A benefits adviser will take your personal details and complete a claim form over the phone. Two copies of the claim will then be sent to you to verify and sign. You will need to return one copy to the Department for Work & Pensions (DWP) and you should keep the other copy as a record of your claim. It is important to check the details of the claim carefully and correct any mistakes as the type of benefit you are awarded will depend on the information on the claim form.

## Jobseekers Allowance

If you are unemployed and available for work you may be eligible for Jobseekers Allowance (JSA). There are two types of Jobseekers Allowance:

- **Contribution based** – This is awarded if you have paid the required amount of National Insurance contributions. It is not means tested, so savings and other household income is not taken into account. It is only awarded for 6 months after which time you would have to apply for means tested Jobseekers Allowance. It will **not** automatically entitle you to other benefits e.g. Council Tax Benefit or Support Mortgage Interest (after 13 weeks).
- **Income based** – This is awarded if you have not paid the required number of National Insurance contributions or if you are including other household members on your claim. All household income will be taken into account, including income from lodgers, contributions from adult children and any savings above £6,000. If you are awarded income based Jobseekers Allowance, you will also be entitled to full Council Tax Benefit and Support Mortgage Interest payments after 13 weeks. You will also be entitled to free prescriptions, dental treatment and eye tests and free school meals.

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# Claiming other social benefits and tax credits

## Employment & Support Allowance (ESA)

If you are unable to work because of illness or disability, you may be eligible for the Employment & Support Allowance (ESA). To claim ESA telephone 0800 055 6688 or speak to Jobcentre Plus. There are two types of ESA, **contribution based** (which is based on your National Insurance contributions) and **income based** (which is means tested). As with JSA, **income based** ESA will entitle you to Council Tax Benefit, Support Mortgage Interest (after 13 weeks), free prescriptions etc.

To qualify for ESA, you will have to go through a 13 week assessment phase. During this period you will have to have a **Work Capability Assessment**. You will need to complete a questionnaire and then a trained healthcare professional will assess how your illness or disability affects your capability for work. You may be asked to provide a medical report or other supporting information. Most people will then be asked to attend a local health centre for a medical assessment. You must attend the medical otherwise your claim will be turned down.

During the assessment period you will receive the same levels of benefit as Jobseekers Allowance. At the end of 13 weeks, a decision will be made on whether you are eligible for ESA. If you are not, you will be invited to apply for Jobseekers Allowance. If you disagree with the decision, you can ask for it to be reviewed. This must be done within 1 month of the date of the decision letter. It is advisable to seek independent benefits advice when asking for a review of this decision.

If you are awarded ESA you will be entitled to increased payments after 13 weeks. Most people receiving ESA are placed in the **Work Related Activity Group**. You will be expected to attend work focussed interviews and you will also have access to a personal adviser who will offer advice on employment, training and 'condition management support'.

## Disability Living Allowance & Attendance Allowance



If you have an illness or disability that is likely to be long term you may be entitled to Disability Living Allowance (DLA) or Attendance Allowance if you are over 65.

Disability Living Allowance is assessed on whether you have care or mobility needs as a result of your condition. Your application will usually need to be supported by a medical professional or other person with knowledge of your medical circumstances. DLA is not means tested and is not usually taken into account when assessing eligibility for other benefits. To make a claim for DLA, call the Disability Living Allowance & Attendance Allowance Helpline on 01179 718311. It is advisable to get advice from the CAB, a support worker or other independent adviser before completing your application form.

If you are over 65 and you have a long term illness or disability you can apply for Attendance Allowance. Attendance Allowance is based on care needs only and is not means tested. Your application will usually need to be supported by your GP or other professional with knowledge of your medical circumstances.

### **Carer's Allowance**

If you care for someone who is sick or disabled for more than 35 hours a week, and they are in receipt of the middle rate care component of DLA, or in receipt of Attendance Allowance you may be eligible for Carer's Allowance. You will need to give details of your income and Carer's Allowance is taken into account when assessing other benefits. To make a claim, contact the Carer's Allowance Helpline on 01253 856123.

### **Income Support**

Income Support is usually paid to lone parents with children under 16. It is means tested so all household income and savings above £6,000 are taken into account. If you qualify for Income Support you will also be entitled to full Council Tax Benefit, Support Mortgage Interest and free prescriptions etc. To claim Income Support, contact Jobcentre Plus.

### **Council Tax Benefit**



If you are in receipt of any of the above income based (means tested) benefits, you will usually be entitled to full Council Tax Benefit. If you have adult children or other non dependants living with you, a deduction will be made and you will be required to pay a top up. If you are working, you may also be entitled to some Council Tax Benefit. The amount you receive will depend on your household income and your personal family circumstances. You will need to provide proof of your income and any benefits you receive. To apply for Council Tax Benefit contact your local council and ask for a Housing & Council Tax Benefit claim form.

If you are a shared equity owner, you may also be eligible for Housing Benefit to help with your rent payments. You will need to provide proof of your rent and confirmation of the percentage of the property that you own. The claim for Housing Benefit will then be considered in conjunction with the claim for Council Tax Benefit. If you in receipt of a means tested benefit, you may also be eligible for Support Mortgage Interest (SMI) payments after 13 weeks to help cover your mortgage payments.

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

See separate factsheet on 'Can I get any benefits to help with my mortgage payments?' (green sheet)

### **Working Tax Credit & Child Tax Credit**

You may be entitled to Working Tax Credit if you or your partner work more than 16 hours a week (and you have children) or aged under 50 and working at least 30 hours a week (if you are single or do not have children). The amount you receive will depend on your earnings and the number of children that you have. To claim Working Tax Credit & Child Tax Credit, telephone the Tax Credit Customer Helpline (HM Revenue & Customs) on 0845 300 3900. If you have an existing claim for Working or Child Tax Credit and you have a reduction in your household income, you should notify the Tax Credit Office immediately so that your claim can be reassessed.

If you are aged 50 or over and have been in receipt of a qualifying benefit (e.g. Jobseekers Allowance, Income Support, Carer's Allowance) for at least 6 months prior to starting work, you will be able to apply for Working Tax Credit if you work at least 16 hours a week. This is usually only awarded for 1 year and the amount you receive will depend on your earnings.



## Pension Credit & Pension Credit Guarantee

If you are aged 60 or over and you become unemployed, you will usually be awarded Pension Credit. To make a claim, contact Jobcentre Plus on 0845 603 6095. The amount you receive will depend on your income and your level of savings. If you are also applying for your spouse/partner and there is little or no additional household income, you may be eligible for Pension Credit Guarantee. If you are awarded Pension Credit Guarantee, you will also be eligible for Support Mortgage Interest payments immediately. You will also be eligible for Council Tax Benefit, free prescriptions etc. If you have any queries concerning your eligibility for Pension Credit or Pension Credit Guarantee, contact your local Age Concern or other independent benefits adviser.

### Further Information

For further information and details of eligibility criteria for any of the benefits or tax credits listed visit the government website [www.direct.gov.uk](http://www.direct.gov.uk). For other independent advice see factsheet 'Sources of advice, information and support' included in this pack. (yellow sheets)

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## A quick guide of things to do and not do

### Do:

- Contact your mortgage lender. The quicker you take steps to address the situation, the more options you will have.
- Prioritise your mortgage and secured loan payments before paying anything else.
- Prepare a financial statement (personal budget) and get advice from the CAB or other independent advisor about your mortgage options.
- Be realistic about what you can afford to pay when you negotiate with your lender. Remember that it is better to make a smaller offer and stick to it rather than struggle to pay a higher amount.
- If you cannot afford your current mortgage payments get advice **before** negotiating with your lender. It may be possible to offer reduced payments in the short term.
- Check whether you are entitled to any benefits or tax credits.
- If you cannot increase your income, look at ways of making savings. If you have other debts you may need to renegotiate these payments. The CAB or other independent debt advisor can help you do this.
- Keep all your mortgage paperwork together. Check that you know the total amount you owe, including any fees that may have been added to your account. Make a note of your current interest rate. All this will help if you need to get advice or negotiate with your lender.
- Put your debts in order of priority. For further information see factsheet on dealing with other debts. After you have come to an agreement with your mortgage lender, you will need to address other priority debts like council tax and utility bills before any credit debts like credit cards, store cards etc.
- If your lender is taking you to court remember that you will not necessarily lose your home. The judge will want to make an order that is fair to both parties. Seek urgent advice before the court date and always attend the hearing.



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## Don't:

- Don't ignore the problem. It will not go away and it will only get worse.
- Don't feel that you have to deal with the problem alone. You can get free independent advice in person, on the telephone or online.
- Don't assume there is no solution. There often is but you need to act quickly.
- Don't borrow money to pay off existing debts. This could lead to further problems.
- Don't pay other debts instead of your mortgage. If you have credit debts (credit cards, store cards, unsecured bank loans etc) you may be contacted several times a day but these debts are NOT as important as your mortgage or secured loans. Don't feel under pressure to come to an agreement. Tell them that you are seeking advice and will get back to them at a later date.
- Don't be tempted by private companies who offer to repay all your debts in return for a monthly payment. They usually only do this if the loan is secured against your property. This means credit debts will become priority debts because if you do not keep up with the payments the company can repossess your home. There are better ways of dealing with these debts so always get advice from the CAB or other independent advisor before you agree to a 'debt relief scheme'.
- Don't spend money on non-essential items. Complete your financial statement (personal budget) and look at ways of making savings.
- Don't be tempted to hand back the keys to your property. You will still remain liable for the arrears and costs until the property is sold. You will not gain financially by doing this and if you have no alternative accommodation, the council may decide that you have made yourself intentionally homeless and it will not therefore have a duty to re-house you.



# Advice on completing a financial statement

Most lenders and other creditors will ask for a copy of your financial statement before they will agree to a repayment plan. It is important to prepare this carefully because anyone you owe money to will want to see that you are prioritising your debts before money is spent on non essential items.

## 1. Calculate your total monthly income

Include your pay, and any benefits, tax credits or maintenance you receive. If you have rented out a room in your home, include the rent you charge. Most lenders would prefer your budget to be calculated on a monthly basis so if you get paid weekly, multiply your total weekly income by 52 and divide it by 12 to give you a monthly figure.

## 2. Identify your priority bills and calculate the monthly costs for:

- Mortgage & Secured loans
- Council tax
- Gas/Electricity/Oil
- Water
- TV licence
- Maintenance payments
- Income Tax/National Insurance/VAT (if you are self- employed)
- Hire purchase agreements (if the goods are essential household items or used for work)
- Telephones and mobile phones if they are essential for work, childcare or health reasons
- Childcare costs (if you are receiving working tax credits you may be able to get help with these costs)

## 3. Work out your monthly food and household costs. Remember to budget for the following:

- Food
- General household items
- Toiletries and nappies
- Clothing, shoes & school uniforms
- Ongoing telephone and mobile phone charges
- Insurance
- Car expenses
- Other travel costs



- Pets
- Prescriptions, glasses, hair cuts and dental expenses
- Satellite/cable TV
- School clubs and trips
- Christmas and birthdays
- Emergencies and sundry items
- Entertainment

## What are reasonable household expenses?

Remember that if you have difficulty paying your mortgage and other debts, you will need to show that you are budgeting carefully to try and meet your payments. Organisations such as the CAB use the following figures as a guide for food and general household items when working out a budget:

- Single person      £35 - £45 per week (£152 - £195 monthly)
- Couple              £60 - £75 per week (£260 - £325 monthly)
- Each child          £20 - £35 per week ( £87 - £152 monthly)

If your monthly expenses are higher than your total monthly income, you will need to try and make savings. Remember that your lender will look carefully at your budget and if you are spending money on non-essential items they will ask you to make savings in these areas. Areas of expenditure often identified as non-essential include the following:

- Food and household expenses if they exceed the above figures
- Entertainment costs, including subscriptions to Satellite TV and Broadband
- Smoking and drinking
- Mobile phone costs, particularly if you have several contracts
- Luxury items, including holidays
- Car expenses if you do not need the car for work, childcare or health reasons
- Payments towards debts that are not covered under priority expenditure (catalogues, store cards, credit cards etc)

If you have children, it is not unreasonable to budget for school trips, clubs, Christmas and birthdays provided the amount allocated is not excessive. This will depend on your personal circumstances and the number of children you have but as a guide, allow £5 - £25 per week (£22 - £108 per month) for each child.

It is also reasonable to include a figure of between £3 and £5 per week per person for clothes and shoes.



## 4. Identify your priority debts

Priority debts are your most important debts because failure to pay them can result in the loss of your home, your possessions, the disconnection or loss of essential services or imprisonment. If you have not kept up with payments on any of your priority bills, these will be your priority debts. Make a list of the arrears owing for each and any payments you are making in addition to your ongoing charges. You should also include any court fines or benefit/tax credit overpayments you are currently repaying. (For more information about priority debts see factsheet on dealing with other debts.)

## 5. Identify your credit debts

You need to include details of your credit debts as this will give your lender a more complete picture of your financial circumstances. Remember that you should not pay any of these debts until you have agreed a repayment plan with your mortgage lender AND other priority creditors. Credit debts include the following:

- Credit cards
- Store cards
- Catalogue payments
- Bank overdrafts and loans (if they are NOT secured against your property)
- Hire purchase agreements (if the items are not for work or essential household items)
- Benefit overpayments (if you are not currently receiving benefits)
- Money owed to friends and family
- Doorstep lenders

## 6. Completing your financial statement

Once you have worked out your total monthly income and calculated your priority bills and household costs, you will have a much better idea about how your money is being spent and where savings can be made. You can then complete your financial statement. Remember to:

- Give a full breakdown of your monthly income as well as the total figure.
- Give details of all your priority bills and household expenses.
- Give details of any priority debts.
- Give details of any credit debts.



## What if my monthly outgoings exceed my income?

If you don't have sufficient income to cover your essential bills and household expenditure and pay your priority debts, you should check the following:

- Go through your financial statement and see whether any other expenditure can be reduced.
- Make sure you are not paying any credit debts at the expense of your priority debts.
- Check that you are getting all the benefits and tax credits you are entitled to.
- If you or a member of your household has a long-term illness or disability, get advice about whether you may be entitled to Disability Living Allowance, Attendance Allowance or Carer's Allowance.

If your outgoings still exceed your income, you will need to look at ways to increase your income. The following are some suggestions:

- If you have adult children living with you, ask them to contribute to the household income (or increase existing contributions).
- If you have a spare room, consider taking in a lodger.
- If you are able to, take advantage of any overtime or additional work.
- If you receive maintenance payments, see whether they could be increased.
- If you have children in further education, check whether they are entitled to an Education Maintenance Allowance.
- Utility companies such as EDF Energy, South West Water and British Gas have special assistance funds that can offer grants to individuals or families in financial difficulty. Contact the company or get advice from the CAB to see whether you would qualify.
- Get advice from the CAB or other independent advisor about whether there are any charities you can apply to.

**If you are unsure about how to complete your financial statement or if your monthly outgoings still exceed your income and you cannot make any savings, get advice from the CAB or other independent advisor immediately.**



# Dealing with other debts

Once you have come to an agreement with your mortgage lender you should consider your other debts. If you have other priority debts they should be negotiated first. Your priority debts are the most important because of what can happen if they remain unpaid.

## What are priority debts?

- Mortgage arrears
- Secured loan arrears
- Council tax arrears
- Gas/Electricity arrears
- Court fines
- Hire purchase arrears (for essential items)
- Maintenance payments arrears
- Income tax/National Insurance/VAT arrears
- TV licence arrears
- Benefit and tax credit overpayments (if you are currently receiving them)
- Water arrears

Once you have identified your priority debts, refer to your financial statement to decide what payments you can afford. It may help to list the debts according to their size but it is also important to consider what action is being taken against you. If you are being threatened with any of the following it is important to get advice from the CAB or other independent advisor quickly:

- Court proceedings
- Disconnection of gas and electricity supplies
- Repossession of essential items
- Enforced deductions from wages or benefits
- Bailiffs (also called **distrain**)
- Bankruptcy proceedings
- Imprisonment

Only offer payments you can afford. It is more important to stick to any agreement than to struggle to pay a higher amount. If you miss payments the creditor is likely to take further action against you. If the creditor is unwilling to accept your offer, send a copy of your financial statement. If they still do not accept your offer, get independent advice.



## **If you do not have any additional income to pay your priority debts check whether:**

- You are getting all the benefits and tax credits you are entitled to.
- Your bills are being spread out over the year to avoid large payment demands.
- There are any more expenses you can reduce.
- All household members are contributing where appropriate.

If your outgoings still exceed your income, seek specialist advice from the CAB or other independent advisor. Remember that you must find a way to pay your priority debts otherwise you risk losing your home or possessions or the disconnection of essential supplies and possibly imprisonment.

## **Credit debts**

When you have agreed a repayment plan for your priority debts, you should consider your credit debts. Credit debts are not as important as priority debts because the creditors do not have the same powers to recover the debts. However, if you are a home owner, they can go to court and register a charge against your property. This usually means that you will have to pay the debt when the property is sold. Some creditors will also make people bankrupt which could ultimately lead to the loss of the home. It is therefore important to consider these debts and offer payments that you can afford.

## **Credit debts include:**

- Credit cards
- Bank loans and overdrafts which are unsecured
- Store cards
- Catalogue debts
- Doorstep lenders
- Loans from friends and family
- Debts owed to vets/solicitors/accountants etc (if you still need to use their services it is worth negotiating these first)

Once you have identified your credit debts you should list them in order of size. Any income you can spare to pay off your credit debts should be apportioned according to the size of the debt. This means that the larger the debt, the bigger the offer of payment.



You also need to take special account of any debts which could affect your ability to access services. If you are unsure about how much to offer your creditors, get advice from the CAB or other independent debt advisor.

## What to do if you cannot pay your credit debts

If you do not have any surplus income you should contact your creditors and inform them of this. Offer to make a nominal payment of £1.00 per month for a fixed term e.g. 6 months and ask for the situation to be reviewed then. Put this offer in writing and enclose a copy of your financial statement. You can also ask for the interest and charges to be frozen until your financial circumstances can be reviewed again. This will prevent the debt increasing over time.

When writing to your creditors it may help to contact the CAB, National Debt Helpline or other organisations offering independent debt advice as they have copies of sample letters that you can use. The information is also available on their websites. (For details see factsheet on sources of advice, information and support).

If your creditors refuse your offer or are unwilling to freeze the interest and charges on your account, you should start paying the amount you have offered anyway and seek advice from the CAB or other independent debt advisor.



## Sources of advice, information and support

There are a number of organisations which offer free, independent and confidential advice. You can contact them by phone, or get information from their websites. If you are using a search engine like Google to access websites, be aware that a number of companies advertise mortgage rescue schemes on pages that are likely to be visited by people with mortgage arrears. If you would prefer to see someone in person, contact your local CAB.

### For debt and benefits advice

Citizens Advice Bureau (CAB)  
0844 4994101 [www.adviceguide.org.uk](http://www.adviceguide.org.uk)

National Debt Helpline  
0808 800 4444 [www.nationaldebtline.co.uk](http://www.nationaldebtline.co.uk)

Consumer Credit Counselling Service  
0800 1381111 [www.cccs.co.uk](http://www.cccs.co.uk)

Homemaker Southwest  
01392 686758 [www.homemakersw.org.uk](http://www.homemakersw.org.uk)

### For independent financial advice

The Financial Services Authority (FSA)  
[www.fsa.gov.uk](http://www.fsa.gov.uk) (click on the link to Money Made Clear)

Payplan  
0800 917 7819 [www.payplan.com](http://www.payplan.com)

The Council of Mortgage Lenders [www.cml.org.uk](http://www.cml.org.uk)

The Money Advice Trust [www.moneyadvicetrust.org](http://www.moneyadvicetrust.org)

### For information on benefit entitlement

Department for Work & Pensions (DWP) [www.dwp.gov.uk](http://www.dwp.gov.uk)

Jobcentre Plus  
0845 603 6095 [www.jobcentreplus.gov.uk](http://www.jobcentreplus.gov.uk)

For more advice about benefits and Tax Credits  
[www.direct.gov.uk](http://www.direct.gov.uk)



Tax Credit Customer helpline (HM Revenue & Customs)  
0845 300 3900

Disability Living Allowance and Attendance Allowance Helpline  
New claims 01179 718311  
Existing claims 0845 123456  
Carers Allowance helpline 01253 856123

## For housing advice

Shelter  
0808 800 4444 [www.shelter.org.uk](http://www.shelter.org.uk)

## Local Council's

East Devon District Council 01395 516551  
The Knowle, Sidmouth EX10 8HL

Exeter City Council 01392 277888  
Civic Centre, Paris Street, Exeter EX1 1JN

Mid Devon District Council 01884 255255  
Phoenix House, Phoenix Lane, Tiverton EX16 6PP

North Devon District Council 01271 327711  
Civic Centre, North Walk, Barnstaple EX31 1EA

Plymouth City Council 01752 668000  
Civic Centre, Royal Parade, Plymouth PL1 2AA

South Hams District Council 01803 861234  
Follaton House, Plymouth road, Totnes TQ9 5NE

Teignbridge District Council 01626 361101  
Forde House, Brunel road, Newton Abbot TQ12 4XX

Torbay Council 01803 201201  
Town Hall, Castle Circus, Torquay TQ1 3DS

Torrige District Council 01237 428700  
Bridge Buildings, Bridge Street, Bideford EX39 2HT

## Utility companies

EDF Energy  
0800 085 0000 [www.edfenergy.com](http://www.edfenergy.com)

South West Water  
0800 0830 283 [www.swwater.co.uk](http://www.swwater.co.uk)



British Gas  
0845 955 5313 [www.britishgas.co.uk](http://www.britishgas.co.uk)

## Local Citizens Advice Bureau's

Barnstaple CAB 01271 377077  
Ground Floor, Belle Meadow Court, Albert lane, Barnstaple EX32 8RJ

Bideford CAB 01237 473161  
28a Bridgeland Street, Bideford EX39 2PZ

Crediton CAB 01363 778410  
Council Office, Market Street, Crediton

Exeter CAB 0844 4994101  
Wat Tyler House, King William Street, Exeter EX4 6PD

Exmouth CAB 01395 264645  
Town Hall, St Andrews Road, Exmouth EX8 1AW

Holsworthy CAB 01409 253372  
Manor Offices, Holsworthy, EX22 6DJ

Honiton Library & Information Centre, 48-50 New Street, Honiton

Ilfracombe CAB 01271 377077  
The Candar, Ilfracombe, EX34 9ER

Ivybridge CAB 01803 862392  
The Town Hall, Ivybridge PL21 0SZ

Newton Abbot CAB 01626 203141  
Bank House Centre, 5b Bank Street, Newton Abbot TQ12 2JL

Okehampton CAB 01837 52574  
The Ockment Centre, North Street, Okehampton EX20 1AR

Paignton CAB 01803 521726  
29 Palace Avenue, Paignton TQ3 3EQ

Plymouth CAB 0844 826 717  
2<sup>nd</sup> Floor, Cobourg House, 32 Mayflower Street, Plymouth PL1 1QX

Sidmouth CAB 01404 44213  
The Community Partnership, Mill Street, Sidmouth EX10 8DF

Tavistock CAB 01822 612359  
Kingdon House, North Street, Tavistock PL19 0AN

Teignmouth CAB 01626 776770  
Teignmouth Library, Fore Street, Teignmouth TQ14 8DY

Tiverton CAB 01884 234926  
The Town Hall, St Andrew's Street, Tiverton EX16 6PG



Torquay Debt Advice Unit                      01803 297803  
11 Castle Road, Torquay TQ1 3BB

Totnes CAB                      01803 862392  
The Cottage, Follaton House, Plymouth Road, Totnes TQ9 5NE

There are also CAB advice centres which offer more limited services in smaller towns, check the main CAB website [www.adviceguide.org.uk](http://www.adviceguide.org.uk) for details.

## Local Courts & legal advice

Exeter Crown and County Court  
Southernhay Gardens, Exeter  
EX1 1UH    01392 415300

Torquay and Newton Abbot County Court  
The Willows  
Nicholson Road  
Torquay  
TQ2 7AZ    01803 616791

Plymouth Combined Court  
10 Armada Way  
Plymouth  
PL1 2ER    01752 677400

Barnstaple County Court  
7<sup>th</sup> Floor, The Civic Centre  
North Walk  
Barnstaple  
EX31 1DY    01271 372252

Yeovil County Court  
22 Hendford  
Yeovil  
BA20 2QD    01935 382150

Legal Services Commission  
0845 345 4345    [www.communitylegaladvice.org.uk](http://www.communitylegaladvice.org.uk)

Bailiff Advice    [www.bailiffadviceonline.co.uk](http://www.bailiffadviceonline.co.uk)

## Advice for ex-service personnel

Royal British Legion  
0845 772 5725    [www.britishlegion.org.uk](http://www.britishlegion.org.uk)

Soldiers, Sailors, Airmen and Families Association (SSAFA)  
0800 731 4880    [www.ssafa.org.uk](http://www.ssafa.org.uk)



# Glossary of terms

## Mortgage terms

### **Mortgagee**

This is the company providing your mortgage loan, eg building society

### **Mortgagor**

This is the term used to describe you, the borrower.

### **Interest only mortgages**

Interest only mortgages are where you pay the interest on the loan only. The capital will need to be repaid by paying into an endowment or other form of approved policy which should cover the original loan (capital) at the end of the fixed term.

### **Repayment mortgages**

Repayment mortgages are designed to cover both the interest and capital payments so that at the end of the fixed term the entire loan is repaid.

### **Secured loan**

A secured loan is a loan which is secured against a valuable asset, usually property. If you do not keep up with the payments, your property can be repossessed in order to repay the loan.

### **Equity**

If your home is worth more than your mortgage and other loans that have been secured against it, you will have equity in your property. The amount of equity will be determined by the value of the property less the loans set against it. This can vary over time, depending on property prices.

### **Negative equity**

Negative equity is the term used if the value of your property is less than the mortgage and other loans secured against it.

## Financial terms



## **Creditor**

A creditor is anyone you owe money to.

## **Calling in notice/default notice**

A creditor will send a calling in notice (also called a default notice) if you do not contact them to arrange to clear the debt or if you have not kept up with your repayment plan. They will usually ask for the entire debt to be repaid within a certain timescale (usually 7 days). They often threaten to start legal proceedings if you do not contact them or repay the debt.

## **Bank of England Base Rate**

This is the national rate of interest which is set by the Governor of the Bank of England.

## **Property terms**

### **Assured shorthold tenancy**

Assured shorthold tenancies are commonly used in the private rented sector. They give very limited protection from eviction. A landlord can give you a notice to quit after 6 months. They still need to get a court order to evict you but there is no defence to the proceedings provided the correct notice has been issued.

### **Assured tenancy**

Most housing association tenancies are assured tenancies. An assured tenancy gives a tenant more housing rights. You cannot be evicted unless you have breached the terms of your tenancy agreement.

### **Freeholder**

You are a freeholder if you own the entire building. Most houses are owned as a freehold but flats are usually sold as leaseholds.

### **Leaseholder**

A leaseholder owns the rights to their part of the building (e.g. a flat or annex) for a specified time. This is usually for 100 years and at the end of the lease ownership of the property will revert to the freeholder. If you are a leaseholder you may also be liable for ground rent and service charges to maintain the communal parts of the building.

### **Shared ownership**

If you purchase your home on a shared ownership basis, you will have a mortgage on one part and rent the other, usually from a



housing association. You can purchase additional shares if your circumstances permit, thereby increasing your ownership of the property. This is called 'staircasing'.

## Court terms

### **Particulars of claim**

If a creditor takes you to court, they will need to complete a 'particulars of claim' form. This outlines the details of their case against you. You should receive a copy of the form from the court.

### **Defence form**

If a creditor is taking you to court, the court will send you a 'defence' form to complete and return to the court before the hearing. This is an opportunity for you to provide any information that is relevant to the court.

### **Notice of eviction**

If the court awards possession of your property to your lender, you will receive a 'notice of eviction'. This will tell you the date and time that the bailiff will call to take possession of your property.

### **Application to suspend a warrant**

If the court awards possession of your property to your lender, you can appeal against the decision by completing form N244 (application to suspend a warrant) and returning it to the court. A hearing will then be arranged to consider your application.

### **Time orders**

A 'time order' can only be made by a court and it refers to secured loan or second mortgage repayments. The court can fix the amount you pay for a specified time but there are conditions (see factsheet on secured loans).

### **Distrain**

Distrain is the term used for the seizure of goods or possessions by bailiffs.

Updated Apl 09

